

AUSTRALIAN INDUSTRY CAPABILITY (AIC) PLAN: GUIDELINES FOR SUPPLIERS

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Future Submarine Program (FSP) Objectives

The FSP aims to deliver to Australia a regionally superior submarine capability that provides the Commonwealth of Australia with enduring control over the operation and sustainment of the Future Submarine (FSM).

The objectives of the Australian Industry Program for the FSP (FSP Objectives) are to:

- develop and utilise Australian Industry in a manner consistent with achieving sovereignty; and
- maximise opportunities for the involvement of Australian Industry through all phases of the FSP without unduly compromising the Commonwealth's requirements relating to capability, cost and schedule.

The Commonwealth of Australia (CoA) defines sovereignty as having enduring control over the operation and sustainment of the whole warship, including the ability to upkeep, update and upgrade the whole warship in Australia. The Australian Government Department of Defence [2018 Defence Industrial Capability Plan](#) (section 1.15 to 1.17) provides further information on the intent and meaning of sovereignty.

Suppliers Contributing to FSP Objectives

Suppliers will be key contributors to the achievement of the FSP Objectives and to the success of the Program.

Supplier contributions are sought and managed (where specified by procurement as part of the procurement process) through the submission, development and implementation of an Australian Industry Capability (AIC) Plan. Suppliers' AIC Plans outline their strategies and plans to meet the FSP Objectives, what opportunities will be provided to Australian Industry, what capabilities will be developed, enhanced, maintained and sustained in Australia and how. It gives suppliers a platform to convey their commitment and intended contribution to the FSP objectives, which will be evaluated as part of the procurement process.

Stakeholders with an interest in, or potentially reviewing, suppliers AIC Plans range from Naval Group representatives (both technical and non-technical), Commonwealth FSP representatives, Commonwealth Industry Division representatives and members of parliament. In addition, public versions of the AIC Plans will be made available to the Australian community and to Australian suppliers seeking opportunities.

The AIC Plan suite of documents, to which these guidelines are a part of, provides the templates to be used by suppliers to produce and implement AIC Plans, as well report on the information required to capture the Australia Industry outcomes for the Program. It is relevant to both Australian and overseas suppliers.

Given one of the FSP objectives is to create a sovereign capability to operate and sustain the Future Submarines, a supplier AIC Plan focuses on the full lifecycle of the equipment, including, design, build, operation and sustainment. It is not limited to the initial scope of supply of the initial contract and will be enduring across all potential program contracts the supplier may be awarded.

Suppliers AIC Plans

Suppliers' AIC Plans will vary in terms of level of detail provided and in terms of emphasis on the different aspects of the templates, depending on the potential scope of supply the plan is related to,

the expected value of the contract(s), the impact the scope of supply has on ensuring a sovereign capability to operate and sustain the FSM and how Australian the suppliers capability and its supply chain are today.

The procurement representative engaging with a supplier can provide guidance on the expected level of detail relative to the above factors.

AIC Plan Suite of Documents

Document Name	Purpose
AIC Plan Guidelines (This document)	Development of AIC Plan Tool
Public AIC Plan Template	Development of AIC Plan Tool
LIA Description Sheet Template	Reporting Tool (under review)
Australian Contract Expenditure Forecast Template	Reporting Tool (under development)
Australian Contract Expenditure Achieved Reporting Template	Reporting Tool (under development)
FTE Reporting Template	Reporting Tool (under development)
AIC Plan Milestones, Execution & Monitoring Statement	Reporting Tool (under development)
Connecting with Australian Industry...	Overview of organisations providing services to international suppliers willing to research and connect with Australian Industry

AIC Plan Execution and Reporting

The following content outlines the suppliers' ongoing obligations with regards to their AIC Plans and associated documentation a contract is executed and the AIC Plan is approved by Naval Group. Suppliers are required to:

- nominate and keep up to date their key point of contact for AIC Plans execution;
- update their AIC Plans, with appropriate version control, in accordance with the review date nominated in the plan;
- update existing LIA Description Sheets to reflect any increase or decrease to the work packages awarded in contract to an Australian Company;
- provide LIA Description Sheets for further work packages awarded to Australian companies, as those commitments are made;
- provide on a quarterly basis the suppliers forecast of Australian Contract Expenditure in the format required by Naval Group;
- provide ongoing Australian Contract Expenditure achieved information in the format required by Naval Group;
- update their AIC Plan milestones, execution and monitoring statement periodically;
- report against the achievement of its AIC Plan by indicating the status of milestones, providing supporting evidence and access for verification of capability audits; and
- provide on a quarterly basis FSP related FTE information in the format required by Naval Group.

AIC Plan Template

The following section outlines the expected content of a complete AIC Plan.

The suppliers AIC Plan should be appropriately labelled with the title, suppliers name, document and revision number and date created.

Within the plan the supplier should also nominate the date when it will be next reviewed and updated.

1. ASSUMPTIONS

The supplier should list any assumptions upon which the baseline AIC Proposal is developed.

2. TECHNICAL AND CAPABILITY CONTEXT

2.1 Technical Overview

Note: The audience of AIC Plans is wide and varied and reviewers and approvers include persons who are not technical experts in the scope of supply. In this section the supplier provides the technical context required for a less informed audience to understand the AIC proposal.

The supplier shall provide an overview of the equipment, including outlining its key components, systems and sub-systems.

2.2 Capability Needs

The supplier shall provide an overview of the capabilities required (e.g skills/competencies, infrastructure, tools, IP, raw materials, supplies) to execute the anticipated scope of supply and services through the whole of submarine life. The description of the capability needs should be broken down into those needed for each of the FSP phases: design, build and sustainment.

3. COMPANY CAPABILITIES

The supplier shall provide an overview of its (and any key supply chain partners critical to the scope of supply) industrial capabilities in relation to the scope of supply and where those capabilities reside geographically (i.e. in which country and province/state). This should include a small amount of contextual information on the company's journey to develop those capabilities and the collective volume of business and customers that support the continuity and ongoing development of that capability.

4. AUSTRALIAN INDUSTRY CAPABILITIES

Note: This section may not be relevant for Australian respondents with wholly Australian supply chains, who have already covered their company capabilities in section 3.

The supplier should outline of the capabilities needed for the whole of life scope of supply, which are present within Australian Industry and which are not.

The supplier should explain how this market intelligence was obtained, including if relevant when and how the Australian market was engaged.

5. BASELINE AIC PROPOSAL

5.1 Executive Summary

The supplier shall provide an executive summary (no more than 1 page) of its baseline AIC proposal to meet the FSP Objectives, including, opportunities for Australian Industry, the approach to developing and sustaining capabilities in Australia and how sovereign operation and sustainment will be achieved.

5.2 Workshare and Opportunities for Australian Industry

The supplier shall elaborate on which aspects of the scope of supply (with a whole of life approach) are proposed to be undertaken in or transitioned to Australia, including outlining which of the opportunities are based upon existing capability and which are based upon capabilities to be developed.

The supplier shall indicate who are the Australian companies being considered or selected to perform the relevant aspects of the scope of supply in Australia.

When further market engagement is required to identify Australian suppliers or partners, the supplier shall outline how and when this will be done.

5.3 Work not transitioning to Australia

The supplier shall further elaborate on which elements of the scope of supply are proposed not to transition to or be undertaken in Australia and why, including the associated business justification, covering cost, quality and schedule considerations.

5.4 Transfer of Capability to Australian Industry

Note 1: As this section relates to the development of capability in Australia, responses to this section from Australian companies with already established capabilities in Australia will not be extensive; however the response should still cover as a minimum how the capability to operate the equipment will be transferred to the Royal Australian Navy.

Note 2: The supplier should review the transfer of capability definitions provided in the Definitions section prior to completing this section. Naval Group adopts a consistent language and approach throughout the program to describe transfer of capability activities. The supplier should adopt the same terminology.

The suppliers shall outline its commercial model to be adopted in relation to its proposed approach to develop capability in Australia (e.g joint venture, subsidiary, sub-contracting etc).

Where capabilities are proposed to be developed in Australia, the supplier shall outline for each Sub-Capability:

- the description of the capability to be developed;
- the rationale for establishing that capability in Australia (e.g. critical for sovereign operation or sustainment, contributes to maximising Australian Industry Involvement, business decision to have a subsidiary in Australia etc.);
- whom the recipient(s) of the transfer of capability are (e.g. Naval Group Australia, an Australian supplier xyz or the Royal Australian Navy); and
- for each recipient identified (for each capability), what the transfer's components (IP, skills development, supplies, technical assistance, oversight, data, tools and infrastructure) are and when in the program the transfer will occur.

5.5 Business Continuity and Development

The Supplier shall outline their strategy to sustain, enhance or further develop either their existing Australian capabilities or the capabilities once established in Australia. This section may include content on the following:

- percentage of revenue investment in Australia on R & D;
- specific research & development projects involving Australian Industry;
- apprenticeship and skills pipeline orientated programs;
- business strategies;
- export opportunities; and
- opportunities to utilise capabilities on other defence projects or similar work in adjacent industries.

This section should contemplate any significant gaps in the FSP demand for the Australian capability and how continuity and regeneration of skills will be achieved in this context.

5.6 Strategic Opportunities

Note: This section will not be relevant for every supplier and should only be used where deemed appropriate.

The supplier may utilise this section to outline any strategic opportunities in relation to either securing work packages on other Defence programs or further work packages for the FSP. Where this section is utilised the supplier must very clearly identify what would be different for the FSP as a result of the suppliers increased volume of work and the associated benefits. Some examples may include making it feasible to transition and sustain further capabilities in Australia, increased throughput enabling retention of skills, changing the value for investment proposition on proposed infrastructure and special tools etc.

6. ALTERNATIVE AIC PROPOSAL OPTIONS

In addition to the supplier's baseline AIC proposal, the supplier shall detail any identified alternative options for performing more or less work in Australia including any cost, capability, sovereignty or schedule implications so that the program can consider these options.

7. RISK ANALYSIS

The supplier is required to undertake a risk assessment of their baseline AIC plan, identifying risks to schedule, quality, cost and achievement of the FSP Objectives, as well as, describe the associated mitigation actions.

8. AIC PLAN MANAGEMENT AND EXECUTION

The supplier shall describe the key roles and responsibilities within their Program organisation structure responsible for the execution (and associated reporting) of their AIC Plan. This includes if relevant how specifically the Transfer of Capability program will be managed (organisation and roadmap).

APPENDIXES

Note: Suppliers are only required to complete Appendix 1, if and when they have been provided with sovereignty requirements by Naval Group as part of a RFX. Appendix 2, 3, 4 and 6 are only required if and when Naval Group has commenced Contract negotiations with the supplier.

APPENDIX 1: COMPLIANCE TO SOVEREIGNTY REQUIREMENTS

The supplier shall include a table (in the format outlined below) describing their compliance to the sovereignty requirements outlined in the RFX documentation (where provided).

Ref #	Defined sovereignty objective or artefact	Compliant (C), partially compliant (PC), alternative (A), not compliant (NC)	Description of alternative or justification for non-compliance

APPENDIX 2: AUSTRALIA CONTRACT EXPENDITURE FORECAST

The supplier shall provide their Australian Contract Expenditure forecast for the contract, using the template provided by Naval Group.

APPENDIX 3: LOCAL INDUSTRY ACTIVITY DESCRIPTION SHEETS

The supplier shall provide Local Activity Description Sheets for any Local Industry Activity work packages awarded to an Australia Company using the template provided by Naval Group.

APPENDIX 4: AIC PLAN MILESTONES, EXECUTION AND MONITORING STATEMENT

The supplier shall provide their AIC Plan milestones and associated evidence that will be supplied to Naval Group to substantiate achievement against the suppliers AIC Plan for the first phase of the contract, using the template provided by Naval Group.

APPENDIX 5: COMPLIANCE MATRIX

The supplier should include in their AIC Plan a compliance matrix against these Guidelines to demonstrate coherence to the AIC Plan requirements.

APPENDIX 6: PUBLIC AIC PLAN

The supplier shall provide a public version of their AIC Plan, using the template published on the Naval Group Australia website.

Definitions

GENERIC DEFINITIONS

Term	Definition
Australian Industry	Is a collective term to describe Australian entities that are registered with an Australian Business Number (ABN), where the work is performed in Australia with Australian based employees. This includes Australian based subsidiaries of overseas companies/primes/original equipment manufacturers who are registered in Australia with an ABN and New Zealand entities where the work is performed in New Zealand with New Zealand based employees consistent with the Commonwealth's obligations under the Closer Economic Relationship agreement.
AIC Options	The suppliers AIC Option(s) are potential alternative approaches to that outlined in their baseline approach. The options are an alternative for doing more or less work in Australia and include the associated analysis of cost, quality, risk and schedule for that option.
Baseline AIC Approach	Suppliers baseline AIC approach, is their primary and proposed approach to contributing to the achievement of the FSP Objectives. This is the basis for their AIC Plan and relates to the approach that will be implemented if the AIC Plan is approved.
Engineering Design Authority	An organisation / individual with sufficient competency and authority to make engineering decisions and advise on the risk to technical integrity, particularly with respect to design changes, design certification and judgement of significance.
GST	Has the meaning given to it in <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
Imported Content	Is defined as the value of any supply, work or service which is either imported from or is undertaken/performed overseas (a country other than Australia or New Zealand).
Indigenous Enterprise	Is an organisation that is 50 percent or more Indigenous Australian owned that is operating as a business. Supply Nation is a membership body that validates and promotes Indigenous Australian enterprises.
Local Industry Activity (LIA)	Is defined as Australian industrial base work performed in Australia in support of the Future Submarine Program design, build or sustainment activities. LIAs directly create, enhance or maintain defence capability and are performed by Australian industry.
Local Industry Activity Value (LIA Value)	Is the dollar value (GST exclusive) of the LIA.
Local Overheads Value	Represents the dollar value (GST exclusive) of expenditure on custom duties, insurances, bank fees, software, computer and office supplies, infrastructure, corporate overheads and indirect goods and services within Australia. Any local expenditure that does not fall within the Local Industry Activity Value is classified as Local Overheads Value. This excludes any Imported Content.
RFx	Is a term used to define an approach to the market where RF means Request For and x is a placeholder to be replaced with (I) Information, (P) Proposal, (Q) Quotation or (T) Tender as applicable.

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Term	Definition
Sub-Capability	A sub-capability is a subset of the master level capabilities defined by Naval Group. This allows the supplier to more discretely describe the capabilities proposed to be developed, recipients and associated components, whilst being consistent with the Naval Group Transfer of Capability program definitions and language.
Small to Medium Enterprise (SME)	Is a company with fewer than 200 full-time employees.
Transfer of Capability Recipient	A transfer of capability recipient is the Australian Company receiving the technical know-how, know-why and associated Components to develop the defined capability.

TRANSFER OF CAPABILITY: CAPABILITY AND RECIPIENT DEFINITIONS

Capability	Sub-capability	Definition / objective	Recipient
Capability to Design	To be defined by supplier (There may be more than 1 sub-capability)	To be defined by supplier	To be defined by supplier
Capability to Build	To be defined by supplier (There may be more than 1 sub-capability) <i>e.g Capability to perform final assembly, capability to perform final test & qualification, capability to perform end-to end manufacturing of xyz</i>	To be defined by supplier	To be defined by supplier
Capability to Operate	/	To be able to operate the FSM, including Organisational level of Maintenance (OLM) To be able to regenerate FSM crew skills	Royal Australian Navy
Capability to sustain	Upkeep	To be able to conduct OLM, Intermediate Level of Maintenance (ILM) and Depot Level of Maintenance (DLM) To be able to conduct Manufacturer Level of Maintenance (MLM) To be able to provide spare parts To be able to provide services to support the sustainment of the FSM To be able to carry out upkeep design activities (including ILS design activities)	To be defined by supplier
	Update	To be able to address emerging obsolescence and supportability issues To be able to carry our update design activities (including ILS design activities)	To be defined by supplier

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Capability	Sub-capability	Definition / objective	Recipient
	Upgrade	To be able to implement upgrades (changing design to enhance capability) To be able to carry upgrades design activities (including design activities)	To be defined by supplier

TRANSFER OF CAPABILITY: COMPONENTS

Component	Description
Skills Development	This component is divided by three sub-components as follow. <u>Skills Requirements:</u> the skills required to perform the transfer of capability and the number of people to be trained. <u>Training:</u> <ul style="list-style-type: none"> • Theoretical: Classroom lectures; • Practical: Practical classroom exercises and practical work in workshops on dedicated materials; and • On the Job Training (OJT): This involves the direct involvement of trainees on a submarine job. <u>Regenerate Skills:</u> to be able to regenerate skills for industry or a navy.
Tools	The tools required to be transferred to achieve the capability objectives (examples: test benches). It also includes IT Tools if necessary.
Data	The technical data packages required to be transferred to achieve the establishment and regeneration of capability.
Technical Assistance	Technical Assistance required to achieve the establishment and regeneration of the capability
Oversight	Oversight of the Transfer of Capability recipient(s), to ensure complete, effective and consistent implementation of the principles, recommendations, and standards specified by the Transfer of Capability Program owner.
Infrastructure	The infrastructure required to support establishment of the capability
Intellectual Property	IP required to be transferred to achieve the establishment and regeneration of the capability, as well as, support the sovereignty objectives of the FSP