

PERMANENT SECRETARY

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10 March 2021

**Meg Hillier MP**  
**Chair of the Public Accounts Committee**  
*Sent electronically*

Dear Chair,

## **A400M PROGRAMME ACCOUNTING OFFICER ASSESSMENT SUMMARY**

### **Executive Summary**

During the Period 2017 - 2019, the A400M Programme was subject to Global Re-Baselining (GRB). Initiated by Airbus Defence and Space (ADS), it sought a 'new deal' with customer nations (UK, Germany, France, Turkey, Spain, and Belgium) to stabilise the then fragile Programme.

GRB was successful. It secured ADS's commitment to deliver A400M to the full specification as originally contracted. The final (22nd) UK aircraft, due in 2023, will be delivered to that standard. The rest are subject to a retrofit programme; this commenced in 2020 and will complete in 2026. This is later than planned, and so an interim programme is underway to introduce the most important upgrades sooner.

Early in the same period, aircraft availability was very poor and, therefore, a threat to the feasibility of the programme. The SRO initiated a cross-party initiative to address and recover the situation. This was successful.

Taking both GRB and availability into account, the SRO view is that: GRB stabilised the Programme and has brought increased assurance that the Programme is feasible, albeit with a revised schedule; and that availability has recovered to the extent that it is now manageable and does not undermine Programme feasibility.

### **Background**

A400M is a collaborative European programme, delivering a tactical and strategic military transport aircraft. Cumulative delays saw ADS seek a re-baselined deal with customer nations in order to stabilise the Programme lest it become unviable. This had potential implications for Programme feasibility.

Alongside this, aircraft availability was also very poor. This was largely as a result of airframe and engine immaturity and organisational inefficiencies. In 2018, availability rates had deteriorated to the point that the overall success of the Programme was at risk.

### **Assessment against AO Standards – Feasibility**

The principal criteria that have prompted this AOA are: the conclusion of GRB and the recovery of Atlas availability rates, and their impact on programme feasibility.

**Global Re-Baselining.** Accumulated delays in aircraft delivery rendered the original schedule unrealistic to the point where ADS sought to re-baseline it. Negotiations with all 6 original customer nations, and subsequent national staffing, concluded in Jun 19. It saw ADS commit to deliver the full A400M Development and Production phase to the original contracted specification, albeit with revised aircraft delivery and capability uplift schedules and payment mechanisms. This provided a sound financial footing, whilst also retaining any existing damages for the late delivery of aircraft. UK deliveries were unaffected, but the main capability uplift programme was delayed; an interim programme is underway (negotiated as part of the GRB deal) to bring in the most important aspects early. Overall, GRB brought stability to the A400M Programme and increased assurance of its feasibility.

**Atlas Availability.** Poor Atlas availability brought increased operational pressure and also left insufficient margin for Test and Evaluation activity. Traditional management methods were not bringing the necessary levels of improvement; the SRO initiated an all-party group (including the front line, defence support organisations and industry) to tackle the problem holistically. It succeeded; availability almost tripled. The SRO considers that the root causes have been addressed and availability is now manageable and does not undermine Programme feasibility.

### **Assessment Against AO Standards - Regularity, Propriety and Value for Money.**

There are no concerns regarding the wider AO standards which trigger an AOA.

**Regularity.** The A400M Programme complies with all relevant UK and international legislation, regulation and laws. The aircraft is certified by Airbus to the standards of the European Union Aviation Safety Agency. The aircraft is supported and operated in accordance with the Military Airworthiness Authority's regulations.

**Propriety.** Programme expenditure remains entirely proper. The Programme is reviewed on a quarterly basis via the Programme Management Reporting System, and by regular desk-level reviews.

**Value for Money.** GRB was cost-neutral to the UK. The Programme remains within existing financial approvals.

### **Conclusion**

GRB provided the UK with a firm commitment from ADS that A400M will be delivered to the originally-envisaged capability standard. Given also that the all-party attention to aircraft availability has been effective, the A400M Programme remains feasible.

As the MOD Accounting Officer, I considered this Accounting Officer Assessment Summary of the A400M Programme and approved it on 10 March 2021.

I have prepared this summary to set out the key points which informed my decision. If any of these factors change materially during the lifetime of this programme, I undertake to prepare a revised summary, setting out my assessment of those factors.

This summary will be published on the government's website ([www.gov.uk](http://www.gov.uk)). Copies will be deposited in the library of the House of Commons and sent to the Comptroller and Auditor General and Treasury Officer of Accounts.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Stephen Lovegrove', with a stylized, cursive script.

**STEPHEN LOVEGROVE**