

Defence Portfolio

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.

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COMMITTEE INQUIRY QUESTION

(Question No. 65)

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

On 23 April 2018, Defence released the Defence Industrial Capability Plan, which included discussion of the “Continuous shipbuilding program (including rolling submarine acquisition” (p.37)). Is the DICP still Government policy? How can it be given there are no contracted new submarines?

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

The Defence Industrial Capability Plan remains Government policy. It is a long term plan for the development of sovereign industrial capabilities and is not dependent on the contractual status of any current or future acquisition program.

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COMMITTEE INQUIRY QUESTION

(Question No.67)

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

What plans does the Government have in place to support those businesses who made long-term investment decisions based on Government advice prior to cancellation? Why wasn't more lead time given to Naval Group and its suppliers that the program wasn't heading down a positive direction?

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

Refer to Question No. 62 and 63.

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COMMITTEE INQUIRY QUESTION

(Question No. 68)

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

1. What assurances have Navy provided to Industry about their involvement with submarine procurement moving forward?
2. Will Navy consider compensation for the Primes and Australian SME's affected by the AUKUS decision?

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

Refer to Question No. 63.

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COMMITTEE INQUIRY QUESTION

(Question No. 63)

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

Will Navy consider compensation for the Primes and Australian SME's affected by the AUKUS decision?

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

The Department of Defence had two major Attack class submarine contracts in place with primes: the Submarine Design Contract with Naval Group; and the Design, Build and Integration Contract with Lockheed Martin Australia. The contracts contain provisions for settling all relevant costs of terminating the agreements and the closure of program activities and arrangements in place with Naval Group and Lockheed Martin Australia at the time of the Government's announcement. This includes the relevant costs incurred by Naval Group and Lockheed Martin Australia in terminating subcontracts relating to the Attack class submarine program.

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COMMITTEE INQUIRY QUESTION

(Question No.70)

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

1. When was Chief of Navy Noonan personally made aware of the AUKUS negotiations and the submarine decision?
2. Was Chief of Navy Noonan involved in negotiations? Provide advice on the negotiations?
3. When was Navy made aware of the AUKUS negotiations and the submarine decision?

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

1. Chief of Navy was made aware of AUKUS negotiations as they occurred from 06 August 2021.
2. No.
3. Chief of Navy was made aware of the submarine decision on 11 September 2021.

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COMMITTEE INQUIRY QUESTION

(Question No.72)

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

When was CASG made aware of the AUKUS negotiations and the submarine decision?

Mr Fraser when did you become aware of the AUKUS decision? CASG

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

CASG were made aware of the negotiations in January 2021.

Mr Fraser became aware of the decision in September 2021.

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COMMITTEE INQUIRY QUESTION

(Question No.73)

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

Why was CASG, the department primarily responsible for acquisition of defence products and platforms not involved from the beginning? Is this not their primary responsibility?

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

The rapidly deteriorating strategic environment necessitated a re-assessment of the capabilities required by Australia over the long term. This re-assessment considered an intelligence update, strategy and technologies. Its scope was therefore broader than capability acquisition and sustainment.

In addition, it was considered appropriate to separate consideration of a nuclear-powered submarine capability from the ongoing delivery of the Attack Class Submarine Program. This separation supported both an independent assessment of the most appropriate capability going forward and, pending the outcome, ongoing good faith program delivery of the Attack Class Submarine Program.

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COMMITTEE INQUIRY QUESTION

(Question No.74)

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

Has CASG discussed the cancellation of the French contract with Naval Group Australia? When was that?

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

Discussions between the Department of Defence and Naval Group commenced under the relevant provisions of the Strategic Partnering Agreement following notification of contract termination on 16 September 2021. These discussions are continuing in a professional and cooperative manner to progress activities required to transition out of the contractual arrangements in place at the time of termination.

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COMMITTEE INQUIRY QUESTION

(Question No.75)

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

What is CASG's role in leveraging the AUKUS partnership in future opportunities for Australian industry?

What assurances have CASG provided to Industry about their involvement with submarine procurement moving forward

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

AUKUS is a framework to enable deeper practical cooperation on a range of defence and security capabilities. Beyond the acquisition of a nuclear-powered submarine capability for Australia, initial efforts under AUKUS will focus on cyber capabilities, artificial intelligence, quantum technologies and undersea capabilities, providing significant opportunities in these industries.

Over the next 18 months, Australia, the UK, and US, through the AUKUS trilateral effort on conventionally-armed nuclear-powered submarines, will examine the full suite of requirements that underpin the delivery of these submarines in order to determine the optimal pathway for Australia. Australia will leverage the technology, capability and design expertise from the UK and US and will also evaluate a variety of considerations, including but not limited to submarine design, construction, safety, operation, maintenance, disposal, regulation, training, environmental protection, installations and infrastructure, industrial base capacity, workforce, and force structure. Australian industry will be engaged throughout this process.

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