

Breakthrough for \$89bn Future Subs contract as Naval, Defence sign 60 per cent agreement

Despite fears in recent weeks the \$89bn Future Submarines contract could be axed, Naval Group and Defence have reached a major breakthrough overnight.

[Claire Bickers](#) Federal Politics Reporter

March 23, 2021 - 9:22AM

At least 60 per cent of the \$89bn Future Submarines contract will be spent in Australia after French company Naval Group and the Defence Department officially locked the promise into the contract overnight.

It comes [a year after Naval Group first made the promise](#), after Australian defence companies voiced concerns they may not get enough work on the lucrative military contract.

Acting Defence Minister Marise Payne said the agreement would maximise Australian industry involvement “in all phases” of the Future Submarines project. Industry had raised concerns over the time it was taking to sign the promise into the contract to build 12 Attack Class submarines in Adelaide.



Naval Group global chief executive Pierre Eric Pommellet visiting Osborne shipyard in February. Picture: Mike Burton

Defence and Naval Group had disagreed over the details but reached a deal last month when Naval Group’s global chief executive [Pierre Eric Pommellet visited Australia](#).

Mr Pommellet today said: “Naval Group is fully committed to supporting the development of Australia’s sovereign submarine capability.”

“I have been very impressed by the existing capacity of Australia’s manufacturing sector, and its enthusiasm for the Attack Class project.”

He added the project would deliver 12 “regionally-superior” submarines specially designed for Australia’s unique conditions.

“It will also create a new and sovereign submarine building industry in Australia,” he said. “Strong local supply chains will ensure that Australia has new self-reliance in this critical defence capability.”



The Future Submarines will replace Australia’s Collins Class fleet. Picture: Supplied

The Australian Industry & Defence Network, which represents local defence companies, said the details of the agreement needed to be made public.

AIDN chief executive Brent Clark said: “The finalisation of the negotiations for the contractual minimum of 60 per cent Australian industry content is applauded.”

“AIDN remains of the view that the details of how AIC is going to be ramped up over the course of the acquisition phase, the plan for transferring IP and technical know-how to Australian companies and how any commercial issues will be addressed to ensure that there are no blockers to ensuring this happens needs to be made public,” he said.



Submarine Architect Sue-Ellen Jahshan moved to Adelaide from Sydney last year. Picture: Roy VanDerVegt

“This is the only way to ensure public and Australian business confidence going forward.”

Naval Group Australia chief executive John Davis said his staff were already working with hundreds of local businesses.

“There will be increasing levels of local content in each of the 12 Attack Class submarines, as we continue working with local businesses to boost Australia’s sovereign capability,” Mr Davis said.

Work will start on the subs in 2023 at the Osborne shipyard.