

## Summary

- 1.1 The yearly examination of the Major Projects Report (MPR) by the Joint Standing Committee on Public Accounts and Audit (JCPAA) yields not only specific points of interest in terms of individual projects but also reveals broader themes.
- 1.2 This year's MPR is also the first document of its type to be produced by the Department of Defence as a whole, rather than by the now defunct Defence Materiel Organisation (DMO). The reform of the Department following the release of the government's *First Principles Review: One Defence* (FPR) in April 2015 represented an opportunity for Defence to redress some of the issues identified by the MPR process.
- 1.3 The Committee notes with satisfaction that the MPR as a document and as a process has developed into an excellent tool to assess the status of Defence major acquisition projects. The Committee commends both the ANAO and the Department of Defence on their continued work on this topic.
- 1.4 However, the Committee notes the ongoing management and administration issues identified by ANAO and has made comment on the following:
  - ⇒ That project schedule slippage remains a concern despite the initial impression of improvement. The Committee further believes that it remains critical that Defence correctly assesses initial purchase type – that is, between COTS, MOTS, A-MOTS and Developmental – so that projects and their anticipated risk are managed at the appropriate level.
  - ⇒ The ANAO's assessment that the delivery of capability estimates are in some cases overly optimistic has been noted by the Committee with concern.

- ⇒ That Defence's risk assessment processes are generally appropriately but inconsistently applied, and key elements of framework are unfinished – suggesting that increased scrutiny of projects from Defence leadership may be required to better identify and manage risks.
- ⇒ The Committee sees the shift from the Project Maturity Scores to the Materiel Implementation Risk Assessment (MIRA) as problematic as these two approaches do not seem to serve the same purpose and are hence not interchangeable.

1.5 In terms of specific projects, the Committee notes the following:

■ **Joint Strike Fighter (JSF)**

- ⇒ The most expensive project in this year's MPR, the Committee notes the continued difficulties with the project and the possibility of Canada's withdrawal from the JSF program which may, in turn, have implications for the unit cost of the aircraft.

■ **Air Warfare Destroyer (AWD)**

- ⇒ The requirement for an additional \$1.2 billion in funding raises questions about the contract arrangements for the project and who carries the responsibility and financial burden for this extra-expenditure.

■ **MRH-90 Multi-Role Helicopter**

- ⇒ The MRH-90 has experienced a number of problems, some of which have been resolved and some of which are still in process. Although the aircraft has reached Initial Operational Capability (IOC) for both Navy and Army, Final Operational Capability (FOC) is yet to be achieved and there are problems with the Electronic Warfare System (EWS).

■ **Armed Reconnaissance Helicopter (ARH) - Tiger**

- ⇒ The ARH Tiger is also an aircraft that has experienced a number of problems, though its current status has improved. Although FOC is expected soon, the ARH Tiger, as with the MRH-90, also has difficulties with its EWS as they are very similar systems.

■ **Collins-class submarines**

- ⇒ The Committee notes the increased availability of the Collins-class submarines and the improvements in the platform's management following the Coles Review.

- **UHF SATCOM**

- ⇒ The UHF SATCOM is now expected to be delayed by 38 months from May 2015 to July 2018 due to ongoing issues with the modification of Commercial-Of-The-Shelf software.

- **C-27J - battlefield airlift**

- ⇒ Initial IOC for the C-27J is expected in late 2016. The MPR PDSS indicates that the original estimate for FOC was December 2017, but this has been delayed to September 2018. Despite the US Air Force divesting itself from the program, Defence is still expecting the acquisition to be in budget.

- **Heavyweight Torpedo**

- ⇒ The Heavyweight Torpedo for the six Collins Class submarines has been supplied by the US Government with the final weapons delivered to Australia in January 2012. FOC was originally planned for November 2013 but is now expected in February 2019.

1.6 The Committee has made a range of comments in Chapter five, and made four recommendations which focus on:

- the *First Principles Review* and its impact on Defence reform and acquisition processes, particularly with regard to the reintegration of the Defence Material Organisation and importance of clear roles, responsibilities, accountabilities and lifecycle management processes
- the consistency with project level risk information within Defence and the MPR
- requesting a review of Defence policy regarding Project Maturity Scores before the next Major Projects Report
- requesting review of the AWD contractual arrangements examining the distribution of liabilities for project problems and what lessons have been learned from the AWD experience for future projects

