



**Australian Government**

Australian Government response to the  
Senate Economics References Committee report:

Part II: Future of Australia's naval shipbuilding  
industry – Future submarines

March 2017

### **Recommendation 1**

The committee recommends that the government not enter into a contract for the future submarine project without conducting a competitive tender for the future submarines, including a funded project definition study.

The tender should invite at least two bidders, preferably up to four, to participate.

The tender for the future submarine project should be conducted in line with the committee's recommendations and the guidelines set out in the Defence Policy Procurement Manual.

A request for tender should invite the bidders to provide the Commonwealth with:

- a Project Definition Study and preliminary design that meets Top Level Requirements; and
- a pricing arrangement to build a certain number of submarines and provide ten vessel years of integrated logistics support, post commissioning.

### **Recommendation 2**

The committee recommends that the competitive tender process for the future submarines begins immediately.

As noted by several independent witnesses, there remains sufficient time to conduct a competitive tender for the future submarines while avoiding a capability gap. This is due to the work on the future submarines undertaken by the previous government.

In his evidence, Dr John White set out a timetable that included a competitive tender process, contracting, construction, testing and introduction to service without a capability gap.

If followed, this timetable would allow the government obtain the best submarine capability at the best price, while avoiding a capability gap.

### **Government Response to Recommendations 1 and 2**

**Noted.**

These recommendations have been overtaken by events.

The evaluation process that underpinned the decision on the future submarine was comprehensive and included substantial internal and external review. The Government is satisfied that the processes were very robust and resulted in the right decision for Australia.

### **Recommendation 3**

Given the weight of the evidence about the strategic, military, national security and economic benefits, the committee recommends that the government require tenderers for the future submarine project to build, maintain, and sustain Australia's future submarines in Australia.

When selecting its preferred tenderer the government must give priority to:

- Australian content in the future submarines; and
- proposals that would achieve a high degree of self-reliance in maintaining, sustaining and upgrading the future submarines in Australia for the entirety of their lifecycle.

### **Government Response**

**Noted.**

This recommendation has been overtaken by events.

The Government announced on 26 April 2016 that the future submarines will be built in Australia with Australian steel. Defence will seek to maximise Australian industry involvement and support for the future submarine. The submarine decision is consistent with the Government's already announced continuous shipbuilding program – which will ensure a substantial and permanent naval shipbuilding capability in Australia.

### **Recommendation 4**

The committee recommends that:

- The government formally and publically rule out a MOTS option for Australia's future submarines.
- The government focus its efforts on the 'new design' or 'son-of-Collins' options for Australia's future submarines and suspend all investigations for acquiring a MOTS submarine, including the current Japanese Soryu-class.

### **Government Response**

**Noted.**

This recommendation has been overtaken by events.

The Government has already acknowledged that there is no MOTS option available that will meet Australia's Future Submarine needs. This was reaffirmed by the Prime Minister's announcement regarding the Future Submarines on 26 April 2016.

## **Recommendation 5**

The committee recommends that Defence and the government start immediately to:

- strengthen and build a more collaborative relationship with Australia's Defence industry and engender a co-operative environment in which industry is encouraged to marshal its resources in support of a broader Australian shipbuilding industry capable of acquiring and building a highly capable fleet of submarines;
- listen to the technical community's concerns about risk—the technical community, supplemented by outside expertise from industry and allied technology partners, understand the state of technology and the degree to which a new design extends that technology;
- consult with retired naval engineers and submariners, especially those who have been involved in reviews of the Collins class submarines and subsequent reforms, and include the most knowledgeable and experienced in a first pass gate review;
- work with Australian and Australian-based businesses, from prime contractors to small and medium businesses, to ensure that the contribution that can be made by Australian industry is identified and integrated as much as possible into the project plan;
- ensure that opportunities to improve skills and upgrade facilities, particularly those that have multiple uses, are identified so that investment in the human and physical capital required for this project is maximised;
- risks associated with the transfer of technology are anticipated, identified brought promptly to the government's attention and managed effectively—such risks go beyond securing the rights to IP and also take account of potential or real political and cultural incompatibilities; and
- experienced and senior people in key management positions are involved in the project—this requires a strategy to grow people so they are experienced in various disciplines.

## **Government Response**

### **Agree in part.**

The Government's Defence capability requirements were outlined in the 2016 Defence White Paper together with the Government's commitment to resetting the relationship with defence industry as outlined in the 2016 Defence Industry Policy Statement. Each of the major shipbuilding projects announced by the Government form part of the commitment to continuous naval shipbuilding in Australia. These projects represent the most significant investment in naval shipbuilding outside wartime. Defence will seek a wide range of inputs and support into each of these projects to ensure the capability is delivered, build premium reduced and local content and support maximised.

The Naval Shipbuilding Plan will bring together all of the elements of the Government's continuous naval shipbuilding strategy to:

- support the strategic and capability needs of Defence;
- provide a viable, permanent naval shipbuilding industry;
- provide certainty for the naval shipbuilding workforce;
- deliver value for money;
- build commercial confidence; and
- promote the use of global best practice.

