



Australian Government



Australian
**Small Business and
Family Enterprise**
Ombudsman

18 December 2019

Senator Alex Gallacher
Chair, Senate Economics References Committee
PO Box 6100
Parliament House
Canberra ACT 2600
via email: economics.sen@aph.gov.au

Dear Senator Gallacher

Developing and delivering Australia's sovereign naval shipbuilding capability

With the continued significant funding for defence manufacturing by successive Australian governments Australian small businesses and family enterprises must have the opportunity to play a central role in key programs, such as the naval shipbuilding program. Small businesses should realistically expect that they can compete fairly with international companies when tendering for work. This will ensure domestic businesses are able to grow Australia's domestic defence industry to enhance sovereign capability, and continue to develop a skilled workforce that can meet current and future productivity demands. To ensure these outcomes, the naval shipbuilding program, as well as future projects should:

Enable Fair Competition

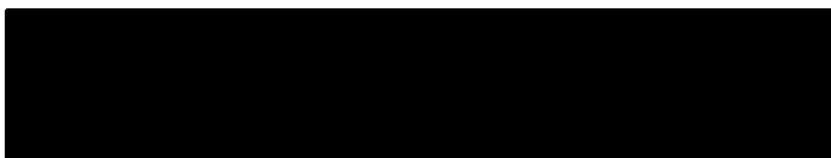
- Where tendered packages of work are large and complex they effectively exclude Australian small businesses from tendering. Prime contractors should provide a 'suite' of offerings that draw on the existing capacity and capabilities of Australian businesses. Defence tenders for major contracts should also be structured in a way that they provide opportunities to Australian businesses. Tailoring the tender processes will provide the sector with the opportunity to develop and grow Australia's sovereign capability.
- The effective sequencing of the naval shipbuilding program gives certainty to Australian businesses across the supply chain and contributes to developing a resilient and competitive Australian defence industry. This will lead to more sustainable employment outcomes and encourage skills development to further enhance Australia's sovereign capability in defence manufacturing.

Secure a Skilled Workforce

- The Naval Ship Building College should adopt a more holistic approach to human capital development that includes targeted apprentice engagement in key occupations and utilising skilled migration pathways, such as Designated Area Migration Agreements, to ensure that skilled workers are available when needed.

Measurables

- The Australian Industry Capability (AIC) Plan process should be measured by the extent to which it delivers on Australian industry involvement in major programs. The 2019 Defence Policy for Industry Participation undertook to introduce an assurance review program for AIC Plans, to assure that the work that was committed to Australian industry, especially SMEs, under a contract was delivered by Australian industry.



- It is important that this proposal applies to individual AIC Plans and is implemented quickly. There should be monitoring and transparent reporting of the outcomes of these reviews, and effective enforcement measures in place.

Thank you for the opportunity to comment. If you would like to discuss this matter further, please contact [REDACTED]

Yours sincerely

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Kate Carnell AO
Australian Small Business and Family Enterprise Ombudsman