AUSTRALIAN INDUSTRY capability (core)

*Draft COC reference: clause 4*

*Attachment F to the draft Contract*

*Draft SOW reference: clause 10*

Note to drafters: If the expected value of any resultant Contract is less than $20 million, drafters should refer to the ASDEFCON (Support Short) for example AIC requirements. For guidance, refer to the web links below and the AIC Guide for ASDEFCON. For advice, particularly for direct source / limited tenders, consult the AIC Directorate: [aic.delivery@defence.gov.au](mailto:aic.delivery@defence.gov.au).

Note to tenderers: Tenderers should familiarise themselves with the 2019 Defence Policy for Industry Participation, the 2024 Defence Industry Development Strategy, and the Australian Industry Capability (AIC) Program and guidance available at:

* <https://www.defence.gov.au/business-industry>;
* <https://www.defence.gov.au/business-industry/industry-programs/defence-policy-industry-participation>;
* <https://www.defence.gov.au/about/strategic-planning/defence-industry-development-strategy>; and
* <https://www.defence.gov.au/business-industry/export/strategy>.

Tender responses are to describe the proposed AIC commitments for any resultant Contract and, subject to negotiations, elements of the successful tenderer’s proposal will be incorporated into:

* Attachment B – Price and Payments;
* Attachment F – Australian Industry Capability (as AIC Obligations); and
* Attachment K – Draft Data Items (as the basis for an AIC Plan).

The preferred tenderer’s AIC proposal will be discussed further during Offer Definition and Improvement Activities (ODIA), if conducted, and/or contract negotiations.

An AIC Plan is NOT required to be tendered. The AIC Plan for any resultant Contract (including a Public AIC Plan) is to be derived from the successful tenders proposal and any negotiated changes.

1. AUSTRALIAN INDUSTRY CAPABILITY PLANning and Business Case (CORE)

Note to tenderers: If the tenderer / proposed Approved Subcontractors are overseas entities, the response to this requirement should describe how the tenderer / proposed Approved Subcontractors intend to work with Australian Industry to satisfy AIC Obligations in Attachment F and achieve the AIC Objectives in the draft Conditions of Contract. If the tenderer / proposed Approved Subcontractors are Australian Entities, the response should describe how they will satisfy the AIC Obligations and achieve the AIC Objectives within their organisations and more broadly with Australian Industry.

When past performance is relevant, tenderers should cross-refer to their response to TDR A-2.

Note to drafters: If the ‘Commonwealth requirements for supply chain implementation and development’ clause is included in the draft SOW, consider if additional requirements should be included in clauses 1.1 and/or 1.5.

* 1. For the tenderer and separately for each proposed Approved Subcontractor that was identified in response to TDR A‑3 (Schedule of Proposed Subcontractors) in relation to the Australian Industry Capability (AIC) program, tenderers are to provide, for any resultant Contract:
     1. a brief description of the work to be undertaken in Australia or New Zealand, including:
        1. the Services to be provided and any other outcomes to be achieved;
        2. interrelationships with any work being performed overseas as part of the Services; and
        3. when applicable, a description of how the work contributes to sovereignty;
     2. the identification of each proposed Approved Subcontractor that will be considered as an AIC Subcontractor in accordance with in clause 11.9 of the draft COC, and the reason for this identification;
     3. a description of how the work contributes to the creation, enhancement or maintenance of Industrial Capabilities in Australia or New Zealand, including in relation to Australian Industry Activities (AIAs) specified in Attachment F (cross-referencing, as applicable, to the tenderer’s response to TDR G-2);
     4. identification of any other proposed work or outcomes that the tenderer proposes should be treated as an AIA (and included in in Attachment F of any resultant Contract);
     5. a statement referring to how any AIAs identified as ‘other requirements’ in draft Attachment F, will be achieved; and

Note to drafters: Include the following clause if a defined R&D activity, linked to AIC, is included in draft Contract; otherwise delete.

* + 1. for any R&D activities requested by the Commonwealth within the draft Contract (in draft DSD-ENG-SERV), a description of how that R&D program would be integrated into the AIC proposal.

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| --- |
| Option: Include this clause and Table G‑1 as required.   * 1. Tenderers are to provide a table, in the format of Table G‑1 below, which identifies those elements of the required Services for which a provider (including suppliers of goods) has not yet been finalised, and which may represent opportunities for Australian Industry. |

* 1. Tenderers are to complete an Australian Industry Capability Schedule in accordance with the Australian Industry Capability Schedule Response Format at Table G-2 below.

Note to tenderers: Defence encourages contractors located in Australia to maximise the use of ‘local businesses’ (particularly in regional and remote areas), including through subcontracting processes that offer opportunities for competitive businesses located or operating in the area of a Defence base. In response to clause 1.4, the tenderer is to define ‘local business’ in terms of criteria, which may include a range from a Defence base, or an identifiable region within which a company resides or has a major presence. The criteria may vary by location or the type of work. Subject to negotiations, the definition of ‘local business’ will be added to the Glossary of any resultant Contract.

* 1. Tenderers are to propose a definition of ‘local business’, and provide a rationale for that definition in the context of the outcomes being sought by the *Defence Policy for Industry Participation*.

Note to tenderers: The response to paragraph 1.5 should be specific and targeted, not marketing material. As a guide, the response should be approximately 10 pages (excluding any graphics), unless there is a large number of SMEs and local businesses identified.

* 1. In the context of the response to paragraphs 1.1 – 1.4, tenderers are to provide a business case to explain how their offer achieves AIC Objectives while satisfying the other requirements of the draft Contract, including by:
     1. describing how the tenderer has scanned and engaged with Australian Industry to select Australian Entities to contribute to the draft SOW requirements, and identify which Australian Entities in the AIC Schedule would be new members of their supply chain;
     2. identifying any specific commitments (and any limitations on those commitments) that the tenderer and/or proposed Approved Subcontractors have made, or will make if the tender is successful, that will enhance (eg, by technology transfer or training) the Industrial Capabilities of individual Australian Entities in relation to the draft SOW’s requirements;
     3. identifying, for each Small to Medium Enterprise (SME) and local business that the tenderer and/or a proposed Approved Subcontractor has committed to engage for any resultant Contract:
        1. the name and ACN/ABN (or NZCN/NZBN) of the SME or local business;
        2. the nature and scope of the work to be undertaken by the SME or local business, and the benefits that this offers to the AIC program and AIC Objectives; and
        3. if the tenderer and/or a proposed Approved Subcontractor will provide assistance to the SME or local business, a brief description of the proposed assistance; and
     4. describing any commitments that have been or will be implemented for any resultant Contract, to engage and employ veterans (previous members of the Australian Defence Force), including through proposed Subcontractors that employ veterans.

1. DEFENCE-REQUIRED AUSTRALIAN INDUSTRIAL CAPABILITIES (OPTIONAL)

Note to drafters: If DRAICs have been included in Attachment F, refer to the AIC Guide for ASDEFCON for tender requirements. Otherwise, annotate the heading above with ‘Not used’.

1. Australian Contract Expenditure Measurement (CORE)

Note to tenderers: Refer to Attachment B to the draft Contract for the ACE percentage formula. An ACE amount, in dollars, is to be provided in response to TDR D-4. An ACE percentage of the Defined Contract Value (refer to the draft Glossary), requested below, will be included in the AIC Plan and Public AIC Plan of any resulting Contract.

* 1. Tenderers are to provide estimated Australian Contract Expenditure (ACE) percentages for the Defined Contract Value and, separately, for each of its component elements (ie, payment types) for the Initial Term of any resultant Contract.

Note to drafters: If the Recurring Services Fees for the Contract are expected to exceed A$20 million per annum, Prescribed ACE Percentages will be included at Attachment F. Refer to the AIC Guide for ASDEFCON for the optional clauses that are to be included here.

1. OPPORTUNITIES TO ENHANCE AIC (Optional)

Note to drafters: This requirement can apply to contracts with sufficient scope of work such that it may be possible to identify opportunities to enhance AIC (eg, new Industrial Capabilities). If not required, delete the clauses below and annotate the heading as ‘Not used’.

Note to tenderers: The Commonwealth seeks realistic opportunities to enhance the AIC program and achieve AIC Objectives, without unduly affecting the Total Cost of Ownership (TCO). The response to this requirement should not include any opportunities from Table G‑1 (being part of the baseline offer). Responses do not need to be submitted as alternative proposals under clause 2.15 of the COT, but will be considered as part of the tender evaluation process.

The Commonwealth reserves the right to use opportunities proposed by any tenderer for any resultant Contract and, more generally, for the purposes of the Commonwealth.

* 1. Tenderers may propose opportunities that would improve their offer from an AIC perspective, but which were not included in their baseline proposal due to the implications for other aspects of their offer (eg, cost, schedule, or Capability), by including for each proposed opportunity:
     1. a description of the nature and scope of the opportunity, including:
        1. the envisaged outcomes, including opportunities for Australian Industry under any resultant Contract; new or enhanced Industrial Capabilities, or other benefits relating to Sovereignty or Defence capabilities, and/or other AIC Objectives;
        2. if related to R&D; the nature and scope of the R&D activity, the specific benefits to Australian Industry and Defence if pursued under any resultant Contract, the parties that would be involved, and the significant assumptions, constraints (including any IP constraints), and any security or export control implications; and
        3. the rationale for not including the opportunity in the tenderer’s baseline proposal;
     2. identification of the beneficiaries, which may be the tenderer, a proposed Subcontractor (eg, a local SME working to an overseas OEM), the Commonwealth, or a third party;
     3. a brief description of the scope of work to implement the opportunity, including:
        1. identifying the parties that would be involved, any significant new resources required, and the potential location(s) where the opportunity could be implemented; and
        2. outlining an implementation schedule, including any linkages to Milestones; and
     4. identification of significant risks related to implementation and longer-term sustainability.

Note to drafters: This table is optional and should be deleted (replaced with ‘Not used’) if TDR G-1.2 is not used.

Table G‑: Opportunities for Australian Industry

|  |  |  |
| --- | --- | --- |
| CWBS Level 3 Element  a. | Description of the goods / services for which the source of supply is still to be determined / finalised  b. | Opportunities for the participation of Australian Industry  c. |
|  |  |  |
|  |  |  |
|  |  |  |

Notes for Table G‑1:

1. CWBS Level 3 Element: Where TDR E‑1 (Contract Work Breakdown Structure and Dictionary) is included in the tender, each Contract Work Breakdown Structure (CWBS) level 3 element number from the CWBS in the tendered response; otherwise, each applicable item number (to an equivalent level) from the Recurring Service Fee tables prepared in response to TDR D.
2. Description of the goods / services: Whether there are any goods or services under the CWBS (or equivalent) element for which a provider is still to be determined. If this is not the case (eg, because all of the work is planned to be conducted by the tenderer or under an existing subcontracting arrangement), tenderers are to insert the words “No providers of Services still to be determined” (and insert the words “Not Applicable” in column (c)). If there are open opportunities, tenderers are to provide a description of the specific goods and services for which the provider is still to be determined / finalised. This description is to include any goods and/or services that the Contractor will be acquiring through a proposed Approved Subcontractor, where the proposed Approved Subcontractor has not yet determined or finalised the source of supply for any elements (or parts thereof) that it will be providing to the Contractor.
3. Opportunities for the participation: In relation to those CWBS (or equivalent) elements that the tenderer has identified that the source of supply is still to be determined / finalised, whether or not the tenderer considers that one or more opportunities exist for Australian Industry in relation to those goods and/or services. If this is not the case, tenderers are to insert the words “No opportunities for Australian Industry” and include a brief justification for this assessment. If this is the case, tenderers are to identify the Australian Entities (by name and ABN/NZBN) that have been identified by the Contractor as potentially suitable (if any), including a brief description of the goods and/or services that those entities offer.

Note to tenderers: The preferred tenderer’s response, any negotiated adjustments, and updates from pre-contract activities to engage proposed Approved Subcontractors and other Subcontractors, is to be transferred to the AIC Schedule within the AIC Plan for any resultant Contract.

Table G-: Australian Industry Capability Schedule

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Item Number | Scope of Work to be conducted in Australia or New Zealand and/or by each Australian Entity | Company or Entity Name | ACN/NZCN (if applicable) | Location | SME (yes/no) | Local Business (yes/no) | Veterans (yes/no) |
| a. | b. | c. | d. | e. | f. | g. | h. |
|  | 1. [… cross-refer to response to TDR G-1.1 …] | 1. […Contractor name…] |  |  |  |  |  |
|  | 1. [… cross-refer to response to TDR G-1.1 …] | 1. […Approved Subcontractor A…] |  |  |  |  |  |
|  |  | 1. [… Entity C (Subcontractor to Approved Subcontractor A)…] |  |  |  |  |  |
|  |  |  |  |  |  |  |  |

Notes for Table G-2:

1. Item number: To uniquely identify each line in the table.
2. Scope of Work: A brief description (eg, 2-3 bullet points) of the scope of work to be performed in Australia or New Zealand by each Australian Entity, including the approximate timing(s) / timeframes when the work will be undertaken and, if applicable, cross-references to DRAICs and other AIAs. For the tenderer and each proposed Approved Subcontractor, cross-refer to the descriptions of work scope provided in response to TDR G‑1.1a. If a particular Subcontractor, which is not an Australian Entity, is not performing any work in Australia or New Zealand, enter ‘Nil’ in this cell.
3. Company or Entity Name: The name of the company, or other entity, if known. If not, insert “To be determined” where the tenderer expects to subcontract that element of the work, but no subcontractor has yet been identified.
4. ACN/NZCN: If applicable, the Australian Company Number or New Zealand Company Number.
5. Location: The location(s), including post code(s), where the majority of work is to be performed. For the tenderer and proposed Approved Subcontractors, the information should be consistent with the information provided in response to TDR E‑1 and TDR A‑3.
6. SME: Is the organisation a Small-to-Medium Enterprise (yes/no)?
7. Local Business: Is the organisation a Local Business (yes/no)?
8. Veterans: Has the organisation signed the Veterans Employment Commitment (yes/no)? (refer: [veteransemployment.gov.au](https://www.veteransemployment.gov.au/))