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**Australian Government**  
**Department of Defence**

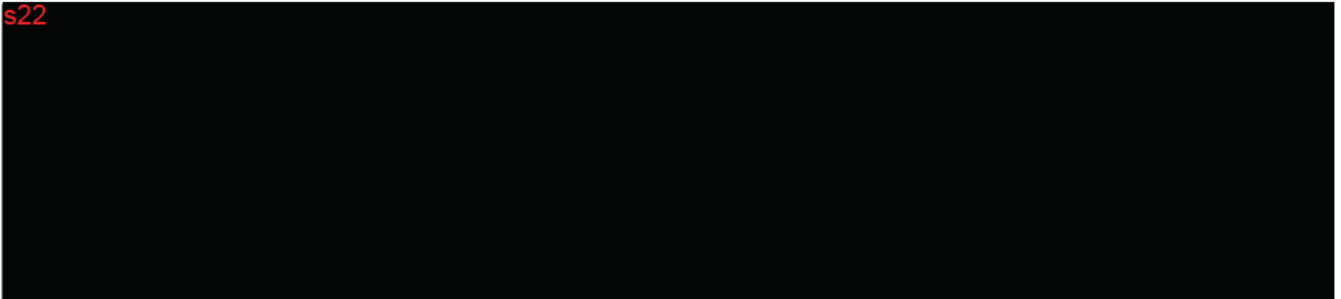
GMSUBS/OUT/2016/061

**Mr Hervé Guillou**  
Chairman and Chief Executive Officer  
DCNS  
40-42 Rue du Docteur Finlay  
75015 Paris, FRANCE

Dear Mr Guillou,

**FUTURE SUBMARINE PROGRAM**

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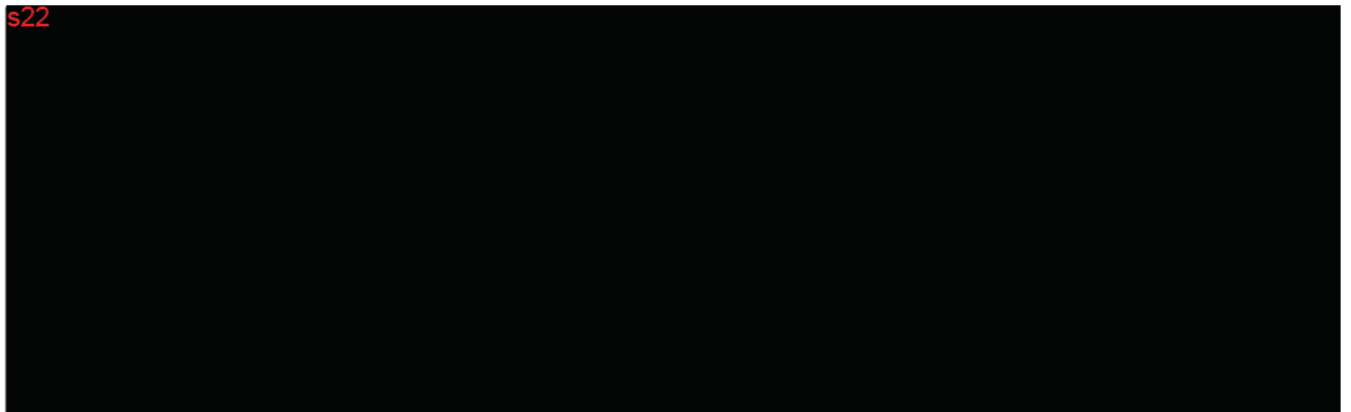
The purpose of this letter is to s22  
outline the path forward for the design, construction and test phases for the Australian Future Submarine Program.

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Consistent with the guidance provided during the Competitive Evaluation Process in DID-KCPR-20, it is the Commonwealth's intent to contract with DCNS Group for the design, construction and test of twelve Future Submarines. As directed by the Government of Australia, these submarines will be built in Adelaide and sustained in Australia.

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Mobilisation activities have been structured to enable us to:

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- establish a Strategic Partnering Agreement, which will guide our subsequent contracts for design and construction of the Future Submarine fleet;

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- initiate planning for land-based test and construction facilities, and workforce training; and

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As soon as practicable, but not before proper scoping of work and the development of sound pricing, the Commonwealth will convert the Design Contract s47G to complete the design and build the lead or first two submarines s47G

chart the course of the partnership that the Commonwealth seeks with DCNS for the development and delivery of the Future Submarine fleet. s22

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Yours sincerely

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**Stephen E. Johnson**  
General Manager Submarines

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09 September 2016

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**THE HON CHRISTOPHER PYNE MP  
MINISTER FOR DEFENCE INDUSTRY  
LEADER OF THE HOUSE  
MEMBER FOR STURT**

Mr Hervé Guillou  
Chairman and Chief Executive Officer  
DCNS  
40-42 Tue du Docteur Finlay  
75015 Paris, FRANCE

MS17-900442

  
Dear Mr ~~Guillou~~

**SEA 1000 Future Submarine Program – Construction of the Future Submarine**

The Government of Australia has formally decided that DCNS will be the builder of the Future Submarine fleet, which will be constructed in Australia as previously announced.

Following consideration of the outcome of the Future Submarine Competitive Evaluation Process, the Australian Government announced the selection of DCNS SA as the preferred partner for the Future Submarine Program (the Program) on 26 April 2016, subject to resolution of certain essential threshold conditions. The Commonwealth received the Commitment Deed Poll on these essential threshold commercial requirements, executed by DCNS SA on 20 July 2016, and subsequently entered into the Design and Mobilisation Contract (Contract number CASG/FSP/Contract356/2016) effective since 17 October 2016 (the “DMC”). The Prime Minister of Australia and the Defence Minister of France also signed the *Framework Agreement Concerning Cooperation on the Future Submarine Program between the Government of the French Republic and the Government of Australia* on 20 December 2016.

DCNS SA is expected to start the functional analysis for the Future Submarine under the DMC in April 2017, and the Commonwealth and DCNS SA have initiated discussions on a strategic partnering agreement (SPA) and the design contract of the Future Submarines. The contracting framework for the Future Submarine Program aims to ensure smooth and proper performance of the Program throughout design and construction of the submarines.

Further to the letter from General Manager Submarines of 9 September 2016, explaining the Commonwealth’s intention to contract with DCNS SA for the design, construction and test phases for the Future Submarine Program, I write to confirm that the Commonwealth will successively contract DCNS SA for the initial design of the Future Submarine, completion of the design and construction and test in Australia of the initial submarine(s), and construction and test in Australia of the entire Future Submarine fleet.

Under the framework of the SPA, the Commonwealth will proceed to the contract with DCNS SA for completion of design and construction of the Future Submarine fleet once the scope of work to complete design and construct the submarines has been appropriately defined and sound pricing has been offered by DCNS SA.

This confirmation is on the understanding that the design authority for the sustainment of the Future Submarines will be DCNS Australia, the management and governance of which is subject to the commitments taken by DCNS SA in the Commitment Deed Poll of 20 July 2016.

This confirmation is also on the understanding that the commitments made by DCNS SA in the Commitment Deed Poll of 20 July 2016 are enduring in accordance with its terms, and recognises the fundamental importance of the Commonwealth obtaining appropriate technology transfer and intellectual property rights from DCNS to establish a sovereign Australian submarine capability. For its part, the Commonwealth recognises the utmost importance to DCNS of the protection and value of its intellectual property rights and technology transfer, and the necessity for that value to be recognised over the term of the Future Submarine Program contracts.

In order to adequately commit to design-to-production and design-to-maintenance performance objectives, DCNS SA will have operational control of the Future Submarine Program shipyard facilities and, as such, will benefit from the exclusive right to access, use and decide the operation and management of these facilities in accordance with terms and conditions to be agreed with the Commonwealth. In exercising such operational control, DCNS will ensure Lockheed Martin Australia (LMA) is provided with access to the yard to perform its work under the terms of LMA contracts with the Commonwealth, to deliver the Future Submarine. DCNS will also ensure that the Commonwealth's requirements in respect of the maintenance of the Collins Class Submarines are observed.

Having responsibility for the design and construction of the Future Submarine fleet and operational control of the Future Submarine Program shipyard facilities, DCNS will be responsible for selecting and managing its subcontractors for the purpose of Future Submarine Program in line with the agreed Australian Industry Capability Plan, maximising Australian industry involvement in the program.

Yours sincerely

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**Christopher Pyne** M

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