

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 (CoA) with enduring control over the operation and sustainment of the Future Submarine (FSM).

The FSP has the following strategic objectives (FSP Objectives):

- To deliver a regionally superior submarine capability that provides the CoA with enduring sovereign control over FSM operation and sustainment
- To address Australian regulatory safety and environmental obligations in the submarine design and through developing a sound Mission System Seaworthiness Case
- To deliver an affordable Future Submarine capability within the agreed timeframe and with the knowledge and skills to understand and control sustainment cost drivers for the life of the class
- To maximise Australian industry involvement through all phases of the FSP without unduly compromising capability, cost and schedule.

The Commonwealth of Australia 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 Plan¹ (s1.15 -1.17) provides further information on the intent and meaning of sovereignty.

Suppliers Contributing to FSP Objectives

Through their individual commitments to maximising Australian Industry Capability (AIC) and achieving sovereign control, suppliers will be key contributors to the achievement of the FSP Objectives and to the success of the Program.

Suppliers' AIC intent and, eventually, commitment are sought and managed (where specified by the procurement process) through the drafting, submission, iteration, agreement and implementation of an AIC Plan. Suppliers' AIC Plans outline their strategies and plans to meet or contribute to relevant FSP Objectives, specifically:

- [To] Provide the CoA with enduring sovereign control over FSM operation and sustainment
- To maximise Australian industry involvement through all phases of the FSP without unduly compromising capability, cost and schedule.

AIC Plans will support this by defining what opportunities will be provided to Australian Industry, what capabilities will be developed, enhanced, maintained and sustained in Australia and how. As an articulation of suppliers' commitment and intended contribution to the relevant FSP Objectives, AIC Plans are evaluated as part of the procurement process.

Given one of the FSP objectives is to create a sovereign capability to operate and sustain the Future Submarines, a supplier AIC Plan must cover the lifecycle of the equipment, including, design, build, operation and sustainment. The AIC Plan 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. It must be updated to address any material change in contract scope.

¹ <http://www.defence.gov.au/SPI/Industry/CapabilityPlan/Docs/DefenceIndustrialCapabilityPlan-web.pdf>

Suppliers' AIC Plans

Suppliers' AIC Plans will vary in terms of level of detail provided, depending on:

- The potential scope of supply the Plan is related to, the expected value of the contract(s)
- The current stage of the procurement process
- The impact the scope of supply has on ensuring a sovereign capability to operate and sustain the FSM
- How Australian the supplier's 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. It is expected, where an Original Equipment Manufacturer (OEM) and an Australian supplier jointly produce an AIC Plan, there will be a clear commitment to the content of the plan from both entities.

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 and after contract signature, public versions of the AIC Plans will be made available to the Australian community and to Australian suppliers seeking opportunities.

The AIC Plan documentation suite, of which these guidelines are a part, includes the templates to be used by suppliers to develop their AIC Plans, and those which support capture of the Australia Industry outcomes for the Program. It is relevant to both Australian and overseas suppliers, although it is acknowledged that sections may demand different content from each.

AIC Plan Documentation Suite

Document Name	Source
AIC Plan Guidelines (This document)	NGA Suppliers Website
NGA AIC Guidance for Suppliers - Preliminary AIC Plan Template	NGA Suppliers Website
NGA AIC Guidance for Suppliers - Draft AIC Plan Template	NGA Suppliers Website
NGA AIC Guidance for Suppliers - Final AIC Plan Template	NGA Suppliers Website
Local Industry Activities Schedule Template (due alongside the Final AIC Plan)	Provided to suppliers as part of RFP documentation
LIA Description Sheet Template (due alongside the Final AIC Plan)	NGA AIC Guidance for Suppliers - Final AIC Plan Template
Public AIC Plan Template (due alongside the Final AIC Plan)	NGA AIC Guidance for Suppliers - Final AIC Plan Template
Suppliers' AIC Delivery Report Template (due post-contract signature)	Provided to suppliers post-contract signature

AIC Development process

Naval Group will work with suppliers to iterate their AIC Plans through the procurement process, via the provision of feedback to Preliminary AICPs, Draft AICPs and Final AICPs.

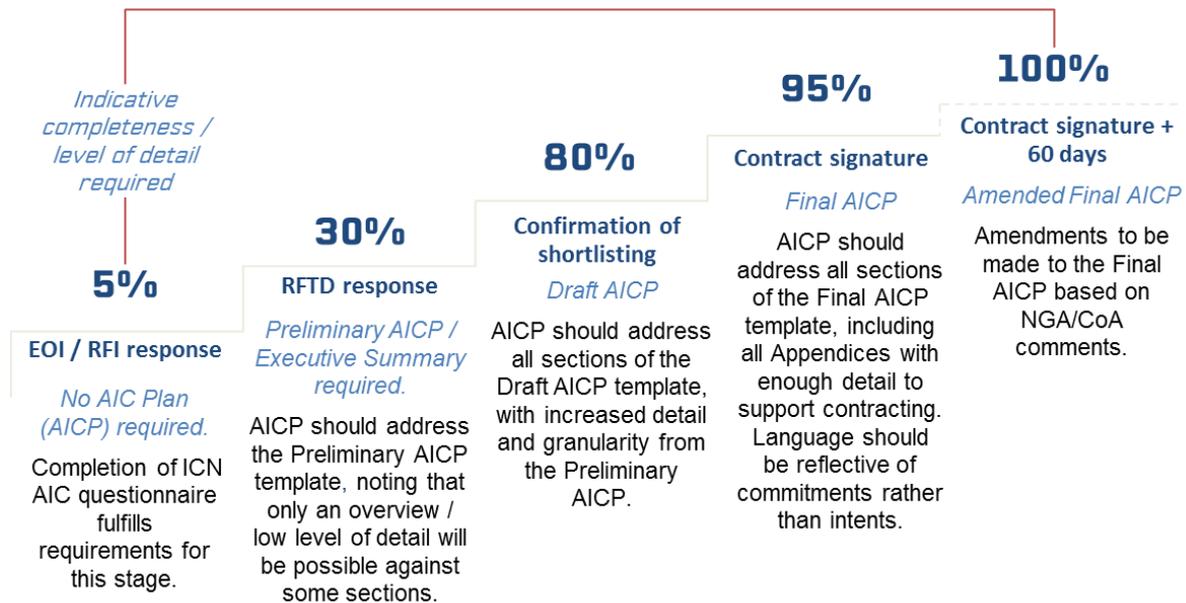


Figure 1: AIC Plan Development Process

AIC Plan Execution and Reporting

Suppliers' have ongoing obligations regarding their AIC Plans and associated documentation after a contract is executed and the AIC Plan is approved by Naval Group. Suppliers are required to:

- Nominate and maintain their key point of contact for AIC Plan execution
- Update their AIC Plan, with appropriate version control, in accordance with the agreed update periodicity
- Update their LIA Description Sheets and LIA Schedule on a quarterly basis to reflect any increase or decrease to the work packages awarded in contract to an Australian Company
- Provide ongoing Australian Contract Expenditure (ACE) achieved information in the format required by Naval Group
- Update their AIC Delivery Report milestones, execution and monitoring statement periodically or as required by Naval Group
- Report on their progress against the AIC Plan by indicating the status of milestones, providing supporting evidence and access for verification of capability audits
- Provide (on a quarterly basis) FSP related FTE information in the format required by Naval Group.

AIC Plan Templates

Templates for Suppliers are available on the NGA Suppliers website. Suppliers should select the template applicable to which Plan they need to develop (i.e. Preliminary, Draft or Final).

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

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.
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).
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.
Sustainment	Is a term used to describe the collective activities of 'upkeep', 'update' and 'upgrade'.
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.