

Defence Portfolio

INQUIRY QUESTION

(Question No. 14)

Chair of the Joint Committee of Public Accounts and Audit, Mr Josh Burns MP asked the Department of Defence the following question, upon notice, on 11 November 2025:

The following table identifies some projects where scope/capability changes have been identified. For each of the projects, please provide detail on:

- how scope/capability reductions have affected the project budget/expenditures
- the allocation of the residual budget.

Project	Summary of detail
Hunter Class Frigate	Reduction in frigates from 9 to 6
Offshore Patrol Vessel	Reduction of vessels from 12 to 6
Overlander Medium/Heavy	11% of FOC declared with caveats, remaining scope (five caveats) and deliverables transferred to LAND121 Phase 5B
Hawkei	2023-24 – 0.1% reduction – Not for publication October 2021 – reduction of 2 vehicles
Battlefield Command System	Minimum 23.9% of scope will not be delivered 16% of scope/capability at risk
JORN mid-life upgrade	0.1% reduction in 2022-23 due to capability not achieving an ‘appropriate level of technical maturity’
Joint Strike Fighter	5 April 2023 – transfer of completion of limited capability 0.1%- from AIR6000 Phase 2A/2B to AIR6000 Phase 6
MQ-4C Triton	1% of elements not expected to be progressed into the platform due to prioritising other capabilities
Battlespace Communications System	1% reduction – project scope for ground based TRES delivered by another acquisition project; tethered TRES project scope not proceeding; reduction of two vehicles

Defence provides the following answer:

Defence notes that the projects identified in the table relate to projects that have input in the 'red' category of Section 4 – Materiel Capability/Scope Delivery Performance of the [Product Data Summary Sheets \(PDSS\)](#).

Each PDSS provides significant financial information related to the project, refer to Table 2.1 of each PDSS, which includes:

- Project Budget, including a breakdown of real variations, such as scope, transfer, exchange variations; and
- Project Expenditure, including a breakdown of expenditure by contractor.

In addition, the PDSS provides transparency on the project's budget and expenditure for the financial year covered in the respective Major Projects Report. The PDSS outlines the factors and reasons behind any in year budget variances, reflected in table 2.2B.

For the projects listed, where the change in scope or delivery has resulted in a change to the total project approved value, this will be detailed in the Major Projects Report table 2.1. Any adjustments to approved project budgets are returned or managed within the overall Integrated Investment Program and annual appropriations.

A summary of impacts to project budgets where scope/capability changes have been identified, as reflected in the PDSS, are outlined in the table below.

When Government considers and approves future tranches of projects within the Integrated Investment Program, referred to as the 'unapproved program', these values transfer into the 'approved' project value and become visible in the PDSS. Budgets and any subsequent changes for unapproved projects are not individually disclosed until they are agreed by Government.

Project	Summary of detail	Defence Summary of scope/capability changes impacts
Hunter Class Frigate	Reduction in frigates from 9 to 6	<ul style="list-style-type: none"> • Table 2.1 identifies a total \$26.1bn of funding Approved by Government to date. • In February 2024, per 1.2 Current Status, Government committed to the construction of 6 Hunter Class Frigates of the same configuration in 2 batches of 3. • Table 2.1 identifies \$19.7bn in June 2024 being the Government Second Pass Approval for the construction of the first 3 ships only. • Prior to June 2024, there were 3 instances of Real Variation- Transfers to address shortfall with the Naval Capability Infrastructure Sub-Program, funding shortfall for the interim arrangement and funding transfers between Defence groups. • The decision to reduce the number of vessels from 9 to 6 has not impacted the current Approved Acquisition funding envelope as this Approved budget is for the first 3 ships. • All in-year variances are noted in Table 2.2A and 2.2B, including the increase of budget between PBS and PAES and impact of end of year actual expenditure.

Project	Summary of detail	Defence Summary of scope/capability changes impacts
Offshore Patrol Vessel	Reduction of vessels from 12 to 6	<ul style="list-style-type: none"> • Table 1.2 identifies that on 24 February 2024, Government released the Enhanced Lethality Surface Combatant Fleet Independent Analysis Report and accepted the reduction of the number of Offshore Patrol Vessels from 12 to 6. • Defence further notes that Defence has issued Luerssen Australia Pty Ltd a scope reduction notice on 5 March 2024. • Table 2.3A identifies variations to the projects major contracts, including Luerssen Australia Pty Ltd. Note 3 identifies that variations include the decrease in price due to scope reduction activities. • Table 1.2 further advises that Defence is implementing this decision. • There has been no impact to the current Approved Acquisition Project Budget at this time.
Overlander Medium/Heavy	11% of FOC declared with caveats, remaining scope (five caveats) and deliverables transferred to LAND121 Phase 5B	<ul style="list-style-type: none"> • The 2023-24 MPR Table 2.1 identifies a Real Variation – Budgetary Adjustment in April 2024 of \$537m. Note 10 advises that this value is inclusive of the transfer of the total LAND121 Phase 3B contingency (\$408m) to LAND 121 Phase 5B.

Project	Summary of detail	Defence Summary of scope/capability changes impacts
Hawkei	<p>2023-24 – 0.1% reduction – Not for publication</p> <p>October 2021 – reduction of 2 vehicles</p>	<ul style="list-style-type: none"> • The 2024-25 MPR identifies in Table 4.1 that the 0.1% Red Risk to Capability/Scope Delivery Performance is due to the Hawkei not achieving External Air Transport certification due to a combination of factors relating to: vehicle weight, load instability when underslung, and CH-47F lift capacity when operationally configured. • Table 1.3 identifies that in October 2021 Government approved a reduction to the project scope of 2 Hawkei vehicles (from 1,100 to 1,098) for buy-back by Thales Australia Ltd to support a potential export opportunity. The table further notes that the reduction of requirements has been formalised in an acquisition contract change. • Table 1.3 identifies that a minimum of 50% of the production or manufacturing costs of Hawkei vehicles must be incurred in Australia. • Table 2.3A identifies variations to the projects major contracts, including Thales Australia Ltd. Note 7 refers to Contract Change Proposals executed in 2020-21.
Battlefield Command System	<p>Minimum 23.9% of scope will not be delivered</p> <p>16% of scope/capability at risk</p>	<ul style="list-style-type: none"> • Table 2.1 identifies \$972.7m of funding Approved by Government to date. • Table 4.1 Red Risks identifies that the 38 PMV-M Gateway vehicles originally within the scope of the project will now be delivered by the LAND4111 project. • Table 2.1 Note 6, with respect to the \$158.5m of remaining budget, notes that funding for work associated with the transfer of the 38 PMV-M Gateway vehicles to LAND4111 has yet to be finalised.

Project	Summary of detail	Defence Summary of scope/capability changes impacts
JORN mid-life upgrade	0.1% reduction in 2022-23 due to capability not achieving an 'appropriate level of technical maturity'	<ul style="list-style-type: none"> • Table 2.1 identifies \$1.3bn of funding Approved by Government to date. • Table 2.1 identifies 8 instances of Real Variations including early access to funding, scope enhancement and transfers in managing the Approved Acquisition project. • All in-year variances are noted in Table 2.2A and 2.2B, including the reduction of budget between PBS and PAES and impact of end of year actual expenditure. • Table 2.3A identifies variations to the projects major contracts, including BAE Systems Australia Pty Ltd revised cost from \$446m to \$662m following the delivery of an Alternate Delivery Strategy in 2021, as referred to in 1.2 Current Status.
Joint Strike Fighter	5 April 2023 – transfer of completion of limited capability 0.1%-from AIR6000 Phase 2A/2B to AIR6000 Phase 6	<ul style="list-style-type: none"> • Table 2.1 identified a Real Variation - Transfer of \$31m in June 2023. Note 3 advises that this transfer relates to Security and Estate Group following request for funding scope changes for RAAF Base Tindal JSF facilities and transfer of scope to AIR6000 Phase 6.
MQ-4C Triton	1% of elements not expected to be progressed into the platform due to prioritising other capabilities	<ul style="list-style-type: none"> • Table 2.1 identifies \$2.4bn of funding Approved by Government to date. • All Real Variations to costs have been documented in table 2.1, including Subsequent Approvals, Transfers, Real Cost Decrease and Budget Adjustments. • The 1% Amber Risk referred has not impacted the total Approved budget.

Project	Summary of detail	Defence Summary of scope/capability changes impacts
Battlespace Communications System	1% reduction – project scope for ground based TRES delivered by another acquisition project; tethered TRES project scope not proceeding; reduction of two vehicles	<ul style="list-style-type: none"> • The 2023-24 MPR Table 4.1 Red Risk highlights 1% risk to the Tethered TRES scope. The risk further identifies that that contract was varied to account for the reduction in vehicles. • Table 2.3A identifies variations to the projects major contracts, including Boeing Defence Australia. Note 3 advises that the contract was amended via a nil price Contract Change Proposal to reflect a number of administration matters and the removal of HQOTM vehicles 17 and 18.

