

Project Data Summary Sheet¹⁴⁷

Project Number	SEA1000 Phase 1B
Project Name	FUTURE SUBMARINES DESIGN ACQUISITION
First Year Reported in the MPR	2019 - 20
Capability Type	Replacement
Capability Manager	Chief of Navy
Government 1st Pass Approval	N/A
Key Government pre-Second Pass Approval	Feb 19
Budget at Key Government pre-Second Pass Approval	\$5,952.5m
Total Approved Budget (Current)	\$5,818.2m
2020-21 Budget	\$768.3m
Complexity	ACAT 1



Section 1 – Project Summary

1.1. Project Description

SEA1000 Phase 1B intends to deliver a fleet of 12 regionally superior conventionally powered submarines to be known as the Attack Class. The Attack Class fleet will be built in Australia by an Australian workforce, at a purpose built Submarine Construction Yard, which will be owned by the Commonwealth through Australian Naval Infrastructure and operated by Naval Group. The Future Submarine Program will provide Australia with an enduring sovereign submarine capability, with the ability to build, operate, and sustain submarines in Australia into the future.

1.2. Current Status

Cost Performance

The in-year variation of **\$137.6m** is predominately attributed to not entering the next contracted work scope as initially forecast with Naval Group and Lockheed Martin Australia not achieving the expected labour levels in the Design, Build and Integration Contract. There is also lower than anticipated expenditure against other contractor support.

Project Financial Assurance Statement

As at 30 June 2021, project SEA1000 Phase 1B has reviewed the projects approved scope and budget for those elements required to be delivered by Defence. Having reviewed the current financial contractual obligations of Defence for this project, current known risks and estimated future expenditure, Defence considers, as at the reporting date, there is sufficient budget remaining for the project to complete against the agreed scope.

Contingency Statement

The project has not applied contingency in the financial year or in prior years.

Schedule Performance

The Future Submarine Program (FSP) is continuing to work towards delivery of the first Attack class submarine in the early 2030s, subject to future Government Approvals beyond the design work currently Approved for Phase 1B of the Program.

In September 2017, the Commonwealth, Naval Group, and Lockheed Martin Australia completed a pre-sizing activity to determine the initial sizing envelope of the Attack class submarine. The pre-sizing activity was followed by a successful Preliminary System Requirements Review, which was completed in October 2017 on schedule and marked the end of Functional Analysis and the first phase of design.

The successful completion of Functional Analysis allowed entry to the phase of design known as Feasibility Studies. System Requirements Review (Feasibility Studies) was completed on schedule on 20 March 2018.

The Concept design process for the Attack class submarine involved refinement of the design and associated artefacts to maintain alignment with requirements, as requirements transition in parallel from preliminary to final status. It was vital to ensure that the concept design was concluded on a sound basis before the Project committed more resources to the next level of design, avoiding any costly and lengthy re-work in the future that are likely to arise if the concept design is not robust.

The Concept Studies Review was not completed as originally planned in September 2018 due to the need to further develop the transverse balances and the Definition Plan for the subsequent design phase. The rescheduled Concept Studies Review was conducted in November 2018, corrective actions were completed by January 2019 and the Concept Studies Review **action** was satisfactorily completed in February 2019.

Compared to pre-contract estimates for the progression of design, an extended schedule for the design work has been implemented under the Submarine Design Contract (SDC) – the first program contract executed under the Strategic Partnering Agreement. This

147 Notice to reader

Forecast dates and Sections: 1.2 (Materiel Capability Delivery Performance), 1.3 (Major Risks and Issues), 4.1 (Measures of Materiel Capability Delivery Performance), and 5 (Major Risks and Issues) are excluded from the scope of the ANAO's review of this Project Data Summary Sheet. Information on the scope of the review is provided in the *Independent Review Report by the Auditor-General* in Part 3 of this report.

schedule addresses the need for high-levels of design maturity required by Defence as the design phase of the Program progresses. Design work has continued to progress to the required level of maturity under the Submarine Design Contract. The extended period for the design work has not impacted the scheduled delivery date of the first or follow on submarines.

Under the Submarine Design Contract, the Functional Ship Systems Requirements Review was scheduled for 31 October 2019 and experienced a delay of five weeks to conduct the review. **Actions from this review were completed across the first half of 2020 and the Functional Ship System Requirements Review was formally closed in August 2020.** The delay was assessed as recoverable by the next major milestone review, Functional Ship - System Functional Review (FS-SFR) **however some delay in readiness for the FS-SFR was realised. The Commonwealth elected to enter the FS-SFR as planned in January 2021 on the basis that a credible action plan was in place to confirm the design baseline for the Definition design phase. The program expects to formally exit the FS-SFR in Q3 2021 to support commencement of the Functional Ship Preliminary Design phase.**

Material Capability Delivery Performance

SEA1000 Phase 1B does not currently have any materiel capability delivery approved. The project is currently approved for:

- a. design including functional analysis, feasibility studies, design definition studies and basic design to enable design and construction of 12 regionally superior Future Submarines; and
- b. design and construction of the Submarine Construction Yard infrastructure and facilities to enable, build integration and testing of platform and combat system elements of the Future Submarine.

Capability requirements continue to be refined and assessed against the approved scope, cost and schedule.

Note

Forecast dates and capability assessments are excluded from the scope of the Auditor-General's Independent Assurance Report.

1.3. Project Context

Background

The SEA1000 Phase 1B Program is a large and complex program tied into the National Naval Shipbuilding Plan. The Program is in the design stage, and has multiple Government decision-making points.

Initial options for the Future Submarine included a Military Off The Shelf (MOTS) or modified MOTS design, evolved Collins design and a new design. MOTS and modified MOTS options were removed from consideration following Government consideration in April 2013, based on an inability of available designs to meet Australia's essential capability requirements. Following extensive investigation into an evolved Collins design, Government agreed in September 2014 to cease work on progressing this option based on the effort required being equivalent to a new design.

On 26 April 2016, Government announced that Naval Group of France has been selected as the international partner to work with Australia on the design and delivery of the Future Submarines. The Design and Mobilisation Contract was signed with Naval Group on 30 September 2016 formally commencing design of the Future Submarine. The Strategic Partnering Agreement (SPA) was signed on 11 February 2019, an overarching agreement between the Commonwealth and Naval Group under which successive Program Contracts will be executed to deliver the Future Submarine Program. On 1 March 2019, the first contract under the SPA, the Submarine Design Contract was signed superseding the Design and Mobilisation Contract.

Following a Restricted Tender Process, Lockheed Martin Australia (LMA) was selected as the Future Submarine Combat System Integrator on 30 September 2016. An initial Design Services Contract was signed with Lockheed Martin on 17 November 2016. This contract was superseded by the Design Build and Integration Contract on 12 January 2018, which represents the long-term Combat System Integration contract and includes the execution of the initial work scope.

As announced by Government in April 2016, the Future Submarines will be constructed at a purpose built Submarine Construction Yard (SCY) at the Osborne Precinct in Adelaide. The SCY will require new infrastructure and upgrades to existing infrastructure to support the work of Naval Group and LMA. Naval Group will establish SCY Infrastructure Functional Requirements (IFR) and undertake design assurance activities to ensure the SCY is capable of building, integrating, testing and accepting into service the planned Future Submarine fleet.

Australian Naval Infrastructure (ANI) is the owner of the land and existing facilities at the Osborn Precinct. ANI's activities are fundamental to the successful achievement of Defence's Strategic Objective, which includes a rolling acquisition of submarines for the Commonwealth's continuous naval shipbuilding program. The first Attack Class Submarine is scheduled to enter service from the early 2030s as it is delivered to the Royal Australian Navy to commence initial Operational Test and Evaluation.

The Smart Buyer Process was introduced to Defence during 2016 and became a mandatory requirement for Defence projects during 2017. As this was after the Competitive Evaluation Process, it was not feasible to commence a Smart Buyer process for SEA1000 Phase 1B.

Uniqueness

SEA1000 Phase 1B will deliver 12 Attack Class submarines to the Royal Australian Navy and is the largest and most complex ship building endeavour undertaken in Australia.

As such, the project has unique tripartite governance arrangements to address the highly sensitive nature of the information and technologies procured from the United States of America, France and Australia, in the design of a regionally superior submarine.

Another unique element of the Program is its engagement with key suppliers in the design phase. This is required to design a submarine capable of regionally superior performance, simultaneously maximising Australian Industry involvement, and qualifying equipment to function effectively and safely in the undersea environment. This practice ensures Australia will be able to exercise sovereign control over operations and sustainment of the Future Submarine.

Major Risks and Issues

The project is currently managing risk at both a Tactical and Strategic level; generally reflected at the Contract and Program levels respectively. Strategic risks identified within Section 5 broadly fall under a number of key areas being:

- Contractor performance risk;
- Resources, Skills and Workforce Management risk;
- Risk to the adaption and enhancement of methods, processes, systems and standards;
- Australian Industry Capability risk; and

<ul style="list-style-type: none"> Risk to capability delivery to Navy, cost and schedule. <p>The project is also managing one issue, relating to the Commonwealth and Naval Group being unable to agree by 31 January 2021 on the Core Work Scope 2 (CWS2) and Additional Work Scope 1 (AWS1) offers.</p>
Other Current Related Projects/Phases
N/A
Note
Major risks and issues are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 2 – Financial Performance

2.1 Project Budget (out-turned) and Expenditure History

Date	Description	\$m	Notes
Project Budget			
Sep 16	Original Approved (Government Interim Approval)	989.4	1
Oct 17	Real Variation - Transfer	(4.3)	2
Nov 17	Government Interim Approval	1,279.3	3
Sep 18	Real Variation - Transfer	(19.7)	4
Nov 18	Real Variation - Transfer	(7.3)	5
Feb 19	Real Variation - Transfer	(20.0)	5
	Real Variation - Transfer	(7.3)	2
	Government Interim Approval	3,742.4	6
	Total at Key Government pre-Second Pass Approval	5,952.5	
Jun 20	Real Variation - Transfer	(2.4)	2
Sep 20	Real Variation - Transfer	(7.9)	5
Dec 20	Real Variation – Budgetary Adjustment	0.1	7
Jan 21	Real Variation - Transfer	(6.4)	2
Jun 21	Exchange Variation	(117.8)	
	Total Budget	5,818.2	
Project Expenditure			
Prior to Jul 20	Naval Group – Submarine Design Contract	(394.3)	8
	Naval Group – Design and Mobilisation Contract	(369.1)	8
	Lockheed Martin Australia	(191.7)	8
	ASC Pty Ltd – Secondee Workforce	(34.9)	8
	US Government - Submarine Combat Control System MOU	(5.7)	8
	Other Contract Payments / Internal Expenses	(326.5)	9
		(1,322.2)	
FY to Jun 21	Naval Group - Submarine Design Contract	(414.1)	8
	Lockheed Martin Australia	(147.8)	8
	ASC Pty Ltd - Secondee Workforce	(10.5)	8
	US Government - Submarine Combat Control System MOU	(5.9)	8
	Naval Group - Design and Mobilisation Contract	(0.2)	8
	Other Contract Payments / Internal Expenses	(52.3)	10
		(630.8)	
Jun 21	Total Expenditure	(1,953.0)	
Jun 21	Remaining Budget	(3,865.2)	

Notes	
1	Government approval for the design and mobilisation phase for Naval Group and Lockheed Martin Australia, and work to be undertaken by Defence including establishment of the overseas government presence, mobilisation of the program office and initial development of facilities needed for the Program.
2	Transfer to the CIOG component of SEA1000 Phase 1B for the Defence Secret Environment - International. The total value of the planned transfers relating to Note 2 is \$20.4m.
3	Government approval for design of the combat system by Lockheed Martin Australia, activity to develop the concept design for the Future Submarine Construction Yard and Infrastructure business case, and program office costs.
4	Transfer to the CIOG component of SEA1000 Phase 1B for Information Communication Technology Infrastructure Project requirements and Defence Secret Environment - International.
5	Public Debt Interest on the equity provided to Australian Naval Infrastructure for the Submarine Construction Yard. The total value of the planned transfers relating to Note 5 is \$35.2m.
6	Government approval for further design work by Naval Group and program office costs, and Portfolio Additional Estimates Statements 2018-19 budget measures.
7	Budgetary adjustment due to out-turning.
8	The scope of this contract is explained further in Section 2.3 – Details of Project Major Contracts.
9	Other expenditure for the period to 30 June 2020 comprises payments for Contractor/Consultant Support (\$133m), Collins Class Life of Type Extension Activities (\$30.9m), Lockheed Martin Australia Combat System Integrator Initial Services Contract (\$29.5m), Facilities and Security arrangements in Cherbourg (\$18.8m), Legal Services (\$15.6m), US Government (\$15m), Naval Group - Design Services Contract (\$10.2m), Office Fitout (\$1.6m) and other expenditure not attributable to the listed contracts (\$71.8m).
10	Other expenditure for the period from July 2020 to June 2021 comprises payments for Contractor/Consultant Support

(\$34.2m), US Government (\$4.9m), Facilities and Security Arrangements in Cherbourg (\$3.3m), Legal Support (\$2.8m), Collins Class Life of Type Extension Activities (\$1.3m) and other expenditure not attributable to the listed contracts (\$5.8m).

2.2 A In-year Budget Estimate Variance

Estimate PBS \$m	Estimate PAES \$m	Estimate Final Plan \$m	Explanation of Material Movements
782.5	782.2	768.3	Portfolio Budget Statements (PBS) to Portfolio Additional Estimate Statement (PAES): The variation is due to an update of budget exchange rates. PAES to Estimate Final Plan: The variation relates to an update of budget exchange rates from 2020-21 MYEFO to 2021-22 PBS.
Variance \$m	(0.3)	(13.8)	Total Variance (\$m): (14.2)
Variance %	(0.0%)	(1.8%)	Total Variance (%): (1.8)

2.2 B In-year Budget/Expenditure Variance

Estimate Final Plan \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
		(83.4)	Australian Industry	The variation is predominately attributed to not entering the next contracted work scope as initially forecast with Naval Group and Lockheed Martin Australia not achieving the expected labour levels in the Design, Build and Integration Contract. There is also lower than anticipated expenditure against other contractor support.
		(32.3)	Foreign Industry	
			Early Processes	
		(22.9)	Defence Processes	
		1.0	Foreign Government Negotiations/Payments	
			Cost Saving	
			Effort in Support of Operations	
			Additional Government Approvals	
768.3	630.8	(137.6)	Total Variance	
		(17.9)	% Variance	

2.3 Details of Project Major Contracts

Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 Jun 21 \$m			
Naval Group – Design & Mobilisation Contract	07 Oct 16	60.9	414.5	Cost Ceiling (capped)	Standard Defence Contract	1,5
ASC Pty Ltd – Seconded Workforce	08 Mar 17	22.1	58.7	Cost Ceiling (capped)	Standing Offer	2,5
Lockheed Martin Australia – Combat System Design Build and Integration Contract	12 Jan 18	607.2	792.5	Cost Ceiling (capped)	Standard Defence Contract	3,5
Naval Group – Submarine Design Contract	01 Mar 19	589.7	1,466.0	Cost Ceiling (capped)	Standard Defence Contract	4,5
US Government	05 Jul 19	224.8	197.8	Reimbursement	MOU	5

Notes

- Increase in contract value reflects ongoing inclusion of staged concept-design work scopes.
- Increase in contract value reflects ongoing requirement for technical and engineering expertise.
- Increase in contract value includes the costs for subsystems withheld at signature due to pricing uncertainty.
- Increase in contract value reflects inclusion of staged work scopes plus procurement of equipment. **Major drivers for the increase in contract value include the planned procurements of main, critical and submarine construction yard equipment (CCP011) along with the funding required to progress program activities prior to the commencement of the definition design phase (CCP015).**
- Contract value as at 30 June 2021 is based on actual expenditure to 30 June 2021 and remaining commitment at current exchange rates. This includes adjustments for indexation (where applicable).

Contractor	Contracted Quantities as at		Scope	Notes
	Signature	30 Jun 21		
Naval Group – Design & Mobilisation Contract	Nil	Nil	Progress the concept design for the future submarine in parallel to negotiation of the Strategic Partnering Agreement. It is anticipated that this contract will be closed during financial year 2021- 22.	
ASC Pty Ltd	Nil	Nil	Specialist engineering and technical services.	
Lockheed Martin Australia – Combat System Design Build and Integration Contract	Nil	Nil	Design and risk reduction work, selection of all sub-system suppliers, and delivery of a detailed design for the Combat System	
Naval Group – Submarine Design Contract	Nil	Nil	Progress submarine concept design through definition phase to basic design.	
US Government	Nil	Nil	Cooperative development, production, and support of the submarine combat control system.	

Project Data Summary Sheets

Auditor-General Report No.13 2021–22
2020–21 Major Projects Report

Major equipment accepted and quantities to 30 Jun 21
N/A

Section 3 – Schedule Performance

3.1 Design Review Progress

Review	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/Forecast	Variance (Months)	Notes
System Requirements	Preliminary System Requirements Review (PSRR)	Oct 17	N/A	Oct 17	0	
	System Requirements Review (Feasibility Studies)	Mar 18	N/A	Mar 18	0	
	Combat System System Requirements Review	Nov 18	N/A	Sep 18	(2)	
	Concept Studies Review (CSR)	Sep 18	N/A	Feb 19	5	1
	Functional Ship Systems Requirements Review - Definition Phase	Oct 19	N/A	Aug 20	10	2
	Functional Ship Systems Functional Review	Jan 21	N/A	Sept 21	7	3,4
Preliminary Design	Combat System Preliminary Design Review	Dec 19	Oct 21	Oct 21	22	5
Critical Design	Combat System Critical Design Review	Mar 22	Jun 23	Jun 23	15	5
Notes						
1	Additional work was required to further develop the transverse balances and the Definition Plan for the subsequent design phase before entering the Concept Studies Review that was held in November 2018. The Commonwealth also required that a Tripartite Planning Conference be convened to successfully exit the Concept Studies Review and support orderly commencement of the Definition design work. The Conference was held in January 2019. The Commonwealth was satisfied with this outcome and the Concept Studies Review was effectively considered complete. Minor administrative actions followed and a letter advising the Contractor of formal exit was signed in February 2019.					
2	The Functional Ship Systems Requirements Review was held in December 2019. A series of actions were identified during the review to finalise the initial Functional Baseline, as well as traceability between the Technical Requirements Specifications and the Functional Performance Specification. These actions were progressively closed and formal exit from the review was confirmed in August 2020 on the basis that all actions were completed or agreed plans were in place to address the remaining outstanding actions.					
3	The Functional Ship – System Functional Review (FS-SFR) was held in January 2021. A series of actions across 3 key areas were agreed in signed meeting minutes and these actions are underway. A delivery of the Functional Ship – System Subsystem Specification (FS-SSS) and General Technical Requirements (GTRs) planned for July 2021 is expected to capture the agreed set of requirements considered essential to formally exit the FS-SFR.					
4	Compared to pre-contract estimates for the progression of design, an extended schedule for the design work has been implemented under the Submarine Design Contract – the first program contract executed under the Strategic Partnering Agreement. This schedule addresses the need for high-levels of design maturity required by Defence as the design phase of the Program progresses.					
5	Adoption by Naval Group of the standard IEEE 15288.2 Technical Reviews and Audits on Defence Programs during 2018/2019 has improved alignment in design maturity points between Naval Group and Lockheed Martin Australia. Adoption of this standard resulted in amendments to nomenclature, content and timing for some design reviews. Notably, the Functional Ship Systems Functional Review was introduced and both the Preliminary and Critical Design Reviews were re-defined in terms of content and timing.					

3.2 Contractor Test and Evaluation Progress

Test and Evaluation	Major System / Platform Variant	Original Planned	Current Contracted	Achieved / Forecast	Variance (Months)	Notes
System Integration	TBA	TBA	TBA	TBA	N/A	1
Acceptance	TBA	TBA	TBA	TBA	N/A	1
Notes						
1	SEA1000 Phase 1B has approval to conduct basic design of 12 regionally superior Future Submarines and design and construction of the Submarine Construction Yard infrastructure and facilities to enable, build integration and testing of platform and combat system elements of the Future Submarine. The above milestones are expected to be defined by Government in subsequent approvals.					

3.3 Progress Toward Materiel Release and Operational Capability Milestones

Item	Original Planned	Achieved / Forecast	Variance (Months)	Notes
Initial Materiel Release (IMR)	TBA	TBA	N/A	1
Initial Operational Capability (IOC)	TBA	TBA	N/A	1
Final Materiel Release (FMR)	TBA	TBA	N/A	1
Final Operational Capability (FOC)	TBA	TBA	N/A	1
Notes				
1	SEA1000 Phase 1B has approval to conduct basic design of 12 regionally superior Future Submarines and design and construction of the Submarine Construction Yard infrastructure and facilities to enable, build integration and testing of platform and combat system elements of the Future Submarine. The above milestones are expected to be defined by Government in subsequent approvals.			

Schedule Status at 30 June 2021

Not Applicable

Note

Forecast dates in Section 3 are excluded from the scope of the Auditor-General's Independent Assurance Report.

Section 4 – Materiel Capability Delivery Performance

4.1 Measures of Materiel Capability Delivery Performance

Pie Chart: Percentage Breakdown of Materiel Capability Delivery Performance

Not Applicable	<p>Green: SEA1000 Phase 1B does not currently have any materiel capability delivery approved. The project is currently approved for:</p> <ul style="list-style-type: none"> - design including functional analysis, feasibility studies, design definition studies and basic design to enable design and construction of 12 regionally superior Future Submarines; and - design and construction of the Submarine Construction Yard infrastructure and facilities to enable, build integration and testing of platform and combat system elements of the Future Submarine. <p>Capability requirements continue to be refined and assessed against the approved scope, cost and schedule. SEA1000 Phase 1B is expected to return to Government in FY 21/22 to seek progressive approval of scope and funding as the Program moves through the design and build phase.</p> <p>The first Attack Class Submarine (HMAS Attack) is scheduled to enter service from the early 2030s as it is delivered to the Royal Australian Navy to commence Operational Test and Evaluation. This is the point after which all contractor sea trials have been completed and the submarine has been formally accepted from Naval Group and Lockheed Martin Australia. During Operational Test and Evaluation, the Commonwealth personnel and persons providing services on behalf of the Commonwealth submarine will be progressively released for operations during the Operational Test and Evaluation, after which time the submarines will continue in service.</p> <p>Amber: N/A</p> <p>Red: N/A</p>
Note	
This Pie Chart represents Defence's expected capability delivery. Capability assessments and forecast dates are excluded from the scope of the Auditor-General's Independent Assurance Report.	

4.2 Constitution of Materiel Release and Operational Capability Milestones

Item	Explanation	Achievement
Initial Materiel Release (IMR)	Note 1	Not yet achieved
Initial Operational Capability (IOC)	Note 1	Not yet achieved
Final Materiel Release (FMR)	Note 1	Not yet achieved
Final Operational Capability (FOC)	Note 1	Not yet achieved
Note		
1	SEA1000 Phase 1B has approval to conduct basic design of 12 regionally superior Future Submarines and design and construction of the Submarine Construction Yard infrastructure and facilities to enable, build integration and testing of platform and combat system elements of the Future Submarine. The above milestones are expected to be defined by Government in subsequent approvals.	

Section 5 – Major Risks and Issues

5.1 Major Project Risks

Identified Risks (risk identified by standard project risk management processes)	
Description	Remedial Action
There is a risk that our Program Partners will not adequately address issues and challenges (including technical risks) that arise during the course of the Program.	Contracted requirements exist on Program performance, behaviours and expectations and are supported by: ongoing engagement with CEOs; bilateral and tripartite governance arrangements; and ongoing independent critical peer review by

Project Data Summary Sheets

Auditor-General Report No.13 2021–22
2020–21 Major Projects Report

	<p>the Naval Shipbuilding Advisory Board and Submarine Advisory Committee.</p> <p>The Commonwealth is monitoring performance against the Program requirements and working with the Program Partners to ensure cost, schedule and requirements (including technical requirements) are met.</p>
<p>There is a risk that Program Participants are unable to staff the Program with the right number of suitably qualified and experienced personnel, build skills to prepare for construction and execute the Program effectively and with increasing productivity over time.</p>	<p>Program Partners have established Resourcing Profiles for current and future work; and must pass Mandated Systems Reviews before progressing to subsequent stages of design and delivery. Contracted requirements exist for delivery of a Capability Realisation Plan for Naval Group Australia and the Commonwealth-monitoring of ramp-up and training plans. Other actions include: Defence and Naval Group Australia working in close collaboration with the Naval Shipbuilding College and the Naval Shipbuilding Industry Reference Committee.</p> <p>A Workforce Plan has been developed to ensure ongoing ramp up of skills in Defence's Future Submarine Program (FSP) Office to provide sufficient capacity to monitor and manage Partner performance.</p> <p>Other actions include: mentoring and training programs to develop the skills and experience of junior Australian Public Service personnel; Succession Planning; ongoing recruitment of personnel to authorised levels and rebalancing of skills and experience to meet changing needs as the Program transitions from design through to construction and sustainment; including the establishment of Integrated Work Partner (IWP) contracts with Manpower Service Providers (MSPs) to consolidate the delivery model of Seconded services, increase the flexibility in managing the Seconded workforce and achieve cost savings.</p>
<p>There is a risk to the implementation of best-practice industry methods, processes systems and standards (including those related to program planning and control) to promote effectiveness and efficiencies.</p>	<p>Contracted requirements exist for the adaption and enhancement of methods, processes, systems and standards to meet all FSP Objectives; to demonstrate how these meet the Commonwealth's needs; and are implemented in Australian (including through modern manufacturing in a newly established Submarine Construction Yard in Adelaide).</p> <p>Requirements also exist for well-defined plans, an effective resource-based schedule, sound planning and Program management; and for the establishment of program management conforming to Australian standards.</p> <p>Integrated Baseline Reviews (IBRs) are being undertaken which will set performance measurement baselines which enables the Commonwealth to accurately measure cost and schedule performance. IBRs are planned to be conducted periodically through each Contract phase.</p>
<p>There is a risk that our Program Partners fail to maximise Australian Industry involvement through all phases of the Program without unduly compromising capability, cost or schedule.</p>	<p>Contracted requirements exist for Australian Industry Capability Plans for each Phase of the FSP, for Defence to approve engagement of key subcontractors; and for Naval Group to transfer procurement functions in France to Naval Group Australia. Contract requirements and processes have been developed to exercise better make-by decisions on best-for-program basis.</p>
<p>There is a risk to the FSP Strategic Objectives for the achievement of a regionally superior Attack Class submarine capability that provides the Commonwealth with enduring sovereign control over the operation and sustainment of Australia's Future Submarine capability; on cost and on schedule.</p>	<p>Sound requirements have been developed for the Attack class. Compliance is being monitored through the traceability of requirements to design artefacts and ongoing Design Reviews. The Commonwealth is monitoring performance against the Design Reviews. Contracted requirements exist for the development and annual reporting of Program Cost Estimates (PCE), particularly within the design phase, to track and control costs as design decisions are made to balance capability and affordability. Other actions include cost transparency; routine assessment of pricing and expenditure; and cost and schedule management.</p> <p>Requirements also exist for well-defined plans, an effective resource-based schedule, sound planning and Program management; and for the establishment of program management conforming to Australian standards. The Commonwealth are monitoring performance against the Contract Master Schedules (CMS), Integrated Master Schedule (IMS) and (PCE); supporting additional Program planning and control support. IBRs are being undertaken which will set a performance measurement baselines which enables the Commonwealth to accurately</p>

	measure cost and schedule performance. IBRs are planned to be conducted periodically through each Contract phase.
Emergent Risks (risk not previously identified but has emerged during 2020–21)	
Description	Remedial Action
N/A	N/A

5.2 Major Project Issues

Description	Remedial Action
There is an issue that the Commonwealth and Naval Group were unable to agree the fundamental Assumptions/requirements and/or the Not to Exceed (NTE) Price for the Core Work Scope 2 (CWS2) and Additional Work Scope 1 (AWS1) offers by 31 January 2021.	Both the SPA and SDC provide controls for this Issue. The Commonwealth is also providing Program planning and control support. Recent Commonwealth correspondence and communication has been provided to Naval Group to manage and control this issue; the effectiveness is being monitored.
Note	
Major risks and issues in Section 5 are excluded from the scope of the Auditor-General's Independent Assurance Report.	

Section 6 – Lessons Learned

6.1 Key Lessons Learned

Description	Categories of Systemic Lessons
Careful selection of Acquisition Contractors with relevant experience and knowledge, underpinned by strong commercial arrangements, is essential to protect the Commonwealth's interests	Contract Management
The Program must be an informed customer, closely monitoring Contractor progress with strong and pro-active management.	Contract Management
Research into program failures and lessons learned from submarine design by allied nations ensured SEA1000 Phase 1B was aware of the necessity of having a set of good requirements to achieve success in design and development.	Requirements Management

Section 7 – Project Line Management

7.1 Project Line Management as at 30 June 2021

Position	Name
Division Head	Mr Gregory Sammut
Branch Head	CDRE Craig Bourke