

AUSTRALIAN FUTURE SUBMARINE PROGRAM

Australian Industry Capability Strategy Final Version for Approval

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1 Introduction

1.1 Background

The Future Submarine Program (FSP) is Australia's largest ever defence program and critical to Australia's long-term national security objectives. National security is under-pinned by ensuring that the Commonwealth of Australia (CoA) has the capacity to influence and manage the level of capability it acquires and introduces into the overall force structure. In this context, one of the fundamental objectives of the FSP is to provide Australia with a regionally superior submarine. The path to regional superiority in submarines is through possessing the sovereign capability to design, build, operate and sustain (i.e upkeep, update and upgrade) the requisite capability, without being dependant on the support of overseas suppliers.

The Future Submarine Program aims to deliver Australia a regionally superior submarine capability, which will be built, operated and sustained with sovereignty. The program therefore seeks to ensure that the Australian industrial capability necessary to support the build, operations and sustainment of the Future Submarine is established. This will involve maximising the involvement of Australian industry in all phases of the Program without unduly compromising capability, cost or schedule.

As the Platform System Integrator (PSI) it is the role of Naval Group to develop the necessary capabilities for industrial sovereignty for the Future Submarine (FSM) platform – including the capabilities for design, build, operation and sustainment (i.e upkeep, update, upgrade). This development process will involve a wide range of activities, including a comprehensive transfer of technology program drawing on the best of Naval Group's extensive national and global experience.

For an overarching perspective of how the key elements of the Australian Industry Capability (AIC) Strategy overlay into the Program, such referenced documents as the Transfer of Technology Strategy (TOTS) [R7] and the Program Procurement Plan (PPP) [R6] provide greater context and guidance.

In addition, the unprecedented ramp up in skilled workforce requirements, particularly in the context of the competitive nature of the broader national Royal Australian Navy (RAN) regeneration program (Offshore Patrol Vessels and Future Frigates), will place pressure on the capacity of all programs to deliver.

For its part in delivering to Australia a regionally superior submarine capability, Naval Group will have responsibility for the following key activities:

- platform design and construction;
- physical integration of the combat system into the platform;
- Transfer of Technology (ToT) for the build, operation and sustainment of the FSM platform; and
- concept design of the infrastructure (to 30% level) required for the build and sustainment of the platform systems.

Naval Group in France receives support in the execution of these activities from its subsidiary, Naval Group Australia, headquartered in Adelaide where the Australian Government has announced that construction of all twelve (12) submarines will occur. These

design and build activities will to occur across a number of contracted phases as detailed in the Strategic Partnering Agreement (SPA) - [R1], to be agreed.

1.2 Scope

This Australian Industry Strategy forms part of the Strategic Partnering Agreement (SPA) between the Commonwealth and Naval Group. The AIC Strategy sets out Naval Group's strategic approach to the achieving the FSP objectives, as they apply to Australian industry.

The AIC Strategy provides the CoA with the capacity to:

- evaluate the alignment of this approach with the overall AIC program execution throughout the FSP;
- gain assurance that the FSP objectives, as they relate to Australian industry, are an integral part of the overall industry capability development program; and
- gain an understanding of its own involvement in, and commitments to, the AIC program for the Contract.

The AIC Strategy shapes the ongoing development of other key FSP deliverables beyond AIC Plans, for example the Industry Sovereign Sustainment Assurance Plan - [R3], the Research and Development Management Plan - [R4] and the Australian Subsidiary Capability Realisation Plan - [R5].

This Strategy is part of a suite of Australian industry related documents for the FSP, including an Australian Industry Capability Plan (AIC Plan) - [R2] which will be developed for each Core Work Scope, the PPP - [R6] and Transfer of Technology documents - [R7] and [R8]. The AIC Plan will provide the detail on how the enduring AIC Strategy will be executed.

1.3 Inter-relationships

DID PM-39 lists the following inter-relationships for this Strategy:

- Australian Industry Capability (AIC) Plan; and
- Integrated Master Schedule (IMS).

1.4 Assumptions

A number of key assumptions influence the development of this Strategy. These are mainly planning assumptions, and are subject to the caveat that they are potentially sensitive and are subject to consideration by the Australian Government. They may require further analysis, consideration and decision.

These assumptions include:

- twelve FSM will be built in Australia;
- the Naval Group scope of work will be:
 - designing an Australian shipyard to 30% only;
 - designing, building and delivering the twelve FSM;
 - transferring technology and know-how/know-why to Australia; and
- the involvement of Australian industry will be overseen within the AIC governance framework;

- Naval Group, through the governance framework, will manage and oversee the PSI related AIC activities of the FSP;
- sovereignty capability requirements in operation and sustainment will be determined collaboratively with the CoA;
- the learning curve assumptions for Australian industry contained in ToT deliverables are based on assumptions consistent with previous Naval Group ToT experience in submarine construction; and
- the Design Authority (DA) capability for sustainment will be developed and then resident in Naval Group Australia.

1.5 Referenced Documents

- [R1] Strategic Partnering Agreement – in development
- [R2] Australian Industry Capability Plan [DID-PM-AIC-AICP]
- [R3] Industry Sovereign Sustainment Assurance Plan – still to be developed
- [R4] Research and Development Management Plan – still to be developed
- [R5] Australian Subsidiary Capability Realisation Plan – still to be developed
- [R6] Program Procurement Plan [DMC-CDR-PM-33_PPP]
- [R7] Transfer of Technology Strategy [DMC-CDR-PM-60_TOTS]
- [R8] Transfer of Technology Plan [DMC-CDR-PM-62_TOTP]
- [R9] Sovereign Sustainment Strategy for the FSM
- [R10] Technology Roadmap [DMC-CDR-ENG-12_TR]
- [R11] Technology Guide [DMC-CDR-ENG-27_TG]
- [R12] Tripartite Program Management Agreement [TPMA]
- [R13] Integrated Master Schedule [DMC-CDR-PM-01_IMS]
- [R14] Technical Data Management Plan [DMC-CDR-ENG-21-TDMP]

1.6 Definitions

The following key terms are used throughout this document:

Table 1. Key Terms

Key Terms	Meaning
Australian Industry	Means a collective term to describe Australian entities that are registered for an Australian Business Number (ABN), where the work is performed in Australia with Australian based employees. For the avoidance of doubt, this includes Australian based subsidiaries of overseas companies/primes/original equipment manufacturers who are registered in Australia with an ABN and New Zealand entities where the work is performed in New Zealand with New Zealand based employees consistent with the Commonwealth's obligations under the Closer Economic Relationship agreement.
Australian Industry Program.	The objective of the Australian Industry Program (from the SPA) is to: <ul style="list-style-type: none"> • develop and utilise Australian Industry in performance of the FSP in a manner consistent with achieving sovereignty; and • maximise opportunities for the involvement of the Australian industry through all phases of the FSP, without unduly compromising the Commonwealths

Key Terms	Meaning
	requirements relating to capability, cost and schedule.
Commonwealth Contractor	Means any person, other than the Contractor, engaged by the Commonwealth in connection with the FSP, including the CSI.
Contract	Means the COC, the Attachments including the Statement of Work, and any document expressly incorporated as part of the Contract.
Contract Data Requirements List or CDRL	Means Annex C to the SOW.
Customer, Commonwealth	Commonwealth of Australia represented by the Department of Defence
Contractor	Means Naval Group.
Future Submarine or FSM	Means the submarines to be acquired by the Australian Government for service in the Royal Australian Navy under the Future Submarine Program.
Future Submarine Program or FSP	means the Commonwealth's SEA1000 Future Submarine Program from time to time and includes all activities connected with that Program, including all elements of the design, development, build, operation, sustainment and disposal of the Materiel System during its life of type.
Future Submarine Program Aim	The Future Submarine Program aims to deliver Australia a regionally superior submarine capability, which will be built, operated and sustained with sovereignty. The program therefore seeks to ensure that the Australian industrial capability necessary to support the build, operations and sustainment of the Future Submarine is established. This will involve maximising the involvement of Australian industry in all phases of the Program without unduly compromising capability, cost or schedule.
Indigenous Enterprise	Means an organisation that is 50 percent or more Indigenous owned that is operating as a business. Supply Nation is a membership body that validates and promotes Indigenous enterprises.
Indigenous Procurement Policy	Means a Whole of Government procurement connected policy, introduced in July 2015. The main elements within this policy are 1) targets for purchasing from Indigenous enterprises and 2) minimum Indigenous employment and participation requirements for certain Commonwealth contracts.
Intellectual Property or IP	Means all present and future rights conferred by law in or in relation to any of the following: <ul style="list-style-type: none"> • copyright; • rights in relation to a Circuit Layout, Patent, Registrable Design or Trade Mark (including service marks); or • any other rights resulting from intellectual activity in the industrial, scientific, literary and artistic fields recognised in domestic law anywhere in the world whether registered or unregistered.
Program	Means the Future Submarine Program or FSP.

Key Terms	Meaning
Program Contract	<p>Means any contract, agreement or arrangement with the Commonwealth for the FSP to which the Contractor is a party, or which otherwise states that it is a Program Contract for the FSP, including the:</p> <ul style="list-style-type: none">• contract;• Strategic Partnering Agreement or SPA;• Tripartite Co-operative Agreement or TCA;• Design Contract; and• any other relevant contracts for the completion of design and initial production, and the completion of production, of the Future Submarines.
Sovereignty	<p>Means providing the CoA with a capability in Australia to:</p> <ul style="list-style-type: none">• undertake the build, integration, test and acceptance of the Whole Warship (excluding the Combat System elements for which the CSI is responsible) and the physical integration of the Whole Combat System with the Whole Warship; and• have enduring control over the operation and sustainment of the Whole Warship, including the ability to upkeep, update and upgrade the Whole Warship in Australia within agreed design margins and in relation to those systems, subsystems, components and elements that are specified by the CoA to be necessary for achieving Sovereignty.

2 Introduction to AIC Program

2.1 Purpose of AIC Strategy

Consistent with the SPA - [R1], the AIC Strategy describes Naval Group's strategic approach to achieving the FSP Objectives across all Program contracts of the FSP. It supports the objectives of the Defence Industry Policy Statement (DIPS) 2016, with a particular focus on the development of the critical partnership between Defence and industry that is essential to delivering the Future Submarine Program. This AIC Strategy will also be influenced by emerging strategies and plans flowing from the DIPS, including the Defence Industrial Capability Plan, the Defence Export Strategy, and the Defence Skilling and STEM Strategy.

The AIC Strategy expresses the commitment of Naval Group to maximise opportunities for Australian industry participation, and highlights the importance of a robust transfer of technology program in supporting the complementary sovereignty imperatives. Naval Group acknowledges and supports the objectives of the Naval Shipbuilding Plan, in particular ensuring that Naval Group delivers the best capability, at the best price, while maximising Australian industry involvement.

The AIC Strategy provides the CoA with the capacity to evaluate the overall framework for the delivery of the Australian Industry Program throughout the FSP, and an assurance that there is a strong focus on delivering the FSP Objectives. The subordinate AIC Plans detail Naval Group's commitments (plans, procedures, responsibilities and timeframes) for the delivery of the AIC program.

2.2 FSP Objectives

The AIC Strategy aligns with the following FSP Objectives of the FSP as detailed in the SPA [R1]:

- to deliver to the Commonwealth a regionally superior submarine capability that provides the Commonwealth with enduring sovereign control over the operation and sustainment of Australia's Future Submarine capability;
- to address Australian regulatory safety and environmental obligations in the submarine design and through developing a sound Mission System Seaworthiness Case;
- to deliver an affordable Future Submarine capability within a realistic timeframe and with the knowledge and skills to understand and control sustainment cost drivers for the life of the class; and
- to maximise Australian industry involvement through all phases of the FSP without unduly compromising capability, cost and schedule

These FSP Objectives can be achieved only when Naval Group as the PSI, Lockheed Martin Australia (LMA) as the CSI and the CoA cooperatively and collaboratively work together to meet these objectives. In the Program context, the Australian Industry Integrated Program Team (IPT) provides the coordination of tripartite activity relating to Australian Industry and informs decision making to support sovereign capability outcomes. The Australian Industry

IPT is chaired the CoA FSP Industry Director and includes the AIC Managers of the PSI and CSI.

Naval Group acknowledges that the objectives of the Australian Industry Program (AIP) for the FSP is to:

- develop and utilise Australian industry in performance of the FSP in a manner consistent with achieving Sovereignty; and
- maximise opportunities for the involvement of the Australian industry through all phases of the FSP, without unduly compromising the Commonwealth's requirements relating to capability, cost and schedule.

The pathway to achieving these FSP Objectives includes:

- proactively working to maximise the participation of Australian industry in the performance of the Program Contracts;
- continuously monitoring and exploring opportunities for the increased involvement of Australian industry in the performance of the Program Contracts (including with respect to its various procurement activities); and
- collaborating with the Commonwealth regularly in relation to Australian industry matters of significance.

Naval Group considers the following activities as critical enablers:

- Naval Group and its subcontractors transferring technology (including technical data packs, training, tools and systems) to the Commonwealth and Australian industry;
- establishing required Intellectual Property (IP) rights for the Commonwealth and Australian industry;
- establishing the enduring Design Authority for the FSM in Australia;
- establishing an efficient and effective supply chain, managed in Australia; and
- fostering an innovative culture within the FSP.

2.3 Government Policies

Naval Group will integrate a range of government policy guidance to maximise opportunities for competitive Australian industry through initiatives such as:

- developing and enhancing skills through collaboration with existing Australian training and higher education institutions and participating in initiatives generated by the Naval Shipbuilding College;
- transferring knowledge and know-how/know-why from overseas to develop the FSP objectives of the Program;
- introducing the advanced systems which support a modern sovereign design, build, operate and sustain capability; and
- developing the infrastructure required in a shipyard for the FSP.

Specific information on coherence with existing government policy is contained in later sections - for example the Indigenous Procurement Policy (Section 2.3.3.1) and the National Innovation and Science Agenda (Section 4.1.1).

2.3.1 Defence Industry Policy

A wide range of existing, and still to be released, government industry and Defence policy documents will influence the FSP over the extended Program duration and will integrate with Naval Groups AIC Strategy to ensure alignment.

Existing documentation that will shape the Program include:

- the 2016 Defence White Paper: this document stated the desire for sovereign capability and for twelve regionally superior submarines, thus setting the direction and priority for supporting policies;
- the 2016 Defence Industry Policy Statement (DIPS): the DIPS provides a number of key linkages with the Naval Group approach as it highlights the importance of having a coordination and transparency framework in AIC Plans to help maximise capability delivery – in particular with the CDIC. It notes how the innovation environment development initiatives need to be coherent with the overarching Defence approach, and how building export potential, through access to Naval Group's global supply chain should contribute to the national objective;
- the 2017 Naval Shipbuilding Plan: this document sets out the CoA commitment to building a strong, sustainable and innovative Australian Naval shipbuilding industry. Naval Group has developed an AIC Strategy that supports the FSP objectives for Australian industry (including innovation and collaborative research) across all Program contracts. This strategy supports and takes direction from the Naval Shipbuilding Plan, particularly in its approach to the establishment of the requisite infrastructure and future workforce (including through the Naval Shipbuilding College), which in turn highlights the importance of fostering STEM skills; and
- the 2018 Defence Export Strategy: this strategy aims at building a stronger, more sustainable and more globally competitive Australian defence industry to support Australia's Defence capability needs. Naval Group's approach to fostering and expanding collaboration with Australian industry both supports the FSP Objectives and provides opportunities for export potential through access to Naval Group's global supply chain. The comprehensive engagement outlined in Section 3.6 supports the 2018 Defence Export Strategy

The 2018 Defence Industrial Capability- Plan A number of additional documents are in development by the CoA, and these will provide further support and guide the role of Defence and Defence industry in meeting the FSP objectives. As these documents are delivered, Naval Group will ensure that its AIC strategy incorporates, and is complementary with, any new policy and strategy statements. Documents still under development in this context include:

- the 2018 Industry Participation Policy; and
- the Defence Industry Skilling and Science Technology Engineering and Mathematics (STEM) Strategy.

2.3.2 Sovereignty Framework

There is a range of existing and still to be developed FSP and Naval Group plans and strategies that constitute the framework for the achievement of the objectives for the FSP.

Sovereign Industry Capability Priorities, announced as part of the Sovereign Industrial Capability Assessment Framework (SICAF) process to support the overall Defence mission,

will cover a much broader scope than just the FSP. Nonetheless they shall, where relevant to the FSP, influence the ongoing execution of the FSP AIC Strategy.

The Sovereign Sustainment Strategy for the FSM - [R9] is a document under development by the Commonwealth, with the support of both Naval Group and the LMA, to identify specific in-country FSM capabilities needed to provide (equipment and services) sovereignty in both operations and sustainment for the duration of the Program. Due to the prolonged nature of capability development across the Future Submarine Program, this reference will also take into account emergent changes in terms of capability requirements, particularly as they relate to regional superiority.

While this document is developed in collaboration between Naval Group and the CoA, Naval Group acknowledges that the CDIC will also be a development stakeholder in the forward work plan for sovereign capabilities. Naval Group will have an ongoing engagement with CDIC to establish and refine respective roles in the overall capability development process. The focus of development activity will be on industry in need of support to be FSP ready.

The Industry Sovereign Sustainment Assurance Plan (ISSAP)- [R3], to be delivered by Naval Group, will provide Naval Group's approach to monitoring the capabilities which:

- have been established in Australian industry (excluding the Australian Subsidiary) through the Australian Industry Capability (AIC), procurement and Transfer of Technology (ToT) programs; and
- are necessary for, or are expected to evolve into capabilities that are necessary for, the sovereign sustainment of the Future Submarine (FSM) fleet.

2.3.3 Procurement Policies and Guidelines

2.3.3.1 Indigenous Procurement Policies

Naval Group's strategy to support the Indigenous Procurement Policy is to maximise opportunities for Indigenous businesses into the FSP and to develop specific human resources policies and action plans which foster opportunities for Indigenous Australians.

To promote the involvement of Indigenous enterprises in the program, Naval Group has already developed a Consortium Partner relationship with the Indigenous Defence Consortium (IDC). This strategic partnership facilitates identifying relevant Indigenous-led capabilities throughout the life of the FSP. Naval Group in Australia will maintain an Organisational Diversity and Inclusion Strategy with an associated Plan, where Indigenous engagement (supplier and direct employment) will be one of the strategic pillars. Naval Group will engage and maintain a panel of labour hire/recruitment contractors, which will include a specialist in indigenous recruitment organisation to assist in meeting the Organisational Diversity and Inclusion Strategy and Plan.

2.3.3.2 Defence Procurement Policy Manual

Within the Procurement Policy Framework, the Defence Procurement Policy Manual introduces the Australian Industry Capability Better Practice Guide, which in turn details how to implement AIC policy requirements into Defence procurement.

Naval Group has used the Better Practice Guide as the baseline for the development of its AIC reporting framework, including the identification of LIA. This aspect is described in more detail in Section 5.3.

2.3.4 Government Industry Initiatives

In executing the AIC Strategy, Naval Group will engage as appropriate:

- the Global Supply Chain Program, to maximise opportunities for Australian industry to enter export markets, cognisant of new Defence export initiatives being established;
- the Defence Innovation Hub and the Next Generation Technology Fund, in cases where their capability streams and innovation priorities correspond to Naval Group's identified focus areas using the collaborative approach outlined in Section 4.2;
- the CDIC in all its functions (industry development, facilitating innovation, business competitiveness and exports); and
- Defence Industry Skilling to fund industry training and skilling initiatives.

2.4 Program Inter Relationships

The FSP Objectives will be achieved through the integrated and complementary delivery of Naval Group's AIC, transfer of technology, procurement and supply chain work scope, known as the Australian Industry Program,

The diagram at Figure 1 demonstrates by way of example the key high-level interfaces between AIC, ToT and Procurement. The interaction between these various streams of activity will be continuous, iterative and will ensure the influence of AIC Strategy endures across the life of the Program.

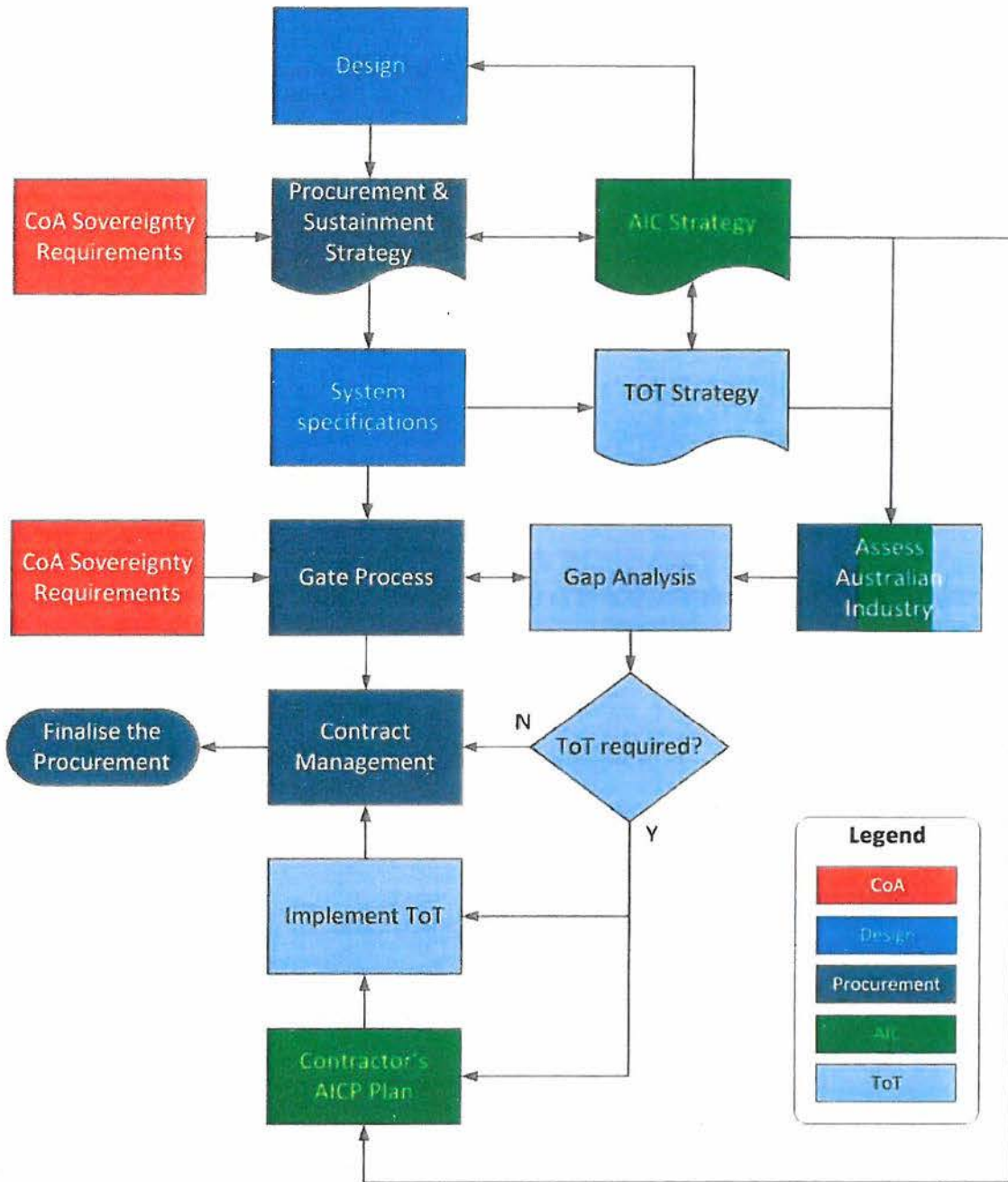


Figure 1. High Level AIC-Procurement-ToT Interfaces

A range of overarching Program documentation contributes to the Australian Industry Program suite of documentation and provides a clear understanding of the interaction of the various interfaces within the Program. Figure 2 provides an illustration of the hierarchy contained within this family of documents.

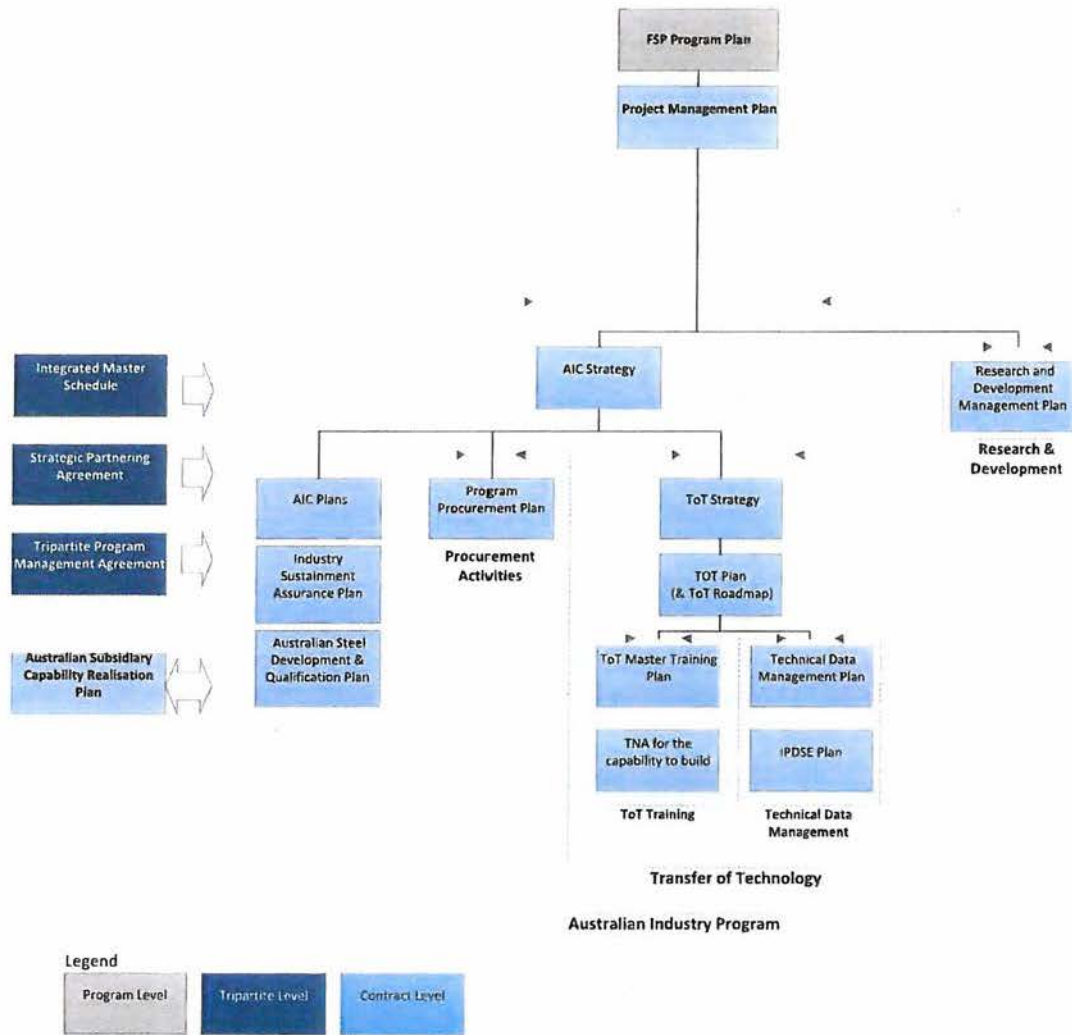


Figure 2. Australian Industry Program Hierarchy of Documents

2.4.1 AIC and Procurement Linkages

In the context of the AIC Strategy, Figure 3 displays the three high level phases, which form part of the overall procurement process. Naval Group has introduced this figure into the AIC Strategy to provide language that differentiates between:

- The industry engagement activities which will be undertaken upstream of the procurement process (described as the Preliminary Phase in the PPP - [R6]);
- the Procurement process described extensively (described as sourcing, RFP and negotiation phases) in the PPP - [R6], which is intended to result in the award of a contract; and

- the post contract award procurement related activities that will continue to be influenced and tailored according to FSP Objectives (described as Implementation Phase in the PPP –[R6]), such as contract management.

This language provides as opportunity, in the context of the AIC Strategy, to emphasise the significant rate of effort required upstream and the tailored nature of all procurement activities, cognisant of the FSP Objectives.



Figure 3. Procurement Process Overview

2.5 AIC Governance

Naval Group has established an overarching AIC governance and assurance framework for the FSP. The framework incorporates dedicated AIC progress meetings with permanent Naval Group and CoA FSP representatives to consider all matters relevant to the ongoing development and execution of the AIC Strategy and related AIC Plans. The meetings incorporate input from external subject matter experts when required to provide support. See Section 5 for more details on AIC governance and management responsibilities. The complementary AIC reporting regime, covered in detail in the AIC Plan - [R2], also forms a key element of the overall governance and assurance framework.

Regular interaction and collaboration between the CoA and Naval Group, in forums such as progress meetings, ToT workshops, procurement meetings and Industry IPT meetings provide an early identification of emergent risks that may lead to degraded AIC performance. Early identification ensures that the most effective remediation actions are developed and implemented, described in more detail in Section 5.2.1.1.

3 Achieving FSP Objectives

The AIC program represents a co-ordinated and integrated approach involving multiple streams within the Program, including transfer of technology, procurement activities, supply chain development, infrastructure, innovation, research and development and skilling initiatives.

Naval Group's strategy is multi-faceted and includes the following initiatives, which are detailed in the sections that follow:

- appropriate collaboration with the CoA on the development and delivery of its objectives;
- a tailored procurement process including:
 - maximum customer engagement throughout the process of selecting suppliers;
 - greater emphasis on, and resource investment in upstream procurement activities (which would not normally be required with a mature and established supply chain);
 - transfer of control of procurement activities to Australia as early as possible;
 - requiring suppliers to contribute to the achievement of FSP objectives (i.e. supplier AIC Plans);
 - includes consideration of the AIC options in the development of design activities and procurement strategies; and
 - includes consideration of AIC options in the evaluation and selection of suppliers; and
 - industry development and sustainment.
- a comprehensive transfer of technology program;
- an organisational structure aligned to the FSP objectives, in particular sovereignty and procurement; and
- an industry information campaign promoting the opportunities for Australian industry.

3.1 FSP Objectives

The development and utilisation of Australian industry in a manner consistent with achieving Sovereignty will influence:

- the workshare between Australian and overseas industry;
- contract specifications (e.g. defined requirements to deliver training, documents, tools);
- terms and conditions of contracts (such as appropriate provisions for IP rights);
- Naval Group's suppliers proposals regarding AIC options; and
- scheduled timing of transfers of capability from Naval Group S.A. to its subsidiary Naval Group Australia.

The Sovereign Sustainment Strategy for the FSM - [R9] will describe the specific capabilities identified and agreed as required for sovereignty in operations and sustainment for the duration of the Program. Naval Group, through its experience as a national sovereign submarine capability, contributes to the development of these requirements, as described in Section 3.1.2. In addition to Naval Group's input, advice from suppliers will be taken into consideration, based on their own experience in contributing to sovereign capabilities and on their products and services' knowledge.

3.1.1 Design Authority

A key pre-requisite for achieving sovereignty is the establishment of an Australian Design Authority (DA) for sustainment. Naval Group Australia will be the recipient of this enduring capability. The DA is the entity formally designated responsible as guarantor for the final product in the CoA specified fields of employment, safety, compliance with applicable legislations and technical performance overall. Naval Group will provide sufficient and appropriate resources to establish within Naval Group Australia the capabilities, personnel, training, systems, tools and processes required for the role of DA as agreed under the Program Contracts.

The detail, management and execution of the establishment of this capability is part of the transfer of technology process described in the ToT Plan - [R8].

3.1.2 Consideration of AIC Options

The CoA will determine the Program investment to achieve the FSP Objectives and the prioritisation of where such investment occurs.

Naval Group will ensure the CoA can make informed decisions on investment in capability through a process of continuous collaboration on AIC options, for both sovereignty and for evaluation against cost, risk, quality and schedule.

Naval Group will collaborate with the CoA on sovereignty through:

- the Australian Industry Capability progress meetings, comprised of Naval Group and CoA representatives;
- the procurement process and relevant engagement points, defined in the Program Procurement Plan [R6]; and
- other working level groups and workshops across AIC, procurement, transfer of technology and engineering domains.

Specifying what is required at system, sub-system or equipment level to enable operation and sustainment (upkeep, update and upgrade) in Australia, will be an integral part of the capability development process and will incorporate Naval Group's deep knowledge and significant experience in maritime sustainment. In addition, the input of key suppliers on requirements for operation and sustainment (upkeep, update and upgrade) of their systems and equipment, will be actively sought through their AIC Plan.

3.2 Tailored Procurement Process

For this Program, the procurement process is strategically tailored to achieve the objectives of AIP program, which includes:

- develop and utilise Australian industry in performance of the FSP in a manner consistent with achieving Sovereignty; and
- maximise opportunities for the involvement of the Australian industry through all phases of the FSP, without unduly compromising the Commonwealth's requirements relating to capability, cost and schedule.

The bespoke nature of the FSP procurement process includes:

- greater emphasis on upstream procurement to:
 - identify existing Australian industry capability and capability gaps.
- engaging with peak industry bodies to:
 - utilise their knowledge of the Australian industrial base to identify capability and any gaps; and
 - identify capability development opportunities for Australian industry.
- enhancing the coordination between procurement and design & engineering to:
 - ensure designers are informed about Australian industry capability; and
 - evaluate Australian industry capability (i.e equipment and goods) proposed for incorporation into design.
- flowing-through the FSP objectives to Naval Group suppliers:
 - mandating the provision of detailed proposals regarding AIC options.
- considering AIC options during the procurement process, particularly during development of the procurement strategy, evaluation and selection of suppliers;
- clearly defined CoA engagement points, including the additional Gate 0 and Gate 4 activities described in PPP - [R6]; and
- conducting Australian industry capability development and sustainment activities (expanded upon in Section 3.3).

3.2.1 Emphasis on Upstream Procurement Activities

For this Program, the aim is to establish an Australian supply chain. This approach requires an increased emphasis on, and resource investment in, upstream procurement activities, to find, vet, prove and develop Australian industry.

Providing the design team with information gained on local capabilities during upstream procurement will help to influence design activities in the context of keeping sovereign operation and sustainment in focus.

Upstream procurement activity is characterised by undertaking a thorough and exhaustive search of the Australian market to identify industry segments and suppliers that have the potential to contribute to the FSP in the development of the supply chain.

The planning and scheduling of upstream procurement activities are based on the forecast requirements of the design and build programs, as elaborated in the following documents and drivers:

- Program Procurement Plan - [R6] influenced by the design requirements, qualification requirements to confirm design options, delivery of prototypes to test facilities and contributing the development of the shipyard for Platform Land Based Test Facility and/or first of class;
- Integrated Master Schedule - [R13];
- timing of availability of component and equipment specifications (i.e. preliminary generic and specific final specifications);
- the level of priority that equipment, materials and services may have in respect of developing sovereignty; and
- the anticipated duration and complexity of pre-qualification and qualification activities.

3.2.2 Market Testing Approach

The market testing process provides the opportunity to develop and establish a considered and knowledge based assessment of market capabilities. This leads to the development of strategies and plans to address the industrial capability development requirements of the Program.

The procurement process in itself is the method for testing the market against Naval Group requirements. Initial market testing occurs during both upstream and midstream procurement phases. Contingency market testing will also occur during downstream procurement to monitor market opportunities and competitive supplier base maintenance.

The AIC Plan will contain the detail associated with specific work scope activities across the Program.

3.2.3 Supplier Contributions to Achievement of the FSP Objectives

The Naval Group strategy to ensure suppliers contribute effectively to the achievement of the FSP objectives incorporates the following initiatives:

- engaging suppliers in briefings to mature their understanding of the FSP objectives;
- requiring suppliers to submit an AIC Plan as part of their response to procurement activities;
- requesting suppliers provide input into defining requirements to achieve sovereignty based upon their core expertise and intimate knowledge of their products;
- providing suppliers feedback and support in the development of their AIC Plans; and
- application of AIC-specific contract terms and conditions.

Naval Group AIC, procurement and transfer of technology teams will collaboratively develop the procedures and criteria for assessment of AIC options. This activity also includes the involvement of the CoA.

Supplier AIC contributions are facilitated through the '*Australian Industry Capability (AIC) Plan: Guidelines for Suppliers*', which has been prepared by Naval Group and is available on Naval Group Australia website. The guidelines provide a template outlining the expected content of suppliers AIC Plans, answer frequently asked questions and describe how suppliers can utilise the Industry Capability Network (ICN) to engage with Australian industry. The expected content of suppliers AIC Plans is relative to aspects such as the procurement value, scope and sovereignty imperatives. It ranges from development of a full AIC Plan down to just being required to submit Local Industry Activity (LIA) Description Sheets to fulfil requirements of the reporting framework.

Naval Group will adopt AIC provisions in all contracts executed for the delivery of equipment, materials and services to FSP, to ensure AIC commitments are realised in accordance with plans.

3.3 Industry Development and Sustainment

Australian industry capability development and sustainment is a strategic enabler to achieving a sustainable, efficient and effective supply chain, in coherence with the FSP objectives.

Australian industry development activities and initiatives will be conducted in a framework that involves:

- identifying industry capability gaps;
- developing plans and strategies to bridge gaps;
- liaising with key suppliers to identify capability gaps;
- executing the approved transfer of technology program;
- research and development (when triggered).

The identification of capability gaps allows for the assessment of Australian industry development options and for the preparation (by Naval Group) of capability development and capability sustainment plans, either stand-alone or as a component of other decision based documentation (e.g procurement strategies proposed at Gate 0). Capability development plans identify the development options, including the Naval Group recommendation, for the develop a supplier or supplier base to the level required by the FSP. Capability sustainment plans focus on ensuring the ongoing availability of the capability and viability of the supplier(s) throughout the FSP. These plans adopt a risk and opportunity based approach where Naval Group continuously monitors and mitigates risks associated with Australia industry capability.

Naval Group will engage the CoA in the assessment of capability development options, particularly in the context of sovereignty, but also to assist in identifying linkages to other Commonwealth programs. This engagement also includes evaluation of capability development options against cost, risk, quality and schedule.

Wherever possible, Naval Group will encourage potential suppliers to engage with a range of CoA industry skilling initiatives (with an emphasis on those targeting defence programs) to maximise their capability development. The engagement of Naval Group with organisations like the CDIC, the Naval Shipbuilding College, and the Australian Defence Export Office will be important in ensuring that defence industry skilling is as efficient and effective as possible.

3.3.1 Bridging Industry Capability Gaps

3.3.1.1 Identifying Industry Capability Gaps

The identification of capability gaps is an outcome of assessing Australian industry capability against FSP requirements and objectives. Assessments of this nature will occur by Naval Group throughout the procurement process and as part of the ToT program. Naval Group suppliers will also assess industry and identify gaps as part of their AIC Plan development activities.

The nature of capability gaps that may be identified include:

- Technical Capability
- Quality (maturity of supplier systems and processes)
- Infrastructure / tools / assets / machinery
- Process
- Intellectual Property rights and associated documentation

- Skills
- Quantity of skills (capacity)
- Supplier risks (i.e financial viability, lack of diversification etc)

One of the strategic drivers for the emphasis on upstream procurement is to enable capability gaps to be identified early (in the context of when Naval Group will actually place an order for that good or service) allowing opportunities for capability development to be identified and considered early in the Program.

3.3.1.2 Capability Development Assessment

The assessment of options for capability development once a capability gap has been identified will occur on a case-by-case basis (Capability Development Assessment).

Important considerations during Capability Development Assessment will include:

- the significance of the capability in terms of sovereignty;
- whether other (perhaps more cost effective) alternatives exist for achieving sovereignty than capability development (i.e. shipyard stockpile);
- the nature and cost of investment required to develop capability;
- level and timing of demand for that capability from the FSP (and other defence oriented CoA programs where relevant) in terms of opportunity available to sustain capability and consume production capacity (where applicable);
- research & development activities linked to the capability (either within Naval Group or elsewhere);
- benefits industry would derive from being involved in supplying the capability to the FSP, including those which are broader than supply to the FSP (i.e. export opportunities, creation of jobs);
- is the capability required in broader defence industry and have other CoA programs identified (or are likely to identify) the capability gap also;
- the procurement strategy for the group of like equipment, goods and services that the capability falls into and opportunities to develop the capability at a category level (where relevant);
- whether there are any grants available to fund capability development; and
- supplier willingness and capacity to develop their capability (where relevant).

Naval Group will seek input from the CoA (and the CDIC where relevant) during the Capability Development Assessment when:

- further understanding or agreement is required on the impact on sovereignty of that capability;
- there is an identified relationship between the capability and Commonwealth lead research and development activities;
- the capability is identified as being of strategic importance in one of its policy guidance or industrial capability framework documents; and
- it identifies that other Commonwealth programs require the capability.

Naval Group will need to be aware of any capability which might be required by the broader defence industry and other defence programs. Engagement with the CoA on these topics will

generally occur through the AIC progress meetings or an appropriate procurement gate process.

3.3.1.3 Capability Development Options

The outcome of the Capability Development Assessment will be documented capability development options which include:

- an overview of the capability required and nature of associated gap;
- the recommended capability development approach (or recommendation not to develop capability and justification why);
- discussions of all the considerations explored during the Capability Development Assessment;
- any associated costs, timing and proposed implementation responsibilities; and
- other relevant information.

The capability development and sustainment options, in many cases, will be incorporated into relevant procurement or ToT documentation (e.g Gate 0 pack). However in some cases the documentation may be presented to the CoA independently (e.g. goods and services where there is a dematerialised gate process). This will accommodate a decision on the investment in FSP Objectives in advance of other defined engagement points.

The type of capability development options identified may include:

- supplier improvement plans to address quality gaps;
- delivery of training, tools, data, technical assistance, infrastructure or IP from Naval Group or its key suppliers to Australian industry (ToT);
- investment in supplier assets (such as production equipment);
- research & development involving industry; and
- referral to the CDIC for maturing the suppliers ability to supply to defence, business advice and grants and defence export assistance.

3.3.2 Defence Industry Skilling

The development of submarine relevant skills within Australian industry is critical to meeting the strategic objectives of the Future Submarine Program. Development of the skills base within industry, with the requisite skills and know-how (and know-why) and the associated facilities must be achieved in a timely manner, consistent with the overall FSM Integrated Master Schedule.

Activities and initiatives associated with the up-skilling and capability development activities will be long term. There is a requirement to identify and establish those specific skilling initiatives that will be enduring in nature to support sovereign operation and sustainment.

Once training needs associated with the different capabilities have been identified, detailed plans will be developed to support the delivery of the upskilling and capability development initiatives. The CoA has established a number of industry skilling programs. Wherever possible, Naval Group will seek to encourage potential suppliers to engage with these initiatives to maximise their upskilling. Organisations such as the CDIC and the Naval Shipbuilding College will be important for ensuring that defence industry skilling is as efficient and effective as possible. Naval Group will also engage with other educational and training providers to understand their capability and establish relationships that can support FSP.

3.3.3 Global Supply Chain and Commercial Opportunities

Australian suppliers qualified as part of the FSP will be eligible to access the Naval Group Global Supply Chain, when security requirements permit.

Naval Group uses a number of criteria to determine the respective capacities of Australian industry to be successful beyond the local environment. These include such issues as competitiveness, priority and applicability (technology types and/or alternative or second source requirements), logistics and/or transportation issues).

Access of Australian suppliers to Naval Group global supply chain can also contribute to their sustainment and ongoing viability, which will be reflected in select capability sustainment plans. Naval Group will assist in linking suppliers with support service providers in international supply chain and export markets, such as the CDIC.

Naval Group will continually assess the merit of FSP suppliers for inclusion in its broader global supply chain as described above. This will be done through Naval Group participation in the Global Supply Chain Program and having associated resources focus on identification of relevant opportunities for Australian industry in other Naval Group programs. Such opportunities for candidate suppliers will normally be through the procurement gate process, and as agreed with the CoA to take account of any sovereignty or export control imperatives.

3.4 Transfer of Technology

One of Naval Group's strategic enablers is the development and delivery of a comprehensive transfer of technology program. This program is a strategic enabler because its component elements (the specific capabilities identified for transfer or establishment) represent the key drivers for providing Australia with the sovereignty capabilities that the CoA is seeking for the FSM. The effective execution of this program will provide the CoA with sufficient data, knowledge, Intellectual Property Rights and understanding of the FSM design to establish a sovereign capability for the build, operation and sustainment (i.e upkeep, update and upgrade) of the FSM in a cost effective and safe manner. The specific details describing the transfer of technology program are contained in the ToT Strategy - [R7] and the ToT Plan - [R8].

The ToT program includes transferring capabilities from Naval Group S.A to the Commonwealth, Naval Group Australia and to Australian industry. Naval Group key suppliers will also form part of the the ToT program, transferring capability to Australian industry, when identified as part of their approach to contribute to the FSP Objectives in their AIC Plan.

3.4.1 Transfer of Technology - CoA

The overall transfer of technology activities to the CoA will provide sufficient data and knowledge transfer, including an understanding of the FSM design intent and the basis of design. This process will involve collaboration between the CoA and Naval Group to ensure that the CoA obtains sufficient knowledge of the FSM design to fulfil its legal and regulatory responsibility for formal approval and acceptance. The CoA will be actively involved in the Naval Group design process with the in-country team of CoA staff in France working with the Naval Group team in order to understand the design through each phase.

3.4.2 Transfer of Technology – Naval Group Australia

Transfer of technology involves the transition of capabilities into Australia that support the development of Naval Group Australia's capacity, particularly the establishment of a DA for sustainment capability, the design and construction (to 30%) of the shipyard and the identification of the supporting industrial capabilities. Further details on the evolution of the capability of Naval Group Australia will be contained in the Australian Subsidiary Capability Realisation Plan -[R5] when developed.

3.4.3 Transfer of Technology – Australian Industry

The development of Australian industry is supported through the transfer of technology from either Naval Group SA or an overseas supplier. It will include:

- transferring technical data, infrastructure, tools or skills to selected suppliers to support FSM manufacturing and sustainment; and
- challenging, monitoring and supporting the execution of transfer of technology commitments of overseas suppliers (detailed in their AIC Plans).

3.4.4 Transfer of Technology - RAN

Naval Group is also responsible for transferring to the RAN the capability to operate and sustain the FSM, by providing data, training (including simulators), tools and the development of infrastructure.

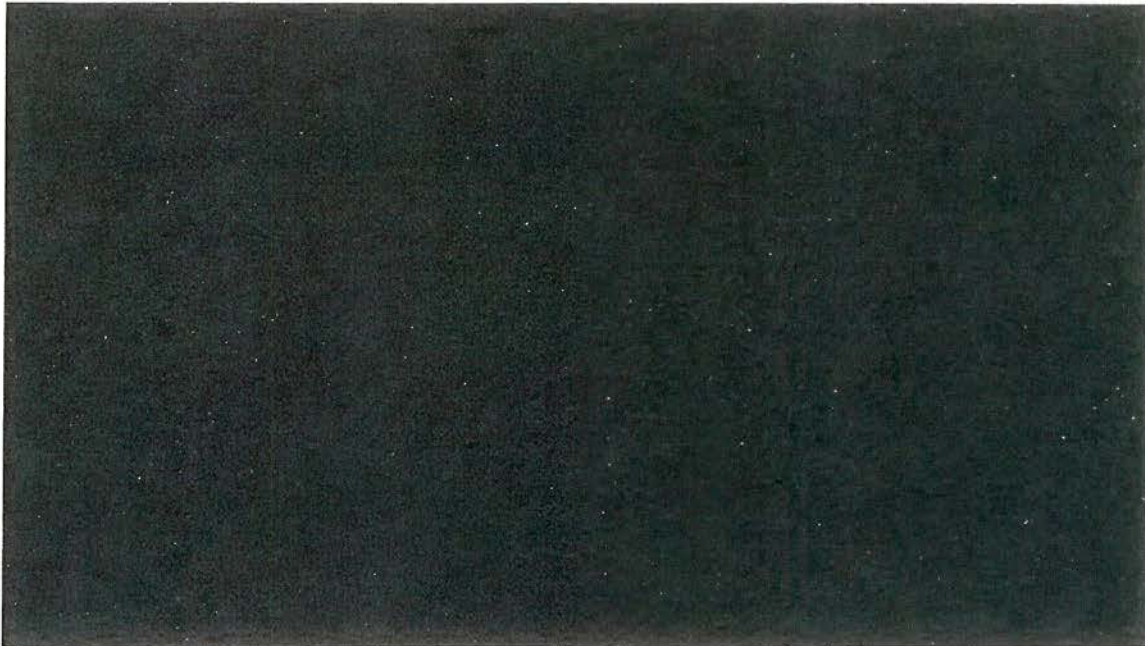
3.5 Organisational Structure Aligned to the FSP Objectives

As part of its AIC Strategy, Naval Group has structured its Program Management Organisation to provide a specific emphasis, with associated authority, on the delivery of the FSP objectives.

A Director Sovereignty and Procurement has been established at the same level of authority as the Chief Executive Officer of Naval Group Australia, with both reporting directly to the Executive Vice President FSP. This construct emphasises the importance Naval Group places on industrial and operational sovereignty as a key Program outcome for Australia, particularly in executing the following key responsibilities vested in these roles:

- coordination of an integrated and transverse approach within the Program covering AIC; transfer of technology, procurement activities, supply chain development, innovation, research and development and skilling initiatives;
- definition of Naval Group policy to ensure Australian sovereignty;
- implementation of the policy through establishing capability in Australia; and
- management of end-to-end Program procurement.

The Naval Group organisational structure supporting the emphasis on sovereignty and procurement is shown at Figure 4.



3.6 Industrial Information Campaign

An information campaign which raises overall national awareness of the FSP objectives will be a key component of the AIC Strategy. It will also specifically provide information on opportunities to supply equipment, goods and services to the Program.

A FSP tripartite communication strategy (involving LMA, CoA and Naval Group) governs the collaborative and shared approach to public and industry engagement, and is supported by a rolling twelve-month working calendar of activities and regularly scheduled meetings.

Naval Group will focus its attention on upstream procurement related engagement with Australian industries. This includes establishing contact with peak industry bodies, CDIC (in their capacity to provide advisory and facilitation services to defence sector SME's) as well as State and Federal organisations providing policy and practical support to Program related activities. Through their collective membership base, these organisations represent and provide access to a wide spectrum of Australian industry from major defence primes to the broader SME base.

Naval Group's engagement with such organisations includes:

- Centre for Defence Industry Capability (CDIC):
 - participation in FSP industry briefings;
 - discussions on collaboration;
 - referral of industry in accordance with agreed conditions; and
 - engagement on broader industry capability development (where required to support FSP activities).
- National, state and regional defence industry groups and associations:
 - collaboration and input on industry strategy development;
 - program briefings to leadership;
 - support for briefings to industry;
 - utilisation of industry databases;

- program briefings to membership;
- discussions on skilling requirements and plans; and
- facilitating interactions with partner organisations.

Naval Group is a member of the Australian Industry Group (AiG), and will seek to leverage the resources and membership base within AiG.

When agreed by the CoA, additional activities to increase industry awareness of the FSP and potential participation and collaboration opportunities include:

- release of Public AIC Plan;
- release of Public AIC Strategy;
- tri-partite and Naval Group industry briefings;
- participation in trade shows;
- participation at career fairs;
- engagement with industry bodies (for example AiG, Engineers Australia);
- editorial initiatives(traditional & digital advertising);
- social media platforms;
- press releases;
- brochures and newsletters; and
- employee programs such as Apprentice and Graduate programs.

3.6.1 Industry and Innovation Portal

The Naval Group Industry and Innovation Portal is part of Naval Group's continuing effort to embrace new and innovative ideas and in particular assist to implement the National Innovation and Science Agenda. The Portal facilitates collaboration between Naval Group and current and future stakeholders. Naval Group uses the portal to identify and nurture partners, collaborators and contributors.

The Naval Group Industry & Innovation Portal access is via the Naval Group Australia website (www.naval-group.com.au/innovation). The Portal provides the opportunity for participants to post ideas, participate in group discussions, receive updates about the nationwide series of industry briefings and to join a network of engaged and focused participants.

The registration process for the Portal is straightforward and there are few restrictions to joining and participating.

3.6.2 Industry Capability Network

Naval Group has established a presence on the Industry Capability Network (ICN), as one means for communicating and engaging with Industry.
(www.navalgroupfuturesubmarine.icn.org.au)

The Industry Capability Network connects suppliers with major projects across Australia and New Zealand. It is a national network with offices in all States, Territories & NZ and has about 60 consultants nationally. It has approximately 70,000 companies maintaining a profile within the database, containing preliminary company and capability information, for project owners to access.

The ICN Gateway provides an point of entry for suppliers seeking to express an interest in the FSP, which can occur in advance of any discrete engagement or procurement activities generated by Naval Group in their capability area. These general registrations of interest establish a baseline database of the supplier pool from which Naval Group can further refine identified potential suppliers, in conjunction with other early supplier engagement activities.

The ICN Gateway also enables Naval Group to publically advertise specific equipment, goods or services, inclusive of technical information, to elicit responses from the broad market about their capability to meet those requirements. This approach will only be used in a limited form for equipment, goods or services where the requirements are of a general nature and do not contain any sensitive information.

4 Innovation and Research and Development (when Triggered)

4.1 Introduction

This section describes the strategy for engaging Australian industry in Innovation and Research and Development in support of the FSP. This information is provided for guidance in advance of the innovation and research and development program associated with FSP being triggered.

Naval Group will establish an R&D program in collaboration with Commonwealth entities and other third parties (including industry and academia) focussed on:

- driving capability improvement over the life of the FSM to:
 - achieve and maintain regional superiority;
 - address emergent threats; and
 - exploit emergent technology and other innovation as appropriate.
- enabling the Commonwealth to continue to meet its operational requirements over the life of the FSM; and
- supporting, in conjunction with the AIC program, the establishment of the Australian industrial capability necessary for the design, build, operation and sustainment (i.e upkeep, update and upgrade) of the FSM.

The Naval Group strategy will:

- create new, and strengthen existing, links between Naval Group and research organisations in Australia (including research to be conducted with industry partners); and
- create new, and strengthen existing, links between research organisations in France and in Australia.

The associated Naval Group R&D program will comprise:

- identifying potential R&D opportunities;
- assessing potential R&D opportunities;
- submitting where appropriate R&D proposals to the CoA for prioritisation and approval; and
- executing CoA approved R&D proposals to completion.

Ongoing R&D activities will be developed and implemented through the FSP R&D Management Plan. The R&DMP will outline how the research activities develop and enhance the skills, knowledge, systems and infrastructure (as appropriate) to support the FSP. It complements and support other research and scientific plans developed in support of the FSP, such as the SEA1000 Science and Technology Plan developed and administered by DST Group.

4.1.1 2015 National Innovation and Science Agenda

In placing great emphasis on the importance of an effective R&D program as a strategic enabler to meet the FSP objectives, Naval Group will continue to refer to the Government's 2015 National Innovation and Science Agenda as a key reference in its approach to innovation.

This key document complements the CoA policy documentation described in Section 2.3.1, and partners well with the new approach to defence innovation as described in the 2016 DIPS, emphasising the importance of collaboration and engagement between industry, academia and Defence.

4.2 Collaboration for R&D

The strategy to identify potential R&D opportunities includes collaboration with stakeholders and the selection of the desired target technologies. The implementation of this approach will support the development of initiatives such as:

- sponsorship of R&D cooperation projects;
- academic and education exchanges;
- involvement in research centres, and
- supporting industry to develop innovative and sustainable businesses.

These activities will draw together industry, academia, research institutions and government organisations.

To ensure broad engagement with a wide range of innovation stakeholders across Australia, while maintaining close control of any related security imperatives, Naval Group is using a multi-step engagement and collaboration process. This process involves:

- conducting an industry and academic capability gap analysis, taking into account current activities and projects to understand where R&D projects could contribute to bridging capability gaps;
- coordinating CoA/Naval Group R&D activities to avoid duplication of effort in research roadmaps between Naval Group and Defence Science and Technology Group;
- maintaining existing, and develop new, relationships with relevant stakeholders (for example academia, government departments, innovative businesses); and
- collaborating with the CoA on industry activities which require special consideration in relation to security and capability development, particularly in relation to sovereignty.

4.2.1 Coordination of R&D Activities with DST Group

The Commonwealth currently has a large research program in support of the FSP. The research is managed for the Program by DST Group, which undertakes significant research internally, as well as collaborating with many Australian universities and industries. Coordination of future research activities is desirable to avoid duplication of research efforts and aims between Naval Group and DST Group. [REDACTED]

[REDACTED] The CoA, through DST Group, has supported and funded submarine related research for over a decade at these universities and currently has a number of funded research agreements. To that end, coordination ensures best value for money from scarce research capabilities where

FSP funds might be used for research activities and will benefit from parallel investment by the CoA and Naval Group or other parties.

4.2.2 Technology Roadmaps for Managing Innovation

The Technology Roadmap (TR) - [R10] documents Naval Group's growth, evolution and obsolescence management plan over the life of the Program.

The TR reflects the R&D activities in order to ensure completion and readiness of technologies for the delivery, and through life support of the FSM. It describes the technologies to be developed and the development timeline. The TR is supported by the Technology Guide [R11] that details the implementation of technical solutions for technology areas consistent with the TR.

As the FSP develops, the outcomes of R&D collaborations will update and refine the Technology Roadmaps. Focus areas for R&D during the FSP will consist of specific technologies drawn from the key areas of platform, signature, energy and propulsion. An FSM Capability Upgrade Program (CUP) will introduce emerging technology to the Platform through a structured cyclic and continuous program of development activity.

Technology Roadmaps will indicate the relative maturity of research and development opportunities for inclusion in the Capability Upgrade Program. The Naval Group Whole Warship Design Process will provide the management structure that ensures that key technology areas and capability introduced take into account program risk, schedule and submarine operational performance.

4.3 R&D Funding Opportunities

Australia's innovation eco-system is supported by a diverse range of funding programs at both a state and federal level, with funding programs targeting all facets from support to small to medium enterprises (SME), support to purchase equipment and infrastructure, commercialisation, through to an emphasis on the fundamental science and engineering, the key-stone on which many of the innovations are built.

Naval Group will work with its innovation collaboration partners to identify suitable programs to support the range of research and development undertaken in support of FSP. The type of funding to consider depends on factors such as:

- security classification;
- university or publically funded research organisation participation;
- industry (particular SME participation);
- alignment with Australians National Innovation and Science Agenda; and
- alignment with Australia's defence strategy.

Government R&D funding programs in which Naval Group may be interested in the future include, for example:

- Australian Research Council Programs (e.g. Industrial Transformation Research Hubs and Industrial Transformation Training Centres, Linkage Projects);
- Defence Cooperative Research Centres Program;
- Cooperative Research Centres and Cooperative Research Centres Projects;
- Advanced Manufacturing Growth Centre; and

- specific defence Initiatives (e.g.: Next Generation Technology Fund, CDIC-Capability Improvement Grants, Innovation Hub).

4.4 Security Considerations

A collaboratively approach by Naval Group and the CoA identifies how to most effectively manage the security requirements associated with current and future sensitive submarine capability data.

Naval Group, in collaboration with research partners and the CoA, will effectively manage the security requirements using protocols and procedures agreed with the CoA. Issues to be considered in relation to such protocols and procedures include:

- vetting requirements for participants (e.g. citizenship implications for existing or future security clearance requirements);
- accreditation of facilities where required and security clearance implications;
- protocols on publication of research where the release of confidential information is an issue;
- intellectual property;
- export controls as required; and
- additional transversal Program aspects (e.g. Technical Data Management Plan - [R14]).

The protocols to be applied take into account DST Group approach current and proposed programs.

Oversight, management and review where necessary of the protocols is the responsibility of the AIC progress meetings. These meetings ensure that the protocols in place remain sufficient to oversee, inter alia:

- any development of sensitive technologies (with universities in particular);
- the overall security arrangements associated with any sensitive collaboration; and
- how existing (or proposed) CoA research funding might be leveraged to provide best value for money.

The handling of sensitive information, which may result from any collaborative activities will be conducted in accordance with the agreed physical security arrangements covering classified Program information.

5 AIC Management, Monitoring and Reporting

This section provides Naval Group's strategy for the overall AIC management and assurance framework for the FSP. It describes how the interrelationships of responsibilities, processes, data collection and reporting all contribute to providing the CoA with the assurance that Naval Group's AIC obligations are met.

This assurance framework is supported by the tailored organisation structure which assures the allocation of defined responsibilities and regular interaction with the associated CoA's AFSP industry team.

The AIC management principles and assurance framework consists of:

- AIC progress meetings comprised of Naval Group and CoA representatives;
- collaboration between the CoA and Naval Group in forums complimentary to the AIC progress meetings such as ToT workshops and procurement progress meetings;
- a dedicated Naval Group AIC Manager;
- Naval Group self-monitoring progress against its AIC Plan;
- development of systems to capture relevant data for AIC analysis, monitoring and reporting; and
- provision of regular AIC reports to the CoA.

5.1 AIC Management Principles

5.1.1 The Australian Industry Program

As described in Section 1.2, the overall Australian Industry Program incorporates the interaction of a range of related activities, given the inherent importance of sovereign capability delivery across the Program.

Figure 1 emphasises the important linkages between the various activities (AIC, procurement and establishing capability) which contribute to the achievement of the FSP Objectives. Equally, as evident in the range of references provided in support of this AIC Strategy (Section 1.5), there is a wide range of information available across many related deliverables. These deliverables support and provide additional detail on how these linkages support the overall execution of the Australian Industry Program.

5.1.2 AIC Responsibilities

The authorised AIC Manager is the General Manager, Industry and Innovation within Naval Group Australia who is functionally responsible to the Director of Sovereignty and Procurement. The AIC Manager liaises directly with the CoA FSP, chairs AIC progress meetings and is a member of the FSP Industry Integrated Program Team (IPT) described in the Tripartite Program Management Agreement (TPMA) - [R12]. This IPT is the Naval Group/CoA/LMA forum to address tripartite industry issues for the FSP – see Section 2.2.

Naval Group considers AIC to be the 'strategic driver' for delivering operational and sustainment sovereignty. The AIC Manager has overall responsibility for the coordination of FSP delivery outcomes related to the development and sustainment of the Australian supply chain and its associated innovation environment. Complementing this high-level objective is

the maximisation of Australian industry involvement, with a broader focus on driving high value industry opportunities. The main duties of the AIC Manager are contained in Section 5.1 of the AIC Plan - [R2].

5.2 AIC Monitoring and Reporting

5.2.1 Monitoring Framework

The focus of Naval Group AIC Monitoring activities will include:

- progress against key suppliers AIC Plans (after execution of their contracts);
- monitoring at Program and Naval Group entity level, as well as individual supplier basis:
 - LIA intentions as they translate into commitments; and
 - Australian Industry Expenditure;
- progress against scheduled procurement activities and resultant emerging capability gaps; and
- conformance generally with Naval Groups AIC Strategy and related AIC Plan.

Dedicated AIC progress meetings with permanent Naval Group and CoA representatives monitor all matters relevant to the execution of both the AIC Strategy and associated AIC Plans – with the introduction of subject experts to provide support when required. These meetings examine conformance with AIC obligations from both Naval Group and suppliers and focus on other relevant Australian industry capability activities such as, but not limited to:

- procurement activities;
- industry capability gaps and associated analysis;
- industry capability development plans (bridging gaps) and Naval Group recommendations;
- sensitive technologies and the processes for their protection;
- transfer of technology activities;
- suppliers AIC Plans (in particular advising the CoA if any assistance is required in reinforcing AIC requirements to suppliers);
- research and innovation activities; and
- industry and academia communication strategies.

The progress meeting role in monitoring AIC is complementary to reporting, as reports on their own cannot communicate all insights into Australian Industry Capability and associated emerging risks or opportunities.

In addition, the AIC Manager and other AIC team members actively participate in procurement progress meetings, ToT workshops and other related activities. This provides the linkage mitigating against silo operation and thinking across Australian industry areas of activity for the program.

5.2.1.1 Identification and Remediation of AIC Degraded Performance

Identification and remediation of degraded AIC performances is one of Naval Group's key AIC obligations.

The AIC team's close functional relationships with other relevant teams as described above will support both the identification of non-conformances and the initiation of actions to rectify such non-conformances. Identification will be achieved through monitoring AIC related

milestones across the Program, for example, Transfer of Technology deliverables and procurement LIA achievements. Remediation will be achieved through influencing, directing, or supporting activities using the leverage provided through the direct functional link with the Director of Sovereignty and Procurement for the Program, and through this, Naval Group's contractual obligations.

In terms of supplier's AIC obligations, Naval Group's suppliers AIC Plans and associated AIC obligations will be constantly monitored and any non-conformances will be remediated through contract management and supplier review processes such as those described in the Program Procurement Plan - [R6]. Non-conformances and remediating actions will be reported to the CoA on a regular basis, as described in further detail in the AIC Plan (Section 5.4).

5.2.2 Reporting and Data Collection

Naval Group S.A and Naval Group Australia data collection will meet the reporting requirements of the Contract and be undertaken according to the reporting framework described in detail in the AIC Plan - [R2]. The methodology and associated definitions in use are based upon the emerging systems and processes being designed within Naval Group Australia specifically for the FSP, and are consistent with the existing data collection systems and processes in Naval Group S.A.

The content of AIC reports will evolve over time to remain coherent with the phase of the Program and relative activity. The reporting framework, described in the AIC Plan, is consistent with providing regular information to the CoA to demonstrate progress against Naval Groups AIC Strategy and AIC Plan and to substantiate claims for achievement.

5.2.2.1 Data Capture for Australian Industry Expenditure

To be able to report forecasted and achieved Australian Industry Expenditure Naval Group needs to capture data on the elements of the Statement of Work (SOW) undertaken by Australian industry throughout the Naval Group supply chain. This includes capturing not just Australian industry engaged directly by the Program, but also Australian industry engaged as sub-suppliers and sub-sub-suppliers.

Figure 5 shows how Australian Industry Expenditure can be distributed throughout the entire supply chain, including portions engaged (contractually) by either Naval Group SA or Naval Group Australia. Reporting on forecasted and achieved Australian Contract Expenditure will require the definition, implementation, configuration and ongoing maintenance of tailored IT systems, as off the shelf solutions, do not usually reach into indirectly engaged layers of the supply chain.

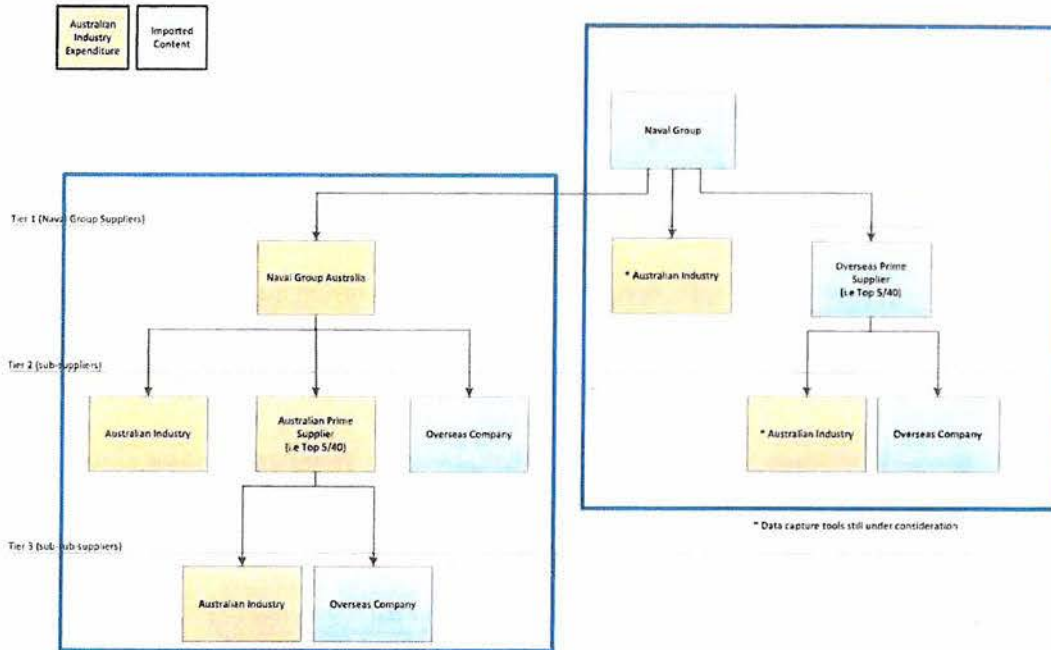


Figure 5. Australian Industry Expenditure construct

5.2.2.2 ERP as a Tool for Data Capture

Naval Group’s strategy for meeting the AIC reporting requirements defined in the CSR, CMPR and AIC Plan is to utilise and configure the (to be implemented) enterprise resource planning (ERP) due to its interconnection with finance and procurement datasets and reporting.

5.2.2.3 AIC Reporting Definitions

The below definitions have been provided by the CoA for consistent defence industry wide capture of data relating to Australian industry outcomes.

Australian Industry Expenditure is the term given to encompass all direct Australian industry expenditure by the Contractor (or the total direct economic impact arising from the contract). It is comprised of two clearly distinguish elements:

- the expenditure on actual work performed within the Australian supply chain by Australian industry and known as Local Industry Activities; and
- the Australian expenditure in support of the contract and known as 'Local Overheads'. Definitions are provided below for both and when combined provide a total value for Australian Contract Expenditure.

Local Industry Activities (LIA) are defined as the value of Australian industrial base work performed in Australia in support of the Defence acquisition and/or sustainment activities. It is the (GST exclusive) dollar value of work committed in contract, where the actual work clearly creates, enhances or maintains Defence capability and that will be performed by Australian industry.

Local Overhead is defined as Australian expenditure on taxes, custom duties, insurances, bank fees, Commercial/Military Off the Shelf hardware, software and supplies, infrastructure, corporate overheads and indirect goods and services. For the avoidance of doubt, any expenditure that does not fall within the LIA definition but is still work completed by Australian industry is Local Overheads.

5.3 Local Industry Activities

Naval Group's strategic approach to identifying, monitoring and reporting Local Industry Activities (LIA) includes adapting the LIA definition contained within the Better Practice Guide to provide greater fidelity of supplier intentions and commitments in terms of Australian industry capability across what is a very long program incorporating years of design at the front end.

This strategy requires suppliers to identify their AIC intentions before the procurement process reaches a point where a contract can be in place, and an actual AIC commitment is able to be provided via an LIA Description Sheet. This enables suppliers to be more confident in elaboration of their AIC strategies, and to investigate realistic AIC options, prior to being in contract. This approach will mitigate against suppliers 'aiming low' in an LIA where there is insufficient knowledge about potential AIC outcomes – and then consequently seeking only to meet the only initial (always conservative) AIC target.

A supplier having the capability to estimate an AIC intention and then subsequently seek to achieve it through iteratively increasing their commitment value, creates the desired behaviours that Naval Group is seeking and thus an optimal outcome for AIC.

To achieve this strategy the definition of LIA in the Better Practise Guide (BPG) is broken down further into LIA Value Intention and LIA Value Commitment. These are defined as follows:

- LIA Value Intention: describes the LIA Value when there is no contract commitment, but the scope of work is intended to be awarded to Australian industry, subject to further validations of capability or capacity, negotiations, procurement activities or capability development; and
- LIA Value Commitment: describes the LIA Value when there is a commitment made in contract to Australian industry to complete the scope of work.

Introducing this distinction will ensure that Naval Group can elicit from its suppliers as early as possible (for example during draft development of their AIC Plan), visibility of their intentions with regards to AIC (without the concern of committing contractually to partnerships, plans and strategies not yet mature, realistic and/or commercially viable). In this way Naval Group will be in a position early enough to support, coach and negotiate the suppliers development of their ideas and commitments to ensure the best possible outcome for the FSP Objectives.

A Acronyms

A

ABN	Australian Business Number
AIC	Australian Industry Capability
AiG	Australian Industry Group
AIP	Australian Industry Program

B

BGD	Background
BPG	Australian Industry Capability Better Practise Guide

C

CDIC	Centre for Defence Industry Capability
CoA	Commonwealth of Australia
CSI	Combat System Integrator
CUP	Capability Upgrade Program

D

DA	Design Authority
DGA	Direction Generale de l'Armement
DID	Data Item Description
DIPS	Defence Industry Policy Statement
DMC	Design Mobilisation Contract
DST	Defence Science and Technology

F

FGD	Foreground
FSM	Future Submarine
FSP	Future Submarine Program

I

ICN	Industry Capability Network
IDC	Indigenous Defence Consortium
ILS	Integrated Logistics Support
IMS	Integrated Master Schedule
IP	Intellectual Property
IPR	Intellectual Property Rights
IPT	Integrated Program Team

L

LIA	Local Industry Activities
LMA	Lockheed Martin Australia

P

PMP	Project Management Plan
PMS	Program Master Schedule
PPCR	Program Progress/Costs Report
PPP	Program Procurement Plan
PSI	Platform System Integrator

R

R&D	Research and Development
RAN	Royal Australian Navy
RAP	Reconciliation Action Plan

S

SIC	Strategic Industrial Capability
SICAF	Sovereign Industry Capability Assessment Framework
SME	Small to Medium Enterprises
SOW	Statement Of Work
SPA	Strategic Partnering Agreement

T

TCA	Tripartite Co-operative Agreement
ToT	Transfer of Technology
TOTS	Transfer of Technology Strategy
TPMA	Tripartite Program Management Agreement
TR	Technology Roadmap

W

WP	Work Package
----	--------------

B Local Industry Activity Description Sheet

LIA Serial Number:	Click here to enter text.
LIA Title:	Click here to enter text.
Contractor:	Click here to enter text.
Australian Company:	Company Name: Click here to enter text. ABN: Click here to enter text. Small to Medium Enterprise: Yes <input type="checkbox"/> No <input type="checkbox"/> Indigenous Business Enterprise: Yes <input type="checkbox"/> No <input type="checkbox"/>
Contract Number:	Click here to enter text.
Work Package Identification:	Click here to enter text.
Work Package Scope (Short description only)	Click here to enter text.
Price Schedule Reference Number:	Click here to enter text.
Local Industry Activity Value (\$AUS)	<p>LIA Value (\$)</p> <p>A LIA Value Commitment Click here to enter text.</p> <p>B LIA Value Intention Click here to enter text.</p> <p>C LIA Value (A + B) Click here to enter text.</p> <p>If some or all of the LIA Value is an intention (B), provide a description of the basis of estimate for the value, any assumptions and activities to occur prior to it becoming a commitment in Contract with an Australian Company. Click here to enter text.</p>
Location	Australian State/Territory the LIA is being performed: Choose an item. Postcode: Click here to enter text.
D Industry Requirement(s)	Identify how the Industry Objectives are addressed by this LIA. Click here to enter text. Identify which Department of Defence Priority Industry Capabilities (PICs) are applicable to this LIA: <input type="checkbox"/> Acoustic Technologies and Systems <input type="checkbox"/> Anti-Tampering Capabilities <input type="checkbox"/> Combat Uniform and Personal Equipment <input type="checkbox"/> Electronic Warfare

	<ul style="list-style-type: none"> <input type="checkbox"/> High-end' System and 'System of Systems' Integration <input type="checkbox"/> High Frequency and Phased Array Radars <input type="checkbox"/> Infantry Weapons and Remote Weapons Stations <input type="checkbox"/> In-Service Support of Collins class submarine Combat Systems <input type="checkbox"/> Ship Dry Docking Facilities and Common User Facilities <input type="checkbox"/> Signature Management <input type="checkbox"/> Through-life and Real-Time Support of Mission-Critical and Safety-Critical Software <input type="checkbox"/> None applicable <p>Identify which Department of Defence Strategic Industry Capabilities (SICs) are applicable to this LIA:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Composite and Exotic Materials <input type="checkbox"/> Elements of National Infrastructure <input type="checkbox"/> Geospatial Information and Systems <input type="checkbox"/> Guided Weapons <input type="checkbox"/> Naval Shipbuilding <input type="checkbox"/> Protection of Networks, Computers and Communications <input type="checkbox"/> Repair and Maintenance of Specialist Airborne Early Warning and Control Systems <input type="checkbox"/> Repair, Maintenance and Upgrading of Armoured Vehicles <input type="checkbox"/> Repair, Maintenance and Upgrading of Aircraft (including Helicopters) <input type="checkbox"/> Secure Test Facilities and Rest Ranges <input type="checkbox"/> Systems Assurance <input type="checkbox"/> System Life Cycle Management <input type="checkbox"/> None Applicable
E Benefit(s)	<p>[Replace these words] Describe the benefits of the LIA to the Australian company undertaking the LIA in terms of the following:</p> <ul style="list-style-type: none"> • the significance of the work that the LIA will contribute to the Contract; • the skills and knowledge that will be transferred, improved, created or sustained in the Australian company, including how these skills and knowledge will be developed, shared, maintained and retained by the company beyond the life of the LIA contracted activity; • the new technologies or innovations that will be introduced or will result from the LIA; • the contribution to the Australian company's future competitiveness; • training to be provided including mentoring, up-skilling and trade training sponsorship; • the impact the work will have on the workforce profile of the Australian Company. <p>Describe the benefits of the LIA to the Contractor in terms of broadened global supply chains that the Australian Company will now access from the Contractor that it did not previously access.</p> <p>Describe the options (if any) that the Contractor had to perform the scope of work covered by the LIA outside of Australia including any price difference (increase or decrease) when</p>



		comparing Australian to overseas performance.
F	Details of Prime/ Subcontractor Relationship	[Replace these words] Provide details of the relationship with the party/subcontractor selected to deliver the LIA (eg. number of projects/contracts, length of commercial partnering, success stories, status of MoUs, teaming agreements, status of Technical Assistance Agreements (TAAs) and Non-Disclosure Agreements (NDAs)).
G	Intellectual Property and Technical Data Arrangements	[Replace these words] Identify Technical Data and the associated Intellectual Property rights required to be provided to Australian industry for the delivery of the LIA.
H	Approvals	[Replace these words] Provide details of all actions, processes, accreditations and approvals required (e.g.. International Traffic in Arms Regulations, import controls, security and facility clearances etc.) or to be performed (including timing), and by whom, that will enable Australian industry to deliver this LIA.
I	Risks	[Replace these words] Identify all risks known to potentially impact upon the delivery of this LIA.

c Public AIC Strategy

Company Details:

Naval Group
40-42 Rue du Docteur Finlay
75015 Paris, FRANCE
www.naval-group.com

Executive Summary

- The Future Submarine Program (FSP) is Australia's largest ever defence program and is critical to Australia's national security until the 2080's. Naval Group was selected by the Commonwealth of Australia (CoA) as its international partner to be the Platform System Integrator (PSI) to deliver a regionally superior and sovereign submarine capability to the Royal Australian Navy (RAN). The Government of Australia has decided that all twelve Future Submarines (FSM) will be built in Adelaide.

The FSP Objectives are:

- to deliver to the Commonwealth a regionally superior submarine capability that provides the Commonwealth with enduring sovereign control over the operation and sustainment of Australia's Future Submarine capability;
- to address Australian regulatory safety and environmental obligations in the submarine design and through developing a sound Mission System Seaworthiness Case;
- to deliver an affordable Future Submarine capability within a realistic timeframe and with the knowledge and skills to understand and control sustainment cost drivers for the life of the class; and
- to maximise Australian industry involvement through all phases of the FSP without unduly compromising capability, cost and schedule

The objective of the Australian Industry Program (AIP) for the FSP is to:

- develop and utilise Australian industry in performance of the FSP in a manner consistent with achieving sovereignty; and
- maximise opportunities for the involvement of the Australian industry through all phases of the FSP, without unduly compromising the Commonwealth's requirements relating to capability, cost and schedule.

This AIC Strategy sets out Naval Groups strategic approach to meeting the FSP Objectives, as they apply to Australian industry, across all Program Contracts for the FSP. The AIC Strategy is intended to be an enduring document, updated from time-to-time, as and when required. The AIC Plan covers the activities of the AIP and will be developed for each core work scope.

Naval Group in France will be supported in the execution of the AIC Strategy and AIC Plan by its subsidiary, Naval Group Australia, headquartered in Adelaide. Naval Group Australia will develop the capability to support design activities in preparation for

becoming the Design Authority for sustainment, undertake build, integrate and test the FSM, support the development of capability in the broader Australian industry base, including establishing and maintaining a sustainable Australian supply chain. Naval Group Australia will be the recipient of transfer of technology (know-how and know-why) from Naval Group.

Naval Group's AIC strategy incorporates:

- collaboration with the CoA on the development and delivery of the FSP Objectives;
- using a tailored procurement process including;
 - CoA engagement throughout the process of selecting suppliers;
 - consideration of AIC options in the evaluation and selection of suppliers;
 - increased emphasis on, and resource investment in, upstream procurement activities to identify capability; and
 - requiring supplier commitment to achieving the FSP Objectives, through their own AIC plans.
- industry development and sustainment initiatives;
- a comprehensive transfer of technology program; and
- an industrial information campaign raising awareness of the opportunities for Australian industry.

Scope of Future Work Opportunities:

- Opportunities exist for Australian industry as follows:

- participation in planning and design activities (including preliminary, concept and detailed design) to develop facilities and infrastructure for the build, test and integration of the FSM and associated systems; and
- provision of equipment and services across the Program. These will be progressively communicated to Australian industry via Naval Group's public AIC Plan.

These opportunities for industry may be as a direct supplier to Naval Group or as a supply chain participant engaged by one of Naval Group's own suppliers.

As part of the early design process for the FSM, Naval Group procurement strategies will focus on critical components having an impact on the sizing of the FSM. Specific critical equipment includes the main electric motor, weapon launching system, main DC switchboard, diesel generator rectifier and battery.

As part of a tailored Program procurement process, suppliers engaged in these activities must submit AIC Plans. Once contracts are executed and AIC Plans are complete, selected suppliers will also issue public AIC Plans which outline engagement opportunities for Australian Industry. As the FSP matures, this process will also be applied to suppliers of additional systems and services. Supplier AIC Plans Guidelines can be found at:

<http://naval-group.com.au/suppliers/>

The Naval Group database where interested potential suppliers can register their interest in the program is:

www.navalgroupfuturesubmarine.icn.org.au

This database will support Naval Group's investigation of the Australian market and the selection of suppliers to progress the pre-qualification and qualification process ahead of commencing procurement activities. There will often be a period of some years between initial industry data collection and the release of purchase orders due to the length of the design process and the long duration of the Program overall.

Future Opportunities Engagement:

- Naval Group has conducted, and will continue to conduct, briefings to update Australian industry of the current and future opportunities for their involvement. One of the methods used for this is through a national roadshow program, details of which will be posted on the Naval Group Australia website. In addition suppliers are encouraged to engage at other public events such as trade shows, meet the buyer events and industry conferences. If interested, industry should always maintain up to date details on the Industry Capability Network (ICN).

The Naval Group Industry and Innovation Portal is part of Naval Group's continuing effort to embrace new and innovative ideas, for its part in the National Innovation and Science Agenda. The Portal facilitates collaboration between Naval Group and current and future stakeholders. Naval Group uses the portal to identify and nurture partners, collaborators and contributors. The Portal provides the opportunity for participants to post ideas, participate in group discussions, receive updates about the nation-wide series of industry briefings and to join a network of engaged and focused participants.

The Naval Group Industry & Innovation Portal access is via the Naval Group Australia website (www.naval-group.com.au/innovation).

D DID Requirements Traceability Matrix

Table 2. Traceability Matrix

DID Para	DID Para Title or Description	Cross Reference
6.2.1	INTRODUCTION TO AIC PROGRAM	
6.2.1.1	<p>The AIC Strategy shall summarise:</p> <ul style="list-style-type: none"> • the Contractor's strategy and plans to meet the FSP Objectives; • the Contractor's strategy and plans to meet the objectives of the 2016 Defence Industry Policy Statement as an integral part of delivering the requirements of each Core Work Scope and any Additional Work Scopes; • the commitments by the Contractor to maximise opportunities for competitive Australian Industry to deliver the FSP requirements, including to develop or enhance skills, knowledge, systems, and infrastructure (where appropriate), within Australian Industry, and to undertake technology transfer to Australia; • the Contractor's approach to supporting the Indigenous Procurement Policy in considering and involving recognised Indigenous enterprises within the Contractor's supply chain and the employment of Indigenous Australians as part of delivering the requirements of each Core Work Scope and any Additional Work Scopes; and • the governance arrangements, principles and partnering approach employed by the Contractor in establishing and maintaining Australian Industry in the Contractor's supply chain, with an emphasis on high quality commercial and delivery relationships for the period of the FSP. 	<p>Section 2.2</p> <p>Section 2.3</p> <p>Section 2.2</p> <p>Section 2.3</p> <p>Section 3.3</p>
6.2.2	ONGOING MARKET TESTING	
6.2.2.2.1	<p>The AIC Strategy shall describe the strategy to be adopted by the Contractor to provide the maximum opportunities for competitive Australian Industry to be considered for participation in the Contractor's supply chain for the duration of the FSP, including:</p> <ul style="list-style-type: none"> • how and why Australian companies will be chosen for market testing; • what initiatives will be employed to address the Indigenous Procurement Policy, including: <ul style="list-style-type: none"> ▪ maximising participation of Indigenous enterprises over the period of the FSP; and ▪ the specific initiatives used for the employment of Indigenous Australians in delivering the FSP requirements; • how Australian Industry will be considered to perform the Priority Industry Capability requirements (if applicable); and • the criteria to be used for selection of Australian Industry in the Contractor's supply chain. 	<p>Section 3.2</p> <p>Section 2.3</p> <p>Section 2.3.2</p> <p>Section 3.2&2.3</p>

DID Para	DID Para Title or Description	Cross Reference
6.2.2.3	AUSTRALIAN INDUSTRY DEVELOPMENT	
6.2.2.3.1	<p>The AIC Strategy shall describe:</p> <ul style="list-style-type: none"> the Contractor's strategy to undertake Australian Industry development; the commitments by the Contractor or the Contractor's partners, to deliver the FSP Objectives, including to develop or enhance skills, knowledge, systems, and infrastructure (where appropriate) within Australian Industry, and to undertake technology transfer to Australia; the commitments of the Contractor to drive initiatives and benefits that seek to pursue opportunities identified within the Defence skilling programs; including skills development - either currently targeted or future gaps that have been identified; and the inter-relationships, dependencies and benefits derived from the AIC Strategy, Transfer of Technology program, Program Procurement activities, and Research and Development activities. 	<p>Section 3.3</p> <p>Section 3.3&3.4</p> <p>Section 3.3</p> <p>Section 2.4</p>
6.2.2.4	SELECTION OF CONTRACT INFORMATION NEEDS	
6.2.2.4.1.a	<p>The AIC Strategy shall:</p> <ul style="list-style-type: none"> describe the strategy for involving Australian Industry in innovation, research and development in support of the FSP; 	Section 4.1
6.2.2.4.1.b	<p>The AIC Strategy shall:</p> <ul style="list-style-type: none"> include the Public AIC Strategy (content specified at Appendix 1 of [R2]). 	Annex D
6.2.2.4.1.c,d	<p>The AIC Strategy shall:</p> <ul style="list-style-type: none"> describe the collaboration principles, technology, systems or innovation that will be pursued in support of the FSP, including: <ul style="list-style-type: none"> a brief overview of the principles, technologies or innovations; the strategy for collaborating with Australian Industry, Defence Science and Technology Group, academia or other Commonwealth entities to provide tangible contributions; the strategy in relation to technology transfer under the FSP, including the resultant benefits to Australian Industry; whether the Contractor intends to commercialise outcomes and how benefits will flow from the research and development; whether the technology or innovation could be used to support other Defence initiatives/programs, including the Defence Innovation Hub or the Next Generation Technology Fund; and whether the technology or innovation could be used to support initiatives external to Defence (i.e. innovations which may provide greater benefit to the Commonwealth or other Australian Industry sectors); and provide details of any Government grants (at any tier of Government) or funding in support of innovation, research and development activities, which may directly or indirectly benefit the FSP. 	<p>Section 4.4</p> <p>Section 4.5</p>
6.2.2.5	GLOBAL SUPPLY CHAIN and COMMERCIAL OPPORTUNITIES	
6.2.2.5.1	<p>The AIC Strategy shall describe how Australian Industry has or will be provided with opportunities to enter export markets or facilitate domestic sales of products or services as a result of the FSP.</p>	Section 3.3

AUSTRALIAN FUTURE SUBMARINE PROGRAM

Australian Industry Capability Plan

Final for Approval

This document contains only Foreground IP



Prepared for:

Future Submarine Project Office
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POWER AT SEA

**NAVAL
GROUP**

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Approval

	Name	Date	Signature
Drafted by	[REDACTED]	May 23rd, 2018	Acquired
Validated by	[REDACTED]	May 23rd, 2018	Acquired
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Revision Index

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A	January 30 th 2018	Draft for Review
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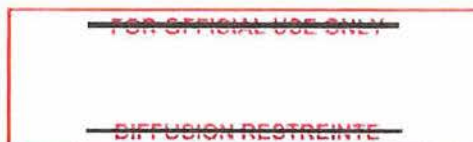


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1 Introduction

1.1 Overview

This Australian Industry Capability (AIC) Plan for the Submarine Design Contract (SDC) outlines the responsibilities of Naval Group in the development of Australian Industry Capability (AIC) for the Future Submarine Program (FSP). This version focuses principally on:

- platform design;
- Transfer of Technology (ToT) activities for the build, operation and sustainment of the Future Submarine (FSM); and
- concept design of the infrastructure required for the build and sustainment of the platform systems.

1.2 Scope of the Document

An AIC Plan will be developed for each Work Scope of the SDC. These Core Work Scopes are defined in the SDC Statement of Work (SOW) as follows:

- Feasibility Studies Phase;
- Definition Phase; and
- Basic Design C1 Phase.

This AIC Plan provides Naval Group's plans and procedures covering Work Scope 1 (the initial work scope) – Feasibility Studies for the Submarine Design Contract.

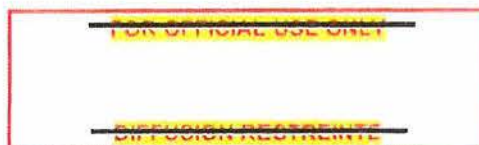
Naval Group uses the AIC Plan to:

- define, manage and monitor the AIC-related activities under the Contract;
- set out the plans, procedures, responsibilities and timeframes for the delivery of the AIC program under the Contract; and
- set out its contractual commitments in relation to Australian industry for each Core Work Scope and any Additional Work Scopes under the Contract.

The AIC Plan provides the Commonwealth of Australia (CoA) with the capacity to:

- evaluate the AIC program for the Core Work Scope and any Additional Work Scopes under the Contract;
- gain assurance that the FSP Objectives, as they relate to Australian industry, will be satisfied; and
- identify its involvement in the AIC program for the Contract.

This AIC Plan flows directly from the Australian Industry Capability Strategy - [R1] that describes Naval Group's strategic approach to achieving the FSP objectives, as they apply to Australian industry, across all Program Contracts for the FSP. The Strategic Partnering Agreement (SPA - [R2]), for which the AIC Strategy forms a part, also informs the AIC Plan,



as it defines the framework for the Australian industrial objectives (amongst other Program elements) across the life of the FSP. This framework will in turn apply to all Program Contracts.

Updates to the AIC Plan for each Core Work Scope will be supported by other key deliverables when developed. For example, the Industry Sovereign Sustainment Assurance Plan – [R3], the Research and Development Management Plan – [R4] and the Australian Subsidiary Capability Realisation Plan - [R5] will be produced during the SDC.

1.3 Inter-Relationships

DID PM-34 lists the following inter-relationships for this Plan:

- Australian Industry Capability (AIC) Strategy;
- Program Procurement Plan (PPP);
- Transfer of Technology Strategy (TTS);
- Transfer of Technology Plan (TTP);
- Transfer of Technology Master Training Plan (TT MTP);
- Research and Development Management Plan (R&DMP);
- Baseline Contract Master Schedule (CMS);
- Contract Status Report (CSR);
- Contract Work Breakdown Structure (CWBS); and
- Technical Data List (TDL) and Software List (SWLIST).

1.4 Assumptions

The AIC Strategy contains the full list of AIC assumptions. Those that are relevant to Naval Group's Scope Of Work for the Submarine Design Contract are:

- designing an Australian shipyard to 30%;
- conducting design activities (Feasibility Studies , Definition , Basic Design C1);
- transferring technology and know-how/know-why to Australia;
- engaging with Australian industry; and
- development of the platform support system for the FSM.



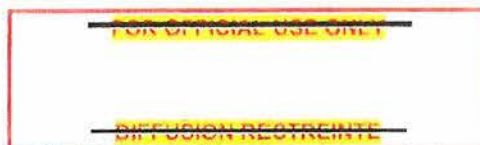
1.5 Referenced Documents

- [R1] Australian Industry Capability Strategy [DID-PM-AIC-AICS];
- [R2] Strategic Partnering Agreement – in development;
- [R3] Industry Sovereign Sustainment Assurance Plan – still to be developed;
- [R4] Research and Development Management Plan – still to be developed;
- [R5] Australian Subsidiary Capability Realisation Plan – still to be developed;
- [R6] Program Procurement Plan [DMC-CDR-PM-33_PPP];
- [R7] Transfer of Technology Strategy [DMC-CDR-PM-60_ToTS];
- [R8] Transfer of Technology Plan [DMC-CDR-PM-62_ToTP];
- [R9] Technical Data Management Plan [DMC-DID-ENG21-TDMP]
- [R10] ToT Roadmap [AICS Annex B]; and
- [R11] Integrated Master Schedule [DMC-CDR-PM-01_IMS].

1.6 Definitions

The following key terms are used throughout this document:

Table 1. Key Terms



Key term	Meaning
Additional Work Scope	Means Work Scopes agreed by the CoA and Naval Group in accordance with clause 4 of the COC other than the Initial Work Scope.
Australian Industry	A collective term to describe Australian entities that are registered for an Australian Business Number (ABN), where the work is performed in Australia with Australian based employees. For the avoidance of doubt, this includes Australian based subsidiaries of overseas companies/primes/original equipment manufacturers who are registered in Australia with an ABN and New Zealand entities where the work is performed in New Zealand with New Zealand based employees consistent with the Commonwealth's obligations under the Closer Economic Relationship agreement;
Contract	Means the COC, the Attachments including the Statement of Work, and any document expressly incorporated as part of the Contract.
Contract Data Requirements List or CDRL	Means Annex C to the SOW.
Customer, Commonwealth	Commonwealth of Australia, represented by the Department of Defence
Core Work Scopes	Means the work scopes of the Design Contract of; <ul style="list-style-type: none"> • Feasibility Studies (FS) Phase; • Definition (DEF) Phase; and • Basic Design C1 (C1) Phase.
Engagement Plan	Is the schedule of the management meetings and joint workshops between Naval Group and the other primary stakeholders.
Future Submarine or FSM	Means the submarines to be acquired by the Australian Government for service in the Royal Australian Navy under the Future Submarine Program.
Future Submarine Program or FSP	means the Commonwealth's SEA1000 Future Submarine Program from time to time and includes all activities connected with that Program, including all elements of the design, development, build, operation, sustainment and disposal of the Materiel System during its life of type.
Indigenous Enterprise	Means an organisation that is 50 percent or more Indigenous owned that is operating as a business. Supply Nation is a membership body that validates and promotes Indigenous enterprises.
Indigenous Procurement Policy	Means a Whole of Government procurement connected policy, introduced in July 2015. The main elements within this policy are 1) targets for purchasing from Indigenous enterprises and 2) minimum Indigenous employment and participation requirements for certain Commonwealth contracts.
Intellectual Property or IP	Means all present and future rights conferred by law in or in relation to any of the following: <ul style="list-style-type: none"> • copyright; • rights in relation to a Circuit Layout, Patent, Registrable Design or Trade Mark (including service marks); or • any other rights resulting from intellectual activity in the industrial, scientific, literary and artistic fields recognised in domestic law anywhere in the world whether registered or unregistered.
Program	Means the Future Submarine Program or FSP.



Key term	Meaning
Program Contract	Means any contract, agreement or arrangement with the Commonwealth for the FSP to which the Contractor is a party, or which otherwise states that it is a Program Contract for the FSP. <ul style="list-style-type: none">• Design Contract; and• any other relevant contracts for the completion of design and initial production, and the completion of production, of the Future Submarines.
RFx	Is a term used to define an approach to the market where RF means Request For and x is a placeholder to be replaced with (I) Information, (P) Proposal, (Q) Quotation or (T) Tender as applicable.
Whole Warship	Means the Platform System with the Combat System physically integrated.



2 Introduction to AIC Program

This section provides an overview of the AIC Program for the FSP and describes how Naval Group will ensure that the FSP Objectives described in the AIC Strategy – [R1] will be achieved. For a comprehensive appreciation of the overall Naval Group approach to the AIC Program, the AIC Strategy and other related documents should be read in conjunction with this Plan. This AIC Plan represents AIC Program related activities associated with Work Scope 1 of the Submarine Design Contract (SDC) only.

2.1 Approach to Meeting FSP Objectives

Naval Group will use a whole of Program approach to execute the AIC Plan. This will involve multiple activity streams within the Program, including transfer of technology, procurement, supply chain development, infrastructure, innovation, research and development and skilling initiatives. These activities, described in more detail in the AIC Strategy, include:

- collaboration with the CoA on FSP Objectives;
- introducing a tailored procurement process;
- fostering industry development and its sustainment;
- a comprehensive transfer of technology program, as described in the ToT Strategy – [R7] and the ToT Plan – [R8];
- developing a industrial information campaign; and
- implementing an organisational structure aligned to the FSP Objectives.

Naval Group's organisation structure for the FSP aligns the three activity streams of AIC, procurement and transfer of technology under a single FSP Director of Sovereignty and Procurement.

2.2 Plan Implementation and Execution

The AIC Plan supports the framework within which Naval Group will:

- identify the AIC options, including cost, quality, schedule, risk and benefits, for the CoA;
- involve the CoA in decisions around the AIC options;
- implement the agreed AIC options;
- guide the development of systems and processes which are coherent with the FSP Objectives; and
- report on the AIC options and their associated implementation.

AIC options will continue to be identified during Work Scope 1 through:

- an exhaustive search of the Australian market, leading to intelligence on Australian Industry capabilities and capability gaps; and
- seeking proposals/strategies from suppliers through the procurement process, with a requirement for them to contribute to the FSP Objectives if successful (detailed in their mandatory AIC Plans).

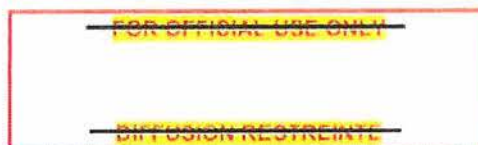


The CoA, through its consideration of AIC options, decides on the investment in and priorities for achievement of the FSP Objectives, based upon recommendations provided by Naval Group. One of the key engagement points for consideration of AIC options is the procurement gate process (see PPP – [R6]), which encompasses:

- consideration of which suppliers are invited to participate in an RFx;
- submission of suppliers' requested AIC proposals;
- compliance with the flow down requirements from DMC, SPA and SDC; and
- assessment of these AIC options and the weighing up of any associated risks and benefits.

In some circumstances, consideration of the AIC options will need to involve the CoA outside the procurement gate process - for example in the assessment of capability development options for goods and services with dematerialised gates. This type of evaluation and CoA decision making activity will occur during the AIC progress meetings.

The consideration of design and agreed sovereignty requirements and the outcome of the continuous capability gap analysis will assist in the preparation of procurement and transfer of technology and plans.



3 AIC Program Activities

3.1 Introduction

Specific activities occurring during Work Scope 1 as part of the SDC include:

- market testing;
- implementation of the Commonwealth's Indigenous Procurement Policy;
- transitioning work to Australia;
- development of Australian Industry; and
- communication with industry.

3.2 Market Testing

In the preliminary stages of FSP design, prior to the issue of sufficient design detail for components and equipment required for the FSP, the purpose of Australian industry market testing is to identify possible supply options and develop a preliminary understanding of capability. Naval Group has a dual market testing strategy for the SDC - public and targeted sourcing engagement.

To be able to test the market and assist in the process of influencing the design (as described in the AICS – [R1] Section 3.2), during the SDC the procurement team will use generic technical specifications based on previous Naval Group designs. This will help to identify, pre-qualify and build up the Australian content in the design.

Public engagement includes seeking open expressions of interest or requests for information in identified areas of interest. The tool currently used by Naval Group to make industry aware of such open market testing opportunities is its Industry Capability Network (ICN) portal [<https://navalgroupfuturesubmarine.icn.org.au/>].

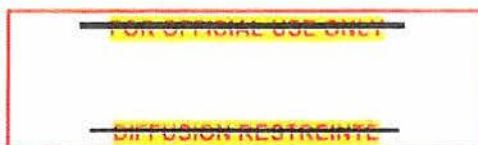
Targeted sourcing engagement includes:

- undertaking capability studies in specific equipment/materials categories;
- outsourcing specific market research and industry analysis;
- competitive sourcing or sole source to a selected partner supplier in the case of the critical equipment; and
- direct requests for information and/or pre-qualification of identified suppliers matching capability requirements.



The upstream market testing that will occur during Work Scope 1 of the SDC is shown in Table 2 below:

Table 2. Procurement Activities Work Scope 1



Category	Activities	Equipment
Critical and main equipment including steel	<ul style="list-style-type: none"> Conduct preliminary market sourcing exercises based on generic equipment/material functional specifications, to identify prospective market participants to supply into FSP; and Conduct preliminary market assessment to identify gaps in industry capability in Australia. 	<ul style="list-style-type: none"> steel; static converters; air pollutant removal system; chillers; anti-vibration mounts for structures; flexible coupling; grinder/compactor; variable frequency invertors (& motors); hydraulic power plant; water mist system; HP Air compressors; secondary switchboards; electric penetrators; automation units; pumps; exhaust valves; osmosis plant; hydraulic accumulators; HP Air cylinders; gas analysers; ventilation valves; electric fans; Oxygen candles; life rafts; degaussing system; HP ball joints; servo valves; fuel Filters & Fuel/Water Separators; lead ballast; anechoic coating; auxiliary propulsion system; windlass; and capstans.
Secondary equipment	<ul style="list-style-type: none"> This work is scheduled to commence in 2020. 	<ul style="list-style-type: none"> NA



Category	Activities	Equipment
Standard equipment (common technologies)	<ul style="list-style-type: none"> conduct preliminary expression of interest engagement to inform a market assessment for supply of standard equipment requirements, based on preliminary functional specifications; conduct supplier pre-qualification process to formally progress the approval of specific suppliers; and conduct supply qualification process of pre-qualified suppliers. 	<ul style="list-style-type: none"> pre-qualification for valves, filters, copper alloy forges parts, castings and actuators.
[REDACTED]	[REDACTED]	[REDACTED]
Direct/engineering services	<ul style="list-style-type: none"> commence preliminary market assessment for industry capability for the supply of services to support the program. 	<ul style="list-style-type: none"> Laboratory Testing Services; Engineering Services; and Cyber Security.
Indirect procurement	<ul style="list-style-type: none"> On-going in support of organisational development plan for Naval Group Australia. 	
Infrastructure machinery, equipment, and tooling	<ul style="list-style-type: none"> develop and establish a plan for the formal procurement activities for the infrastructure machinery, equipment and tooling; develop detailed functional and performance specifications for all equipment; and conduct initial market assessment for equipment supply in Australia and internationally. 	<ul style="list-style-type: none"> to be determined

The market testing, intended to result in award of a contract, that will continue during Work Scope 1 of the SDC is shown in Table 3 below:

Table 3. Market Testing Work Scope 1

Category	Activities	Equipment
Critical equipment	<ul style="list-style-type: none"> conduct RFP exercises for design studies engagement with specific critical equipment supply options; 	<ul style="list-style-type: none"> Main Storage Batteries; DC Main Switchboard; Weapons Launch System;



Category	Activities	Equipment
	<ul style="list-style-type: none"> execute contracts and commence design studies with suppliers for each of the 5 specific pieces of equipment; and develop and establish a plan for the formal procurement activity to finalise supply of critical items, post design studies, to meet program schedule and objectives. 	<ul style="list-style-type: none"> Diesel Generator Rectifier; and Main Electric Motor.

3.3 Indigenous Procurement Policy

Naval Group's partnership with the Indigenous Defence Consortium (IDC) is a key enabler to its implementation of the Commonwealth's Indigenous Procurement Policy objectives, with Naval Groups work lead by its Organisation Development Manager. This strategic partnership is further described at Section 2.3 of the AICS – [R1].

3.4 Work Transitioning to Australian Industry (Transfer of Technology)

For the SDC Work Scope 1 period, the most relevant elements of the ToT program include the activities described in the sections below.

Where some work might not be able to transition to Australian industry, at least initially and during the SDC, the detailed reasoning for this will be included in the procurement review packs presented during the gate process. Some further detail on this aspect is contained in the Section 3.4 of the AIC Strategy – [R1].

3.4.1 Capability to Build

During the SDC Work Scope 1 the following build related activities will be most prominent:

- commencement of the development of skills;
- commencement of the transfer of knowledge;
- qualification of suppliers for steel; and
- building infrastructure.

Definition of the capabilities required for the Build Plan and associated training needs commenced in 2017 and will continue through 2018. A detailed build training plan (ToT Build Plan first draft mid-2018) will support the preparation of Australian workforce elements for the hull qualification section (ramp up from 2020).

Naval Group will continue to collaborate with TAFE SA and other Australian training providers to develop training pathways for naval manufacturing trades (e.g. welders, metalworkers).

While commitments to costs and timings of specific plans are yet to be developed in detail, the following examples indicate some of the activities to be undertaken during the SDC Work Scope 1, which contribute to the development of the capability to build:



- the design of the shipyard to 30%;
- the introduction of the Digital Shipyard (including a new Product Lifecycle Management tool) and the associated leading edge technology and digital tools (for design and fabrication), while centred on the shipyard, will have implications for the suppliers and the education and training of personnel working in these fields.
- laboratory facilities are being qualified to ensure modern calibration, qualification and certification of tools and processes are in place (e.g. NDT techniques). Testing and standards will be at a very high level and will introduce expertise and skills as per the Shipyard Design and Build Plan;
- the outcomes of the Australian Steel and Build Strategy already underway will continue to be communicated to the CoA, for consideration of AIC options and will inform future revisions of this Plan; and
- some training will be conducted in France for Production Engineers and Planners.

3.4.2 Capability to Operate

During Work Scope 1, transfer of technology activities relating to establishing the capability to operate in Australia will include planning for crew training, simulator development requirements and training facilities. The plans for these activities and associated infrastructure development will be completed in mid-2022. Identification of these needs requires close consultation with the Royal Australian Navy and other key CoA stakeholders. Some of the engagement activities may occur in France

3.4.3 Capability to Sustain (Upkeep, Update and Upgrade)

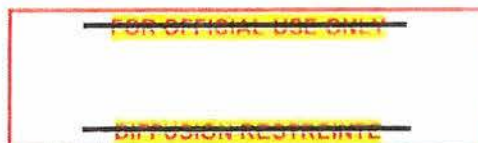
The identification of requirements for sustainment occurs in conjunction with the sustainment training needs analysis, which continues through to 2020. This includes the specification of training, specific resources, tools and technical data packages. Naval Group will continue to collaborate with the CoA on the sustainment requirements to achieve the FSP Objectives.

3.4.4 Capability to Accept

The focus for Capability to Accept during SDC Work Scope 1 is the capability to accept design and build training, conducted in a number of batches, with associated updates in training technical data packages. The recipients of this training are the CoA and Naval Group Australia.

3.4.5 Design Authority for Sustainment

The focus for Design Authority for Sustainment during SDC Work Scope 1 is training (including on the job training) for Naval Group Australia engineers, which commenced in Cherbourg, France, in early 2018. This training will be conducted in batches, with trained personnel being sequentially integrated into the design team in Australia.



3.4.6 Capability to carry out Detailed Design

The focus for Capability to carry out Detailed Design during SDC Work Scope 1 is preparing for and commencing the related Transfer of technology activities.

Naval Group is working with TAFE SA to develop the training needs analysis for the Capability to carry out Detailed Design, continuing to 2021.

3.4.7 Technical Data Management

Ramping up activity commenced in 2017 in relation to further development of competencies for data management to support the capability to perform detailed design (within Naval Group Australia or its subcontractors).

3.4.8 Supplier Capability

During Work Scope 1, the transfer of technology team will work closely with procurement, and AIC particularly in the technical evaluation of suppliers AIC Plans, to determine strategies to meet the FSP objectives of the Program.

3.5 Australian Industry Development

The procurement activities outlined in Section 3.2 may lead to the identification of capability gaps, which will be addressed using the framework described in Section 3.3 of the AIC Strategy [R1].

Naval Group Australia will commence the planning and implementation of a graduate program in 2019, with an apprentice program to follow in 2021.

3.6 Communication with Industry

The proposed framework for a broader industry communication strategy is described in detail in Section 3.6 of the AICS – [R1]. This framework will support increased awareness and visibility of FSP related opportunities to the broadest Australian audience. Across the SDC, Naval Group proposes to undertake further industry briefings, both of a general Program nature as well as focussing on specific technology areas and procurements categories.

The Industry Integrated Project Team (IPT – the Naval Group/CoA/LMA forum to address tripartite Industry issues for the FSP) is developing a national program that will solicit the support of various State-based Defence industry advocacy groups and other peak industry bodies.



4 Innovation, Research and Development (when triggered)

The creation of an innovation environment and the conduct of Research and Development (R&D) activities will contribute to Australian Industry capability development by:

- creating a culture of innovation within Australia Industry, thus leading to a competitive and enduring supply chain;
- developing in-country expertise in identified technical domains;
- specifically targeting capability gaps identified through procurement and early supplier engagement activities; and
- finding the technologies of the future and the ways to insert them in the FSP through a Capability Upgrade Program.

A Research and Development Management Plan (R&DMP) will be developed during the Submarine Design Contract (when triggered) Details on Naval Group's approach to managing Innovation for the FSP are given at Section 4 of the AICS – [R1].

4.1 Australian Industry Studies – Sensitive Technologies

It is of the utmost importance to ensure that collaborative research activities outlined above with universities or industry take into consideration the security of information that might risk the confidentiality of submarine capability and regional superiority imperatives. Naval Group approach to managing sensitive information is further detailed at Section 4.7 of the AICS – [R1].



5 AIC Management, Monitoring and Reporting

5.1 AIC Manager

The nominated Naval Group AIC Manager for Work Scope 1 of the SDC [REDACTED] within Naval Group Australia.

5.2 AIC Monitoring

During the SDC the focus of AIC monitoring activities will include:

- progress against key suppliers AIC Plans (after execution of their contracts);
- monitoring LIA intentions translate into commitments;
- monitoring suppliers Australian Industry Expenditure reflects their commitments;
- progress against scheduled upstream procurement activities and resultant emerging capability gaps; and
- conformance generally with Naval Groups AIC Strategy and related AIC Plans.

5.3 Data Capture and associated process

During the SDC both Naval Group S.A and Naval Group Australia will undertake data collection activity to meet the AIC Plan reporting framework. The data collection methodologies will be based upon the emerging systems and processes being designed within Naval Group Australia specifically for the FSP and in coherence with the existing data collection systems and processes in Naval Group S.A. Articulating these two data collection frameworks to meet the FSP reporting intentions will require particular attention during SDC.

5.3.1 ERP as a Tool for Data Capture

Naval Group is currently developing an Enterprise Resource Planning (ERP) system roadmap for the FSP. This roadmap defines various teams functional requirements and the timing imperatives for implementation and configuration of different modules. This ERP roadmap will be elaborated further by AIC, Finance, Procurement and IT, in the context of AIC data collection and reporting, to outline the requirements, actions, responsibilities, resources and costs necessary to meet the AIC reporting requirements defined in the CSR, CMPR and AIC Plan.

During Work Scope 1 Naval Group will communicate with the CoA the forecasted timing for implementation of systems to meet the CSR and CMPR requirements as well as commence implementation of the elaborated ERP roadmap for AIC.

The focus of these activities is on developing long-term IT solutions which are efficient, effective and whose functionality meets the requirements of the Program. The ERP system will replace existing temporary solutions only intended to operate in the short term.



5.3.2 Data Capture for Australian Industry Expenditure

The AIC Strategy outlines the complexity of data capture for the reporting of forecasted and achieved Australian Industry Expenditure. Naval Group's preferred approach to obtaining the achieved Australian Industry Expenditure achievement data from its suppliers is through the requirement for suppliers to submit invoices in a format that not only contains the ordinary content of an invoice, but also splits the invoiced amount into the three AIC classifications of Local Industry Activity, Local Overhead and Imported Content. Suppliers would be held accountable to this process through relevant clauses in Naval Group standard contract terms and conditions. During Work Scope 1 this approach will be trialled and reviewed on the basis of supplier feedback and overall Naval Group system considerations.

In addition, Naval Group will establish the means to flow-through the Australian Industry Expenditure forecasting requirement to its key suppliers during Work Scope 1 (if required under the CSR and CMPR).

The desired outcome during Work Scope 1 is to determine the ongoing viability and compliance to provision of AIC information by suppliers in this manner.

5.4 AIC Reports

Naval Group has defined for Work Scope 1 of the SDC the AIC reports depicted in Table 4, taking into account previous consultation and input from the CoA. These will form part of the framework to monitor progress against Naval Group's AIC Plan and substantiate claims for achievement.

Table 4. AIC Reporting Overview

Contributors				Frequency of report	
AIC	Finance	Procurement	ToT	Monthly	Quarterly
A	R			Australian Industry Expenditure	
A		R		Industry Dashboard	
A		R	R		Industry Analysis
A		R			Contracts awarded & LIAs

A = Accountable.

R = Responsible.



These AIC reports are described in more detail below.

The content of the AIC reports will evolve over time to remain coherent with Program maturity and the phase. Review of the relative applicability of AIC report content against Program progress will be conducted at the AIC progress review meetings.

5.4.1 Disseminating AIC Reports to the CoA

AIC reports will be provided in accordance with the SDC reporting requirements.

5.4.2 Australian Industry Expenditure

Table 5 below describes the Industry Expenditure Report.

Table 5 *Industry Expenditure Report*

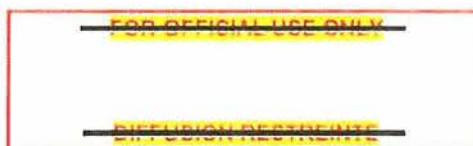
Report Name	Australian Industry Expenditure.
Report Objectives	Substantiate claims for achievement against the FSP Objectives.
Frequency	Consistent with CSR and CMPR.
Report Style	Financial (delivered as part of CSR and CMPR).
Report Content	<ul style="list-style-type: none"> Australian Industry Expenditure in the context of program expenditure; and Breakdown of Australian Industry Expenditure into Local Industry Activities and Local Overheads.

5.4.3 Industry Dashboard

Table 6 below describes the Industry Dashboard report.

Table 6 *Industry Dashboard*

Report Name	Industry Dashboard.
Report Objectives	Substantiate claims for achievement (against AIC Plan).
Frequency	Monthly
Report Style	Dashboard / storyboard style (visual indicators).
Content Description	<ul style="list-style-type: none"> industry briefings held and attendance metrics; aggregate number of suppliers engaged on the ICN; and status of upstream procurement activities against each equipment, good and service (where activities have commenced). The status will indicate which stages of the process have been undertaken or commenced (i.e.



	pre-qualification, RFIs), the number of suppliers being engaged with, status of capability and development.
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5.4.4 Industry Analysis

Table 7 below describes the Industry Analysis report

Table 7 Industry Analysis

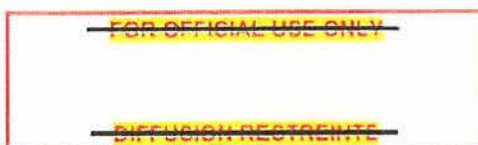
Report Name	Industry Analysis
Report Objectives	Provide qualitative analysis and discussion that supports the Industry Dashboard to share with the CoA the insights into capability and capability gaps emerging out of the upstream activities, as well as any associated capability development plans. Identify any emerging risks and opportunities relating to AIC. Substantiate claims for achievement (against AIC Plan).
Frequency	Quarterly
Report Style	Qualitative analysis and discussion
Report Content	<ul style="list-style-type: none"> summary of intelligence coming out of upstream Procurement activities with a focus on communicating Australian Industry capabilities and capabilities gaps that have been identified; summary of any plans to develop those capabilities; by exception report on any emerging non-conformances from Naval Group suppliers with regard to meeting their AIC Plan commitments (for example delays to LIA intentions translating into commitments, significant deviations from their approved AIC Plans in terms of maximise or sovereignty); and benefits and opportunities being realised by Australian Industry through their involvement in delivering aspects of the SOW (e.g. export opportunities).

5.4.5 Contracts Awarded and LIAs

Table 8 below describes the Contracts Awarded and LIAs report.

Table 8. Contracts Awarded and LIAs

Report Name	Contracts Awarded and LIAs
Report Objectives	Reporting the relationship between Contracts Awarded and Local Industry Activity (Commitments) provides the CoA with visibility of the extent of work being awarded (in Contract) to Australian Industry. Reporting LIA Intentions provides visibility to the CoA of Naval Group or its suppliers' clear intentions to engage Australian Industry to complete a scope of work subject to further validations of capability or capacity, negotiations, procurement activities or capability development.
Frequency	Quarterly
Report Style	Contracts Awarded



	LIA Schedule – Table LIA Description Sheets - pdf
Report Content	Contracts Awarded – detail TBD The LIA Schedule Table will include LIA Serial number, LIA Description, Contract number (of the Contract the LIA is associated with), Australian Company (completing the LIA), ABN, LIA Commitment Value, LIA Intention Value, Total LIA Value, State, Postcode, PIC, SME, IBE The CoA will be able to draw a link between the Contracts awarded and LIAs using the Contract Number. Some Contracts may have multiple LIAs associated with them.

5.4.6 Work Scope 1 – Local Industry Activities

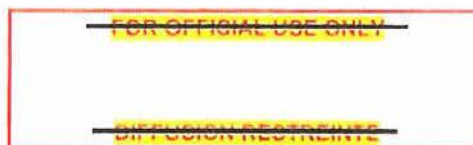
The LIA included in this AIC Plan are inclusive of the scope of work to be completed by Naval Group Australia during Work Scope 1 of the SDC (as described in the SDC offer), as well as LIA for work packages awarded in contract to Australian Industry (to date) relating to the SDC (if any).

The LIA Schedule and associated LIA Description Sheet package does not yet include LIA description sheets for:

- work packages identified as LIA to certainly be undertaken by Australian suppliers during the SDC; or
- work packages where procurement activity has yet to determine if the successful supplier is Australian.

It should not be assumed that the absence of an LIA indicates that there will not be additional local industry activities.

The LIA Schedule included at Annexe D is current at the time of submission of this AIC Plan, and updated LIA Schedules will be provided on a regular basis as per the reporting framework outlined in Section 5.4.



A Acronyms

A

ABN	Australian Business Number
AFSP	Australia's Future Submarine Program
AIC	Australian Industry Capability
AICP	Australian Industry Capability Plan
AICS	Australian Industry Capability Strategy

B

BPG	Better Practise Guide
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C

CDIC	Centre for Defence Industry Capability
CMS	Contract Master Schedule
CoA	Commonwealth of Australia
COC	Conditions of Contract
CSI	Combat System Integrator
CSR	Contract Status Report
CWBS	Contract Work Breakdown Structure

D

DC	Design Contract
DEF	Definition
DID	Data Item Description
DMC	Design Mobilisation Contract

E

ED	Effective Date
EF	Early Finish
EOI	Expression of Interest
ERP	Enterprise Resource Planning System
ES	Early Start
EVMP	Earned Value Management Plan
EVMS	Earned Value Management System

EVPR	Earned Value Performance Report
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F

FSM	Future Submarine
FSP	Future Submarine Program

G

GFE	Government Furnished Equipment
GFI	Government Furnished Information

I

ICN	Industry Capability Network
IDC	Indigenous Defence Consortium
ILS	Integrated Logistic Support
IMS	Integrated Master Schedule
IP	Intellectual Property
IPT	Integrated Project Team
ISR	Internal System Reviews
IT	Information Technology

L

LIAs	Local Industry Activity
LMA	Lockheed Martin Australia

M

MSR	Mandated System Reviews
MTP	Master Training Plan

N

NDA's	Non-Disclosure Agreements
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O

OEM	Original Equipment Manufacturer
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P

PICs	Priority Industry Capabilities
PMP	Project Management Plan
PMS	Program Master Schedule
PPCR	Program Progress/Costs Report
PPP	Program Procurement Plan
PSI	Platform System Integrator

R

R&D	Research and Development
R&DMP	Research and Development Management Plan
RAN	Royal Australian Navy
RFP	Request for Proposals

S

SICs	Strategic Industry Capabilities
SME	Small to Medium Enterprise

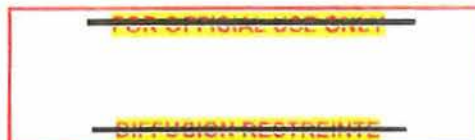
SOW	Statement Of Work
SPA	Strategic Partnering Agreement
SWLIST	Software List

T

TAAAs	Technical Assistance Agreements
TCA	Tripartite Co-operative Agreement
TDL	Technical Data List
TNA	Training Needs Analysis
ToT	Transfer of Technology
TT	Transfer of Technology
TTP	Transfer of Technology Plan
TTS	Transfer of Technology Strategy

W

WBS	Work Breakdown Structure
WP	Work Package



B Public AIC Plan

Company Details:

Naval Group
40-42 Rue du Docteur Finlay
75015 Paris, FRANCE
<https://www.naval-group.com>

Executive Summary

The Future Submarine Program (FSP) is Australia's largest ever defence program and is critical to Australia's national security for the next five decades. Naval Group was selected by the Commonwealth of Australia as its international partner to be the Platform System Integrator to deliver a regionally superior and sovereign submarine capability to the Royal Australian Navy.

The Government of Australia has decided that all twelve Future Submarines (FSMs) will be built in Australia, with procurement of equipment and services to utilise, to the maximum extent possible, Australian industry. Capability transfer from Naval Group's European expertise and supply chain will occur to ensure not only a maximised Australian build but also the establishment of a sovereign capability to operate and sustain the future submarine.

The objective of the Australian Industry Program (AIP) for the FSP is to:

- develop and utilise Australian industry in performance of the FSP in a manner consistent with achieving Sovereignty; and
- maximise opportunities for the involvement of the Australian industry through all phases of the FSP, without unduly compromising the Commonwealth's requirements relating to capability, cost and schedule.

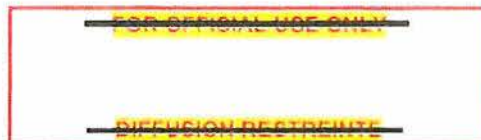
This Australian Industry Capability (AIC) Plan for the Submarine Design Contract outlines the responsibilities of Naval Group in the development of AIC for the FSP. This AIC Plan flows directly from the Australian Industry Capability Strategy that describes Naval Group's strategic approach to achieving the FSP objectives, as they apply to Australian industry, across all Program Contracts for the FSP.

Naval Group in France as the prime contractor will be supported in these activities during the Submarine Design Contract by its fully own subsidiary, Naval Group Australia. Naval Group Australia will expand and develop into the local enterprise holding much of the sovereign capability for the FSP going forward.

Future Opportunities Industry Engagement:

Naval Group encourages suppliers interested in becoming a part of the Future Submarine Program to:

1. register their interest on the Industry Capability Network (ICN); and



2. attend Industry Briefings relating to the Program.

Suppliers provide their general registrations of interest in the Program via:

<https://navalgroupfuturesubmarine.icn.org.au/>

This general registration of interest against procurement families and sub-families forms the database for a wide breadth of goods and services required for the Future Submarine. The baseline database developed from the general registrations of interest will afford potential suppliers with the opportunity to be considered and identified for other market engagement activities (such as Requests for Information, Request for Proposals etc).

In addition to the general registrations of interest, Naval Group will, in some cases, utilise ICN for seeking expressions of interest against specific equipment, goods and services, which it is commencing a thorough market investigation of.

Suppliers may be asked to participate in some or all of the following activities as part of Naval Group's approach to identifying Australian Industry capabilities:

- submission of information about the company's business, its systems and processes as well as its capabilities;
- pre-qualification, which may include a site visit and preliminary technical and quality audit;
- qualification, which may include a subsequent full technical and quality audit as well as product compliance tests.

Communicating with industry about upcoming opportunities will be multi-faceted and include the following communication avenues:

- ICN;
- Naval Group Australia website;
- Naval Group Industry and Innovation portal;
- Editorial (traditional & digital);
- Social media platforms;
- Press release;
- Industry briefings;
- Trade shows;
- Brochures; and
- Newsletters.

Scope of Future Work Opportunities:

Naval Group will be focused on identifying industry capability for the following equipment, goods and services in 2018:



<p>Steel</p> <p>Static converters</p> <p>Air pollutant removal system</p> <p>Chillers</p> <p>Anti-vibration mounts for structures</p> <p>Flexible coupling</p> <p>Grinder/Compactor</p> <p>Variable frequency invertors (& motors)</p> <p>Hydraulic power plant</p> <p>Water mist system</p> <p>HP Air compressors</p> <p>Secondary switchboards</p> <p>Electric penetrators</p> <p>Automation units</p> <p>Pumps</p> <p>Exhaust valves</p> <p>Osmosis plant</p> <p>Hydraulic accumulators</p> <p>HP Air cylinders</p> <p>Gas analysers</p> <p>Ventilation valves</p>	<p>Electric fans</p> <p>Oxygen candles</p> <p>Life rafts</p> <p>Degaussing system</p> <p>HP ball joints</p> <p>Servo valves</p> <p>Fuel filters & fuel/water separators</p> <p>Lead ballast</p> <p>Anechoic coating</p> <p>Auxiliary propulsion system</p> <p>Windlass</p> <p>Capstans</p> <p>Valves</p> <p>Filters</p> <p>Copper alloy parts</p> <p>Castings</p> <p>Actuators</p> <p>Laboratory testing services</p> <p>Engineering services</p> <p>Cyber security</p>
<p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>	



c DID Requirements Traceability Matrix

Table 9. Traceability Matrix

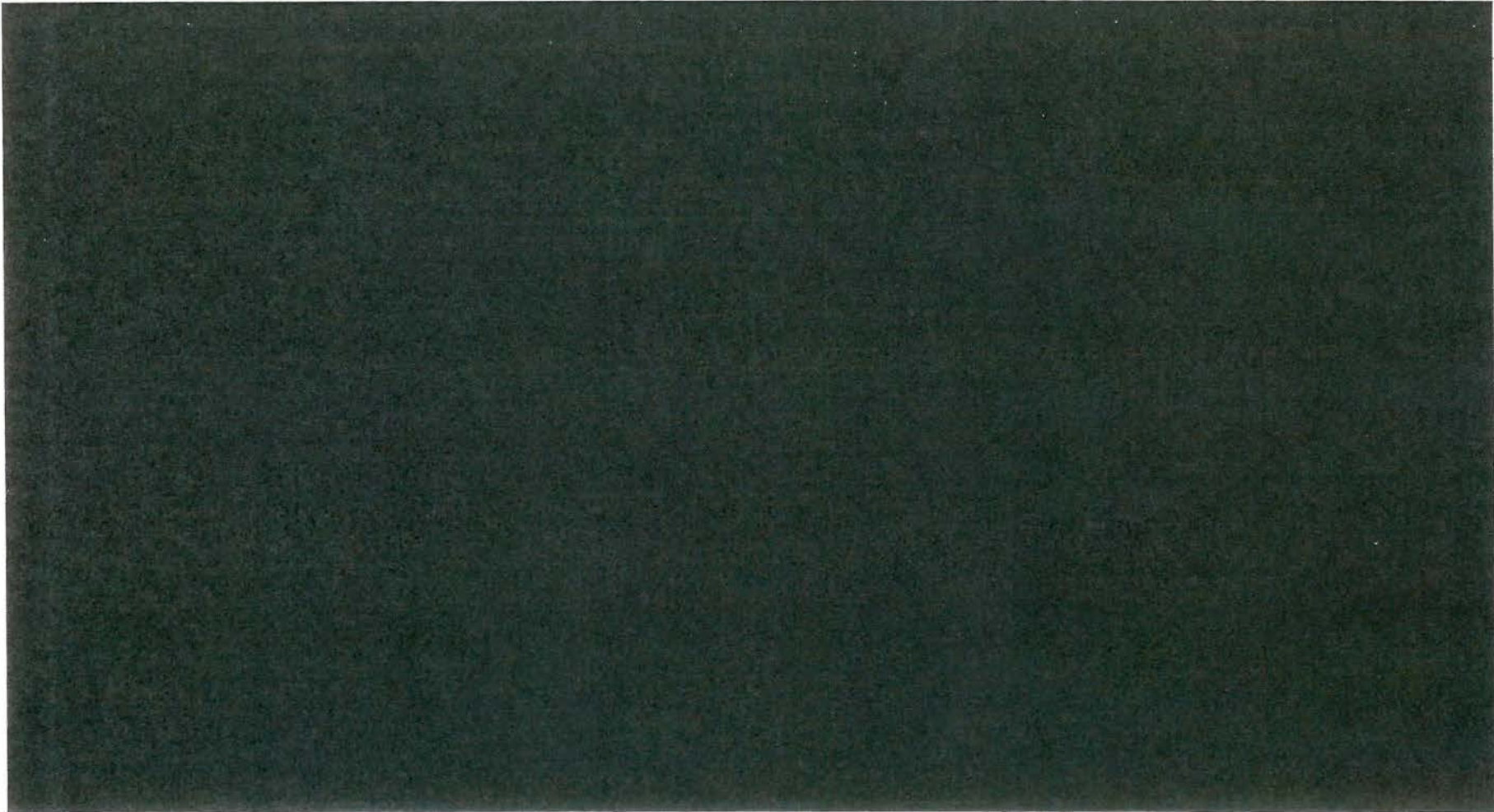


DID Para	DID Para Title or Description	Cross Reference
6.2.1	Introduction to AIC Program	
6.2.1.1	The AIC Plan shall summarise: <ul style="list-style-type: none"> the Contractor's specific commitments to meet the FSP Objectives; and the commitments by the Contractor to maximise opportunities for competitive Australian Industry to deliver the Contract requirements, including to develop or enhance skills, knowledge, systems, and infrastructure (where appropriate), within Australian Industry, and to undertake technology transfer to Australia. 	Section 2.1
6.2.2	Maximising Opportunities for Australian Industry	
6.2.2.1	Market Testing The AIC Plan shall describe the approach, actions and processes, which either have been, or will be, undertaken to provide the maximum opportunities for competitive Australian Industry to be considered for participation in the Contractor's supply chain in performing each Core Work Scope or any Additional Work Scope, including: <ul style="list-style-type: none"> how, why and the processes by which Australian Industry were chosen for market testing; what initiatives have been employed to address the Indigenous Procurement Policy, including: <ul style="list-style-type: none"> maximising participation of Indigenous enterprises over the period of the Contract; and; the specific initiatives used for the employment of Indigenous Australians in delivering the SOW requirements; how Australian Industry was selected to perform the Priority Industry Capability requirements (if applicable); the procedures and detail of the criteria used for selection of Australian Industry in the Contractor's supply chain. where applicable, the work to be transitioned to Australian Industry from overseas and include the nature of that work, commitment to timeframes and the skills that will be developed within Australia; and why the work that is proposed to be performed overseas cannot be performed by Australian Industry or subsequently transitioned. 	Section 3.2 Section 3.3 AICS Section 2.3.2 Section 3.5 and 2.2 Section 3.4 Section 3.4
6.2.2.3	The AIC Plan shall include: <ul style="list-style-type: none"> the Local Industry Activities Schedule (content specified at Appendix 1) which provides details of the Local Industry Activities and Local Overheads; the Local Industry Activity (LIA) Description Sheet(s) (content specified at Appendix 2) which provides a detailed explanation of the LIAs from the summary information contained in the Local Industry Activities Schedule at Appendix 1; and the Public AIC Plan (content specified at Appendix 3). For each Local Industry Activity, the AIC Plan shall detail the following information: <ul style="list-style-type: none"> a summary of the workforce profile for each Australian company undertaking the LIA, including the increase or decrease in capacity and the areas impacted (i.e. full time employees, apprenticeships, engineering, office staff, fabricators, coders, manufacturing positions etc); and a justification of why Industry Requirements are unable to be conducted in Australia, if applicable, at the commencement of the Contract. 	Section 5.4 in conjunction with Annexe B, C and E



DID Para	DID Para Title or Description	Cross Reference
6.2.2.4	The AIC Plan shall describe: <ul style="list-style-type: none"> • the commitments (including details such as costs and timings) by the Contractor or the Contractor's partners, to deliver the SOW requirements, including to develop or enhance skills, knowledge, systems, and infrastructure (where appropriate) within Australian Industry, and to undertake technology transfer to Australia; and • the plans and commitments of the Contractor to drive initiatives and benefits that seek to pursue opportunities identified within the Defence skilling programs; including skills development - either currently targeted or future gaps that have been identified. 	Section 3.4 and 3.5
6.2.2.5	The AIC Plan shall describe any new Australian Industry that has or will be entering the Contractor's global supply chain as a result of the Contract.	Section 3.5.3
6.2.3	AIC Management, Monitoring and Reporting	
6.2.3.1	The AIC Plan shall: <ul style="list-style-type: none"> • identify the AIC manager (who has been appointed to the role), including name, title, contact details and the AIC manager's responsibilities; and • describe how the AIC program will be managed under the Contract. 	Section 5
6.2.3.2	The AIC Plan shall describe the process to capture data, monitor and report on the achievement of the AIC Plan under the Contract, including: <ul style="list-style-type: none"> • baseline obligations; • changes, including any new opportunities in: <ul style="list-style-type: none"> ▪ Australian Industry development expectations, including for the supply chain; ▪ innovation, research and development expectations; and ▪ global supply chain and commercial opportunity capture expectations; • how achievement of the AIC Plan under the Contract will be substantiated, including the timeframes and tools utilised; and • reporting of cumulative dollar value; and for AIC related subcontracts, by number and dollar value. 	Section 5
6.2.3.3	The AIC Plan shall describe the assurance process utilised to ensure that AIC Plan obligations are met including: <ul style="list-style-type: none"> • identifying and remediating degraded performance of AIC obligations under the Contract; • providing confirmation that regular assurance activities have occurred; and • the details and outcomes that will be recorded in relevant Contract progress reporting. 	Section 5



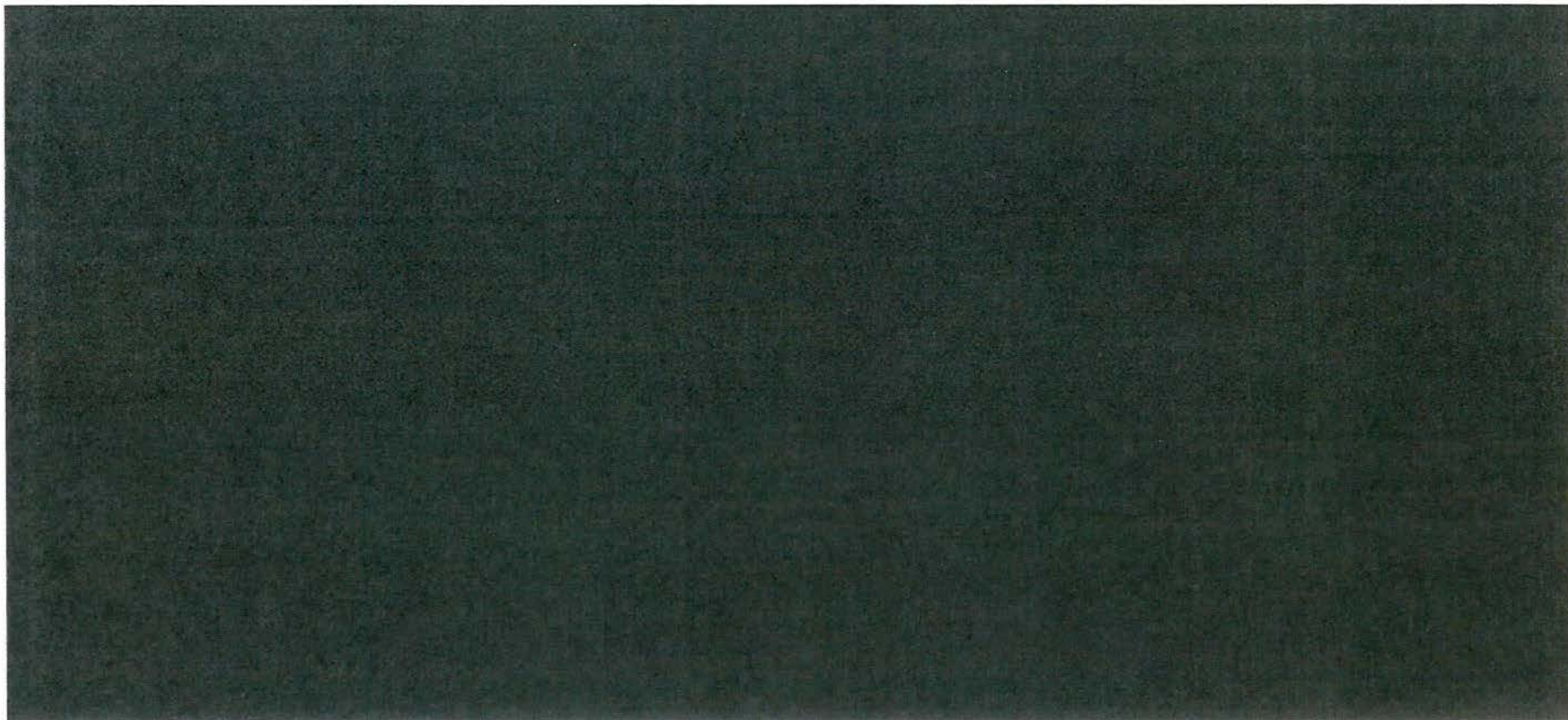


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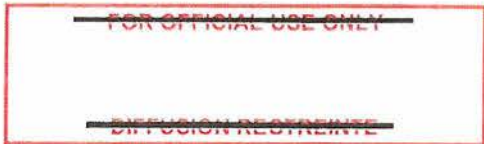
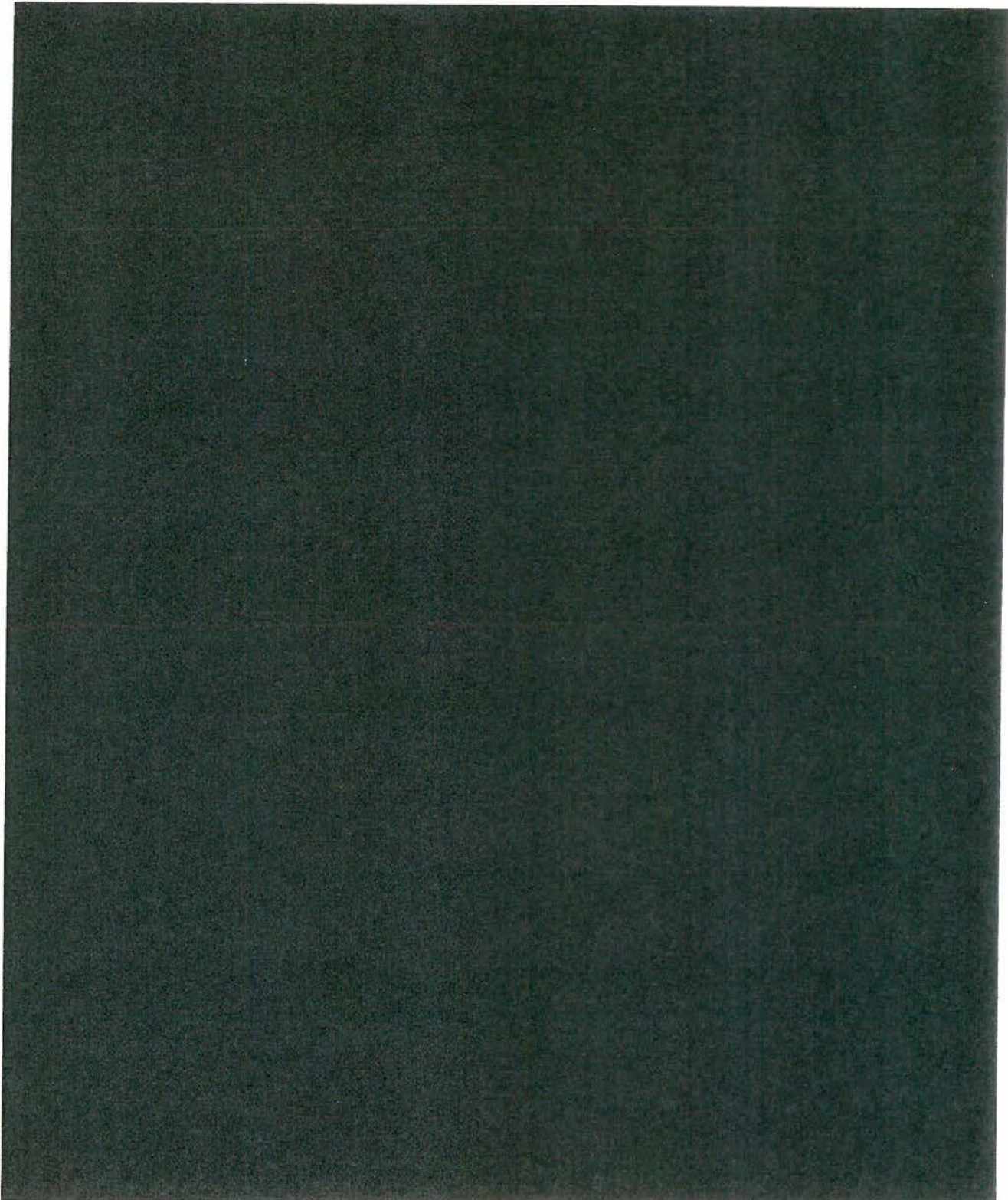
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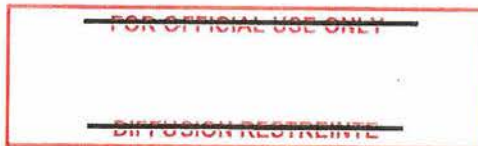
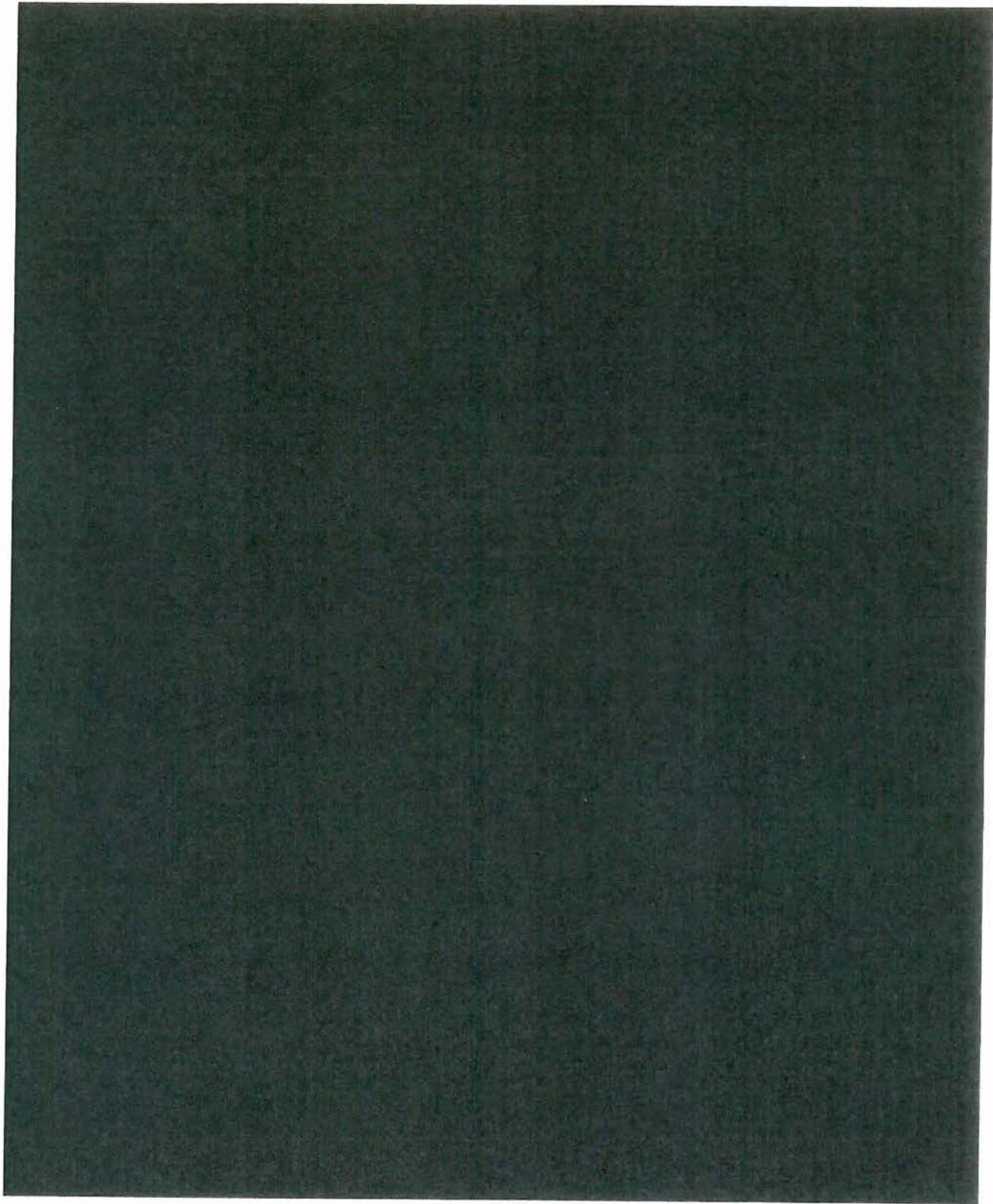
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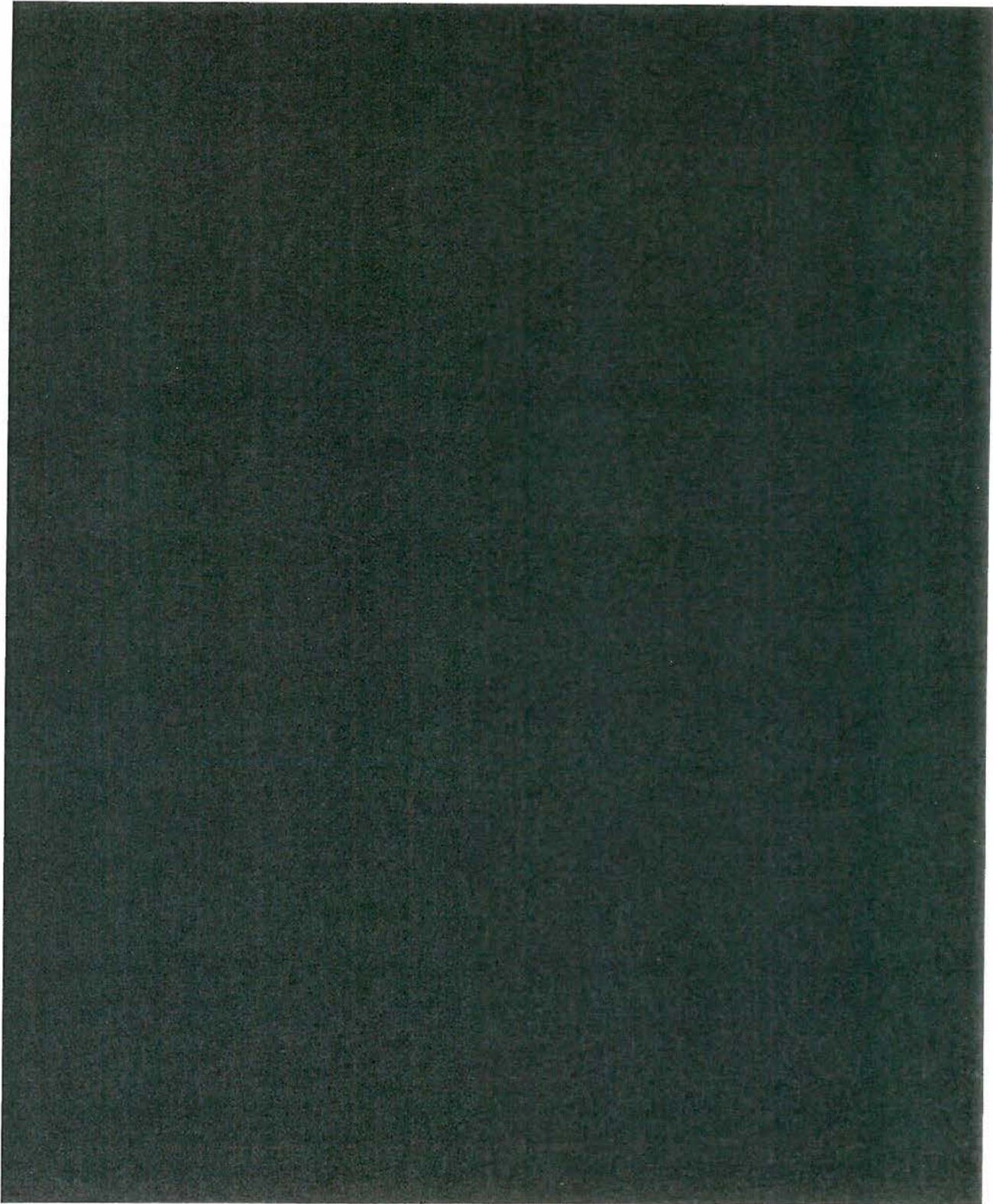


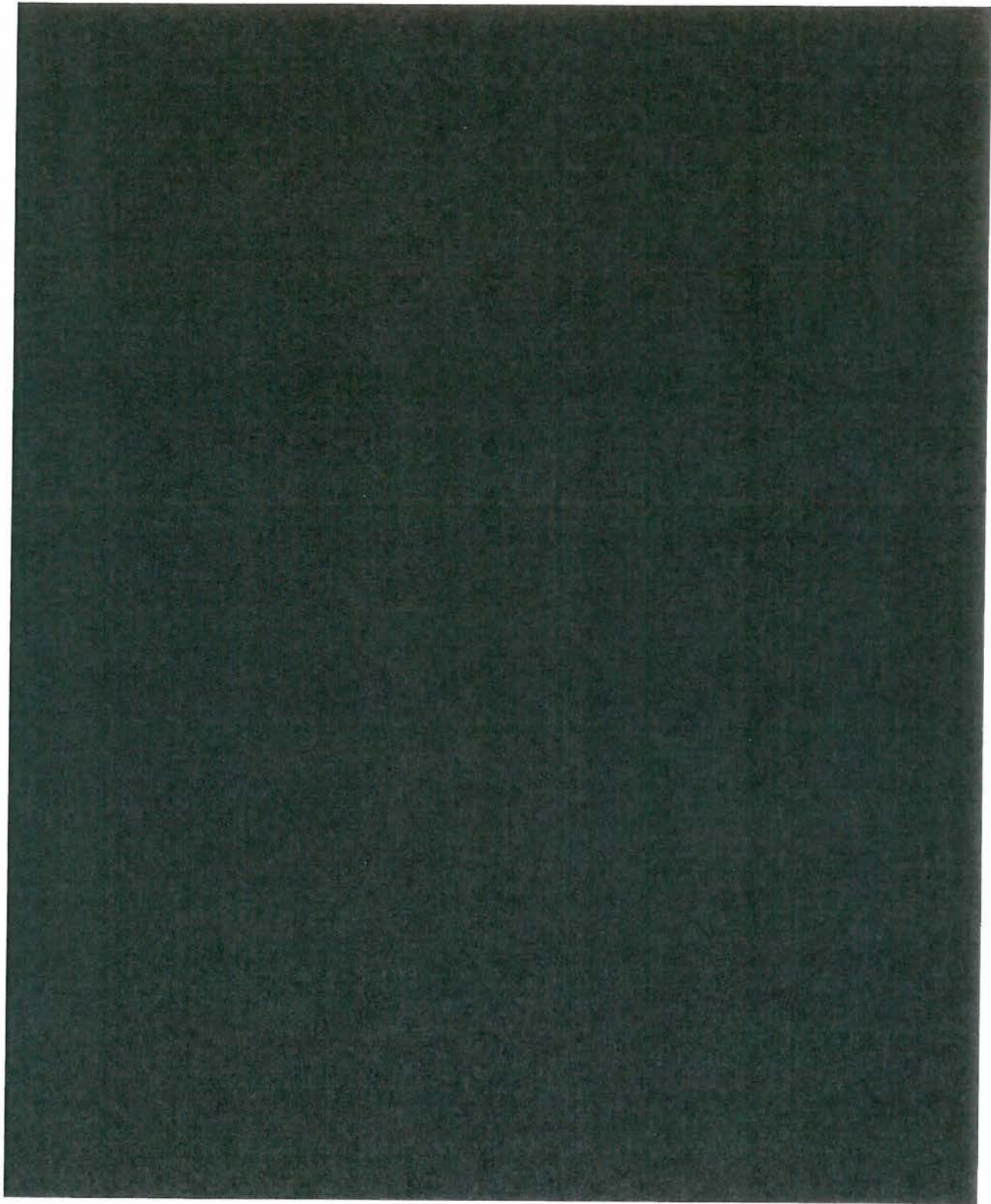


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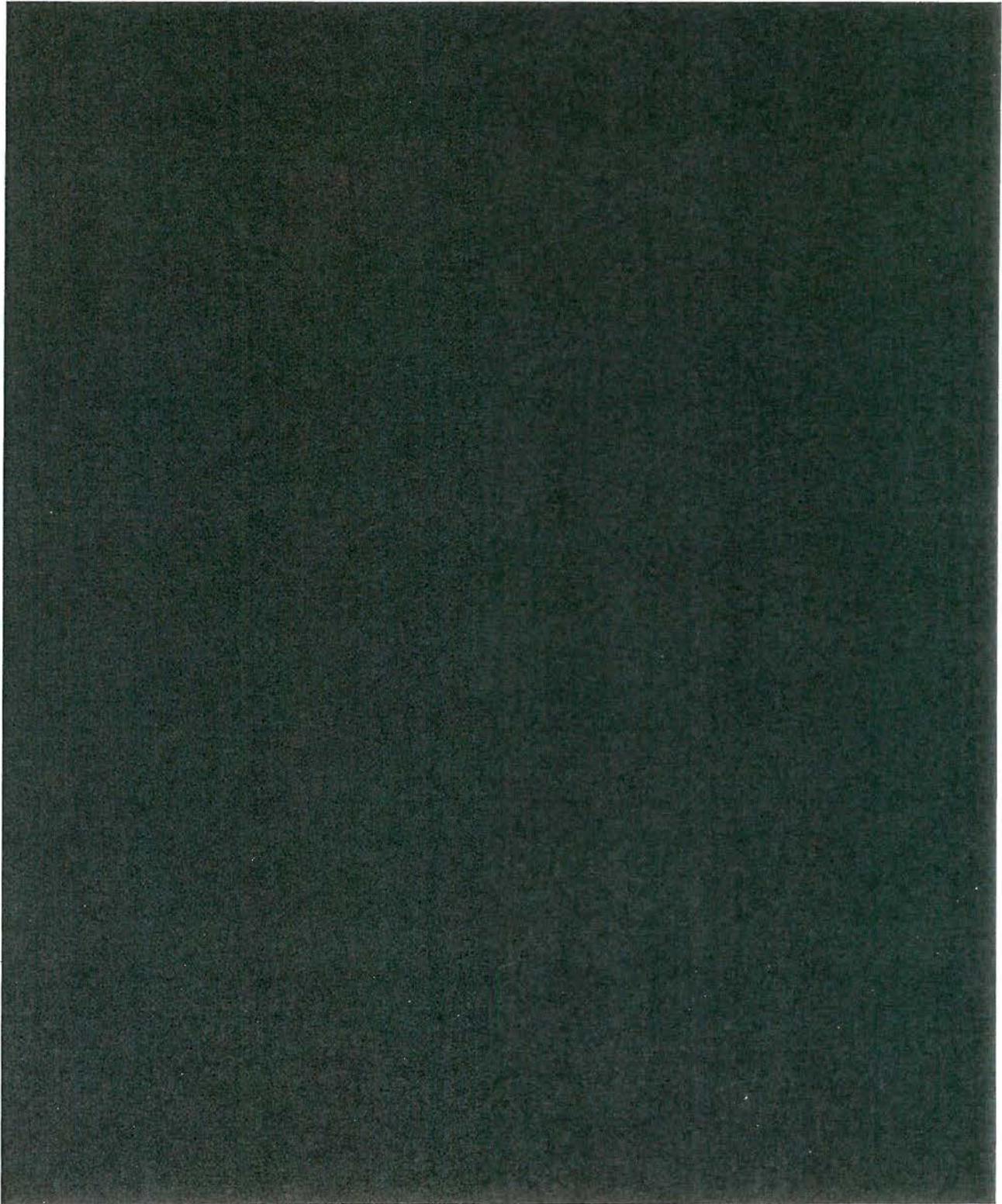


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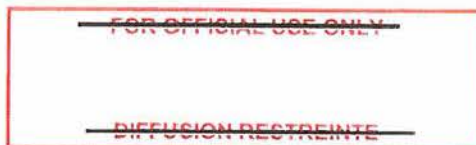
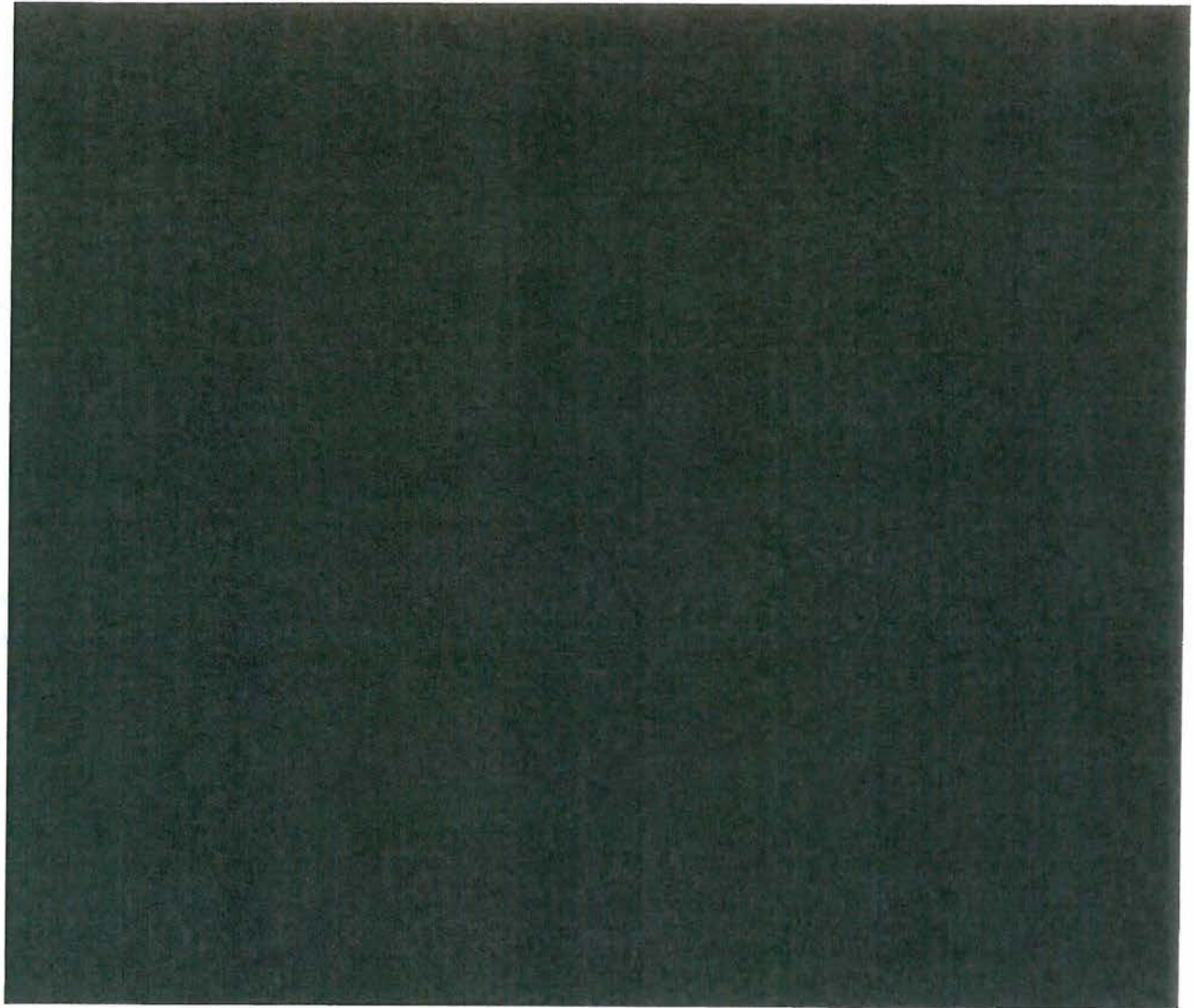
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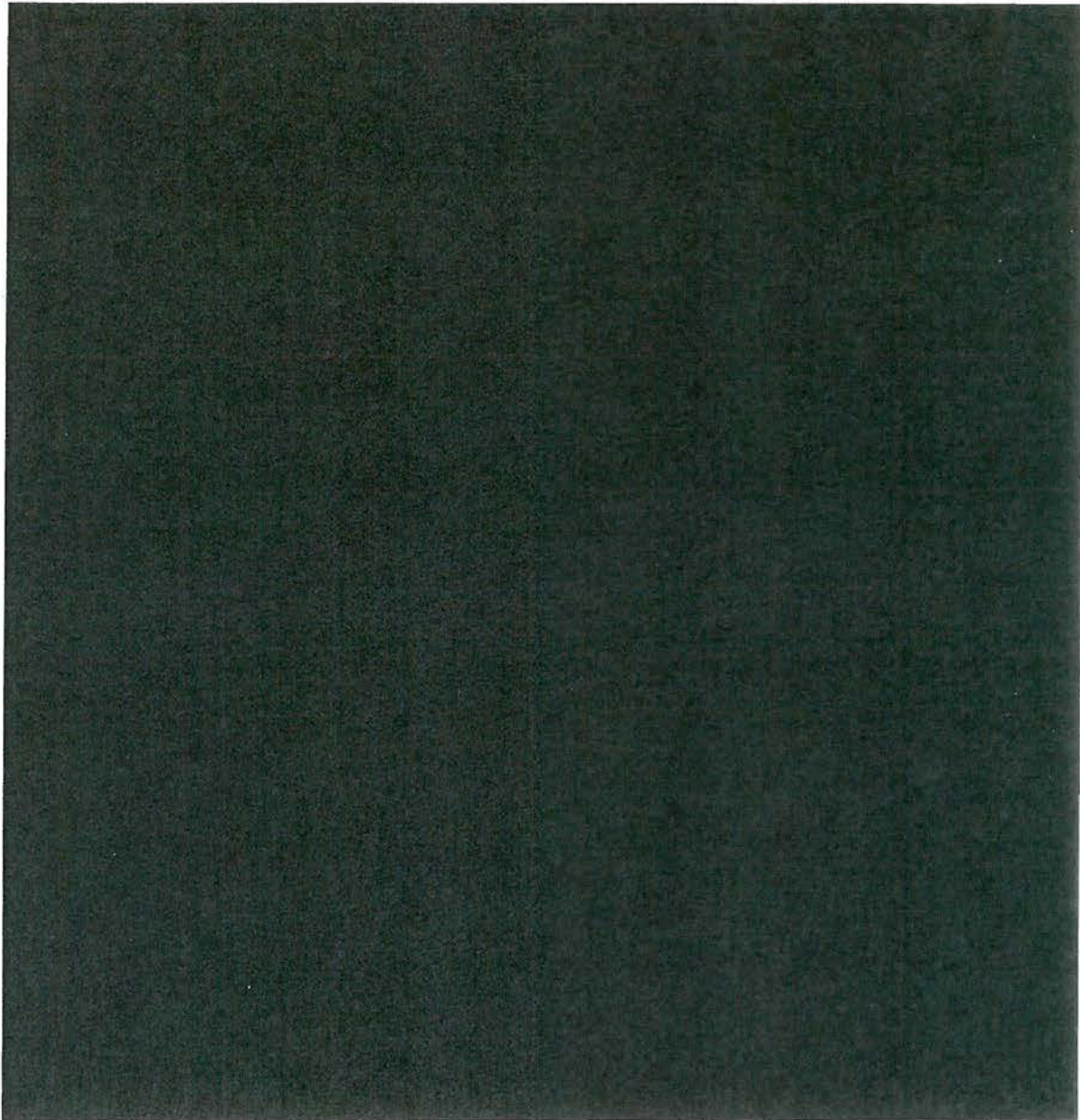
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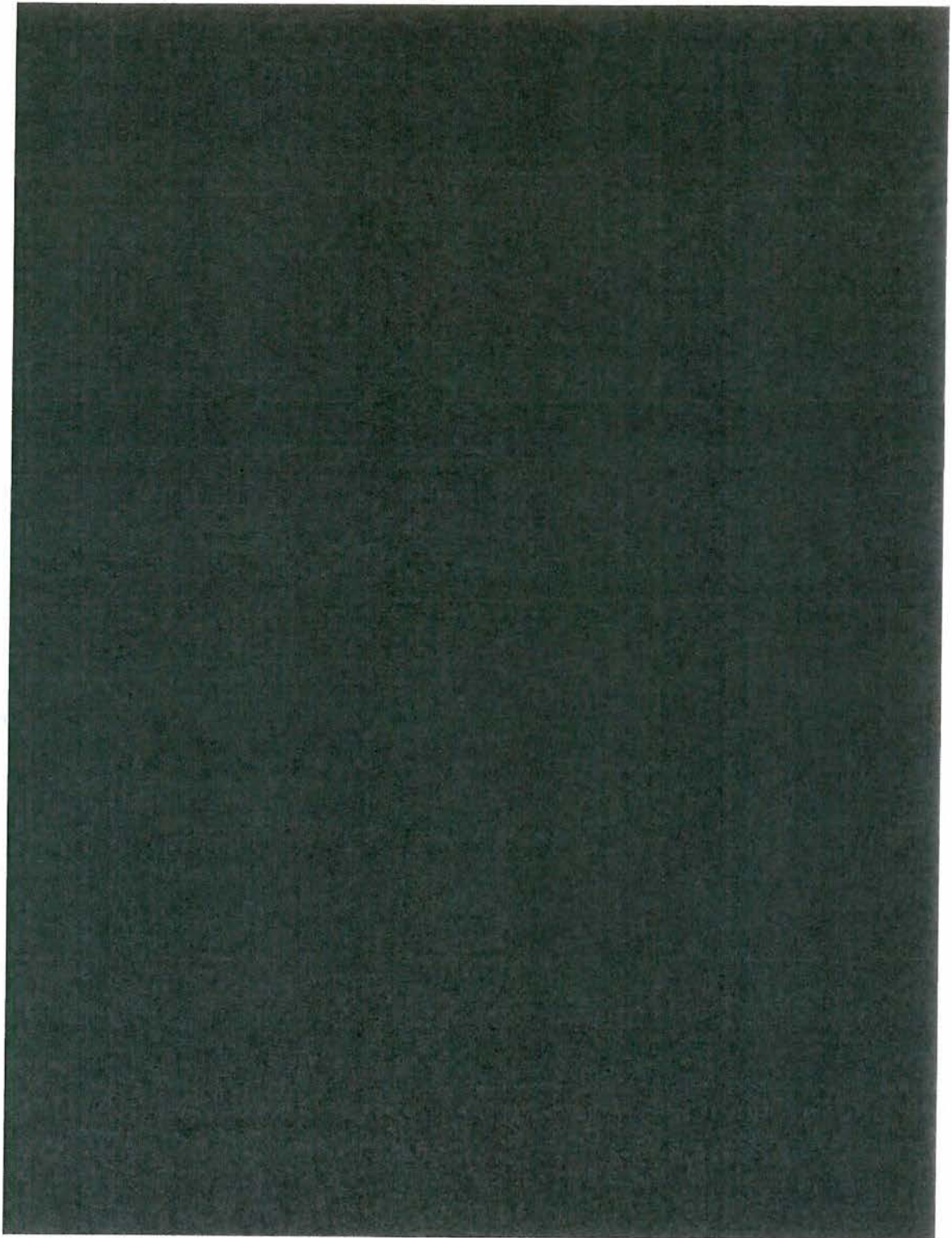
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