

## Defence Portfolio

# COMMITTEE INQUIRY QUESTION

(Question No.1)

Senator Rex Patrick asked the Department of Defence, upon notice, on 15 September 2021:

**Senator Patrick:** Yes, thank you for your briefing in relation to the projects. Mr Fraser, obviously there would be some similarity in terms of disruption of supply chains between COVID and conflict. I'm actually very interested in the sustainment side of things because in a conflict you have an up tempo of operations and perhaps a worse situation in COVID. I don't want the answer now, but I just wonder: is Defence doing any analysis on that supply chain vulnerability from a sustainment perspective? Sort of a 'lessons learned from COVID'?

**Mr Fraser:** Yes, we analysed that right from the very start to map our supply chain vulnerabilities and actions needed for those. Importantly, most of our supplies—all of our supplies for combat operations—are from trusted suppliers of allies. The things that are more difficult, just in generalisation—I acknowledge we can take it on notice—are things like glues and all those really sub layer ones that are quite low down to subcontractors and other competitors. We've had to find ways around to work around some of those as stocks became reduced. But our combat preparedness was not diminished in the supply chain sense. I note the US and the UK have done an extensive amount of work as well on supply chain. We're mapping it. The committee might be aware of that other report on the supply chain from the House Armed Services Committee made in July.

**Senator Patrick:** I didn't necessarily want a detailed answer. I just wondered if indeed there's a report being generated and an unclassified version of that that might be made available.

**Mr Fraser:** I'll take that on notice, Senator, if that suits you. We're working a whole-of-government issue here. It's not just a Defence matter; it's everything from Health and other. There is a Prime Minister and Cabinet led interdepartmental committee on supply chain and all of the work that we're doing associated with that. I will take that on notice to work out how best to satisfy your answer.

Senator Rex Patrick – The Department of Defence has provided the following answer to the Senator's question:

The Department of Defence contributes to work led by the Office of Supply Chain Resilience within the Department of the Prime Minister and Cabinet, to identify and monitor vulnerabilities in critical supply chains and coordinate whole-of-Government responses to ensure ongoing access to essential goods and services. Any impact of COVID on specific Defence contracts and programs will be addressed in the relevant ANAO reports, including the Major Project Report for 2020-2021.

The specific report on the US supply chains is available in the following links:

- [https://www.whitehouse.gov/wp-content/uploads/2021/06/100-day-supply-chain-review-report.pdf?utm\\_source=sfmc%E2%80%8B&utm\\_medium=email%E2%80%8B&utm\\_campaign=20210610\\_Global\\_Manufacturing\\_Economic\\_Update\\_June\\_Members](https://www.whitehouse.gov/wp-content/uploads/2021/06/100-day-supply-chain-review-report.pdf?utm_source=sfmc%E2%80%8B&utm_medium=email%E2%80%8B&utm_campaign=20210610_Global_Manufacturing_Economic_Update_June_Members)
- <https://www.whitehouse.gov/briefing-room/statements-releases/2021/06/08/fact-sheet-biden-harris-administration-announces-supply-chain-disruptions-task-force-to-address-short-term-supply-chain-discontinuities/>

## Defence Portfolio

# COMMITTEE INQUIRY QUESTION

(Question No.3)

Senator Rex Patrick asked the Department of Defence, upon notice, on 15 September 2021:

**Senator PATRICK:** Clearly there is a cost implication for the project in extending the prototyping activity to now fill that gap between the second OPV and the new construction date. Can you provide the committee with the cost associated with that extension of work, please, on notice?

**Mr Dalton:** We're not actually anticipating too much of a cost variation, because the blocks that we're building in the extended prototyping period will probably move towards ship 1, or certainly batch 1. We'll certainly take that on notice, but I will just flag at this point—

**Senator PATRICK:** You can't just keep a workforce employed without additional cost. There's going to be additional steel, additional resources, involved in that activity. So I don't accept it's nil cost.

**Mr Dalton:** But not if those additional blocks are then moving into the batch 1 build program. The overall length of the program, for nine ships, has not changed.

**Senator PATRICK:** That means you're basically, in some sense, blurring the line between the prototype and the initial build, which was scheduled for 24 June. The chair is wrapping me up here, so maybe on notice you could just provide some information that explains what's involved with that gap and what it actually means shifting from prototyping to some component that can actually be used on the ship. If you could do that on notice, I would be grateful.

**Mr Dalton:** We'll take that on notice, but I would add that there was always going to be an overlap between prototyping and the commencement of the first batch.

Senator Rex Patrick – The Department of Defence provides the following answer to the Senator's question:

The enhanced prototyping activities will provide continuity of work with increasing complexity of production techniques. This will ensure full utilisation of BAE Systems Maritime Australia's production workforce as they roll off the Osborne Arafura class offshore patrol vessel build.

The additional four blocks selected for enhanced prototyping are those which are most mature from a Hunter class frigate design perspective with a low likelihood of requiring as the total design matures. The four additional blocks are planned to be used in Batch 1.

Prototyping activity has always been planned to overlap the Ship 1 build schedule by 12 months so all trades can be maintained on a continuous basis. This will remain the case for enhanced prototyping.