

11 December 2025**Joint Standing Committee on Foreign Affairs, Defence and Trade:
Department of the House of Representatives Inquiry into the Department of Defence
Annual Report 2023-24****Anduril Australia Responses to Questions on Notice**

Q1.CHAIR: Could you fill out your [submission] recommendations on how you did that [delivering Ghost Shark in three years] as a question on notice? You talked about your close partnership and focus on achieving the performance metrics, industry having skin in the game and the need for planning and renewing the stated focus on speech capability and risk-taking. Any further detail about how that happened would be very helpful for the committee? They're my questions on notice for you. They're also from Ms Templeman.

Ghost Shark was delivered within three years through a program structure that aligned Defence and industry around clear objectives, close collaboration, shared risk, and rapid decision-making.

First, the program operated as a collaborative partnership between Defence, DSTG, Navy and Anduril. Co-location, shared data, and unified governance enabled immediate resolution of technical issues and maintained continuous alignment on priorities. A concrete example of this is both the Anduril and Navy team working together on vehicle development and testing. This removed traditional customer–contractor barriers and kept the entire team focused on delivering capability rather than managing bureaucratic processes.

Second, the program was anchored to a stable and concise set of performance metrics. These metrics defined success, prevented requirement expansion, and ensured all engineering and investment decisions supported the agreed capability outcomes. This disciplined approach to requirements was essential to maintaining schedule and delivering efficiently.

Third, Anduril contributed a significant amount of private capital, meaning it had genuine skin in the game and shifted development risk away from the Commonwealth. This enabled rapid prototyping, early procurement of long-lead items, and parallel development and testing efforts in both Australia and the United States which accelerated progress.

Fourth, the program adopted a rapidly iterating design and test approach that embraced controlled risk-taking for the benefit of the capability development. Frequent testing ensured operational relevance and allowed issues to be identified and addressed early and quickly. Defence supported this by enabling timely approvals and reducing administrative burdens, allowing engineers to maximise time spent on building and testing rather than dotting i's

and crossing t's where this added no value to the shared outcomes.

Finally, strong and stable senior leadership within Defence provided clear direction, protected the program from unnecessary procedural delays, and reinforced the priority of speed to capability.

Together, these elements created an environment focused on outcomes, agility and shared accountability, enabling the rapid development and delivery of Ghost Shark ahead of schedule and on-budget.

Q2. CHAIR: On notice: you indicated that the PGPA Act, the Commonwealth procurement practices and the fear of an ANAO audit are brakes. There's a reason they're brakes: there are people who try to have a loan of the government, and that can happen at scale and in smaller ways. In place of that, I think you propose capability as service as a model. We have run out of time to take evidence on the record today, but I ask you to flesh out what your concerns would look like if PGPA, Commonwealth procurement or an ANAO audit got into the middle of the process that you've described for us today. What would that look like. What critical points of interruption are there? What would occur? And what does capability as a service, as a model of procurement that is robust, transparent and accountable to the Australian people really look like?

The expenditure of public funds must be transparent, defensible and compliant with the PGPA Act, the Commonwealth Procurement Rules (CPRs) and ANAO oversight. These instruments play an important role in preventing any misuse of government resources. However, when applied rigidly to the acquisition of innovative or fast-moving defence technologies, they can unintentionally delay decision-making, increase cost, and discourage industry participation. When process dominates purpose, capability outcomes suffer.

These governance frameworks were designed for environments where multiple suppliers exist or where commodity products are being procured. In such cases, open, competitive, multi-stage tendering makes sense. But where Defence seeks genuinely novel capabilities—often developed through significant private-sector investment—traditional tender processes and strict interpretations of VFM do not deliver the intended outcome. They add time, impose costly administrative burdens, and deter companies that operate at commercial speed from joining defence industry.

When a company offers a firm fixed-price and fixed-time contract and invests its own capital to develop new capability, the financial risk is borne by industry rather than the taxpayer. If a company is able to make commercial returns on the risks it has taken without burdensome bureaucratic overhead limiting their ability to manage risk efficiently, private capital will be attracted into the defence sector, which will accelerate delivery of capability, strengthen sovereign industry, enhance export opportunities, create high-value jobs and improve national resilience in times of crisis. Investors taking these risks must be able to earn a market-based return; requiring them to disclose confidential internal cost structures or conform to artificial profit limitations, undermines commercial confidence and threatens valuable intellectual property rights owned by the company. This risk is exacerbated when

Commonwealth procurement teams include external above the line contractors alongside public servants.

Defence procurement officials can often default to the most conservative interpretation of the rules due to the perceived career risk of non-compliance or audit scrutiny. This limits the use of the flexibility that exists within the PGPA Act and CPRs and creates unnecessary process burden, intrusive information demands, and delays to fielding urgently needed capabilities.

Tendering remains appropriate for large, cost-plus programs where the Commonwealth bears most of the risk. But when industry co-invests or carries full development and sustainment risk under firm fixed-price arrangements, VFM can be assured through performance outcomes rather than detailed visibility into a company's proprietary cost base. Government does not expect a full cost breakdown from providers like Microsoft when procuring desktop software or when they purchase iPhones; the same principle should apply to emerging software-driven/hardware enabled defence acquisitions.

A more suitable model for these technologies is Capability-as-a-Service (CaaS), like Software-as-a-Service. Anduril's counter-drone and counter-intrusion trial at RAAF Base Darwin operates this way: Defence pays a fixed monthly fee under a performance-based contract, with Anduril responsible for all hardware upgrades, software updates, and sustainment. If the capability does not meet performance requirements, the Commonwealth does not pay. This ensures clear accountability, eliminates waste on non-performing systems, and accelerates delivery of modern capability to the warfighter.

In summary, Defence can uphold transparency and accountability while adopting procurement models that better suit autonomous, AI-enabled, software-centric capabilities. CaaS offers a robust and auditable approach that aligns industry incentives with Defence outcomes, protects taxpayer value, and ensures Australia can field cutting-edge technologies at the speed required to meet today's threats.