

Notes for Meeting with Joint Standing Committee on Treaties –  
Framework Agreement between CoA and Republic of France  
concerning cooperation on the Future Submarine

1. I am speaking on behalf of AIDN-WA.
2. AIDN-WA members play a major role in the sustainment of the Collins Class. The very high levels of availability now being delivered by the Collins Class have been achieved through the very intelligent application of the Coles Review recommendations by the RAN, the provision of adequate resources by Government, and the skills of (largely) Western Australian based companies.
3. A significant feature of the Collins Sustainment success is the “enterprise model” in which the RAN, CASG and industry work together in a much more integrated fashion than in other more traditional “master servant” structures. In the Collins sustainment program, each party in the Enterprise has a very clear understanding of its role and responsibility for achieving a fully effective submarine capability.
4. In regard to the Treaty and against that background:
  - a. The Treaty is a very helpful document. Had such a well thought out document been in place prior to the start of the Collins much of the grief of the 1990s and 2000s in relation to the submarines might not have occurred.
  - b. It makes the very important points that the Future Submarine is required “... to meet Australia’s unique security requirements and to operate as an independent sovereign capability;” and that “.. it is critical for Australia to achieve a full, enduring and self-reliant capability for the Future Submarine, ...”.
  - c. Of particular interest to AIDN-WA members, the Treaty is very clear that the Parties (France and Australia) recognise “... the importance of maximising Australian industry involvement.” in the program and that it is important for Australia to enable and support “.. the long-term security of supply for the Future Submarine and for maximising opportunities for Australian industry’s involvement in the design, construction and sustainment ..” of the submarines.
5. AIDN-WA respectfully requests that the existence, effectiveness and success of the Collins sustainment model is also acknowledged as the base upon which to achieve the objectives of the Treaty. A substantial Australian industry capability exists that is supporting the submarine capability and a very important objective for the Future Submarine must be to maintain and increase the maritime effect Government wishes to achieve with its submarines through a seamless transition from Collins to Future Submarine.
6. Noting the significant positives in this Treaty, is it intended to enter a similar agreement with the United States, as supplier of the Combat System?
7. The Treaty will impact on the main contract for the submarines:

- a. Care needs to be taken to ensure that its impact is not used by the contractors to obfuscate the contractors' accountability for the delivery of the contract.
  - b. This risk could be reduced by establishing a simple contracting structure. Such a structure would comprise:
    - i. A single Australian entity as the Prime Contractor.
    - ii. The platform designer (DCNS) and the combat system supplier should be sub-contractors to the Australian Prime.
8. The Treaty uses terms that if clearly defined in the Treaty will greatly assist the Future Submarine program for the long term. Examples are:
- a. "sovereign capability" – what does that mean in the context of industry? Industry is a substantial element of the capability. If it is to be an independent Australian sovereign capability does that mean the company should be Australian owned – and if so – what is meant by "Australian owned"?
  - b. "Australian industry involvement" – what is meant by "Australian".
  - c. "sovereign operational and sustainment capability" – in the context of the Collins Enterprise model for Sustainment – what does this mean?

## Related Matters

### Maintain and Develop the Maritime Effect Required by Government

Government is making a very significant investment in the submarine capability to achieve an effect in the region that supports its Foreign and Trade policy objectives. After a substantial period, the Collins Class is now able to achieve the effect that was being delivered by the Oberons in the 1980s. Every effort must be made to avoid the deterioration of submarine capability and lack of effectiveness that was a major feature of the transition from RAN Oberons to Collins.

A seamless transition while maintaining and improving the maritime effect achieved by the submarine capability should be a primary goal of the Australian members of the Treaty Steering Committee.

### Impact of this Treaty on the Future Submarine Contract

Among other things, this Treaty establishes a culture, or set of behaviours, about how each of the parties will treat each other. That same culture must flow down into the Main Contract, and the contracting parties should be aware of the intent and the substance of the Treaty.

### The Importance of a Single Australian Prime Contractor

The Prime Contractor for the delivery of the Future Submarine must be an Australian entity. A comparison of the Collins program, with the ANZAC Ship program and more recently the AWD project shows the significant benefit of a single prime contractor (the ANZAC model) versus the more complex and cumbersome arrangements for Collins and the AWD.

The very sensitive security (and sovereign) aspects of submarine construction and sustainment dictate that the single entity prime contractor is also an Australian company within the meaning used by the Treasurer and the Foreign Investment Review Board.

Unless these criteria are established from the start, very complex contracting arrangements must be put in place to protect the security interests of supplying nations.

### The Submarine Program needs Australian Industry Involvement because it May have to Fight

The need for Australian Industry involvement in this program is not primarily an economic argument. Australia would not acquire the submarines unless it intends to use them. Hence, the capacity to quickly repair battle damage and construct more submarines are essential inputs to the submarine capability.

### What is an “Australian” Company in this Context?

The Treaty includes discussion of an Australian sovereign capability. An element in that sovereign capability is Australian industry.

Most the larger companies in Defence industry in Australia are foreign owned, although they often change their name to include “Australia” in their name. (e.g. DCNS Australia).

As I understand it the Foreign Investment Review Board and the security organisations define an Australian company by the amount of Australian ownership. Using that criteria, a company such as Lockheed Martin Australia, or DCNS Australia is not an Australian company.

Agreement on what defines an “Australian” company will help this Treaty, and indeed the Future Submarine Program a lot.

### Conclusion

This is very helpful document. It addresses some fundamentally important issues which, if they can be agreed now, will make the journey for the FSM significantly better than the Collins early experience. The following items are very helpful:

- The proposed governance framework.
- The intent to establish an Engineering Authority together with the roles of the EA.
- The statement of objectives.
- The clear guidance on ownership and use of Intellectual Property.
- The need for program management.

There are definitions (discussed in the body of these notes) that if clarified, would make the execution of the Treaty very much clearer.

Peter Horobin

Wednesday, 8 March 2017