

COMMITTEE INQUIRY QUESTION

(Question No.62)

Senator Anthony Chisholm asked the Department of, upon notice, on 18 October 2021:

Earlier this month (12 October 2021), Minister Price published an op-ed on Defence Connect entitled “Helping industry reap the benefits of the AUKUS deal”. In it, Minister Price states that: “As has been flagged previously, Australian SMEs with contracts with Naval Group or Lockheed Martin will go through a contract termination process. I have instructed the Secretary and Deputy Secretaries of Defence to ensure that this process ensures a resolution is reached as quickly as possible for those businesses.”

How was Defence instructed to undertake these processes? What is this termination process? What kind of resolution will be reached? What is the projected timeframe on these termination processes and resolution processes? Will there be any reimbursement for these affected companies and workers?

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

The Strategic Partnering Agreement with Naval Group and the Design, Build and Integration Contract with Lockheed Martin Australia included provisions for settling termination equitably. Those provisions recognise all relevant costs of terminating the agreements and the closure of program activities and arrangements, including subcontracts that were in place with Naval Group and Lockheed Martin Australia at the time of the Government’s announcement.

Discussions with Naval Group and Lockheed Martin Australia have commenced expeditiously under the relevant provisions. Subject to the course of discussions, which have remained professional and cooperative, it is intended to complete our transition out of the prime contract with Lockheed Martin Australia by early 2022, to complete transition out of the prime contract with Naval Group by mid-2022, and final contract closures are forecast for late 2022.