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Australian Government
Department of Defence

NAVAL SHIPBUILDING COORDINATION GROUP
Defence Committee Room/R3-02-118 linked by Skype meeting
TUESDAY, 10 AUGUST 2021

Attack Class Submarine (SEA 1000)

Current Risks and Challenges	Mitigations	30 Day Activity Schedule
Exit from SFR		
<ul style="list-style-type: none"> s34(3) [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] 	<ul style="list-style-type: none"> s34(3) [REDACTED] [REDACTED] [REDACTED] [REDACTED] Enactment of SPA amendments regarding Naval Group's commitment to spend at least 60% of its contract value in Australia, including the preservation of strong remedies in the SPA for failing to maximise Australian industry involvement in all phases of the program. Revised offer for the next phase of work to be considered by Government. 	<ul style="list-style-type: none"> Systems Functional Review Exit plan and action to achieve the major milestone (Exit Systems Functional Review involving the establishment of an agreed functional baseline). Finalisation of credible key program artefacts including the master schedule and cost estimate.

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Background/Supporting Information

Systems Functional Review

- Systems Functional Review (SFR) was entered on 27 January 2021. Achievement of the contracted milestone does not occur until the 'exit criteria' for SFR are achieved. Although there are a number of major and minor actions that need to be addressed to achieve exit, the main issue is the achievement of an agreed functional baseline. Naval Group submitted the data required to establish the functional baseline on 23 July 2021 and Defence is currently reviewing the data to ensure its adequacy and quality.
- Defence has assessed that elements of planned work can be deferred to the period following SFR without generating unmanageable risks to ongoing design work.
- Independent oversight of the Program's conduct of the review was provided by a member of the Submarine Advisory Committee and the Capability Managers representative.

60% AIC Commitment by Naval Group

- On 22 March 2021, Defence and Naval Group signed the amendments to the Strategic Partnering Agreement (SPA) to reflect Naval Group's commitment to spend at least 60% of its contract value in Australia.
- These amendments preserve the current structure of the SPA, which the Auditor-General concluded has formed a fit-for-purpose strategic framework for addressing the Government's objectives for the Future Submarine Program.
- Tangible efforts by Naval Group to engage Australian industry now evident, including endeavours to select companies to manufacture first articles of specialised equipment for the Attack class submarine fleet.

Core Work Scope 2

- Naval Group submitted a revised offer for the scope of work following Systems Functional Review, which was received on 26 February.
- The offer is being reviewed by Defence, ahead of providing advice to Government on the affordability and compliance with the statement of work.
 - While the revised offer for work to be conducted by Naval Group has come back towards the offer provided prior to entry to the Submarine Design Contract, further work is underway to ensure the offer is aligned with a sound integrated master schedule, and is compliant.
 - The revised offer for the procurements to be conducted during the next phase has increased, but also covers a longer period of procurement activity than contemplated in the original offer for the Submarine Design Contract.
- Defence has implemented a plan to develop a sound integrated master schedule and reliable program cost estimate, both of which will be required before Government can properly consider the offer for the next phase of work in the context of the entire program.
 - Development of a sound integrated master schedule and reliable cost estimate is progressing, supported by quality data from Naval Group.
 - These artefacts have been delivered by Naval Group and they are being reviewed by Defence to ensure their adequacy and quality.

General

- Naval Group has been formally advised that Government will need to consider the revised offer for the next phase before Defence is permitted to fund that work under contract.
 - Naval Group is also aware that a sound integrated master schedule and reliable program cost estimate are required for Government consideration at the same time.
 - Naval Group has s47G [REDACTED]

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s47G

- To assist in mitigating any potential impact to program schedule prior to Government consideration of Naval Group's Core Work Scope 2 offer, Defence has executed a change to the Submarine Design Contract to extend the period of performance for Core Work Scope 1 through until the end of September 2021. This will allow key activities including procurement, transfer of technology, submarine construction yard infrastructure and Naval Group Australia capability development to continue whilst the artefacts required for Government consideration are being finalised.
- Defence is currently managing two external review requests for FOI matters that relate to the Attack Class Submarine Program, including one matter which was heard by the Administrative Appeals Tribunal (AAT) on 8-9 June 2021; a determination on this matter is expected to take 3-6 months. Defence is also managing a further two external review requests for FOI matters that indirectly relate to the Attack Class Submarine Program, which the Program is supporting.
- Cost/Budget
 - Total approved budget as at 30 June 2021 (PBS 2021-22): \$6,355.5 million
 - Total expenditure to date as at 30 June 2021: \$2,195.0 million
(Note: Expenditure total is interim only, due to EOFY processes. Amount may be subject to change once EOFY adjustments have been made.)

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From: [Dalton, Tony MR](#)
To: [Sammut, Gregory MR](#)
Subject: 210822:1458 - [Dalton, Tony MR]-[Sammut, Gregory MR] Draft Cabinet Submission - s34(3)
Date: Sunday, 22 August 2021 2:58:47 PM

[REDACTED]

Thanks Greg,

Reads well

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From: Sammut, Gregory MR <gregory.sammut@defence.gov.au>
Sent: Friday, 20 August 2021 6:59 PM
To: Dalton, Tony MR <tony.dalton@defence.gov.au>
Subject: Draft Cabinet Submission - s34(3)
~~CAVEAT SH:CABINET]~~

[REDACTED]

Tony,

Please see attached the first draft of the cabinet submission I have discussed with you. I will be refining the draft slightly over the course of next week.

Greg

Gregory J. Sammut
General Manager Submarines

Department of Defence | Capability Acquisition and Sustainment Group
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Australian Government
Department of Defence

NAVAL SHIPBUILDING COORDINATION GROUP
Defence Committee Room/R3-02-118 linked by Skype meeting
TUESDAY, 31 AUGUST 2021

Attack Class Submarine (SEA 1000)

Current Risks and Challenges	Mitigations	30 Day Activity Schedule
Exit from SFR and Entry into CWS2		
<ul style="list-style-type: none"> • s34(3) [REDACTED] - MEDIUM. • s34(3) [REDACTED] - HIGH. • s34(3) [REDACTED] - HIGH. • s34(3) [REDACTED] - MEDIUM. • s34(3) [REDACTED] - HIGH. • s34(3) [REDACTED] - MEDIUM. • s34(3) [REDACTED] - MEDIUM. • s34(3) [REDACTED] - MEDIUM. • s34(3) [REDACTED] - HIGH. • s34(3) [REDACTED] - MEDIUM. 	<ul style="list-style-type: none"> • s34(3) [REDACTED] • Establishment of sound integrated master schedule and credible program cost estimate, which is to be considered by Government. • Enactment of SPA amendments regarding Naval Group's commitment to spend at least 60% of its contract value in Australia, including the preservation of strong remedies in the SPA for failing to maximise Australian industry involvement in all phases of the program. • Affordable and acceptable offer for the next phase of work to be considered by Government. 	<ul style="list-style-type: none"> • Systems Functional Review Exit plan and action to achieve the major milestone (Exit Systems Functional Review involving the establishment of an agreed functional baseline). • Finalisation of review of offer from Naval Group for next phase of work.

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Background/Supporting Information

System functional review

- System functional review (SFR) was entered on 27 January 2021. Achievement of the contracted milestone does not occur until the 'exit criteria' for SFR are achieved. Although there are a number of actions that need to be addressed to achieve exit, the main issue is the achievement of an agreed functional baseline. Naval Group submitted the data required to establish the functional baseline on 23 July 2021 and Defence is currently reviewing the data to ensure its adequacy and quality.
- Defence has assessed that elements of planned work can be deferred to the period following SFR without generating unmanageable risks to ongoing design work.
- Independent oversight of the Program's conduct of the review was provided by a member of the Submarine Advisory Committee and the Capability Manager's representative.

60% AIC Commitment by Naval Group

- On 22 March 2021, Defence and Naval Group signed the amendments to the Strategic Partnering Agreement (SPA) to reflect Naval Group's commitment to spend at least 60% of its contract value in Australia.
- These amendments preserve the current structure of the SPA, which the Auditor-General concluded has formed a fit-for-purpose strategic framework for addressing the Government's objectives for the Future Submarine Program.
- Tangible efforts by Naval Group to engage Australian industry now evident, including endeavours to select companies to manufacture first articles of specialised equipment for the Attack class submarine fleet.

Next phase of work

- Naval Group submitted a revised offer for the scope of work following SFR, which was received on 26 February 2021.
- Since then, Defence has worked with Naval Group, Lockheed Martin Australia and Australian Naval Infrastructure to lead the establishment of a sound integrated master schedule, a credible program cost estimate and an affordable and acceptable offer for the next phase of work.
- This work has been completed with the collaborative support of Naval Group.
- The resulting integrated master schedule captures all activities and interdependencies required to deliver the Attack class submarine, identifying the critical path and near-critical paths. Float has been incorporated into the schedule to account for risks likely to arise in a program of this complexity. The schedule has responded well to scenario testing to assess its ability to accommodate potential challenge with activities in the program that have not been previously undertaken in similar programs.
- The schedule forecasts delivery of the first Attack class submarine within the window August 2033 to February 2035 at a confidence level of 80 per cent (confirmed by an independent schedule risk analysis based on 10,000 Monte Carlo runs). This delivery window is assessed as commensurate with delivery timeframes for international programs of this scale and is considered prudent at this stage of the Future Submarine Program.
- The program cost estimate has been updated to reflect the integrated master schedule recognising the close relationship between schedule and cost in any program. Including provision to cover the use of all float that might arise from realised risks, the updated program cost estimate is \$46.4 billion in 2016 constant dollars, which remains within the original acquisition cost estimate of \$50 billion in 2016 constant dollars announced at the outset of the Attack class submarine program in April 2016.

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- An updated offer for the next phase of work, consistent with the work done to establish the integrated master schedule and program cost estimate, was submitted by Naval Group on 23 August 2021.
- The updated offer is under review by Defence. As this review progresses, the offer has remained affordable and acceptable, and compliant with the contract terms and conditions, and statement of work.

General

- Naval Group has been formally advised that Government will need to consider the updated offer for the next phase before Defence is permitted to fund that work under contract.
 - Naval Group has s47G [REDACTED]
 - Naval Group has been working s47G [REDACTED]
 - To assist in mitigating any potential impact to program schedule prior to Government consideration of Naval Group's Core Work Scope 2 offer, Defence has executed a change to the Submarine Design Contract to extend the period of performance for Core Work Scope 1 through until the end of September 2021. This will allow key activities including procurement, transfer of technology, submarine construction yard infrastructure and Naval Group Australia capability development to continue whilst the artefacts required for Government consideration are being finalised.
- s34(3) [REDACTED]
- Lockheed Martin Australia has submitted documentation in support of the conduct of the Preliminary Design Review (PDR) in September 2021. Defence has rescheduled the conduct of PDR for the combat system (CS) from August to September so as to focus resources on the review of documentation required to exit SFR for the Platform System. Rescheduling CS PDR is not expected to affect the overall combat system schedule and is considered prudent, allowing the platform functional baseline to be set before progressing this element of combat system design. Lockheed Martin readily supported this deferral as a 'best-for-program' decision.
- Defence is currently managing two external review requests for FOI matters that relate to the Attack Class Submarine Program, including one matter which was heard by the Administrative Appeals Tribunal (AAT) on 8-9 June 2021; a determination on this matter is expected to take 3- 6 months. Defence is also managing a further two external review requests for FOI matters that indirectly relate to the Attack Class Submarine Program.
- Cost/Budget
 - Total approved budget as at 30 June 2021 (PBS 2021-22): \$6,357.6 million
 - Total expenditure to date as at 30 June 2021: \$2,195.3 million
(Note: Expenditure total is interim only, due to EOFY processes. Amount may be subject to change once EOFY adjustments have been made.)

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From: [Moriarty, Greg MR](#)
To: [Sammut, Gregory MR](#)
Cc: [Noonan, Michael VADM](#); [Dalton, Tony MR](#); [Bourke, Craig CDRE](#); [Kuczma, Racheal MS](#); [Mallik, Nicola MS](#)
Subject: 210831:1918 - [Moriarty, Greg MR]-[Sammut, Gregory MR] FSP Management - Message 9 - s34(3)
Date: Tuesday, 31 August 2021 7:18:48 PM

Greg

Thank you for this comprehensive update. s34(3)

. I know that this has not been an easy period for any of you.

I acknowledge your recognition of CDRE Bourke and echo your appreciation of his efforts. That we have a high confidence IMS, a credible PCE, and an affordable offer for CWS2 is a reflection of Craig's leadership and the good working relationship that you and your team has established with Naval Group and LMA.

I will ensure that the good progress to date is part of the advice we take to Government, and you will hear that message repeated in the 2+2 with France and in other engagements.

Regards

Greg

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From: Sammut, Gregory MR <gregory.sammut@defence.gov.au>
Sent: Friday, 27 August 2021 1:51 PM
To: Moriarty, Greg MR <greg.moriarty@defence.gov.au>
Cc: Noonan, Michael VADM <michael.noonan@defence.gov.au>; Dalton, Tony MR <tony.dalton@defence.gov.au>; Bourke, Craig CDRE <craig.bourke@defence.gov.au>; Kuczma, Racheal MS <racheal.kuczma@defence.gov.au>; Mallik, Nicola MS <nicola.mallik@defence.gov.au>
Subject: [printed for GM-GS]FSP Management - Message 9 - s34(3)

Greg,

Acknowledging that I have briefed the NCSG and, more recently, the Secretary of Finance/Secretary of Defence meeting on the status of the Attack class submarine program, the purpose of this message is to provide you with written advice on the outcomes of work to establish a sound integrated master schedule, a credible program cost estimate, and an

affordable and acceptable offer for the next phase of work from Naval Group.

Integrated master schedule

- A sound integrated master schedule has been established that captures all activities and interdependencies required to deliver the Attack class submarine, identifying the critical path and near-critical paths. Float has been incorporated into the schedule to account for risks likely to arise in a program of this complexity. The schedule has responded well to scenario testing to assess its ability to accommodate potential challenge with activities in the program that have not been previously undertaken in similar programs.
- The schedule forecasts delivery of the first Attack class submarine within the window August 2033 to February 2035 at a confidence level of 80 per cent (confirmed by an independent schedule risk analysis based on 10,000 Monte Carlo runs). This delivery window is assessed as commensurate with delivery timeframes for international programs of this scale and is considered prudent at this stage of the Future Submarine Program.

Program cost estimate

- The program cost estimate has been updated to reflect the integrated master schedule recognising the close relationship between schedule and cost in any program. Including provision to cover the use of all float that might arise from realised risks, the updated program cost estimate is \$46.4 billion in 2016 constant dollars, which remains within the original acquisition cost estimate of \$50 billion in 2016 constant dollars announced at the outset of the Attack class submarine program in April 2016. At this point, the program cost estimate would necessitate access to some of the contingency allocated to the Attack class submarine program (noting the availability of contingency for a program of this scale and complexity was always considered necessary). The actual amount of contingency required would depend on the extent to which risks are realised and float is used as the program progresses over its life.

Offer for the next phase of work

- An updated offer for the next phase of work, consistent with the work done to establish the integrated master schedule and program cost estimate, was submitted by Naval Group on 23 August 2021.
- Notwithstanding the due diligence we are exercising in reviewing the offer, it is affordable and acceptable, and compliant with contractual terms and conditions, and the statement of work.

s34(3)



s34(3)

Naval Group work collaboratively with Defence since then to achieve substantial progress, and there are no extreme program strategic risks. Notwithstanding, the Director General Future Submarine Program, Commodore Craig Bourke has been absolutely instrumental in formulating and leading execution of the work undertaken to reach this juncture, reflecting his world-class leadership and experience in managing such complex programs.

Greg

Gregory J. Sammut

General Manager Submarines

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