

## Senate Economics Reference Committee

Future of Australia's naval shipbuilding industry – 20 June 2017

### ANSWER TO QUESTION ON NOTICE

Department of Defence

**Topic:** Department of Defence Contractors

**Question reference number:** 6

**Senator:** The Committee

**Type of question:** provided in writing

**Date set by the committee for the return of answer:** 14 July 2017

#### **Question:**

1. Upon release of the naval shipbuilding plan in May 2017, the government stated that 60 Australians were currently in France learning design skills as part of the future submarine build.
  - a) Can you confirm what the number of Australians currently in France is?
  - b) How many more Australians will go over to France?
  - c) Where have the 60 Australians come from?
  - d) Are they from a particular company or industry?
  - e) Was there a special recruitment process to select who would go to France?
  - f) What are they learning in France?
2. On the 14 June 2017, the ABC reported that six naval architects were being paid almost \$1 million each as private contractors to work on the submarine program.
  - a) Is this media article accurate?
  - b) What role are these six naval architects performing?
  - c) Are they located in France or Australia?
3. On June 15 2017, it was reported that the Department of Defence was paying \$5.5million for the service of eight contractors (from the International Centre for Complex Project Management) hired as part of the future submarine program.
  - a) To confirm, this \$5.5million is separate to the six Naval Architect contractors mentioned above in the 14 June 2017 article?
  - b) How many separate contracts are associated with this \$5.5 million?
4. In the space of two days it was revealed that \$11.5 million was being spent on contractors associated with the future submarine program.
  - a) Are there any other contractor costs associated with the future submarine program that have not been made public?
  - b) Was this money allocated from the government's \$89 billion naval shipbuilding program?
  - c) Can you provide the committee with a breakdown of costs associated with the future submarine program?

d) And, are you able to provide the proposed budget allocation of the \$89 billion for the naval shipbuilding program?

**Answer:**

1(a)-(f) The Future Submarine Program Office is establishing a resident project team of up to 50 personnel from mid-2017, who will work in France during the design of the Future Submarine. This includes Australian Public Service staff and contracted Australians working as part of the Program Office, who were identified through a structured selection process to ensure they had the requisite skills and experience. DCNS Australia is also sending its Australian personnel to France to develop the design skills necessary to fulfill its responsibilities as the Design Authority for sustainment of the Future Submarine. Personnel from both the Program and DCNS Australia will be trained in DCNS' submarine design methodology and practices.

2(a)-(c) The article is misleading. Several naval architects have been contracted from Australian industry, including companies such as ASC and Pacific Marine Batteries. The costs of their engagements cover company costs and related expenses. They are working within the Future Submarine Technical Office in Australia to provide specialised support development of the design of the Future Submarine, and sustainment of the Collins class. They also have a role in mentoring junior Australian Public Service naval architects as they are recruited to the Future Submarine Program.

3. (a)-(b) Yes. Five contracts cover the engagement of eight personnel for varying periods of up to 2.5 years. Of the eight, six personnel are engaged under four contracts in support of the Future Submarine Program. Under these contracts, ICCPM Solutions provides strategic advice, program management, and strategic industry advice, industry and supply chain management services to the Future Submarine Program. Given the magnitude and complexity of the Future Submarine Program, these services have been acquired to ensure that the most appropriate structures and arrangements are implemented from the outset, laying robust foundations for the effective and efficient execution of the Program. This work is building on the progress of the Future Submarine Program following the successful conclusion of the Competitive Evaluation Process, and supports the changes now necessary to move through design of the Future Submarine and enter into construction of the fleet.

4.

(a) The Future Submarine Program has engaged a range of personnel from industry to support the delivery of what is one of the largest programs ever undertaken in Australia. This has been necessary given many required skill sets are not currently available within the Australian Public Service, and will have to be developed over the course of the Future Submarine Program.

(b) Yes.

(c) Defence can provide a breakdown of costs in a private briefing to the Committee.

(d) The notional cost breakdown for the publicly announced acquisition costs of \$89 billion is:

SEA 1000 – Future Submarine Program – up to \$50 billion;

SEA 5000 – Future Frigate Program – up to \$35 billion;

SEA 1180 – Offshore Patrol Vessels – up to \$4 billion; and

SEA 3036 – Pacific Patrol Boat Replacement - \$280 million.