

AUSTRALIAN FUTURE SUBMARINE PROGRAM

MGT-300 Contract Status Report Q3 - 2019 Status as of 30/09/2019

Version D

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Australian Department of Defence

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NAVAL
GROUP

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Originator : Australia

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REPORT DATE 30/09/2019

AICP-1 AUSTRALIAN INDUSTRY CAPABILITY (AIC) REPORT

► AICP - REPORTING DEFINITIONS

Local Industry Activity (LIA) is defined as Australian industrial base work performed in Australia in support of the Future Submarine Program design, build or sustainment activities. LIAs directly create, enhance or maintain defence capability and are performed by Australian industry.

Local Overheads represents the dollar value of expenditure on custom duties, insurances, bank fees, software, computer and office supplies, infrastructure, corporate overheads and indirect good and services within Australia. Local Overheads includes taxes (GST) not accounted for in Local Industry Activity Value.

Imported Content is defined as the value of any supply, work or service which is either imported from or is undertaken/performed overseas (a country other than Australia).

Australian Industry is defined as Australian entities that are registered for an Australian Business Number (ABN) and includes New Zealand businesses consistent with the Commonwealth obligations under the Closer Economic Relationship agreement. For the avoidance of doubt, this includes Australian based subsidiaries of overseas companies/primes/original equipment manufacturers who are registered in Australia with an ABN and where the work is performed in Australia with Australian based employees of the subsidiary. Expenditure by the subsidiary that is aligned to this definition should appear in either the Local Industry Activities or the Local Overheads, whichever category it applies to.

a. Overview and risks



Overview of other achievements of the reporting period

DID 6.2.11.1.a.1

Resources have been allocated to support OEM in the production of their AIC Plans.

Specific risks

DID 6.2.11.1.g.1

Description (there is a chance that...)	Cause (because of...)	Consequence (with the consequence that...)	Suggested action plan
No specific risks raised during Q3.			

Specific issues

DID 6.2.11.1.g.1

Description (there is an issue that...)	Cause (because of...)	Consequence (with the consequence that...)	Suggested action plan
No specific issues raised during Q3.			

Overview of the activities forecasted for the next reporting period

DID 6.2.11.1.a.3

Coordination with Procurement to manage the increasing workload linked to the review of AIC plans for each equipment.
First approach to the Procurement Strategy expected for 2 CDE.

b. Australian Cost Expenditure

DID 6.2.11.1.a.4, DID 6.2.11.1.f



Completed Work Scopes and Prior Contracts	Work Scope or Prior Contract Price	Budgeted amounts			Achieved amounts			% of Work Scope or Contract Price
		LIA	LIO	ACE	LIA	LIO	ACE	
DSC	10,603			0			8,870	84%
DMC	390,426			0			68,809	18%

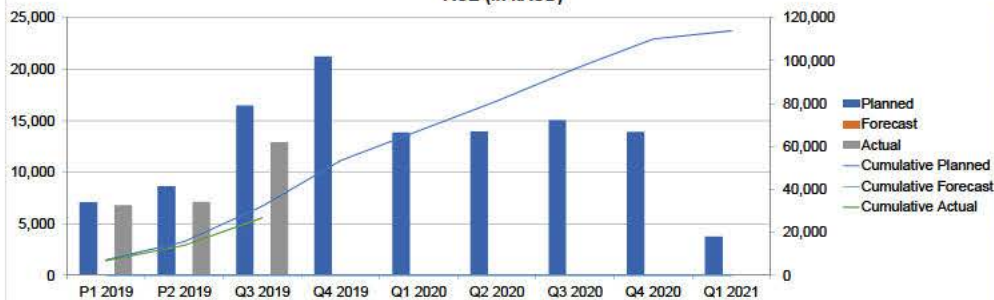
Comment

DSC Contract Price is the Final Value of DSC.
Expenditure complete for DSC.
DMC Contract Value decreased by CCP016 (AUD'000 -17,734).
Ontal total ACE (not separate LIA and LO amounts) have been recorded for prior contracts.
NGSA ACE for prior contracts is currently being assessed.

NAVAL GROUP : AUSTRALIAN CONTRACT EXPENDITURE - SDC CWS1



ACE (in kAUD)



Comment

P1 2019 includes March and April 2019.
 P2 2019 includes May and June 2019.
 ACE Planned only includes amounts related to AIC (LIA and LO). It excludes IC and TBD amounts.
 To balance with the CSR1 4.4 offer (AUD'000):
 - LIA (LIA NGA + LIA Contractors) = 83,694.
 - LO = 30,122.
 - ACE = 113,816.
 - IC = 7,770.
 - TBD = 10,502.
 - Total NTE offer = 132,088.
 Planned amounts for PMO Labour Supporting AWS1 CCP, ToTWFR CCP, and ICTWFR CCP pending.
 For further general financial analysis, please refer to the Cost Report.

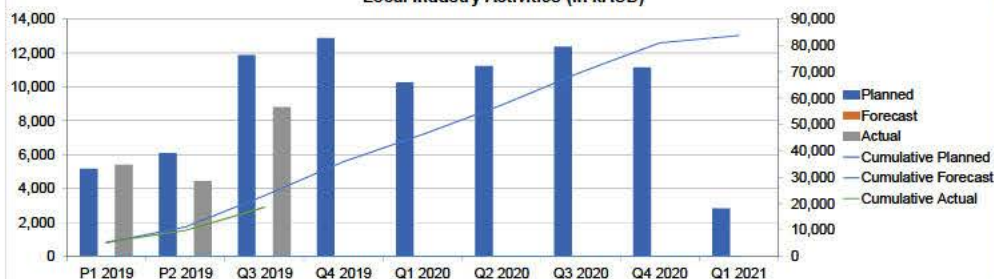
Period	P1 2019	P2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Total
Planned	7,075	8,632	16,471	21,225	13,832	13,922	15,025	13,902	3,733	113,817
Forecast	0	0	0	0	0	0	0	0	0	0
Actual	6,786	7,134	12,884	0	0	0	0	0	0	13,920
Cumulative Planned	7,075	15,707	32,178	53,403	67,235	81,157	96,182	110,084	113,817	
Cumulative Forecast	0	0	0	0	0	0	0	0	0	
Cumulative Actual	6,786	13,920	26,804							

Cum. ACE as % of
 Cum. Contract Price
 ACE as % of DC
 Program Exp.

NAVAL GROUP : LOCAL INDUSTRY ACTIVITIES - SDC CWS1



Local Industry Activities (in kAUD)



Comment

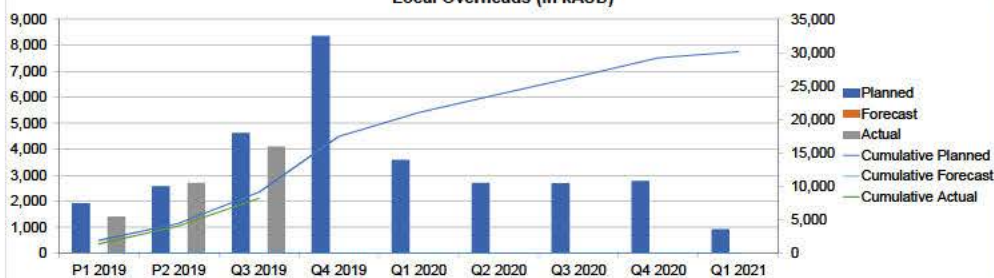
Baseline LIA relates to NGA production cost baseline.

Period	P1 2019	P2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Total
Planned	5,162	6,073	11,847	12,872	10,245	11,220	12,334	11,127	2,815	83,695
Forecast	0	0	0	0	0	0	0	0	0	0
Actual	5,392	4,431	8,792	0	0	0	0	0	0	18,616
Cumulative Planned	5,162	11,235	23,082	35,954	46,199	57,419	69,753	80,880	83,695	
Cumulative Forecast	0	0	0	0	0	0	0	0	0	
Cumulative Actual	5,392	9,824	18,616							

NAVAL GROUP : LOCAL OVERHEADS - SDC CWS1



Local Overheads (in kAUD)



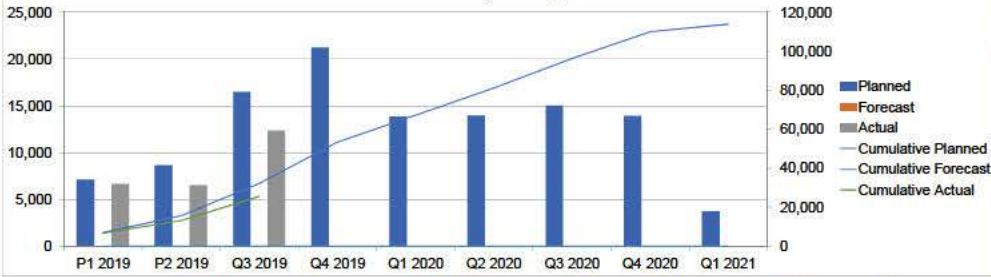
Comment

Baseline LO relates to NGA central charges cost baseline.

Period	P1 2019	P2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Total
Planned	1,913	2,559	4,624	8,353	3,587	2,702	2,691	2,775	918	30,122
Forecast	0	0	0	0	0	0	0	0	0	0
Actual	1,393	2,703	4,092	0	0	0	0	0	0	8,189
Cumulative Planned	1,913	4,472	9,096	17,449	21,036	23,738	26,429	29,204	30,122	
Cumulative Forecast	0	0	0	0	0	0	0	0	0	
Cumulative Actual	1,393	4,097	8,189							

NAVAL GROUP AUSTRALIA : AUSTRALIAN CONTRACT EXPENDITURE - SDC CWS1

ACE (in kAUD)

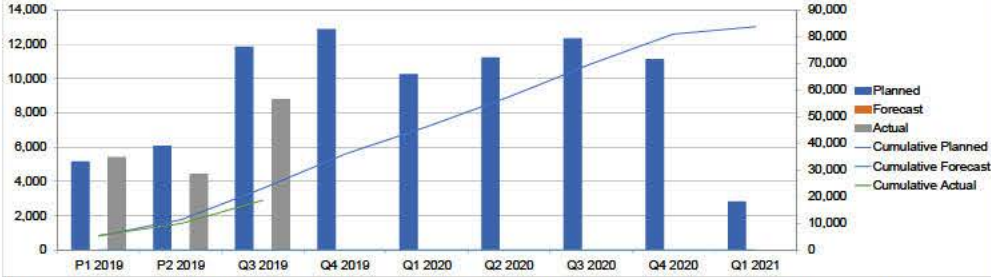


Comment
Major cost differences: An extra month of costs. Q3 2019 consists of 3 months duration. P1 2019 and P2 2019 both costs of 2 months each.

Period	P1 2019	P2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Total
Planned	7,075	8,632	16,471	21,225	13,832	13,922	15,025	13,902	3,733	113,817
Forecast	0	0	0	0	0	0	0	0	0	0
Actual	6,659	6,524	12,345							13,184
Cumulative Planned	7,075	15,707	32,178	53,403	67,235	81,157	96,182	110,084	113,817	
Cumulative Forecast	0	0	0	0	0	0	0	0	0	
Cumulative Actual	6,659	13,184	25,529							

NAVAL GROUP AUSTRALIA : LOCAL INDUSTRY ACTIVITIES - DC CWS1

Local Industry Activities (in kAUD)

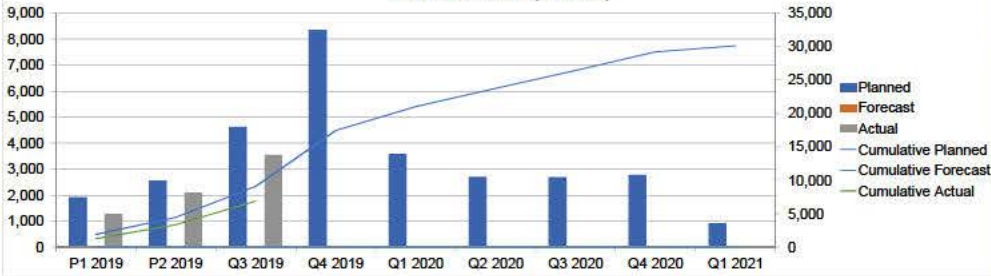


Comment
Major cost differences: Increase of 34 FTE, increasing labour costs; project contractors supporting PMO.

Period	P1 2019	P2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Total
Planned	5,162	6,073	11,847	12,872	10,245	11,220	12,334	11,127	2,815	83,695
Forecast	0	0	0	0	0	0	0	0	0	0
Actual	5,392	4,431	8,792							18,616
Cumulative Planned	5,162	11,235	23,082	35,954	46,199	57,419	69,753	80,880	83,695	
Cumulative Forecast	0	0	0	0	0	0	0	0	0	
Cumulative Actual	5,392	9,824	18,616							

NAVAL GROUP AUSTRALIA : LOCAL OVERHEADS - SDC CWS1

Local Overheads (in kAUD)



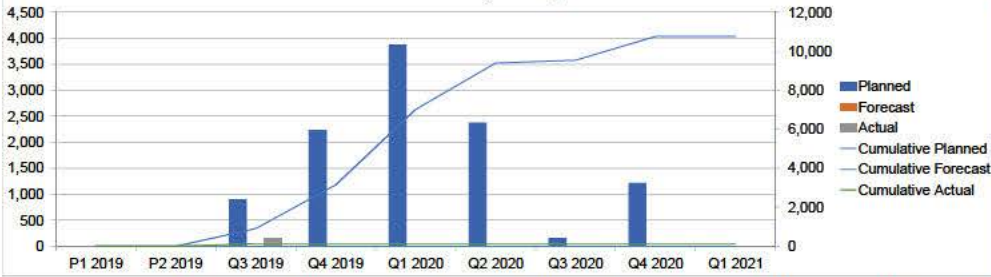
Comment
Major cost differences: project contractors supporting the ToTWFR; project contractors supporting the ERP Project and Data Management.

Period	P1 2019	P2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Total
Planned	1,913	2,559	4,624	8,353	3,587	2,702	2,691	2,775	918	30,122
Forecast	0	0	0	0	0	0	0	0	0	0
Actual	1,267	2,093	3,553							6,913
Cumulative Planned	1,913	4,472	9,096	17,449	21,036	23,738	26,429	29,204	30,122	
Cumulative Forecast	0	0	0	0	0	0	0	0	0	
Cumulative Actual	1,267	3,360	6,913							

NAVAL GROUP AUSTRALIA : AUSTRALIAN CONTRACT EXPENDITURE - SDC AWS1



ACE (in kAUD)



Comment

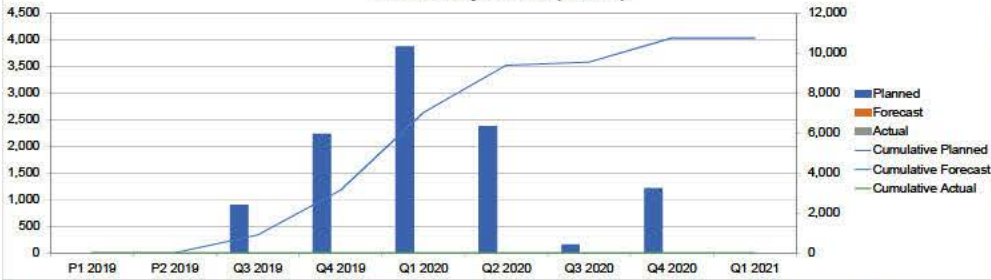
Planned amounts for AWS1 Stage 2 offer pending.

Period	P1 2019	P2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Total
Planned	0	0	902	2,235	3,873	2,376	157	1,212	0	10,755
Forecast	0	0	0	0	0	0	0	0	0	0
Actual	0	0	135	0	0	0	0	0	0	0
Cumulative Planned	0	0	902	3,137	7,010	9,386	9,543	10,755	10,755	10,755
Cumulative Forecast	0	0	0	0	0	0	0	0	0	0
Cumulative Actual	0	0	135	0	0	0	0	0	0	0

NAVAL GROUP AUSTRALIA : LOCAL INDUSTRY ACTIVITIES - SDC AWS1



Local Industry Activities (in kAUD)



Comment

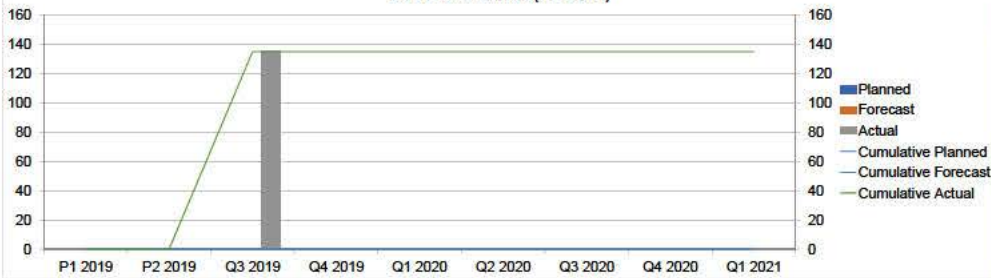
As per Industry Division, contracts for qualification purposes are considered a LO. This may affect the comparison of Planned and Actuals. All AWS1 Planned amounts were categorised as LIA (LIA Contractors). Some Actuals may be categorised as LO.

Period	P1 2019	P2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Total
Planned	0	0	902	2,235	3,873	2,376	157	1,212	0	10,755
Forecast	0	0	0	0	0	0	0	0	0	0
Actual	0	0	0	0	0	0	0	0	0	0
Cumulative Planned	0	0	902	3,137	7,010	9,386	9,543	10,755	10,755	10,755
Cumulative Forecast	0	0	0	0	0	0	0	0	0	0
Cumulative Actual	0	0	0	0	0	0	0	0	0	0

NAVAL GROUP AUSTRALIA : LOCAL OVERHEADS - SDC AWS1



Local Overheads (in kAUD)

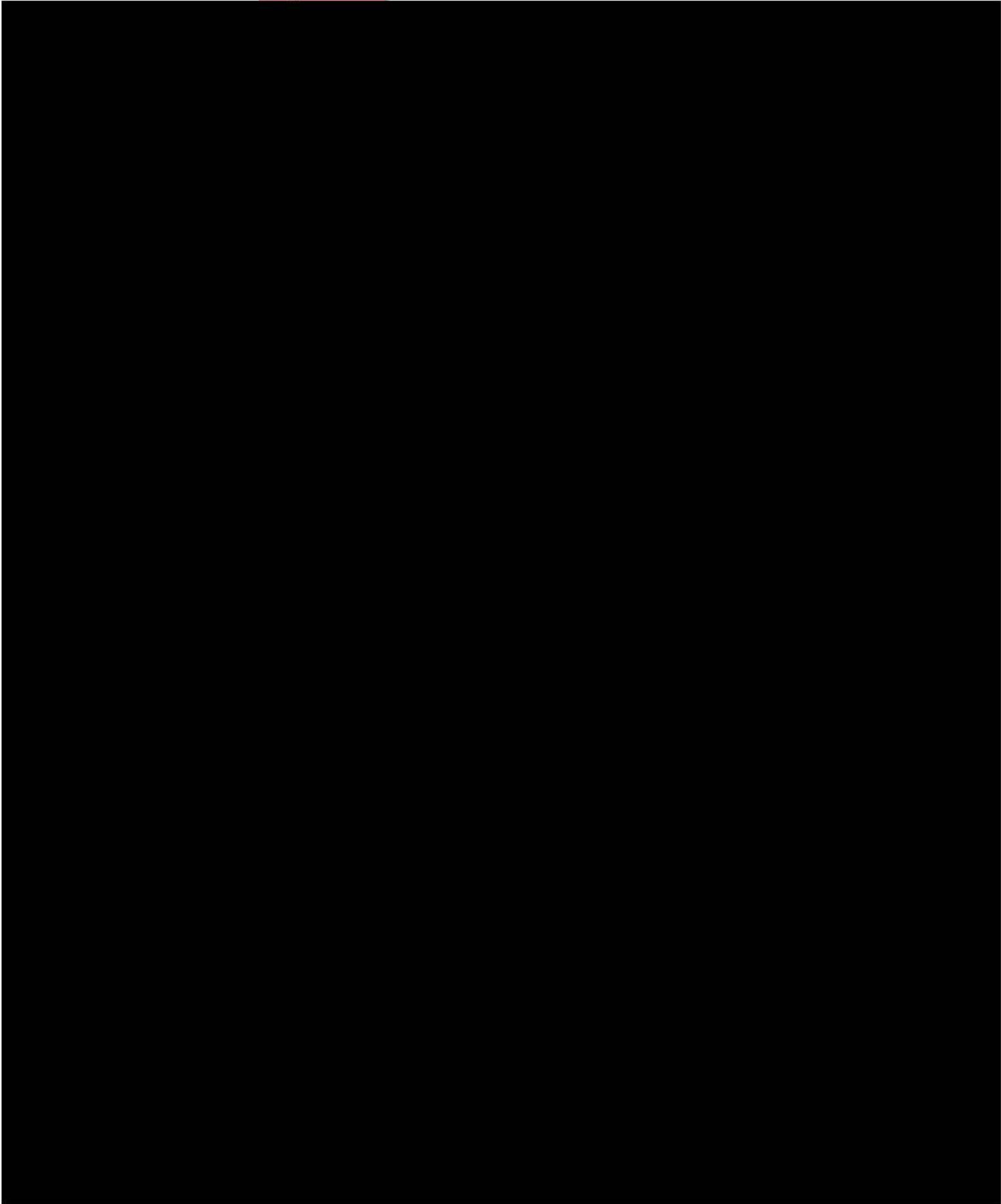


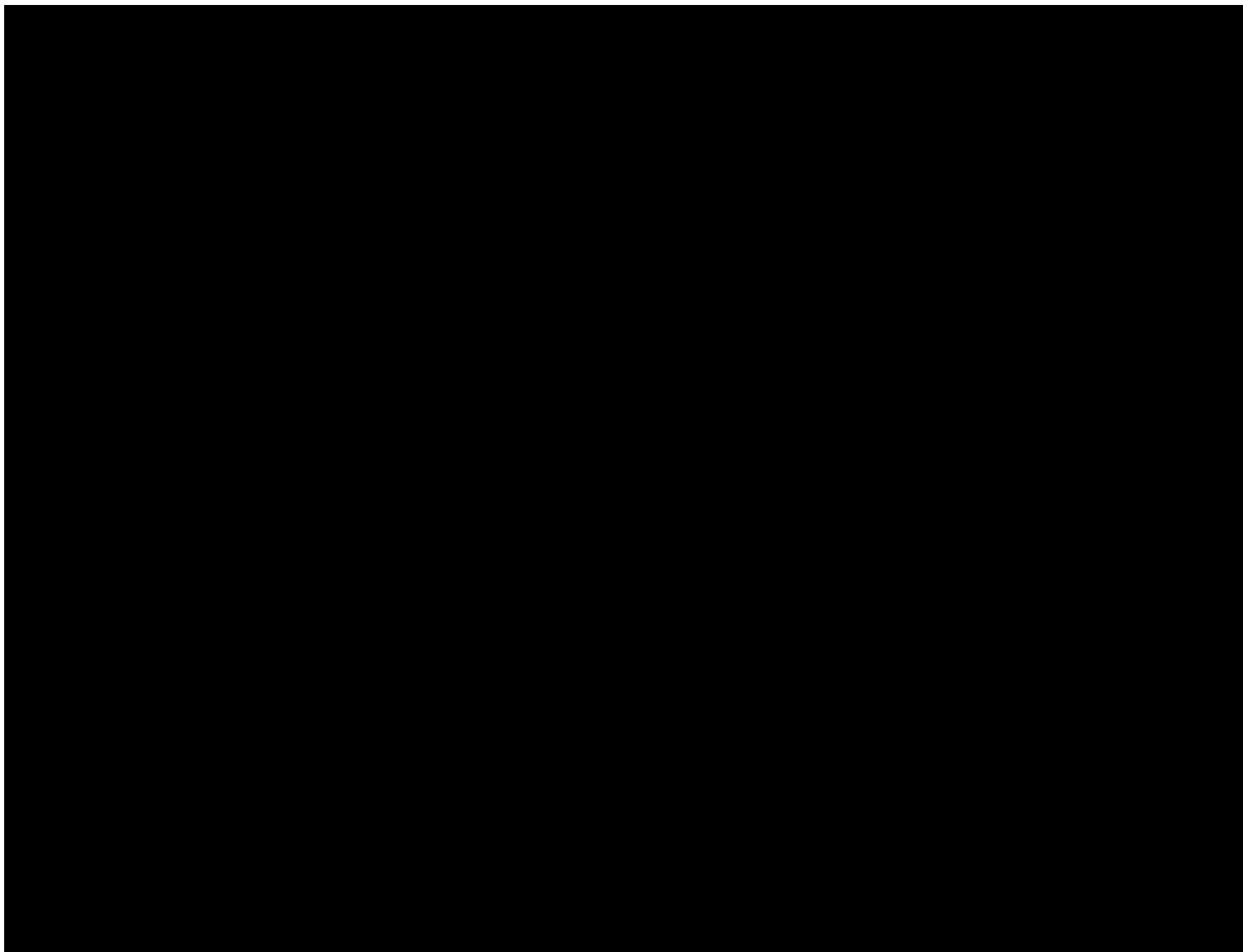
Comment

Qualification contract categorised as LO, instead of LIA, as per industry Division.

Period	P1 2019	P2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Total
Planned	0	0	0	0	0	0	0	0	0	0
Forecast	0	0	0	0	0	0	0	0	0	0
Actual	0	0	135	0	0	0	0	0	0	135
Cumulative Planned	0	0	0	0	0	0	0	0	0	0
Cumulative Forecast	0	0	0	0	0	0	0	0	0	0
Cumulative Actual	0	0	135	0	0	0	0	0	0	135

Originator : Australia





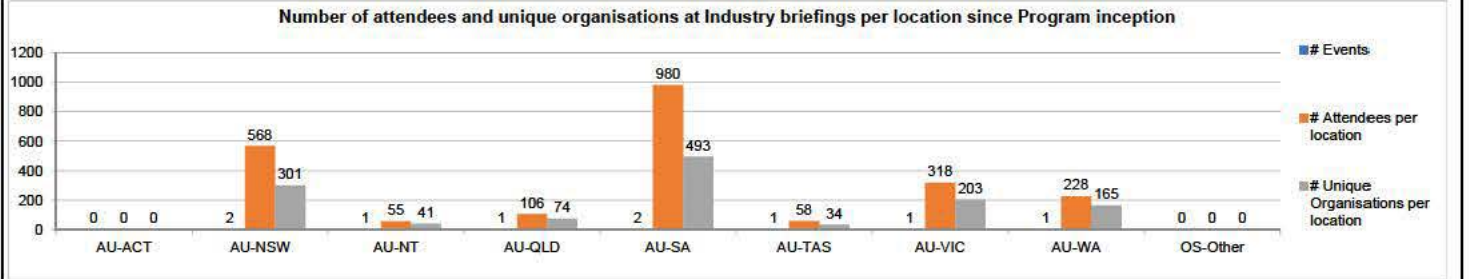
Originator : Australia

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AICP-3 **INDUSTRY ENGAGEMENT INFORMATION**

d. Industry briefs and engagement during the period
 DID 6.2.11.1.d

► **Industry briefs during the reporting period**



Attendance per Location

Location	Latest Event		All Events			
	Date	# Attendees	# Organisations	# Events	# Attendees per location	# Unique Organisations per location
AU-ACT				0	0	0
AU-NSW				2	568	301
AU-NT				1	55	41
AU-QLD				1	106	74
AU-SA	2018-12	505	322	2	980	493
AU-TAS				1	58	34
AU-VIC				1	318	203
AU-WA				1	228	165
OS-Other				0	0	0
Total					2313	1311
					# Unique Organisations All Briefings	
						951

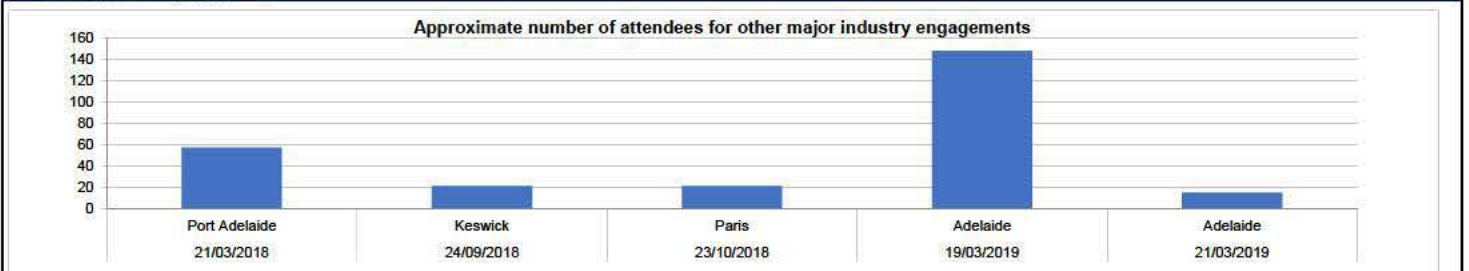
Comment

Next event: Pacific (Sydney), 8-10/10/2019.
 Difference of # Unique Organisations amounts:
 - Organisations attending multiple briefings will be counted once depending on the criteria for summation, e.g.: 1. by location; and, 2. by briefing.
 - The # Unique Organisations Per Location is the number of unique organisations who have attended the briefings in a single location notwithstanding the number of events in the same location.
 - The # Unique Organisations All Briefings is the number of unique attending organisations across all events.
 - The # Unique Organisations Per date is the number of unique organisations who have attended a specific briefing.

Attendance per Industry Briefing

Date	Location	# Attendees	# Unique Organisations
24/11/2016	Adelaide	475	242
16/02/2017	Sydney	306	190
23/03/2017	Melbourne	318	203
11/05/2017	Brisbane	106	74
07/06/2017	Perth	228	165
10/08/2017	Hobart	58	34
04/10/2017	Sydney (Pacific)	262	168
24/10/2017	Darwin	55	41
05/12/2018	Adelaide	505	322
Total		2313	1439

► **Other major industry engagement**



Date	Location	Engagement Objective	Approximate Number of Attendees
21/03/2018	Port Adelaide	FSP supply chain information.	57
24/09/2018	Keswick	General Naval Group FSP	21
23/10/2018	Paris	Naval Group supply chain information; General FSP	21
19/03/2019	Adelaide	Naval Group supply chain and sovereignty information.	148
21/03/2019	Adelaide	Educate suppliers to prepare AIC	15
Total			262

Comment

There are not any Other Major Industry Events planned.



Future Submarine Program - Combat System Integrator



Contractor Status Report

CDRL: MGT-300

DIN: FSP-CSI-002699

Date: 13 December 2019

Revision: 20

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16. AIC Report

Australian Contract Expenditure

CSR DID 6.2.8.1. a, b & c



Data Current as of 6 December

Contracts	# Issued	Value(A\$M)
Overseas (A\$M) ISC	1	1.8
Overseas (A\$M) DBIC	2	23.4
Australia (A\$M) ISC	3	4.3
Australia (A\$M) DBIC	24	50.5
<u>Total Contracts</u>	<u>30</u>	<u>80.0</u>

Notes:

1. AIC Plans under review for executed Combat System Procurement contracts for design of ship-fit equipment or subsystems with LIA expenditure forecast reports not as yet validated.
2. Reported Expenditure relates primarily to CSI engineering services with no contracts resulting in performance issues for over or under performance
3. No actions required to address any under performance in Australian Contract Expenditure nor any emerging risks that may prevent full achievement of Australian Contract Expenditure



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16. AIC Report

Activities

CSR DID 6.2.8.1.d, f



Data Current as of 6 December

Report Requirement	Report
Report a summary of any delivered ToT, mentoring, trade sponsorship, up-skilling or training activities that Australian Industry the LIA recipient	NSTR - AIC Plans for executed Combat System Procurement contracts do not as yet report any ToT delivery
Forecast ToT, mentoring, trade sponsorship, up-skilling or training activities to be performed in next reporting period	NSTR
Report on progress and next steps of any validation of Australian Industry identified in LIAs	NSTR



16. AIC
Summary of Market Testing
 CSR DID 6.2.8.1.e

Data Current as of 6 December

Combat System Industry Forum			
Date	Location	Attendees	Organisations
17-Nov-16	Canberra	51	26
16-Feb-17	Sydney	38	25
8-Jun-17	Stirling	47	30
17-Nov-17	Adelaide	51	37
21-Mar-18	Adelaide	48	32
5-Nov-18	Canberra	50	48
19-Mar-19	Melbourne	75	58
	Total	360	256
Total (Unique Organisations)			120
Next Forecast Forum		Q 2 2020	Albury/Wadonga

Procurement Activities Achieved	
# RFQ Issued	To # of Companies
58	26 Australian Companies
54	33 Overseas companies

Procurement Activities Forecast	
RFQ	Forecast date
Sonar Outboard Flank Array Component (Release-2)	11 Sep 19
NDS Time Reference	Apr 2020



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16. AIC – Summary of Innovation and Research activities
 CSR DID 6.2.8.g



Data Current as of 6 December

CSI Cycle 1 R&D Topics	Release Date to Industry	No of Responses	No of Whitepaper contract awards	No of resulting R&D contract awards
8	22 Oct 2018	45	13	WIP

CSI Cycle 2 R&D Topics	Release Date to Industry	No of Responses	No of Whitepaper contract awards	No of resulting R&D contract awards
8	6 Aug 2019	54	WIP	WIP

CSI Cycle 3 R&D Topics	Release Date to Industry	No of Responses	No of Whitepaper contract awards	No of resulting R&D contract awards
TBD	Q2 2020			



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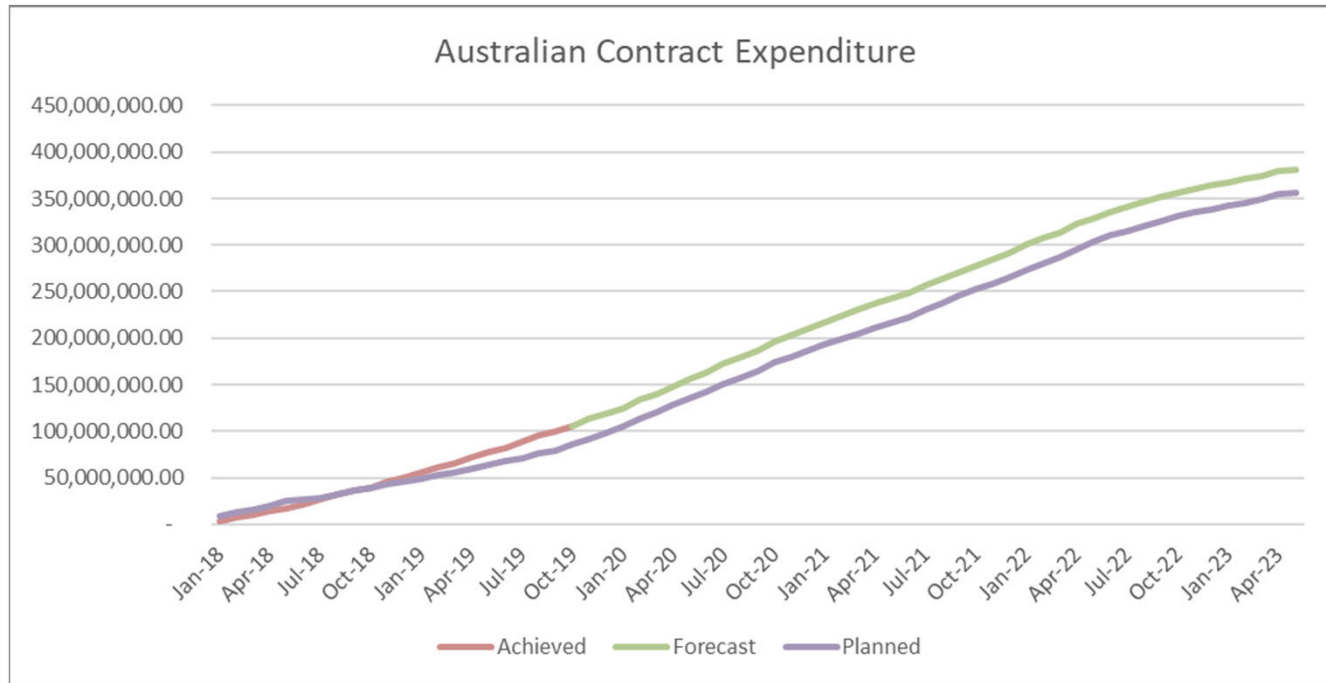
16. AIC Report – Australian Contract Expenditure



Data Current as at 24 November 2019

CSR DID 6.2.8.2

\$AUD (burdened cost)	Forecast	Achieved
Current Period	\$ 6,678,959	\$ 5,515,896
Cumulative To Date	\$ 85,886,772	\$ 105,718,536
Next Period	\$ 8,085,658	
Cumulative for the Contract	\$ 383,452,409	
Ratio of Aust Contract Expenditure During Reporting Period	85%	





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16. AIC Score Card 08 August 2019 to 05 September 2019

Data Current as of 06 December

AIC SCORECARD	Program		Period	
	Future Submarine Program Combat System Integrator		08 November 2019 to 06 December 2019	

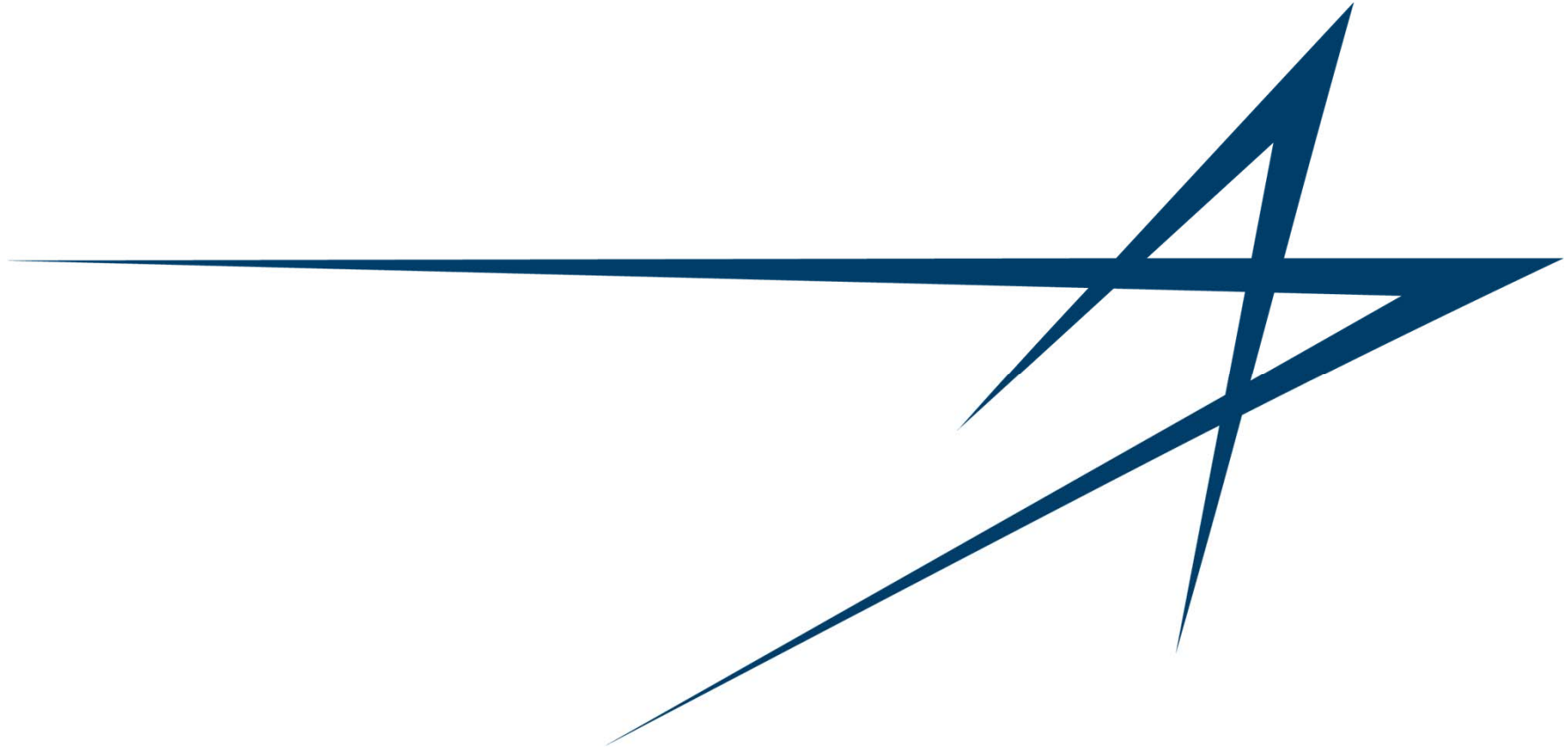
Australian Industry Capability Gaps ⁽¹⁾	Capability	Number
	NSTR	N/A

Australian Companies Visited to Confirm Industrial Capability ⁽²⁾	Capability	# of Companies
	N/A	N/A

Number of Suppliers Added to the Program & Indigenous Business Enterprises (IBE) Status ⁽³⁾	Tiers	# of Suppliers	Contract Value \$AU(M)	Supplier's with IBE Status
	Tier 1	16	52.68	
	Tier 2	0	0.00	
	Tier 3	12	2.19	
	Tier 4	0	0.00	

Industry Engagement Sessions ⁽⁴⁾	Engagement Type / Organisation	Date	Location	# of Companies
	Indigenous Training and Recruitment Pty Ltd	14-Nov-19	Adelaide	1
	Sonar TAHS Negotiations	12-Nov-19	Adelaide	1
	<i>Total</i>			2

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