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Senator REYNOLDS: Yes. Just on that, following on from Senator Carr's question and comments about the ICN, one department that he did not talk about—or agency now—is the CDIC which is run out of industry and innovation federally. It has now been stood up here in Western Australia. Obviously it is still a little nascent. Do you have any comments on whether that is a good idea, in terms of having that? And how could it be expanded or what more we could do with that here in Western Australia?

Ms Willmott : My comment about the CDIC is: we have a very close relationship with the local representative of CDIC, Mr Paul Hosie. But my concern is that, while they have a register of SMEs, it is not visible to the broader industry who is on that list or what is going out to them. It is difficult to identify when these briefing sessions are or who has been invited. There is a visit next week that I heard about in the foyer downstairs. There is not a clearing house for information about what is going on. For SMEs it is very frustrating and certainly CCI—and I will leave it for Serge to comment—is not getting an overview of what these activities are and who locally is being invited to participate. I know SMEs are feeling very frustrated just about the information flow. If information is in its early days and there is not a lot of information, that in itself is information. But there is a feeling that people are not getting uniform access to information.

Senator REYNOLDS: Given the time, this is a question on notice for both of you. Could you take that on notice. Given that is now being implemented here in Western Australia, what are some of the practical things here in the west to address some of those frustrations and perhaps improve its service here in Western Australia?

ANSWER

The Centre for Defence Industry Capability (CDIC) is a welcome initiative of the Federal Government. CCI's understanding is the CDIC is funded by the Department of Industry, but employees are embedded in Defence and have reporting lines into defence. CCI makes sure to work closely with CDIC in Western Australia to ensure work is not unnecessarily duplicative and that information on industry engagement with Defence can be distributed in the most targeted way. The mission of CDIC is a welcome addition for defence industry, and will be important to growing sovereign capability in the years ahead. It should therefore be seen as a long-term addition to Government engagement with defence industry.

Like any new organisation, significant time is required at the outset to explain what the organisation does and how it can assist industry. With time and the progress of defence programs, I expect this to become increasingly clear. As tangible benefits and outcomes are demonstrated, industry will better understand how CDIC can assist them and what their role in a complex bureaucracy is. At this stage, there is some frustration amongst SMEs about the information flow from CDIC, and understanding tangible timelines of when specific products or services are needed from defence. This is exacerbated by the political focus on defence programs and the intense interest shown by industry due to high value contracts. CDIC has engaged very early with industry, but without substantive capabilities ready, there little to offer in the early stages of existence.

There have therefore been some criticisms of the CDIC that at public forums it has spoken at very high level without many practical takeaways. With increasing capability at CDIC and as more contracts are awarded, this will naturally improve.

Recently, I was joined by representatives from the WA Defence Industry Council on a visit to Canberra for high level meetings with the Department of Defence, Ministers and Members of Parliament. We met with the former head of the CDIC, Ms Kate Louis, and suggested that further support was required for the CDIC in Western Australia.

The CDIC representative in WA has been tirelessly working since he took this post, but as one of the nation's two strategic shipbuilding hubs, my view is that greater CDIC resources are required in Western Australia. Ms Louis did not agree with this proposition, and I found her unlikely to change this view.

With a new State Government portfolio of *Defence Issues* and the subsequent creation of Defence West, we also encourage CDIC to work closely with Defence West to ensure work is not duplicated and, as much as practicable, information can be shared.

Senator XENOPHON: Just on notice—we are trying to fathom the extent of DCNS's involvement with local industry, including here in Western Australia in respect of the future submarines contact. If not now then take it on notice: what is your understanding of DCNS's interaction and involvement with Australian local industry here in terms of the submarine contract?

Ms Willmott : I think they have had one major briefing session. We are aware that there is another round of briefing sessions happening, but we do not yet have a date for Western Australia. Again, they have been very accessible; we have got the business cards of the key people. But I guess we are waiting to see more how to get access to—

Senator XENOPHON: There is no access pathway determined as yet?

Ms Willmott : We have an access pathway but it is very much around business cards.

Mr DeSilva-Ranasinghe : I think, yes, there is a lack of transparency—

Senator XENOPHON: I have never heard of business cards being referred to as an 'access pathway', but I suppose they are.

Ms Willmott : It is the mobile phone number—

ACTING CHAIR: And they are changing. Some of the senior officers are changing as well.

Ms Willmott : We have not been advised of that.

Mr DeSilva-Ranasinghe : I think that is also part of the problem; there is a lack of clarity on some of these things—about where it is all going. Let's be honest; if there is overselling of defence as a potential economic stimulus, you are going to find a lot of frustrated SMEs who are going to find it is a difficult supply chain to work in. You are going to find more disgruntled voices as a result of that, because they are potentially being sold something they cannot necessarily enter into.

ANSWER

DCNS – now Naval Group – has been criticised for the extent of their industry engagement and long-term approach to engaging Australian companies in the SEA 1000 supply chain. Industry, particularly SMEs and companies that are new to defence, can be frustrated about a perceived lack of transparency to Naval Group's decision making process and the relationship they have with CASG in regards to accountability for engaging local companies. This frustration arises from genuine concern, and a willingness to ensure companies are not unwittingly late to engage in the procurement process. However, such frustration should be viewed in context.

Naval Group was only awarded the \$50 billion contact in April 2016. As of May this year, Naval Group employed only 40 people. This will double by the end of 2017 before growing to around 1500 in the early 2020s. As Naval Group's staffing numbers increase and the program progresses, CCI likewise expects the sophistication of its industry engagement to grow and improve. This has been seen already, with the recent decision of Naval Group to use ICN as their platform. ICN has been a successful platform used by proponents and suppliers in Western Australia over the resources and oil and gas construction boom.

CCI first met with former CEO Sean Costello and current CEO Brent Clark in the middle of 2016. Following that meeting, it proved difficult to obtain certain information referenced in the meeting,

which caused frustration and the perception that engagement was not completely genuine. However, since May 2017, engagement with Naval Group has been more constructive and there has been a better flow of information. Importantly, there's also been explanations provided for when certain information cannot be disclosed due to commercial sensitivities. This then helps for when CCI is approached by SMEs indicating they're not receiving timely information or visibility to procurement processes – sometimes there are valid reasons.

As well as questioning the processes of Prime contractors, the Inquiry needs to consider the processes and culture of CASG. Ultimately, Primes will deliver what is requested from them by the Commonwealth. There may be instances where sovereign SMEs can deliver a product, but the Commonwealth does not want to take on the product's risk, whether or not it is correctly perceived.