

Defence Portfolio

COMMITTEE INQUIRY QUESTION

(Question No. 8)

Senator Kimberley Kitching asked the Department of Defence, upon notice, on 15 October 2021:

Senator Kimberley Kitching: Could I ask, there were media reports where it were under \$250 million Euro cost? When the design phase was agreed to, and the contract cancelled, was it \$250 million Euro? Were they accurate leaks? Is it about \$250 million? If you're satisfied that it is not confidential could you take it on notice? If you could confirm a \$250 million payment. If you're satisfied that it is not confidential information, could you take it on notice at that point. I'm happy to have the figures attached, I did take your point Mr Sammut. If you could confirm if it isn't breaking any commercial sensitivity about a 250 million Euro payment.

Mr Sammut: Yes I will take your question on notice. Just to confirm, this is academic because there isn't a break payment, we have not reached the first break payment point in the contract. We have not reached a point in the contract where a break payment becomes payable.

Senator Rex Patrick: I understand your concern in relation to sensitivity, but you'll be aware that your contract specifically states that if a house of Parliament requests this information it can be provided. So it overrides the confidentiality provisions. I'm not suggesting you make that public but you might be able to make it available to the committee with a request for In Confidence which I'm sure the Committee will agree to.

Sammut: I think I'll need to take it on notice in consultation with, and with the approval of the Minister, Senator.

The Department of Defence has provided the following answer to the Senator's question:

As previously advised to the Committee, the break payment provisions in the Strategic Partnering Agreement were negotiated by the Commonwealth with Naval Group under conditions of confidentiality and are commercially sensitive. These conditions continue to apply after termination. For that reason, it would be inappropriate to publicly disclose the amount of the break payment and the specific circumstances in which an amount would become payable under the Strategic Partnering Agreement.

As clarified more recently, the break payment regime only applied following the exit of Preliminary Design Review, which was planned to be conducted in 2023. There were also a number of points thereafter where a break payment applied.