

THE SEA1000 PROJECT: PROCUREMENT METHODOLOGY

Version 1.0, dated 15th April 2011

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Joint QinetiQ and BMT submission to Senate Foreign Affairs, Defence and Trade Committee on Procurement procedures for Defence capital projects

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1 Preamble

In response to the call for submissions for the Senate Standing Committee on Foreign Affairs, Defence and Trade Committee's inquiry into Procurement procedures for Defence capital projects QinetiQ and BMT are pleased to provide the following combined response.

This submission directly relates to the procurement procedure under development by the Department of Defence in support of project SEA 1000 as outlined in the Defence White Paper, *Defending Australia in the Asia Pacific Century: Force 2030*.

The QinetiQ/BMT response directly relates to the following specific areas of interest of the enquiry:

- a. assess the procurement procedures utilised for major defence capital projects currently underway or foreshadowed in the Defence White Paper, including the operations of the Capability Development Group and its relevant subcommittees; and
- b. assess the timeline proposed for defence modernisation and procurement outlined in the Defence White Paper.

In way of engendering debate in the Australian submarine operational and acquisition community QinetiQ and BMT have been collaborating on the development of a white paper titled: SEA1000 Project - Delivering a world class submarine capability for Australia.

The paper draws upon the extensive experience of our companies in supporting submarine acquisition and in-service support programs for the UK Ministry of Defence and other international governments.

The initial draft of the paper has been subject to internal review and is currently in circulation for external peer review and consequently the full document is not provided at this point, however the Executive Summary is provided to indicate the scope and conclusions derived to date.

2 Executive Summary - SEA1000 Project: Delivering a world class submarine capability for Australia.

The Commonwealth has decided that a submarine capability forms an essential part of the assets needed to deliver a coordinated and coherent defence strategy, in collaboration with its international partners, over the coming decades. At a time of increasing security and asymmetric threats, a submarine fleet provides a unique set of countermeasure capabilities, able to operate covertly in anticipation of and in reaction to events.

However, the operational constraints imposed on the existing fleet by poor availability, which has its origins in the design and acquisition choices, processes and subsequent IPR and other difficulties; requires that the past lessons guide the approach to be adopted for SEA1000. Perhaps more important is that this must be seen to be the case, if both public

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support, multiple stakeholder buy in and industry, research and the wider economic community are to be properly motivated and engaged.

The Commonwealth is in the process of determining and defining its acquisition strategy as part of a cabinet submission for the SEA1000 Project. As part of that process, the Commonwealth will need to consider how to deliver the best submarine capability Australia can afford, and the Project structures required to underpin capability delivery. This question has been considered as part of this summary paper developed by QinetiQ and BMT, where the following conclusions are discussed and evidenced within:

- A key objective of the program should be the development of an indigenous sustainable submarine design capability as opposed to sole focus on acquisition of 12 submarines.
- Separating the Design and Production Phases of the program as a means of drawing together a “best of breed” collaborative team to support the convergence of program requirements into a well developed Preliminary Design solution followed by a competitive detailed design and production activity thereby achieving the “Value for Money” objective.
- Delivering the 12 submarines in batches for example as 3 batches of 4 submarines will accommodate lessons learned, modified operational requirements and technology insertion.
- Scheduling the build program to achieve a continuum of design and build activities for example a 3 batch program of 4 boats will result in a delivery schedule of one per 2 ½ years.
- The Commonwealth appetite for and appreciation of risk and commercial structures will drive Australian Industry’s capacity and ability to deliver.
- Consideration should be given to the establishment of a Capability Partner to take the SEA1000 project through the design and production phases, with the option to extend the commercial relationship to an SPV in preparation for the production phase.

As one of the most significant programs for the Commonwealth and the Royal Australian Navy (RAN), the SEA1000 Project will deliver and maintain a powerful ocean-going presence; place RAN firmly on the front foot of regional operations; and with industry, develop in-country skills and capabilities to ensure the sustainable, affordable and cost effective delivery of the (SEA1000) Future Class of Submarines throughout its service life through to disposal.

3 Way Forward

The QinetiQ/BMT White Paper has a considerable level of argument and detail supporting each of the dot point claims incorporated in the Executive Summary.

The white paper is in the final stages of review and will be available as a final release by 29 April.

QinetiQ and BMT will be pleased to provide the final document for review by the Committee as of 29 April and are available to discuss any of the points contained therein.

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