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Auditor-General for Australia



9 September 2022

Mr Graham Perrett MP
Committee Chair
Parliamentary Standing Committee on Public Works
By email: pwc@aph.gov.au

Dear Mr Perrett

INQUIRY INTO AIR7000 PHASE 1B REMOTELY PILOTED AIRCRAFT SYSTEM FACILITIES PROJECT

An annual program has been established in conjunction with the Department of Defence (Defence) to enable the Australian National Audit Office (ANAO) to review and report to the Parliament on the status of major Defence acquisition projects, as set out in the Defence *Major Projects Report*. The review includes information relating to the cost, schedule and the progress towards delivery of required capability of individual projects as at 30 June each year. The following Major Projects Report (MPR) may be relevant to the Parliamentary Standing Committee on Public Works inquiry into AIR7000 Phase 1B Remotely Piloted Aircraft System Facilities Project.

- Auditor-General Report No.13 2021–22 [2020–21 Major Projects Report](#)

Should the Committee require further information in relation to this matter, my office would be pleased to provide you with a briefing at a time convenient to you or appear as a witness at a hearing.

To arrange a briefing, please contact our External Relations area at [REDACTED]

Yours sincerely

[REDACTED]

Grant Hehir

Auditor-General

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Major Projects Report

The Major Projects Report (MPR) is an annual review of the Department of Defence's major defence equipment acquisitions, undertaken at the request of the Parliament's Joint Committee of Public Accounts and Audit (JCPAA). Its purpose is to provide information and assurance to the Parliament on the performance of selected acquisitions as at the end of a financial year. The 2020–21 MPR included 21 major projects, including the AIR7000 Phase 1B Remotely Piloted Aircraft System (MQ-4C Triton) project.

The focus of the MPR is on acquisition projects, however the report may identify aspects relating to facilities, including, but not limited to, transfer out of the project budget or related risks and issues.

A summary of key observations from the ANAO's review of the AIR7000 Phase 1B Remotely Piloted Aircraft System (MQ-4C Triton) project, as reported in the 2020–21 MPR, is provided below.

AIR7000 Phase 1B will acquire three MQ-4C Triton (Triton) aircraft and associated support systems. A further three aircraft are planned, subject to further approvals by Government. The Triton is a High Altitude Long Endurance (HALE) Remotely Piloted Aircraft System (RPAS) that will complement the P-8A Poseidon to deliver the Maritime Patrol and Response capability. The Triton is being procured through a Cooperative Program with the United States Navy (USN).¹

In the course of its review of the AIR7000 Phase 1B Remotely Piloted Aircraft System Project Data Summary Sheet, the ANAO noted:

- The project is a developmental, Acquisition Category II project (the second highest category, in terms of complexity and cost). It is considered to be strategically significant and is characterised by extensive project and schedule management complexity and very high levels of technical difficulty, operating, support and commercial arrangements.²
- The project is a Project of Interest. A Project of Interest is one which Defence management considers to be in need of senior management attention and close monitoring to prevent it becoming a Project of Concern.^{3 4}
- The United States Navy (USN) announced a production funding suspension for its Triton program until 2023. The suspension will have capability, schedule and cost implications, and potential sustainment cost and capability impacts.⁵
- There were delays in realising the Final Operational Capability (FOC)⁶ milestone during 2020–21, with 67 months delay experienced in total since the original project approval in 2018.⁷
- The project has experienced increased schedule risk as the facilities program was put on hold until Australian Government approval in May 2020, and project schedule risk remains elevated until the Public Works Committee approval for facilities.⁸
- The facilities design pause impacted on the delivery of the Main Operating Base.⁹

¹ Auditor-General Report No.13 2021–22, *2021–21 Major Projects Report*, (2022), p.191.

² *ibid*, p.53.

³ Auditor-General Report No.31 2018–19, *Defence's Management of its Projects of Concern*, p.20.

⁴ *ibid*, p.57 [Appendix 2]. At the time of that audit a Project of Concern was decided by the Minister for Defence after consideration of seven principles.

⁵ Auditor-General Report No.13 2021–22, *2021–21 Major Projects Report*, (2022), pp.25–26.

⁶ *ibid*, p.67, Figure 11 [In-year (2020–21) schedule changes to achieving Final Operational Capability]

⁷ *ibid*, p.68, Table 10 [Project slippage as at 30 June 2021]

⁸ *ibid*, p.191.

⁹ *ibid*, p.195, Table 3.2 [Contractor Test and Evaluation Progress, Note 3]

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- The In-Service Date and Initial Materiel Release were delayed by the impacts of the USN production funding pause, impacting on the pause in facilities progression.¹⁰

Achievement of the AIR7000 Phase 1B Remotely Piloted Aircraft System materiel release and operational capability milestones are reliant, in part, on the delivery of facilities.¹¹ This includes:

- Initial Materiel Release – facilities required to enable commencement of flying operations.
- Final Materiel Release – all main operating base and forward operating base mission control systems installed and ready for use; one forward operating base configured for expeditionary use; and all mission system trainers installed at Edinburgh and ready for individual and collective training.

Major project issues and risks, including those relating to facilities, are reported by Defence in the Project Data Summary Sheet at pages 191–98 of the Major Projects Report.¹²

¹⁰ ibid, p.196, Table 3.3 [Progress Toward Materiel Release and Operational Capability Milestones, Note 1]

¹¹ ibid, p.197, Table 4.2 [Constitution of Materiel Release and Operational Capability Milestones]

¹² ibid, p.197, Table 5.1 [Major Project Risks]