

Senate Economics References Committee

Inquiry into Australia's sovereign naval shipbuilding capability -
13 November 2020

COMMITTEE INQUIRY QUESTION ON NOTICE

Department of Defence

Topic: SERC - Australia's sovereign naval shipbuilding capability - 13 November 2020 -
Q5 - AIC to Assess Tender Responses - Patrick

Question reference number: 5

Senator: Rex Patrick

Type of question: Written

Date set by the committee for the return of answer: 27 November 2020

Question:

1. During the hearing on 13 November Mr Dalton advised (paraphrasing) that the level of Australian Industry Capability (AIC) is something Defence uses to assess tender responses, using competitive tension to set the level of AIC that the primes feel they can do while maintaining an affordable program that delivers the capability that Defence is seeking.
 - a. Why was the level or percentage of AIC contained in the AIC plan submitted as part of those tender responses not used to set the minimum AIC amount?
 - b. Did the AIC plans put forward for the shipbuilding programs include line items for non-capability specific items of the project (e.g. hotels, travel, taxes, overheads, loans, etc)?

Answer:

Companies tendering for Defence projects are required to provide a draft Australian Industry Capability plan which describes their plans, procedures and responsibilities for the management of the Australian Industry Capability program for the period of the proposed contract.

For successful tenderers, their draft Australian Industry Capability plan is then typically subject to negotiation during the contracting process. As tenderers are unlikely to have finalised all subcontracts with their suppliers, particularly for multi-decade shipbuilding programs, these plans are collaboratively updated to address feedback and requirements to form the basis of realising the Government's AIC objectives.

Throughout the contract negotiation, Defence continues to work with the preferred supplier to optimise, Cost, Schedule, Capability and Australian Industry Participation (as a package) to achieve value for money, while seeking to maximise opportunities for competitive Australian Industry.

Australian Industry Capability plans, in general, include one line item for overheads which includes Australian taxes, custom duties, insurances, bank fees, corporate overheads and general and administration costs.