

Senate Economics References Committee

Inquiry into Australia's Naval Shipbuilding Capabilities – 14 August 2020

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: SERC – Q2 – 14 August 2020 – Cross Project Harmonisation with Supplier (Penske)
– Patrick

Question reference number: 2

Senator/Member: Rex Patrick

Type of question: Spoken

Date set by the committee for the return of answer: 11 September 2020

Question:

Senator PATRICK: Is there an overview plan that you could provide the committee on notice that sets out how you intend to harmonise across the projects? There must be something that states a plan even if it's provided to the committee in confidence.

Rear Adm. Malcolm: I note that we do currently have a cross-platform contract with Penske for a number of their products across several of our classes, so that is already in place. We work very closely, particularly with the surface fleet projects, to ensure that we look at the opportunities to put that in place. That's been going with Penske for some years now, and we can provide you details of that if you would like to understand how we work on that piece with Penske.

Senator PATRICK: That's really helpful. That's obviously on the sustainment side for current capability. I'm interested in how Defence—it's almost like looking at it from a case studies perspective—approaches Australian industry content when you have suppliers that go across multiple projects, including current capability.

Mr Dalton: We have inside the Defence part of the shipbuilding enterprise organisation a dedicated band 1 position that's doing exactly that.

Senator PATRICK: Thank you.

Answer:

Alongside the traditional 'Class' based operating model for projects and sustainment, 'cross class' contracts are utilised where a common approach will provide improved value for money, more effective support solutions, and/or provide a sustainable scale to support Australian industry.

In 2017, Defence signed an initial five year contract with Penske Power Systems Ltd to deliver supply, support and maintenance services for Australian Defence Force diesel engines. Originally, the contract provided support for diesel equipment and auxiliary systems that power the *Anzac* Class frigates, the Australian Light Armoured Vehicle and M113 armoured personnel carriers. In September 2018, the contract was amended to include the *Armidale* Class Patrol Boats. Together with including the Hobart Class destroyers, options are also being considered to incorporate the *Arafura* Class Offshore Patrol Vessels and the *Supply* Class Replenishment Ships.

Penske maintain distribution and licencing arrangements with Original Equipment Manufacturers to provide local services from its Australia-wide branches and maximises the use of local suppliers (approximately 24).