

## **Senate Economics References Committee**

Inquiry into Australia's sovereign naval shipbuilding capability –  
07 September 2020

### **ANSWER TO QUESTION ON NOTICE**

Department of Defence

**Topic:** SERC - Q7 - 07 September 2020 - Defence assistance to Australian companies to participate in supply contracts - Gallacher

**Question reference number:** 7

**Senator/Member:** Alex Gallacher

**Type of question:** Written

**Date set by the committee for the return of answer:** 21 September 2020

#### **Question:**

On 14 August 2020, when asked how Defence is assisting Australian companies to overcome the barriers to participating in supply contracts with the Primes (e.g. obtaining licenses for equipment to be integrated into key naval shipbuilding programs), particularly in relation to the Future Frigates and Future Submarines, Mr Dalton answered, "Again, this is not something that Defence will do directly. Defence certainly works with the primes on the primes developing their subcontractor base. That's really a commercial responsibility that rests with the primes." So, to be clear, is it correct to say that Defence has taken no action to assist Australian companies overcome barriers to participation in these supply contracts?

#### **Answer:**

The statement that Defence has not assisted Australian companies is incorrect. Defence works with primes to support small and medium enterprises' entry into their supply chains. Defence administers programs, such as the Global Supply Chain Program and the Australian Industry Capability (AIC) Program, that assist Australian businesses to compete for work in contracts awarded to Defence prime contractors.

The AIC Program requires prime contractors to develop AIC Plans demonstrating Australian industry engagement and consideration as part of supply chain selection and commitment through contract. Defence has delivered an enhanced, fit-for-purpose AIC contractual framework and an Independent AIC Plan Audit Program, as foreshadowed in the 2019 Defence Policy for Industry Participation, to validate AIC performance and to hold prime contractors to account on their contracted AIC obligations, using contractual and non-contractual enforcement mechanisms.

Defence has also begun work to implement recommendations from the Centre for Defence Industry Capability Review to provide more tailored and enhanced support to Australian businesses in defence industry. In addition to this, Defence has worked with the Department of Finance to update Commonwealth Procurement Rules guidance to highlight the importance of considering the economic benefit to the Australian economy when assessing value for money in Commonwealth procurements.