

**ATTACHMENT A
STATEMENT OF WORK
WHITE PAPER - ANALYSIS OF AUSTRALIAN SHIPBUILDING INDUSTRY AND
CAPABILITIES**

1 INTRODUCTION

1.1 Background

1.1.1 Through the 2015 Defence White Paper process, the Government will consider future force structure options for the Australian Defence Force that align strategy with capability and resources.

1.1.2 The Australian Government has also announced that it wishes to consider an enterprise level ship building plan in conjunction with the Defence White Paper. The plan will bring together navy capability requirements, available resources, and recommendations around Australian industry requirements.

1.2 Purpose and Context

1.2.1 The purpose of this Statement of Work (SOW) is to communicate to the tenderer, the Commonwealth requirements and standards for work to be carried out under the Contract and to allocate work responsibilities to the Contractor.

1.2.2 To inform the development of an enterprise-level plan for consideration by Government, the Defence White Paper Team requires the engagement of a suitably qualified industry and economic consultant to conduct a detailed analysis of the Australian naval shipbuilding industry.

1.2.3 This work will require a project management approach, with high degrees of extant knowledge of the naval shipbuilding industry. The work to be performed is summarised in seven tasks as follows:

- a. **Task 0:** Project Initiation;
- b. **Task 1:** Future Options;
- c. **Task 2:** Model Development;
- d. **Task 3:** Alternative Acquisition Strategies and Industry Structures;
- e. **Task 4:** Cost Comparison;
- f. **Task 5:** Economic Considerations; and
- g. **Task 6:** Consolidation and Reporting.

1.2.4 Proposed personnel shall have extant knowledge of, and access to, naval shipbuilding historical data, including recent studies and audits, and international experience. The successful tenderer through their response is to outline the strategies and availability of human and information resources to address the key deliverables under this RFQTS.

1.2.5 For the purposes of this RFQTS, 'naval shipbuilding' encompasses the design, production engineering, production, delivery of warships and their combat and platform systems. Naval shipbuilding also covers the associated sustainment, repair and modification aspects of the industry.

2 STATEMENT OF WORK

2.1 The Contractor shall conduct the following activities:

Task 0: Project Initiation

2.1.1 Project leader and relevant consultants to meet with the Commonwealth Representative and other stakeholders to ensure a common understanding of the context and detailed schedule for the enterprise-level naval plan development; discuss data requirements, in particular information required from Commonwealth of Australia; and discuss details of future force structures and international MOTS / Australianised MOTS comparators.

Task 1: Future Options

2.1.2 Identify potential future options for the Australian shipbuilding, sustainment, modernisation and repair industry.

2.1.3 This task will enable us to answer the following questions:

- a. What is the planned future naval force structure?
- b. What are the potential demands for shipbuilding resources?
- c. What are potential future drumbeats for new ship construction?
- d. How could/should the shipbuilding industrial base be structured?
- e. How could the shipbuilding industrial base resources interact with ship sustainment, modernisation and repair requirements?

2.1.4 At a minimum options shall include inter-hull delivery periods of 2, 2.5 and 3 years.

2.1.5 This task will report on the relationship between factors including, but not limited to, force structure, build rate, build duration, life of type, sustainment / availability cycles, and workforce demands.

2.1.6 **Deliverable 1:** A Quick Look Report (10-15 page Microsoft Word document) summarising the above findings, identifying factors influencing future options, and summarising the options it is planned will be explored through the remainder of the study activity.

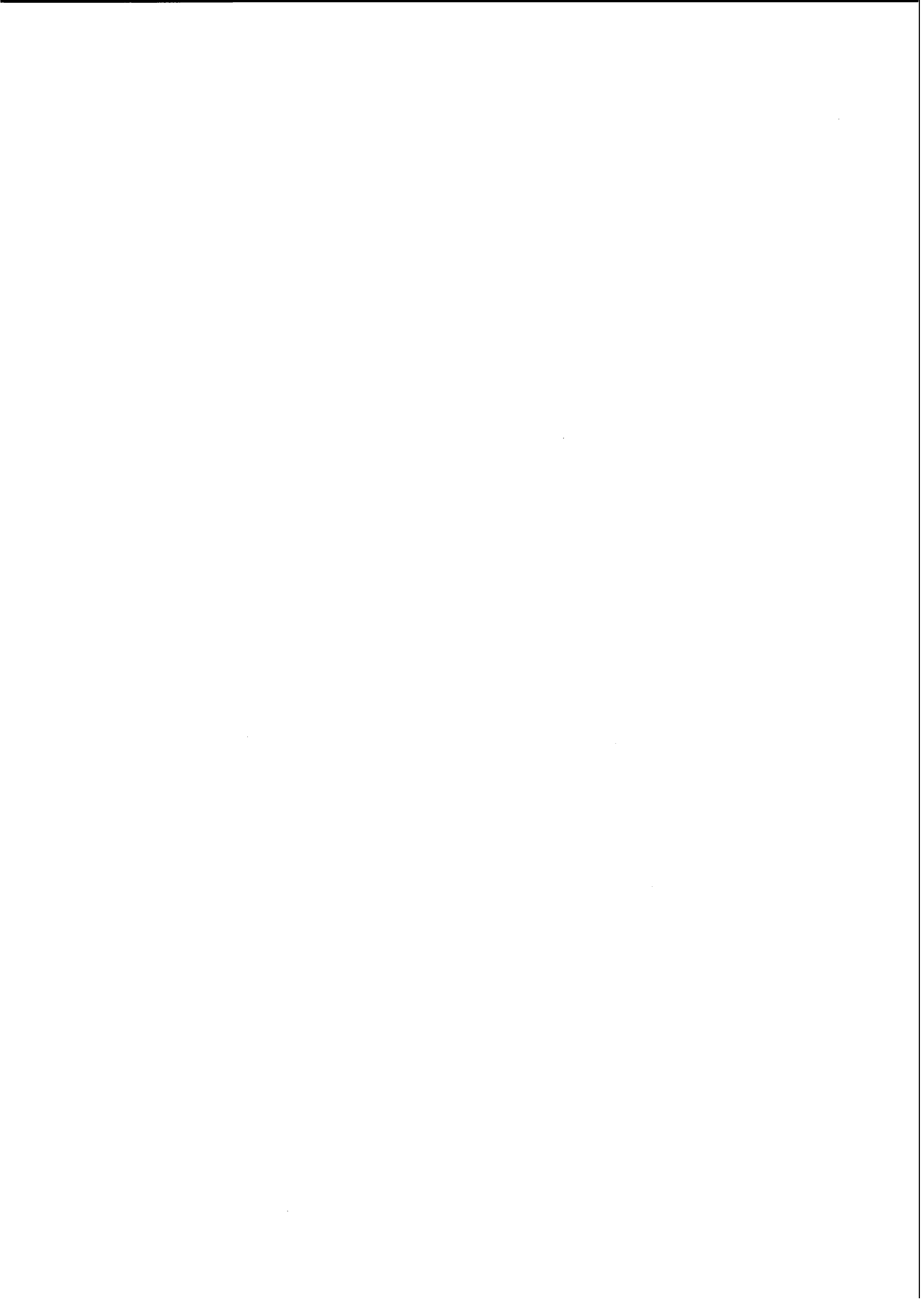
Task 2: Model Development

2.1.7 Develop a model to support subsequent analysis of the Shipbuilding and Force Structure that is capable of:

- a. Projecting the current surface fleet into the future, specifying the number of ships by type scheduled to be operational over the period of interest and thereby establish a future force structure and cost baseline;
- b. Estimating the costs associated with building new ships, overhaul ships in the operating fleet, and possibly extending the lives of ships previously scheduled for decommissions;
- c. Estimating the costs for ship operations, maintenance, and crew;
- d. Estimating the work force demand, for both broad and specialist skill sets; and ultimately
- e. Estimating annual procurement and operations costs for individual ship classes and for the total force.

2.1.8 Gather data from Australian shipyards (Industrial Base); System Program Offices / Navy (Personnel and Operating Costs); process as necessary for entry into the model; and populate the model with the processed data.

2.1.9 **Deliverable 2:** Demonstration of the execution of the model.



Task 3: Alternate Acquisition Strategies and Industry Structures

- 2.1.10 For the options identified at Task 1, exercise the model developed in Task 2 to explore and quantify a range of alternative acquisition strategies and industry structures.
- 2.1.11 Identify the costs, number of ships, build duration and number of shipyards needed for an optimal continuous build program for Australia's naval requirements and examine the sensitivity and impact to changes in those parameters.
- 2.1.12 **Deliverable 3:** A Quick Look Report (10 page Microsoft Word document) summarising preliminary findings of the analysis of alternate acquisition strategies and industry structures.

Task 4: Cost Comparison

- 2.1.13 Using industry standard benchmarking techniques such as Comparative Benchmarking, Parametric Benchmarking and Input Benchmarking, compare the relative cost and schedule performance of the Australian shipbuilding industry to relevant comparator nations (United Kingdom, United States, Spain, and Korea).
- 2.1.14 Provide a specific comparison between historical (FFH) and contemporary (AWD) Australian shipbuilding productivity, including learning effects, against relevant contemporary international Military Off The Shelf (MOTS) comparator as agreed in Task 0.
- 2.1.15 Four specific scenarios are to be explored:
 - a. Option 1: Military-Off-The-Shelf (MOTS) built overseas (in its country of origin);
 - b. Option 2: Australianised MOTS (to include Saab 9LV + CEA Phased Array Radar and existing RAN weapons), built overseas (in its country of origin);
 - c. Option 3: Australianised MOTS (to include Saab 9LV + CEA Phased Array Radar and existing RAN weapons), built in Australia;
 - d. Option 4: F105 including Saab 9LV + CEA Phased Array Radar and existing RAN weapons), built in Australia.
- 2.1.16 **Deliverable 4:** A Quick Look Report (10 page Microsoft Word document) summarising preliminary findings of the cost benchmark between the Australian naval shipbuilding industry and relevant comparators, including specific reference to the comparison between an Australian build and international MOTS / Australianised MOTS comparators.

Task 5: Economic Considerations

- 2.1.17 Analyse the economic costs and benefits of the Australian naval shipbuilding industry including skills development, regional economic impact and flow-on effects into the economy.
- 2.1.18 Identify and provide a qualitative assessment of any unfavourable economic effects that might result from Government expenditure on shipbuilding in Australia, including skills competition with other industries and the opportunity cost associated with any 'premium' for Australian shipbuilding compared to an offshore build.
- 2.1.19 **Deliverable 5:** A Quick Look Report (10-15 page Microsoft Word document) identifying positive and negative economic impacts of shipbuilding and their scale.

Task 6: Consolidation and Reporting

- 2.1.20 Consolidate the outcomes of Tasks 1 to 5 and deliver the findings and recommendations through the presentation of a final briefing and a Final Report.

- 2.1.21 **Deliverable 6.1:** A Draft Report of Study outcomes - Comprehensive Report in Microsoft Word format.
- 2.1.22 **Deliverable 6.2:** A Final Report (Microsoft Word format) and Briefing of Study Outcomes (Microsoft PowerPoint format) to .
- 2.1.23 **Deliverable 6.3:** Project Finalisation - Delivery of fifty (50) bound Publication version of the Final Report and Briefings to Stakeholders as agreed.
- 2.1.24 The purpose of these reports is to demonstrate the economics and feasibility of the various strategies, supported by robust evidence, for the Australian naval shipbuilding, sustainment, modernisation and repair industry. The Draft and Final Reports shall answer, but not be limited to, the following questions:
- What are the development, production, operating, and support costs that are associated with Australia's current naval shipbuilding plan?
 - What are the comparative costs associated with alternative shipbuilding pathways?
 - Is it possible for Australia's naval shipbuilding industrial base to achieve a continuous build strategy, and how would such a strategy's costs compare with the current and alternative shipbuilding pathways?
 - How do the costs of acquiring vessels domestically compare with acquiring a range of MOTS / Australianised MOTS comparators from shipbuilders overseas?
 - How much does warship spending add, or present and opportunity cost, to Australia's economy?

3 DELIVERABLES

- 3.1 The successful tenderer shall provide deliverables in accordance with the schedule detailed in Table 1.

Table 1: Contract Deliverables

Deliverables	Indicative Due Date (Working Days)
1 – Quick Look Report (10-15 page, one (1) soft copy in Microsoft Word document)	ED + 3 weeks
2 – Model Demonstration (to Commonwealth Representative at Russell Offices)	ED + 6 weeks
3 – Quick Look Report (approx. 10 page, one (1) soft copy in Microsoft Word document)	ED + 9 weeks
4 – Quick Look Report (approx. 10 page, one (1) soft copy in Microsoft Word document)	ED + 9 weeks
5 – Quick Look Report (10-15 page, one (1) soft copy in Microsoft Word document)	ED + 9 weeks
6.1 – Draft Report (Comprehensive Report, one (1) soft copy in Microsoft Word format)	(early December) ED + 14 weeks
6.2 – Final Report (one (1) soft copy in Microsoft Word format) and Briefing (one (1) soft copy in Microsoft PowerPoint format and presentation to Commonwealth Representative and White Paper Team in Russell Offices)	(early February) ED + 20 weeks
6.3 – Publication version of the Final Report (fifty (50) bound copies) and Briefings to Stakeholders as agreed.	ED + 28 weeks

- 3.2 The successful tenderer shall provide Soft Copies in Microsoft Office 2003 compatible formats, with diagrams and figures supplied as Microsoft Office Visio 2003 compatible, where applicable.
- 3.3 The successful tenderer shall provide fifty (50) copies of Publication Version of the Final Report.
- 3.4 The successful tenderer shall provide all deliverables in accordance with the Defence Writing Standard and DMO processes.

4 ACCEPTANCE OF DELIVERABLES

- 4.1 The Contractor shall deliver the deliverables in accordance with clauses 3.1, 3.2, 3.3 and 3.4.
- 4.2 On notification of the delivery of a deliverable, the Commonwealth will:
- a. Review; and
 - b. Accept or Not Accept
- each deliverable
- 4.3 The Commonwealth will notify the Contractor in writing within five working days of the Acceptance or Non-Acceptance of each deliverable.
- 4.4 If the Commonwealth provides the Contractor with notice of Non-Acceptance in accordance with clause 4.3, the Contractor will, within five working days (or within such a further period as the Commonwealth Representative may allow), deliver the rectified deliverable for Acceptance. In the event that such a notice is given to the Contractor by the Commonwealth, the deliverable will not be considered to have been submitted and the deliverable will be rectified at no additional cost to the Commonwealth.
- 4.5 If, within the time specified under clause 4.4, the Contractor submits the rectified deliverable, the Commonwealth will be entitled to review the resubmitted deliverable in accordance with clauses 4.2 and 4.3 of this SOW.
- 4.6 If the Commonwealth fails to furnish the Contractor with notice, in writing, of Acceptance or Non-Acceptance, pursuant to clause 4.2 and within the period specified at clause 4.3, then the deliverable can be deemed to have been Accepted by the Commonwealth.

5 GFM

- 5.1 The Commonwealth will provide the Contractor with access to written material relevant to complete the task.

6 SUPPLEMENTARY CONDITIONS TO DEED

6.1 INTELLECTUAL PROPERTY

6.2 Ownership of Intellectual Property

- 6.2.1 Nothing in the Contract affects the ownership of Background IP or Third Party IP.
- 6.2.2 Ownership of all Foreground IP vests on its creation in the Contractor.
- 6.2.3 Any Derivative Work produced by the Contractor shall:
- a. be copyrighted in RAND's name;
 - b. expressly acknowledge the Commonwealth as a source of financial support in their production unless otherwise requested in writing by the Commonwealth; and

- c. preserve the anonymity of the Commonwealth and all sources of data if so requested in writing by the Commonwealth.

6.3 Intellectual Property Licence

- 6.3.1 The Contractor grants to the Commonwealth a royalty-free, irrevocable, world-wide, perpetual, non-exclusive licence in respect of all Background IP and Foreground IP owned by the Contractor, including the right to sub-licence to use, maintain, modify, develop and dispose of the Services for Defence Purposes.
- 6.3.2 The Contractor shall ensure that the Commonwealth is granted a licence to exercise all Third Party IP on the best available commercial terms.

6.4 Provision of Technical Data

- 6.4.1 The Contractor shall provide with the Services, all Technical Data (TD) necessary to allow the Commonwealth to exercise its IP rights as defined in clause 6.
- 6.4.2 The Contractor shall ensure that all TD provided to the Commonwealth under this clause 6 will enable a person reasonably skilled in performing the acts referred to in clause 6 to perform those acts efficiently and effectively.

6.5 IP Schedule

- 6.5.1 The Contractor shall maintain an IP Schedule in accordance with section 6.6 of the DMOSS Deed.
- 6.5.2 The Contractor shall comply with all obligations related to the IP Schedule in accordance with section 6.6 of the DMOSS Deed.

6.6 Release of Information

- 6.6.1 The Contractor shall not, without the express written permission of the Commonwealth, release or publish any Deliverable or Derivative work to a third party. The Commonwealth has the discretion to give or refuse permission where it is necessary to:
 - a. protect military or defence sensitive information; or
 - b. protect information confidential to either the Commonwealth or a third party.

Such permission will not be unreasonably withheld.

- 6.6.2 The Contractor shall provided any deliverable or Derivative Work it wishes to publish, to the Commonwealth for comment and review. The Commonwealth may, within 4 weeks of receipt of a deliverable or Derivative Work provided under this clause 6.6.2, provide written comments to the Contractor. The Contactor shall, for any deliverable or Derivative Work provided under this clause 6.6.2:
 - a. consider any comments provided by the Commonwealth in good faith;
 - b. negotiate in good faith with the Commonwealth in the event of any disagreement with regards to the content of a deliverable or Derivative Work; and
 - c. delete from any deliverable or Derivative Work any information which the Commonwealth Representative considers to be classified, or confidential to either the Commonwealth or a third party.
- 6.6.3 The Contractor may indicate the existence of this Contract in its standard listing of clients.

6.7 Moral Rights

- 6.7.1 Where the Contractor is a natural person and the author of the Services, he or she consents to the performance of any acts permitted under clause 6.3.

7 APPLICABLE STANDARDS OR REFERENCES

7.1 Not applicable.

8 OTHER RELEVANT INFORMATION / SPECIAL REQUIREMENTS

8.1 Commonwealth Representative Participation

8.1.1 The tender shall allow and facilitate a nominated Commonwealth Representative to attend and participate in any data gathering activities with Australian industry participants at the Commonwealth's discretion.

8.1.2 Evaluation Criteria:

8.1.3 The tender will be evaluated against the following criteria:

- a. the extent to which the tender meets the requirements of the draft SOW, including any specifications;
- b. past performance of contractual obligations of the tenderer, any proposed Subcontractors and any related Bodies Corporate;
- c. the tendered price; and
- d. the tenderer's demonstrated technical and managerial capability to provide the Services.

8.1.4 Tenderer's Response:

8.1.5 In responding to this RFQTS, respondents should provide, as a minimum:

- a. Summary of corporate capability and recent experience relevant to the SOW requirements;
- b. CV's of proposed consultants detailing their relevant capability and experience as well as their roles and responsibilities for the services required;
- c. Proposed methodology and approach consistent with the SOW requirements; and
- d. Pricing must be quoted with the rates applicable to the positions proposed for the Contract itemised.

8.1.6 Reporting and Communication:

8.1.7 Fortnightly briefings (verbal/telecon and written/dot points) are to be provided by the contractor to the Commonwealth Representative.

9 SECURITY CLEARANCE

9.1 All contract personnel should obtain and maintain a NEGATIVE VETTING – LEVEL 1 (NVL1) level clearance.

9.2 Each individual identified to deliver the contracted services shall be an Australian citizen and possess and maintain, for the duration of the Contract, a current NEGATIVE VETTING – LEVEL 1 (NVL1) Defence security clearance, unless otherwise agreed by the Commonwealth Representative.

9.3 Where non-Australian citizens holding an equivalent foreign clearance are proposed, the tenderer is to provide details in their response of how these personnel will be assured or verified through the requisite Defence security agencies.

9.4 No consideration will be given to schedule extensions as a result of non-compliance with security clearance requirements. All decisions relating to the suitability of personnel will be at the discretion of the Commonwealth Representative.

10 Security Guidance

10.1 All work undertaken by the contractor will need to occur in a certified **NEGATIVE VETTING – LEVEL 1 (NVL1)** level workspace or Commonwealth Representative agreed foreign equivalent.

11 KEY PERFORMANCE INDICATORS

Key Result Areas:

KPI 1: Invoice to be accurate, timely and consistent with the contract.

KPI 2: Once a project plan has been agreed a schedule is to be developed and managed to the quality and timelines expected from the contracted skill set level.

KPI 3: The deliverables required are professional and to a standard that meets the intended purpose and the relevant professional standards, as is considered acceptable by the Commonwealth without additional time being spent.

KPI 4: Contractor personnel shall provide clear, polite and professional interactions with all Commonwealth and Australian industry personnel involved in the activities of the Contract.

12 COMMENCEMENT AND COMPLETION DATES

12.1.1 The contract will commence from the effective date for a term of approximately 28 weeks.

**ATTACHMENT B - PAYMENT
WHITE PAPER - ANALYSIS OF AUSTRALIAN SHIPBUILDING INDUSTRY AND
CAPABILITIES**

1 BASIS OF PAYMENT

- 1.1 The payment regime shall be as follows:
- a. **Task 1:** firm fixed price including a pro-rata payment for any draft deliverable due;
 - b. **Task 2:** firm fixed price including a pro-rata payment for any draft deliverable due;
 - c. **Task 3:** firm fixed price including a pro-rata payment for any draft deliverable due;
 - d. **Task 4:** firm fixed price including a pro-rata payment for any draft deliverable due;
 - e. **Task 5:** firm fixed price including a pro-rata payment for any draft deliverable due;
 - f. **Task 6.1:** firm fixed price including a pro-rata payment for any draft deliverable due;
 - g. **Task 6.2:** firm fixed price including a pro-rata payment for any draft deliverable due;
 - h. **Task 6.3:** firm fixed price including a pro-rata payment for any draft deliverable due;
- 1.2 Upon Acceptance of a deliverable by the Commonwealth, the successful tenderer is entitled to payment. The successful tenderer must submit a claim for payment for that deliverable in accordance with the DMOSS Deed.
- 1.3 Subject to clauses 1.1 and 1.2 of Attachment B, the Contractor is entitled to payment in accordance with Table 1: Pricing Schedule.

Table 1: Pricing Schedule

Deliverables & Payment Schedule	Delivery Date	Payment Amount (\$USD)
Task 1 – Future Options		
Quick Look Report (10-15 page, one (1) soft copy in Microsoft Word document)	ED + 3 weeks	
Task 2 – Model Development		
Model Demonstration (to Commonwealth Representative at Russell Offices)	ED + 6 weeks	
Task 3 – Alternative Acquisition Studies and Industry Structures		
Quick Look Report (approx. 10 page, one (1) soft copy in Microsoft Word document)	ED + 9 weeks	
Task 4 – Cost Benchmarkings		
Quick Look Report (approx. 10 page, one (1) soft copy in Microsoft Word document)	ED + 9 weeks	
Task 5 – Economic Considerations		
Quick Look Report (10-15 page, one (1) soft copy in Microsoft Word document)	ED + 9 weeks	
Task 6 – Consolidation and Reporting		
Task 6.1 – Draft Report (Comprehensive Report, one (1) soft copy in Microsoft Word format)	ED + 14 weeks	
Task 6.2 – Final Report (one (1) soft copy in Microsoft Word format) and Briefing (one (1) soft copy in Microsoft PowerPoint format and presentation to Commonwealth)	ED + 20 weeks	

Representative and White Paper Team in Russell Offices)		
Task 6.3 – Publication version of the Final Report (fifty (50) bound copies) and Briefings to Stakeholders as agreed.	ED + 28 weeks	
DELIVERABLES SUB-TOTAL		
ALLOWANCES – Travel, incidental & accommodation costs		
TOTAL PRICE (Exclusive of GST)		1,977,504.00
GST		197,750.40
TOTAL PRICE (Inclusive of GST)		2,177,454.40

- 1.4 For all tasking performed in accordance with Table 1 of Attachment A, the following labour rates will apply:

Skill Set	Skill Level	Daily Rate (\$AUD)
Maritime Systems/Platform Engineering	L5	
	L4	
	L3	
	L2	
	L1	

2 REIMBURSEABLE EXPENSES

- 2.1 The following expenses shall be reimbursed to the Contractor under the contract:
- a. Where the Commonwealth has provided its prior consent, the Contractor shall be entitled to reimbursement for travel, accommodation and living expenses up to the Defence Non SES Travelling Allowance rates which have been adjusted to include an element for GST. All claims for such reimbursement shall be submitted on a valid tax invoice showing the GST exclusive price, with GST then being charged on the total amount. The total GST inclusive claim for such reimbursement shall not exceed that of the total allowable Defence Non SES Travelling Allowances. As an alternative to reimbursement of such expenses, and at the discretion of the Commonwealth, the Commonwealth may undertake to arrange travel and accommodation required by the Contractor for the purposes of the Contract. The Contractor shall promptly supply all necessary information required by the Commonwealth to make these arrangements.
- 2.2 If the Contractor is required to travel under the Contract, the hours spent travelling are not billable work hours, and the maximum allowable billable hours for each day shall be eight hours (a standard work day). Time spent travelling for work under the Contract does not constitute a reimbursable expense.
- 2.3 If requested by the Commonwealth Representative, the Contractor shall provide satisfactory evidence to substantiate any specified claim for reimbursement prior to any payment of the related claim.
- 2.4 Travelling Allowance Rates provided to the Contractor under the Contract have been supplied to the Department of Defence under licence by the Department of Employment and Workplace Relations for Defence Purposes only. The Travelling Allowance Rates are to be used only for the payment of allowance or for budgeting purposes. The Contractor shall not make public or disclose the Travelling Allowance Rates to other agencies, organisations or individuals without the prior written consent of the Department of Defence. This clause shall survive the expiration or termination of the Contract and shall apply regardless of whether the travelling Allowance Rates are or become public knowledge.