

PROJECT OVERVIEW AND STATEMENT OF REQUIREMENTS

1. INTRODUCTION

1.1 This Request for Tender (**RFT**) is part of the Competitive Evaluation Process (**CEP**) for the SEA 5000 Phase 1 Project (**Project**).

1.2 The objectives of the Project (**Project Objectives**) are to:

- a. deliver nine Anti-Submarine Warfare Frigates (**Ships**) based on a Military-Off-The-Shelf design with Minimum Change;
- b. contribute to a Continuous Naval Shipbuilding industry in Australia;
- c. maximise Australian Industry Capability;
- d. commence construction in Adelaide in 2020; and
- e. establish commercial arrangements that are affordable to the Commonwealth of Australia (**Commonwealth**) taking into account the price and payment arrangements, price certainty and the allocation of risk,

in a manner that achieves overall value for money for the Commonwealth.

1.3 This RFT seeks to establish a long term relationship with a Tenderer so as to assist the Commonwealth to achieve the Project Objectives in the most efficient, effective and innovative manner and encouraging collaborative behaviours. This RFT represents an opportunity for a Tenderer to take a leading role in the naval shipbuilding industry in Australia and to create and be part of a continuing legacy for the industry.

1.4 This document provides a high-level summary of:

- a. the structure of this RFT;
- b. the Project Objectives;
- c. the key assumptions that Tenderers should make in responding to this RFT;
- d. the contracting structure and pricing models; and
- e. the Statement of Requirements which outlines the Commonwealth's core requirements for the Project.

1.5 This document is not intended to be, and should not be relied upon as, a complete summary of this RFT. The Tenderer is responsible for examining the whole of this RFT and obtaining relevant information in respect of any risks having an effect on its tender.

2. RFT OVERVIEW

2.1 RFT Structure

2.1.1 This RFT has been prepared using a highly tailored ASDEFCON (Strategic Materiel) template which is part of the Australian Standard for Defence Contracting (ASDEFCON) suite of tendering and contracting templates.

2.1.2 This RFT consists of the following Parts:

PART 1	PART 2	PART 3
Project Overview And Statement of Requirements	Conditions of Tender Tender Data Requirements List (TDRL)	Draft Head Contract: <ul style="list-style-type: none"> • draft Conditions of Contract; and • draft attachments to the Conditions of Contract

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2.2 RFT Process

- 2.2.1 Tenderers should refer to the Conditions of Tender for details of:
- a. the information to be included in their tenders;
 - b. the timing and process for the submission of tenders;
 - c. the evaluation process, under which the tender evaluation criteria will be utilised to determine the Tenderer that will best support the achievement of the Project Objectives on a value for money basis; and
 - d. any other activities that may be conducted as part of the RFT process. This may involve contract development activities (e.g. including the development of Statement(s) of Work for the Head Contract) and contract negotiations with one or more Tenderers.
- 2.2.2 The Tenderer should also refer to Annex A to the TDRL which sets out a Tender Checklist listing the Tender deliverables required by the RFT and provides the Tenderer with page count guidance for some deliverables.
- 2.2.3 The Conditions of Tender also set out the relationship between documentation provided under the Participant Services Contract and the documentation to be provided as part of any response to this RFT.

2.3 RFT Approach

- 2.3.1 This document outlines the Commonwealth's approach to the achievement of the Project Objectives, including the Commonwealth's contracting structure, pricing models and a high level Statement of Requirements.
- 2.3.2 This RFT seeks to draw on the skills, experience and expertise of Tenderers to develop an optimum solution to support the achievement of the Project Objectives. In particular the Tenderer is invited to respond to questions about how it would support the achievement of the Project Objectives and detail their technical approach to undertaking the work described in the Statement of Requirements. These questions are in the Annexes to the TDRL.
- 2.3.3 The Commonwealth will not be providing a Statement of Work of the type that would normally form Attachment A to the Conditions of Contract. If the Tenderer is selected as a preferred Tenderer following tender evaluation, the Commonwealth and the Tenderer will develop the Statement(s) of Work to be included in the Head Contract at contract execution. Subsequent Statements of Work will be included over time as Scope is added to the Head Contract (see clause 6.5 for further detail).

3. PROJECT OBJECTIVES

3.1 Delivery of Nine Anti-Submarine Warfare Frigates

- 3.1.1 The Commonwealth is seeking the delivery of nine Ships that:
- a. are based on a Military-Off-The-Shelf design with Minimum Change to reflect the Commonwealth's requirements and that is capable of evolving over time to respond to the Commonwealth's changing capability requirements and to manage materiel obsolescence;
 - b. meet the requirements of the contracted Mission System Specification and the Commonwealth's capability requirements;
 - c. are designed and built in accordance with a design development process, shipbuilding strategy, production program and other project management arrangements that represent an acceptable risk having regard to the other Project Objectives; and
 - d. are supported by a mature Integrated Logistics Support program that will ensure that that the Commonwealth's capability outcomes can be achieved.

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3.1.2 The Commonwealth is seeking tenders that are based on the Tenderer's Reference Ship Design as modified in accordance with the Participant Services Contract (see clause 2.2.2 of the Participant Services Contract) and are otherwise consistent with the Project Objective relating to Minimum Change.

3.1.3 The Commonwealth is cognisant of the risk of workforce and other resource conflicts between a series of Commonwealth projects at the Adelaide shipyard, including Air Warfare Destroyer and Offshore Patrol Vessels. The Commonwealth is seeking to minimise the impact of this Project on the completion of other projects.

3.2 Contribute to Continuous Naval Shipbuilding in Australia

3.2.1 The Commonwealth's intention is that the Project will contribute to the development and sustainment of a Continuous Naval Shipbuilding industry in Australia for the purpose of long term continuous builds of surface warships in Australia. The Tenderer should consider, for the purposes of the RFT, the following Continuous Naval Shipbuilding aims:

- a. **Continuous build.** The Commonwealth will maintain demand for naval shipbuilding in Australia, initially until approximately 2035 with the construction of Offshore Patrol Vessels and the nine Ships. In the absence of an export market for Australian ships, further programs will need to be initiated and supported by the Commonwealth after 2035. The sustainment and major upgrades of Australia's fleet must also be considered alongside the build activity.
- b. **Build and sustain shipbuilding capability.** The Commonwealth seeks a tendered solution that will contribute to developing and sustaining shipbuilding capability in Australia, including:
 - (i) the people, infrastructure, processes and tools to enable design, construction, integration, installation, testing and delivery in Australia;
 - (ii) the ability for the Commonwealth and Commonwealth contractors to use the Tenderer's shipbuilding strategy, processes and tools developed during the Project in other projects; and
 - (iii) the ability for the Tenderer's shipbuilding strategy, processes and tools to work together with Commonwealth supplied infrastructure and tools.
- c. **Workforce.** The Commonwealth seeks a tendered solution that will sustainably utilise Australian industry including workforce, service providers, and supply chain.
- d. **Build Performance.** The Commonwealth seeks a tendered solution that will achieve continuous improvement over time to increase productivity of building naval ships in Australia, including:
 - (i) achieving and measuring learning curve improvements and develop in-build productivity throughout the duration of the build with the aim of reducing the cost premium of shipbuilding in Australia (RAND Corporation, *Australia's Naval Shipbuilding Enterprise: Preparing for the 21st Century*, 2015) within the constraints of the shipbuilding drumbeat as described in clause 4.3a) below; and
 - (ii) contributing skills and experience to ensure the shipyard is modernised on an ongoing basis to reflect the latest developments in shipbuilding processes and systems.
- e. **Ownership of critical infrastructure.** The Commonwealth will retain ownership of critical infrastructure in Adelaide, and encourage future investment in facilities and research and development to ensure that Australian shipyards and supply chains can support Australia's naval shipbuilding industry.

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3.3 Maximising Australian Industry Capability

3.3.1 The Commonwealth is seeking to maximise Australian industry capability to support and complement the Continuous Naval Shipbuilding industry. The Head Contract provides an opportunity to lead the growth and development of an Australian industrial base, including the shipbuilding workforce and supply chain. The Commonwealth's intention is to maximise Australian Industry Capability over the expected duration of the Head Contract in an innovative and economically optimised manner, without unduly compromising affordability, and still ensuring consistency with the Project Objective relating to Minimum Change.

3.4 Commencement of Construction in Adelaide in 2020

3.4.1 The Commonwealth requires the Project to achieve the Commonwealth's schedule requirements, including Commencement of Prototyping Activities in Adelaide in 2020.

3.4.2 The Commonwealth is seeking to prove ship production processes and workforce readiness through the Commencement of Prototyping Activities in Adelaide in 2020. This production system prototyping is expected to provide increased certainty that the shipyard facilities, production systems and processes, workforce and supply chain are fully capable prior to the Commencement of Ship Construction within 24 months of Commencement of Prototyping Activities. The prototyping activities also provide an opportunity for the parties to refine project and contract management activities, such as scheduling and cost estimation and reconciliation.

3.5 Affordability

3.5.1 The Commonwealth requires the Project to:

- a. establish commercial arrangements that remain within the budgetary constraints for the Project, taking into account the pricing and payment arrangements, price certainty, and the constraints on the Commonwealth to vary its financial expenditure;
- b. enter into a contract on contract terms acceptable to the Commonwealth; and
- c. represent an acceptable level of commercial, legal and financial risk for the Commonwealth, including taking into account the proposed allocation of risk and liability.

4. KEY ASSUMPTIONS

4.1 As at the date of issue of this RFT, there are a number of matters relating to the Project that have not been finally determined or remain subject to change. Accordingly, the Commonwealth has set out below a number of assumptions that Tenderers should rely upon for the purpose of preparing their tenders.

4.2 Tenderers should note that these assumptions are subject to change and do not necessarily represent the Commonwealth's final view or position on these matters. The Commonwealth may seek clarification or revised tenders from a Tenderer if the underlying basis of any of the following assumptions changes.

4.3 Tenderers may identify an assumption that they consider is not (or is unlikely to be) correct. Tenders may also include suggested changes to the assumptions if they consider including such changes would better achieve the Project Objectives. The Annexes to the TDRL also specifically seek information or views from the Tenderers in relation to the matters the subject of these assumptions. However, Tenderers should in any event submit a tender based on these assumptions.

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a) Drumbeat	<p>The Ships are to be built at a "drumbeat" or rate of two years (i.e. 24 months between the start of construction of each ship). This drumbeat is based on RAND's estimates of the rate that should sustain a healthy and cost-effective shipbuilding industrial base (RAND Corporation, <i>Australia's Naval Shipbuilding Enterprise: Preparing for the 21st Century</i>, 2015).</p>
b) Shipyard	<p>The successful Tenderer will be provided access to a shipyard and associated infrastructure as reflected the Facilities Assumptions Document at Appendix A to Annex G to the TDRL. The Commonwealth will provide Tenderers with any updates to the Facilities Assumptions Document during this procurement process following the Closing Time, on an ongoing basis.</p> <p>The shipyard and associated infrastructure will be Government Furnished Facilities for the purposes of the Head Contract and the Commonwealth will provide access in accordance with the draft Head Contract.</p> <p>The successful Tenderer will have responsibility for the operation of the shipyard. This includes scheduling the use of facilities and infrastructure by it and the contractors engaged on other Commonwealth shipbuilding projects using the shipyard and associated infrastructure. The successful Tenderer will be required to manage the operation of the shipyard in accordance with the Commonwealth's directions, including as to priorities and scheduling.</p> <p>The successful Tenderer will be a party to a Principals Council (see clause 2.7 of the draft Conditions of Contract) that will have responsibility for resolving any conflicts regarding use and operation of the shipyard.</p>
c) Ship batches	<p>Due to the duration of the Project, the design and configuration of the Ships may change over time, as required by the Commonwealth, including in relation to function and performance requirements.</p> <p>The Ships will be built in a number of batches, with each batch consisting of Ships with the same functional baseline. Tenderers should assume there will be three batches, with three Ships in each batch.</p>

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<p>d) Responsibility for shipbuilding workforce</p>	<p>The successful Tenderer will not be directed to utilise any particular shipbuilding workforce or engage any particular provider of shipbuilding services. In particular, the Commonwealth is not mandating that the successful Tenderer use the workforce of ASC Shipbuilding Pty Ltd currently working on the AWD Program.</p> <p>The Commonwealth has selected the Tenderers on the basis of their Reference Ship Designs and their ability to undertake both the design and build of the Ships. The Commonwealth's intention is that the successful Tenderer will (itself or through its Related Bodies Corporate) directly manage and supervise the workforce undertaking shipbuilding work. The responsibility for build management and supervision should not be subcontracted in its entirety to a third party entity.</p>
<p>e) Combat Management System</p>	<p>The Commonwealth will select a Combat Management System, which will be either:</p> <ul style="list-style-type: none"> • a Combat Management System based on the Saab 9LV system currently used in the ANZAC Class Frigates, modified to incorporate an Aegis fire control system; or • a US Aegis Combat Management System based on the version currently being used in the Air Warfare Destroyers. <p>The Commonwealth's selection of a Combat Management System will occur after submission of tenders. Tenderers should assume that the selected Combat Management System will be as provided in the data pack during the Concept Design phase of the Participant Services Contract, and represents the most complex physical integration into the platform.</p> <p>Although Tenderers should assume the Combat Management System will be provided by the Commonwealth as Mandated Government Furnished Material (GFM) in accordance with the Head Contract, as mentioned below, the successful Tenderer will be responsible for delivering an integrated Combat System with the platform.</p>
<p>f) Procurement Schedule</p>	<p>The Commonwealth is currently planning to identify a successful Tenderer in April 2018. Tenderers should assume the Effective Date of the Head Contract will be mid 2018.</p>

5. COMMERCIAL OVERVIEW

5.1 Contracting Structure

5.1.1 **Head Contract.** The Commonwealth is seeking to enter into a Head Contract with a single prime contractor responsible for the design, construction, integration, installation, testing and delivery of the Ships and associated Supplies as reflected in the draft Head Contract at Part 3 of this RFT. The successful Tenderer will be responsible for:

- a. the detailed design of the Ships, the Support System and associated Supplies;
- b. the planning, establishment and operation of the ship production arrangements (other than the GFF);
- c. the procurement of all required materials (other than GFM);

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- d. the construction, integration, installation, testing and delivery of the Ships and associated Supplies, including the integration of the Combat System; and
- e. the performance of the Ships (including the Combat System) and associated Supplies, (other than performance issues caused by any Commonwealth Mandated GFM or Commonwealth Default),

in accordance with the contracted specifications, all applicable laws and good industry practice in the naval shipbuilding industry.

5.1.2 **Scope of Work.** The Head Contract will allow for and manage the inclusion of the required Statements of Work as set out in clause 6.5.

5.1.3 **Subcontractors:** As prime contractor, the successful Tenderer will be fully responsible for its workforce and Subcontractors (including any Combat System Integrator). Given the experience and capability of the Tenderers, the successful Tenderer (or its Related Bodies Corporate) should directly undertake the core design work relating to the Ships and the management and supervision of build activities. The Commonwealth's expectation is that this work should not be subcontracted in its entirety by the successful Tenderer. The Commonwealth may mandate particular major suppliers to be engaged as Mandated Subcontractors. The Commonwealth may also require that it be involved in negotiations between the successful Tenderer and certain major suppliers.

5.1.4 **Commonwealth's role:** The Commonwealth will work collaboratively with the successful Tenderer in relation to the performance of the work under the Head Contract. The Commonwealth (and its contractors) will also:

- a. maintain a project office dedicated to the Project;
- b. be involved in the strategic governance arrangements under the Head Contract;
- c. be involved in the design development process (Tenderers should propose the level of involvement in their responses to Annex F to the TDRL);
- d. review and approve documentation;
- e. provide GFM and access to the shipyard infrastructure; and
- f. have other rights and remedies, including to issue Commonwealth Directions, step-in, stop payment, reduce scope or terminate the Head Contract in default situations.

5.2 Financial Overview

5.2.1 **Pricing Models.** The Head Contract will utilise a range of pricing mechanisms, with the pricing models to be used for the differing Scopes under the Head Contract summarised in the table below and detailed in Annex D to the TDRL. The Commonwealth has provided Pricing Rules and Allowable Costs applicable to the Head Contract in Annex D to the TDRL.

Pricing Model	Scope of work to which model is likely to be applied	Rationale
Cost-Plus Fixed Fee Model	Master Design and Productionisation, including prototyping activities	Commonwealth aim COST MANAGEMENT Considerations The high level of uncertainty in respect to combat system integration and productionisation
Target Cost Incentive Model	Build Scopes	Commonwealth aim COST CONTAINMENT AND COST IMPROVEMENT Considerations The medium level of uncertainty balanced by the Contractor's knowledge and experience

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Pricing Model	Scope of work to which model is likely to be applied	Rationale
Fixed Price Model	Alternative Model for Build Scopes with high degree of cost certainty (for example the final batch with only minor changes from the previous batch)	Commonwealth aim COST ASSURANCE Considerations The high certainty in determining costs due to known repeatable work packages and performance assuming few design changes

- 5.2.2 **Tenderer's Pricing Response.** The Commonwealth requests each Tenderer submit the following in accordance with Annex D to the TDRL:
- a. pricing for the initial Scope to be included in the Head Contract at execution; and
 - b. budgetary estimates for the remainder of the Tenderer's proposed Scope under the Head Contract. The budgetary estimates will be included in the Head Contract at execution and this will form the basis for determining the pricing arrangements (including any Target Cost Estimate) for each Build Scope as it is added to the Head Contract.
- 5.2.3 **Open Book.** The Contractor must provide full pricing transparency and open book accounting in relation to its pricing under any pricing model.
- 5.2.4 **Cost-Plus Fixed Fee.** Under this model, the Commonwealth will reimburse the Contractor (monthly in arrears) for all Allowable Costs incurred in undertaking the relevant Scope in accordance with the agreed budgetary estimate. The successful Tenderer will be entitled to a Fixed Fee established at Head Contract execution and calculated in accordance with the relevant Pricing Rules. The Fixed Fee will be paid to the successful Tenderer against agreed Milestones and be moderated in accordance with performance against the Milestone schedule.
- 5.2.5 **Target Cost Incentive Model.** This model is similar to the Cost-Plus Fixed Fee approach, but includes an incentive arrangement that will take into account performance against cost. This model comprises the following elements as described in further detail in Annex D to the TDRL:
- a. the Commonwealth will reimburse the Contractor for defined Allowable Costs incurred in undertaking the relevant Scope, paid against Earned Value Management Work Package completion.
 - b. there will be a Target Cost Estimate for each Ship (at least in the first batch of three Ships) representing an estimate of the Allowable Costs required to undertake the Scope for the Ship, plus an allowance for risk (Management Reserve).
 - c. the Contractor will be entitled to a Fee (representing profit) that is commensurate with the level of risk involved in undertaking the relevant activity.
 - d. the Contractor's entitlement to the Fee will be moderated by its cost performance (against the agreed Target Cost Estimate) and its schedule performance.
- 5.2.6 The Tenderer's pricing response, including budgetary information such as Target Cost Estimates, the Pricing Rules and the Allowable Costs will form the basis of Attachment B to the Conditions of Contract.

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5.2.7 **Tendered Life Cycle Cost Model.** The Commonwealth requests a Tendered Life Cycle Cost Model from the Tenderer in the Cost Breakdown Structure provided at Schedule 2 of Annex D to the TDRL, including a basis of estimates for the costs, all necessary supporting calculations, and a Costed Risk Assessment. The Commonwealth intends to evaluate the Tendered Life Cycle Cost Model to understand the whole of life cost of the tendered solution, and its affordability to the Commonwealth. The Tendered Life Cycle Cost Model will form the basis of the initial life cycle cost model deliverable at clause 6.4.1.

6. STATEMENT OF REQUIREMENTS

6.1 Purpose

6.1.1 This Statement of Requirements is a description of the core outputs the Commonwealth seeks under the Head Contract.

6.1.2 The Commonwealth anticipates that this Statement of Requirements (and the successful Tenderer's response to this Statement of Requirements) will be reflected in the Scope included in the Head Contract. An initial Scope (represented by one or more Statements of Work) will be negotiated and form part of the executed Head Contract, with future Scopes to be added to the Head Contract over time.

6.1.3 Tenderers should:

- a. prepare their tenders taking into account this Statement of Requirements;
- b. provide a detailed description of the processes and activities that they would propose to enable this Statement of Requirements to be achieved; and
- c. ensure that the Contract Work Breakdown Structure and Contract Master Schedule provided in response to Annex E to the TDRL include all activities the Tenderer will perform under the Head Contract to meet this Statement of Requirements.

This will enable the Commonwealth and the successful Tenderer to develop the initial (and subsequent) Scope and associated Statements of Work to be incorporated in the Head Contract.

6.1.4 The Statement of Requirements does not represent a complete list of processes, activities or work that may be required by the Commonwealth under the Head Contract.

6.2 Mission System Requirements

6.2.1 The Commonwealth is proposing to enter into a Head Contract with a single prime contractor to design, construct, integrate, install, test and deliver nine Ships in accordance with the Mission System Specification and the Commonwealth's capability requirements.

6.2.2 The successful Tenderer will be responsible for delivering an integrated Combat System with the platform. Tenderers should detail how they intend to undertake this integration work, including:

- d. whether or not the Tenderer is planning to engage, or has already engaged with, a Combat Systems Integrator (and if so, to detail the experience and capability of the Combat Systems Integrator); and
- e. indicative pricing for Combat Management System integration at Annex D to the TDRL.

6.3 Support System Requirements

6.3.1 The successful Tenderer will be required to undertake an Integrated Logistics Support program to determine the appropriate support elements, and to deliver those identified products.

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- 6.3.2 The Integrated Logistics Support program should utilise pre-existing Logistics Support Analysis and products to the maximum extent possible, modified only where necessary to meet the Commonwealth's Operating and Support Intent or to ensure the Royal Australian Navy's materiel seaworthiness requirements can be met. The Commonwealth requests the Tenderer to outline the processes and standards it used for Integrated Logistics Support for the Reference Ship Design, to enable the Commonwealth to assess the suitability of the pre-existing logistics program for use by the Royal Australian Navy.
- 6.3.3 The Operating and Support Intent is not provided as part of the RFT. The Commonwealth may provide the Operating and Support Intent to one or more Tenderer(s) following tender evaluation, during Offer Definition and Improvement Activities or contract negotiations.
- 6.3.4 The Scope associated with the Support System may include the identification, installation, set to work and testing of some, or all, of the Supplies into land-based support facilities.
- 6.3.5 The Commonwealth has not finalised its strategy for the in-service support for the Ships. The Commonwealth's current intention is that in-service of the Ships is not considered part of the Statement of Requirements for the Head Contract.

6.4 Other Project Requirements

- 6.4.1 **Life Cycle Cost Program.** The successful Tenderer will be required to conduct a life cycle cost program, including developing and updating a life cycle cost model for actual costs and changes in Project scope (including design changes), to assist decision making during the Project. The life cycle cost model must be referable to the tendered life cycle cost model submitted by the Tenderer in accordance with Annex D to the TDRL.
- 6.4.2 **Schedule and Work Breakdown Structure.** The Head Contract will include a Contract Master Schedule and Contract Work Breakdown Structure for the Statement(s) of Work included in the Head Contract. The contracted Contract Master Schedule and Contract Work Breakdown Structure will support a number of mechanisms under the Contract, including the Earned Value Management System.
- 6.4.3 **Risk and Issue Management.** The successful Tenderer will be required to monitor, identify, assess, prioritise, treat, and report Head Contract risks and issues for the duration of the Head Contract. The successful Tenderer will be required to develop and maintain risks and issues register or registers, and any risks with a material impact on cost or schedule will be used to assist in establishing a management reserve component of any Target Cost Estimates.
- 6.4.4 **Data Management System.** The successful Tenderer will be required to develop and maintain a Data Management System accessible by the Commonwealth, to assist in the delivery of Head Contract deliverables (e.g. plans) and to support the Commonwealth's approval process for those deliverables. This Data Management System requirement is in addition to the Tenderer's systems, processes and tools used in shipbuilding.
- 6.4.5 **Performance Management Framework.** The successful Tenderer will be required to measure its performance against a series of Enterprise based Key Performance Indicators (linked to incentive payments) and Other Performance Measures linked to periodic contract reporting.
- 6.4.6 **Health, Safety and Environment.** The successful Tenderer will be required to comply with the Commonwealth's requirements for the management of Problematic Substances and Problematic Sources, and management of the environment. The successful Tenderer will be required to ensure work performed under the Head Contract complies with applicable legislation and Commonwealth policy, including the Defence Work Health and Safety Manual (particularly Volume 2, Part 1, Chapter 6 'Defence Contractor Safety at Work' and Chapter 2 'Work Health and Safety Risk Management'). These obligations will be required to be imposed on Subcontractors.

6.5 Proposed Scope

- 6.5.1 The Commonwealth has divided the Project into a number of discrete scopes of work (each a **Scope**):

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- a. the Master Scope, which include the management activities;
 - b. the Design and Productionisation Scope (which includes prototyping activities);
 - c. an initial Build Scope for the first batch of Ships; and
 - d. subsequent Build Scope for future batches of Ships.
- 6.5.2 The Project is divided into Scopes due to the requirement for high fidelity information to be presented for government approval of each Scope. This necessitates that the Head Contract will be executed with an initial Scope supported by one or more associated Statements of Work, and over time, further Scope will be added to the Head Contract, following government approval.
- 6.5.3 The Commonwealth will be entitled to elect not to proceed to a future Scope. In this case, the successful Tenderer will be entitled to an agreed Break Fee representing, among other things, the non-recurring costs that it has amortised over the life of the Project and which it can no longer recover.
- 6.5.4 The Commonwealth proposes the following division of work, with the Master Scope and Design and Productionisation Scope forming part of the initial Head Contract:
- a. **Master Scope:** The Master Scope will consist of activities continuing for the expected duration of the Head Contract. These include the Project requirements at clause 6.4 as well as the engineering framework under which all engineering activities will be conducted, the successful Tenderer's Shipbuilding Strategy, and the management of GFM including scheduling of critical milestones and incorporation into the design and build.
 - b. **Design and Productionisation Scope:** The Design and Productionisation Scope will include activities starting prior to the Commencement of Ship Construction, such as:
 - (i) design and productionisation for the prototyping activities and the first Ship;
 - (ii) production artefacts and processes, workforce planning and mobilisation, materials planning and procurement, and verification of these for the prototyping activities and the first Ship;
 - (iii) the prototyping activities; and
 - (iv) logistics support analysis to define the Support System up to the equivalent of a Support System detailed design review.

The Design and Productionisation Scope will also include a requirement for the parties to negotiate the Build Scope and associated terms for the first batch of Ships.
 - c. **Build Scope:** The Build Scope will include all other activities required to deliver the Statement of Requirements across the three Ship batches. The Build Scope for Ship batches will be progressively included in the Head Contract, with the Commonwealth intending that the associated Statement of Work may not change across batches other than the Mission System Specification.
- 6.5.5 The Commonwealth seeks to understand the Tenderer's response to the division of the Statement of Requirements into Scopes, and which Scopes should be included in the executed Head Contract, in Annex A to the Attachment A to Conditions of Tender.