



Australian Government

**Australian Government response to the
Foreign Affairs, Defence and Trade References
Committee report:**

**Planned acquisition of the F-35 Lightning II
(Joint Strike Fighter)**

June 2017

Committee Recommendations

Recommendation 1

6.11 The Committee recommends that the Department of Defence develop a hedging strategy to address the risk of a capability gap resulting from further delays to the acquisition of the F-35A. The strategy should be completed by 2018 and capable of implementation by 2019 at the latest.

Government response

Agree

Defence is executing the transition to the F-35A in accordance with Government's direction, following consideration of available options to manage transition risk identified in the 2012 Air Combat Capability Transition Review. The transition planning endorsed by the Government in 2012 includes contingency provisions to manage any significant delays in the F-35 Program should they arise. Steady positive progress continues across all elements of the F-35 Program and Defence expects the transition from the F/A-18A/B to F-35A to proceed as planned.

Recommendation 2

6.19 The Committee recommends that the Department of Defence develop a sovereign industrial capability strategy for the F-35A to ensure that Australian aircraft can be maintained and supported without undue reliance on other nations.

Government response

Agree

Defence has identified the sovereign capabilities that are important to Australia and will seek to contract and manage these capabilities directly with Australian industry.

Recommendation 3

6.20 The Committee recommends that the government endeavour to establish Australia as the Asia-Pacific maintenance and sustainment hub for the F-35.

Government response

Agree

Australia has been assigned regional depot responsibilities for the F-35 airframe and engine, and selected F-35 component depot maintenance responsibilities. Defence and industry are currently developing responses for other opportunities including non-air vehicle equipment depot repair and regional warehousing, with assignment of responsibilities expected in 2017.

Dissenting Recommendations

Recommendation 1 - Ludlam

1.15 The Australian Government cancel its contract to acquire the JSF and restart an open tender process to acquire new aircraft.

Government response

Disagree

The F-35A is the only aircraft able to meet Australia's strategic needs for the foreseeable future. The transition to the F-35A has already commenced and interrupting this transition now to start a new tender process would delay the withdrawal of the F/A-18A/B fleet, thereby exposing Australia to a prolonged period of significant capability risk.

Recommendation 1 - Xenophon

1.28 Whilst remaining in the F-35 program, Australian should (in cooperation with the Canadians, who are running a competition) re-open and compete for the New Combat Air Capability.

Government response

Disagree

See response to dissenting recommendation 1.

Recommendation 2 - Xenophon

1.29 In the event that the F-35 wins the competition:

- A hedging strategy to mitigate the capability gap that could result from further schedule slippage, as recommended by the Committee, should be sought.
- A fixed price contract for the aircraft should be negotiated with liquidated damages to be passed through the US Government to Lockheed Martin in the event that the company does not deliver in accordance with contracted performance or schedule.
- The Department of Defence develop a sovereign industrial capability strategy for the F-35 to ensure that Australian Aircraft can be maintained and supported without undue reliance on other nations. This strategy should include the negotiation of intellectual property rights (in similar scope and terms to that which we have for Collins Class submarine sustainment purposes) with Lockheed Martin, prior to any further purchases, which would facilitate such a sovereign capability.
- The government endeavour to establish Australia as the Asia-Pacific maintenance and sustainment hub for the F-35.

Government response

Noted

The F-35 Program is moving to fixed price performance based contracts as the program matures and aircraft design stabilises. The United States already has mechanisms in place in their contracts with Lockheed Martin and Pratt & Whitney to withhold payments when contracted requirements are not met.

See response to Committee recommendation 1 on hedging strategy.

See response to Committee recommendation 2 on development of a sovereign industrial capability strategy.

See response to Committee recommendation 3 on establishing Australia as the Asia-Pacific maintenance and sustainment hub for the F-35.