

Our Reference: HCFP/ASCS/2020/584

HUNTER CLASS FRIGATE PROGRAM

Design and Productionisation Public AIC Plan

Company Details

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Executive Summary

In December 2018 the Australian Government (the Commonwealth) awarded BAE Systems Australia's new subsidiary ASC Shipbuilding a contract providing the framework for the design and build of nine next-generation anti-submarine warfare frigates for the Royal Australian Navy. With a 30-year life span, the Hunter Class Frigate Program (HCFP) is a significant opportunity to advance Australia's sovereign shipbuilding capability and create long-term prospects for Australian industry.

The Hunter class frigates will be based on BAE Systems' UK Type 26 Global Combat Ship design, modified to meet Australian requirements, and will be built at Osborne Naval Shipyard in South Australia.

ASC Shipbuilding, a subsidiary of BAE Systems Australia, will be the Commonwealth's design and build partner, with the shared vision to create a strong, sustainable and innovative naval shipbuilding industry, and deliver a formidable advantage to the Navy through the development of a sovereign industry base that maximises Australian Industry Capability (AIC) and contributes to a Continuous Naval Shipbuilding (CNS) capability.

ASC Shipbuilding, through BAE Systems Australia, is committed to a long-term, strategic collaboration with the Department of Defence, the Department of Finance, the Royal Australian Navy, CASG and Australian industry in order to deliver a successful Hunter program.

Following the principle of minimum change, where Hunter major equipment's are the same as Type 26, ASC Shipbuilding is seeking AIC Plans from Tier 1 Original Equipment Manufacturers (OEMs) to establish capability and conduct work in Australia for Batch 1. ASC Shipbuilding will continue to work with the Commonwealth to review opportunities to increase AIC as change is identified and through procurement strategies for Batch 2 and 3 and beyond.

Our AIC strategy is to:

- Develop workforce capabilities in design and engineering, combat systems, program management, production and supply chain management
- Maximise opportunities for Australian suppliers through contracts for supply and initiatives to nurture and grow small-to-medium sized businesses
- Transfer technology, know-how and intellectual property from the UK to Australia
- Invest in infrastructure and early careers programs in Australia
- Conduct Research and Development (R&D) and develop export prospects to advance longer-term prospects
- Create opportunities for Indigenous suppliers and Indigenous employment in the defence sector

Scope of Work, Duration and Cost

The Hunter program will transform Australia's shipbuilding industry, and create and sustain more than 5,000 jobs across BAE Systems Australia and the wider Australian defence supply chain over the 30 year-lifespan of the program. The technology, knowledge and processes that will be transferred from the UK to Australia will be a catalyst for further economic growth.

Currently more than 1,000 Australian companies have registered through the online Industry Capability Network (ICN) to compete for work on the Hunter program.

The first phase of the Hunter program’s Head Contract is known as the ‘*Design and Productionisation*’ (D&P) phase. During the D&P phase we will communicate further details of the Hunter program’s AIC strategy.

The D&P Contract is phase one of the program, with an expected duration of four years during the 30-year program.

Work Packages that Relate to an Industry Requirement

The D&P Activities that relate to Industry Requirements for Hunter include:

- Design and Engineering: maturing the Hunter class frigate design and commencing the transition of design authority to Australia
- Combat Systems & Systems Integration: establishing the combat systems Integrated Project Team and conducting design trade studies with suppliers to meet Australian requirements
- Program Management: mobilising the Hunter program organisation, conducting planning and developing management processes for the Head Contract, establishing the Information Technology architecture and office facilities in Adelaide for the growing workforce.
- Shipbuilding & Production: preparation and conduct of prototyping activities including testing and validation of systems, design and production processes and infrastructure at the shipyard. Planning and preparation for commencement of the build phase
- Supply Chain Management: market testing Australian industry and developing our supply chain

The Local Industry Activities undertaken during D&P contribute to the continuous shipbuilding program as a Sovereign Industrial Capability Priority (SICP) and provides the foundation to support other SICP through the Acquisition program.

The Scope of Work Subcontracted to Australian Industry

The value of the four-year D&P Contract awarded to ASC Shipbuilding is AUD \$2,258 million including GST as issued under Contract Notice [CN3576603](#). The portion representing Australian Contract Expenditure for D&P is currently estimated (prior to all subcontracts being finalised) at AUD \$1,263 million including GST. The Australian expenditure value has potential to grow as the program progresses and opportunities for greater Australian industry participation increase.

To date the following subcontracts have been placed with Australian industry.

Supplier	Current scope	Location
SAAB Australia	Contracted partner for Combat Systems Integration – provision of Labour services to support preliminary Australian Interface activities (non design related)	Mawson Lakes, SA
Lockheed Martin Australia	Contracted partner for Combat Systems Integration – provision of Labour services	Mawson Lakes, SA
Thales Australia	Undertake taskings as a member of Team Anti-Submarine Warfare (ASW). These tasks support activities as part of the ASW working groups with the CoA.	North Ryde, NSW
Rhode & Schwarz (Australia)	On-site labour services working within the Communications team	North Ryde, NSW

	as the Reference Ship Design Communications supplier. Minor tasking to address the impact of Australianisation/other systems that differ from the reference ship design.	
Ultra (Australia)	Undertake taskings as a member of Team Anti-Submarine Warfare (ASW). These tasks support activities as part of the ASW working groups with the CoA.	Mawson Lakes, SA
Boeing Australia	Undertake taskings as a member of Team Anti-Submarine Warfare (ASW). These tasks support activities as part of the ASW working groups with the CoA.	Brisbane, QLD
Taylor Bros	Engineering support for ship outfit design	Derwent Park, TAS
Rolls-Royce Australia	Power & Propulsion SME support to Platform Engineering	Macquarie Park, NSW

The shipyard is based in South Australia, however businesses from around Australia are encouraged to register on ICN to compete for work on the Hunter program, which is a truly national endeavour.

Scope of Training and Initiatives Offered to Australian Industry

We will identify opportunities to develop a program of training initiatives to support Australian Industry. This will be delivered in partnership with other stakeholders including the Commonwealth, state governments, industry associations and education providers. Initiatives includes:

- Attendance at trade shows and exhibitions
- Industry briefings
- Startup and incubator programs, particularly for Indigenous businesses

Scope of Future Work Opportunities

The growth of AIC and the development of a CNS enterprise are closely interconnected. Increases in AIC in the Hunter program will raise the industry's ability to compete for and win domestic and international maritime work. This increased demand will generate long-term investment and the development of a sustainable and leading-edge sovereign naval shipbuilding industry.

We are working with the Commonwealth to prioritise development of the supply chain in line with the strategic policy and direction which they set.

We are growing AIC and developing a clear road-map for Australian industry that can be followed through the design-prototype, shipbuilding and sustainment phases of the Hunter program. Our ultimate aim is to produce sovereign capability, export opportunities and a vibrant technical support network for the Hunter Class Frigates.

Major Equipment Systems or Services

To maximise AIC and opportunities for domestic suppliers during the D&P phase, there are a number of underpinning threads:

- Transfer of technology, IP, knowledge and work from BAE Systems UK to ASC Shipbuilding, leveraging the live Type 26 program underway in the UK, in order to establish capability in Australia in a timely manner to support the Hunter program schedule

ASC SHIPBUILDING

- The UK Type 26 Program has already conducted a global competition to secure the current Tier 1 supply chain. We are working with the Tier 1 OEMs to engage with Australian industry and develop AIC plans for establishing capability and performing work in Australia during the batch 1 contract.
- For smaller categories of procurement and provision of services, ASC Shipbuilding will utilise Australian Small to Medium Enterprises (SMEs). ASC Shipbuilding will also work with Australian SMEs to consider opportunities where they may be able to meet OEM supply chain requirements
- Leveraging our existing, proven Australian supply chain of 1,600 companies, many of which supply our maritime sustainment programs and shipyard operations. We can also facilitate the introduction of new suppliers
- Take advantage of ongoing opportunities for Australian industry through project changes, for instance through obsolescence, innovation in production or new technologies/capabilities, and synergies with other projects and adjacent industries
- Identify supply chain development needs that would be a barrier to achieving our outcomes and act to remove such barriers, e.g. business improvement, opportunities for growing Indigenous businesses, gaps in technical capability and capacity, and opportunities created through Industry 4.0 implementation. We are looking towards organisation such as the Centre for Defence Industry Capability (CDIC) to support the growth of Australian businesses and facilitate opportunities for small-medium sized businesses to move up the supply chain.
- Promote Australian exports through BAE Systems Australia's Global Access Program (GAP) and through direct exports of ship building and design capability

Opportunities for Australian suppliers currently expected during the D&P phase include:

- Professional services including Project Management, Engineering and Integrated Logistics Support (ILS)
- Engineering trade studies
- Supply of materials to be used in construction of prototype blocks, including structural steel plate, electrical boxes, insulation, cabling, paint, fasteners, access panels and consumables
- Long lead items required for the build phases

Opportunities for Australian Industry to be involved in New Innovations, Research and Development

ASC Shipbuilding is mobilising an innovation framework to deliver our Research and Technology (R&T) program, including collaborative research with academia and the research sector in support of Hunter R&T, and challenge-based innovations to encourage solutions from the supply chain.

Further information and opportunities to be involved in these activities will be advertised via the ICN.

Indigenous Opportunities

We are continuing to pursue opportunities to maximise the benefits for First Nation Australians. The Indigenous Defence and Infrastructure Consortium (IDIC), Supply Nation and other Indigenous organisations will continue to be engaged to identify and develop Indigenous supplier opportunities in-line with the Commonwealth's Indigenous Procurement Policy (IPP). This will be underpinned by incubator opportunities and partnerships with industry, education providers and government.

Future Opportunities and Industry Engagement

Indicative Timeframes for Engagement of Subcontractors

The two key milestones during the D&P phase are the commencement of prototyping in 2020 and cut steel on the first Hunter class frigate in 2022. Many other significant opportunities for Australian suppliers to

participate in the Hunter program will be created during the D&P phase. We are continuing to engage with industry and market testing throughout the D&P phase.

Evaluation of Australian Industry Suppliers and Subcontractor Selection

We continue to engage with and contract suppliers from across Australia, however, some services will be required to be delivered primarily in South Australia. The criteria used by ASC Shipbuilding for the selection and evaluation of approved suppliers include price and value for money, AIC, capacity, quality and commercial compliance.

Advertising, Events and Networking Channels

We are promoting opportunities for Australian Industry by:

- Posting all non-export controlled work packages available to Australian Industry on the Industry Capability Network (ICN) e-portal
- Hosting business to business events, with BAE Systems’ GAP, to introduce and promote Australian suppliers to our global maritime and defence operations, international OEMs and their supply networks
- Conducting focused supplier and industry engagement across Australia
- Attending and participating in events hosted by defence industry associations
- Attending supplier events and trade shows, such as EuroNaval, PACIFIC Maritime Conference and Australian Defence Industry Network (AIDN) events
- Establishing a HCFP ‘Supplier Club’, closely networked with the existing Type 26 Supplier Club
- Conducting events in our industry collaboration space in Adelaide.
- Holding innovation and R&T events

A program of planned industry engagements will be published on the ICN Portal. Suppliers are encouraged to review this list as it will be updated on a regular basis. Suppliers can register at any time on the Portal and we welcome the provision of supporting data with your registration.

We are also working closely with the OEMs on the Type 26 Reference Ship Design to continue their industry engagement, assessing local industry capabilities and conducting market testing. Our GAP and Supply Chain organisation will continue to facilitate and support this engagement.

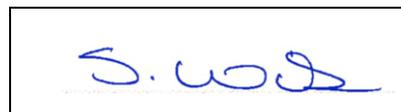
Contact Details

All information for suppliers and updates will be communicated through the ICN. ICN will continue to be used as the vehicle for registering expressions of interest and supporting prequalification activities. Companies should register on ICN BAE Systems and OEM SEA5000 eportal found at: www.icn-sa.org.au.

ASC Shipbuilding point of contact for AIC is:

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Approval



Sharon Wilson
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