

~~FOR OFFICIAL USE ONLY~~

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

References:

- A. Future Submarine Program – Essential Threshold Commercial Issues – Commitment Deed Poll of 20 July 2016
- B. s47G [REDACTED]
- C. [REDACTED]

The purpose of this letter is to acknowledge the receipt of references A through C and to outline the path forward for the design, construction and test phases for the Australian Future Submarine Program.

Firstly, I wish to acknowledge the unanimous agreement of the board of DCNS on 20 July 2016 to the undertakings in the Commitment Deed Poll on threshold commercial requirements. The agreements reflected in the Commitment Deed Poll, which followed open and productive discussions, establish DCNS as Australia's international partner for the Future Submarine Program.

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.

s47G [REDACTED]

s33 [REDACTED]

~~FOR OFFICIAL USE ONLY~~

~~FOR OFFICIAL USE ONLY~~

2

I anticipate that it will be some time before the Commonwealth and DCNS will be in a position to discuss industrial arrangements; however, as these matters are resolved, it is necessary for us to proceed with the design of the Future Submarine to avoid a capability gap. Over the coming weeks, our teams will have the opportunity to discuss the following milestones that can be established now for planning purposes.

The first would be commencement in October 2016 of the Design and Mobilisation Contract we are mutually developing. This contract will enable the Commonwealth to properly compensate DCNS for the wide range of activities needed to establish a design team equipped with the necessary tools and training to commence design. This contract has been structured with options to allow design work to progress without unnecessary delay following mobilisation activities. Mobilisation activities have been structured to enable us to:

- define the roles and responsibilities of the Commonwealth, DCNS and the Combat System Integrator through a Tripartite Cooperative Agreement before formal design work commences (i.e. from the start of Functional Analysis);
- establish a Strategic Partnering Agreement, which will guide our subsequent contracts for design and construction of the Future Submarine fleet;
- prepare a Design Contract under which the design of the Future Submarine could continue;
- prepare for ongoing design work including the development of technical strategies and plans under which design would continue, along with design and technology studies;
- initiate planning for land-based test and construction facilities, and workforce training; and
- develop and start the execution of an Australia Industry Capability Development Plan.

We are pursuing parallel work with French authorities to allow mobilisation and design work to proceed under appropriate Government-to-Government arrangements. These will progress towards a treaty-level framework arrangement to be in place ahead of the start of Functional Analysis for the Future Submarine.

The Commonwealth intends to transition, as soon as possible, from the Design and Mobilization Contract to a not-to-exceed Design Contract coupled with the Strategic Partnering Agreement, enabling us to progress the design of the Future Submarine with the Combat System Integrator. The Design Contract will include the completion of feasibility study, definition design, and basic design ("C1"), with the option to continue into detailed design ("C2").

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

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] chart the course of the partnership that the Commonwealth seeks with DCNS for the development and delivery of the Future Submarine fleet. They are consistent

~~FOR OFFICIAL USE ONLY~~

~~FOR OFFICIAL USE ONLY~~

3

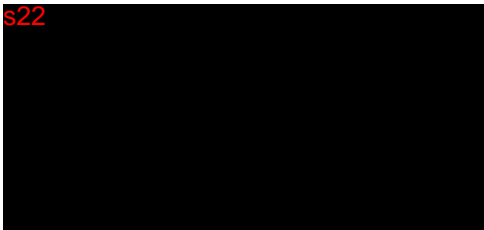
with the discussions we have shared to date, and allow us to best use the time immediately ahead to make valuable progress in this strategically significant program for both Australia and France.

I look forward to an agreement on the Design and Mobilization Contract in October 2016 and extend my gratitude for the efforts of DCNS to work with the Future Submarine Program Office in making all the preparations required to establish our partnership on sound foundations.

Please note that a copy of this correspondence has also been sent to the addressees listed as below.

Yours sincerely

s22



Stephen E. Johnson
General Manager Submarines

Capability Acquisition and Sustainment Group
Department of Defence
PO Box 7904
Canberra BC ACT 2610
Australia
+61 2 6265 3148
stephen.johnson8@defence.gov.au

09 September 2016

Copy:

Senator the Hon Marise Payne, Minister for Defence
The Hon Christopher Pyne MP, Minister for Defence Industry
Mr Dennis Richardson, Department of Defence Secretary
Air Chief Marshal Mark Binskin, AC, Chief of the Defence Force
Vice Admiral Ray Griggs, AO, CSC, RAN, Vice Chief of the Defence Force
Vice Admiral Tim Barrett, AO CSC, RAN, Chief of Navy
Mr Kim Gillis, Deputy Secretary Capability Acquisition and Sustainment Group

~~FOR OFFICIAL USE ONLY~~