

Senate Economics References Committee

Future of Australia's Naval Shipbuilding Industry – 13 October 2017

ANSWER TO QUESTION ON NOTICE

Department of Defence

Question Number: 1

Senator: Carr, Kim

Question Format: Spoken

Committee Due Date: 03 November 2017

Question:

ACTING CHAIR: For instance, I asked a question: did defence provide a written or verbal guidance to the minister's office regarding the agreement—that is, the agreement between Austal and ASC Shipbuilding, the teaming agreement? That's a straightforward question. Did you provide written advice to the minister or not? You are telling me it has taken you all this time to answer that question?

Mr Gillis: I can say no more than the evidence I have provided, that it is in the clearance process.

ACTING CHAIR: Did you provide advice to the minister?

Mr Gillis: I'm not aware that we did. I would have to take that on notice. I haven't actually looked at that response yet.

Answer:

The Department has been providing advice to the ministers on relevant issues throughout the competitive evaluation process.

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ANSWER TO QUESTION ON NOTICE

Department of Defence

Question Number: 2

Senator: Xenophon, Nick

Question Format: Spoken

Committee Due Date: 03 November 2017

Question:

Senator XENOPHON: I'll try and be succinct. Please be succinct in your responses if you can. Further to Senator Carr's line of questioning, in terms of supply ships, does your answer take into account the unsolicited offer from ASC to build supply ships on a Korean-Australian basis—the hulls in Korea and the fit-out in South Australia, which would've mitigated a lot of job losses?

Mr Gillis: I've tried to follow this thing up. My understanding of this unsolicited proposal is that the first of those would be built overseas anyway, and it was only the second—

Senator XENOPHON: Second and third, I think.

Mr Gillis: Well, there's only going to be two. If in fact you were building a second one, it would have been significantly late. What we have done to mitigate the risk is to put the OPVs in there. We are also working with the Naval Group, the ASC and—

Senator XENOPHON: Can you take that on notice, please because I want to move on. I am not being critical, but can you please take that on notice.

Answer:

There has been no formal unsolicited proposal received by Defence from ASC offering three Supply Ships for the price of two.

Senate Economics References Committee

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ANSWER TO QUESTION ON NOTICE

Department of Defence

Question Number: 3

Senator: Xenophon, Nick

Question Format: Spoken

Committee Due Date: 03 November 2017

Question:

Senator XENOPHON: I'm not asking you to talk about the policy process, Mr Gillis. I'm simply trying to establish: when was the decision made to put those words in? You know the words I'm talking about. Let's start with that: when was the decision made? When did those words find themselves in the RFT?

Mr Gillis: I'd have to take that on notice.

Senator XENOPHON: Can you please take it on notice?

Mr Gillis: I'd have to take that on notice and consult with the minister.

Senator XENOPHON: It's a simple question. You're not claiming public interest immunity, I take it?

Mr Gillis: I'm just taking it on notice.

ACTING CHAIR: He has answered.

Senator XENOPHON: And who made that decision? Are you going to take that on notice?

Mr Gillis: I'll take that on notice.

Senator XENOPHON: When and who. Those are the keys to it.

Answer:

The wording was included in the RFT during the preparation phase. It was considered necessary during tender preparation because of the confusion amongst tenderers that ASC may be mandated as the shipbuilder. The wording was intended to reinforce to tenderers that their selection of contractors and workforce was their commercial decision based on their own expertise. An RFT pack of this significance and magnitude undergoes internal review and discussion from a variety of stakeholders with the wording being settled prior to release.

Senate Economics References Committee

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ANSWER TO QUESTION ON NOTICE

Department of Defence

Question Number: 4

Senator: Xenophon, Nick

Question Format: Spoken

Committee Due Date: 03 November 2017

Question:

Senator XENOPHON: I see from the documents that have been obtained in the last 48 hours that Defence explored a number of acquisition options in the lead-up to the SEA 5000 tender. Indeed, you considered an overseas build—correct?

Mr Gillis: We would have considered all of the options. That would have been a normal practice on every acquisition. At the time—as I think was stated here earlier today—the Kinnaird-Mortimer process required us to have a military off-the-shelf option provided at all times. An off-the-shelf option would have been in consideration.

Senator XENOPHON: But you considered options such as an alliance arrangement with an overseas or Australian prime contractor or an overseas or Australian relationship with a combat system provider. That is correct, isn't it?

Mr Gillis: That is correct. We would do that in almost all projects.

Senator XENOPHON: What did the results of your analysis of the prime contractor and the relationship say? What can you tell us about that analysis?

Mr Gillis: I'd have to take that on notice.

Answer:

Defence looked at a range of options. Government direction was to create Continuous Naval Shipbuilding program with construction in Australia