

RECIPROCAL SECURITY OF SUPPLY ARRANGEMENT
BETWEEN
THE DEPARTMENT OF DEFENSE OF THE UNITED STATES OF
AMERICA
AND
THE DEPARTMENT OF DEFENCE OF AUSTRALIA,
AS REPRESENTED BY
THE DEFENCE MATERIEL ORGANISATION OF AUSTRALIA

CERTIFICATE OF AUTHENTICITY

I hereby certify this copy of the Reciprocal Security of Supply Arrangement between the Department of Defense of the United States of America and the Department of Defence of Australia, as represented by the Defence Material Organisation of Australia is a certified true copy of the original the Reciprocal Security of Supply Arrangement between the Department of Defense of the United States of America and the Department of Defence of Australia, as represented by the Defence Material Organisation of Australia and its signatures. The Office of the Under Secretary of Defense (Acquisition, Technology, and Logistics) International Cooperation/International Negotiation maintains custody of a signed copy of this Arrangement.

Spright Camberough

Wright Yarborough, YA-2
Office of the Under Secretary of
Defense (Acquisition, Technology,
and Logistics)

APR 15 2011

INTRODUCTION

1. This Reciprocal Security of Supply Arrangement (the "Arrangement") between the Department of Defense of the United States of America (U.S. DoD) and the Department of Defence of Australia, as represented by the Defence Materiel Organisation of Australia, hereinafter referred to collectively as the "Participants";
2. Recognizing that this Arrangement sets forth the principles that the Participants intend to follow to provide each other with reciprocal priorities support;
3. Recognizing the Memorandum of Agreement between the Government of Australia and the Government of the United States Concerning Reciprocal Defense Procurement, entered into force April 19, 1995, applies to this Arrangement;
4. Recognizing that this Arrangement is not intended to be binding under international law;
5. Recognizing the benefits of improving cooperation on security of supply for national defense requirements and that it is in the national interest of both Participants to extend existing cooperation by concluding an Arrangement on security of supply;
6. Noting that among the consequences of globalization and industrial restructuring are the creation of transnational defense companies, possible loss of certain domestic industrial capabilities and capacities, and increasing acceptance of mutual interdependence of supplies needed for approved national defense requirements;
7. Recognizing, in this environment, the value of dialogue, consultation, and agreements and arrangements that facilitate the supply of defense articles and defense services; and,
8. Recognizing that it is desirable that each Participant develop and/or utilize a Priorities System that enables it to provide for preferential treatment of contracts and subcontracts that promote national defense to each other;

Have reached the following understandings:

SECTION 1 - DEFINITIONS

9. For the purposes of this Arrangement, the following definitions will be used:
 - a. Accredited Australian Companies - Companies incorporated under Australian law and accredited under, and participating in, the Code of Conduct.
 - b. Code of Conduct - A system of conduct established in writing between the Defence Materiel Organisation of Australia and its contractors, subcontractors, and suppliers to detail and effect a Priority Support System in Australia for the purposes of this Arrangement.
 - c. Industrial Resources - Materials, services, and facilities, including construction materials, needed to meet approved defense requirements. This term includes any raw, in process, or manufactured material, article, commodity, supply, equipment, component, accessory, part, assembly, or product of any kind, technical information, process, or service. Industrial Resources does not include commercial end items commonly available in the country of the supplier, nor does it include construction or construction material supplied under construction contracts.
 - d. Priority Support System - Procedures under which one Participant, with the assistance of the other Participant, can request a contractor to provide a priority to, including preferential acceptance and performance of, certain contracts (including subcontracts and purchase orders) over other contracts in order to support that Participant's national security and defense requirements. As defined here, a Priority Support System addresses only the Industrial Resources defined above.
 - e. Security of Supply – A nation's ability to ensure a supply of defense products, materials, and services sufficient to discharge its military commitments in accordance with its foreign and security policy requirements.

SECTION 2 - MAJOR PRINCIPLES

10. Security of Supply presupposes, where possible, cooperation and coordination, including the mutual acceptance and support of Industrial Resource requests for priority from either Participant.
11. Complementary, mutual arrangements between the Participants are important to enable each to acquire the Industrial Resources needed to meet urgent and critical defense requirements in a timely, effective, and efficient manner. Such Priority Support Systems are not designed to rectify poor provisioning and should not be used as a substitute for the normal contracting process.
12. Each Participant will provide reciprocal priority support. The Defence Materiel Organisation of Australia will provide reciprocal priority support by utilizing a system based on a Code of Conduct to be signed by Accredited Australian Companies. The U.S. DoD will provide priority support by utilizing its existing Priority Support System based on its national law.
13. If so requested, each Participant will, to the greatest extent practicable and with due regard to its international commitments, immediately consult in a spirit of cooperation with the other Participant in order to enable each to:
 - a. Assign or facilitate the assignment of a priority, through its Priority Support System, to specified defense contracts that are issued by the other Participant, or by contractors, subcontractors, or suppliers working on urgent approved defense program requirement of the other Participant, to suppliers located in its territory;
 - b. Provide assistance, when requested, to seek to resolve problems in order to ensure timely delivery of Industrial Resources under designated priority contracts; and
 - c. On a reciprocal basis, endeavor to enter into Security of Supply agreements or arrangements, as appropriate, with other defense establishments of members of the North Atlantic Treaty Organization, the European Union, and other alliances or organizations to which the Governments of the Participants are members.

SECTION 3 - ACTIONS

Australia

14. In furtherance of the above principles, the Defence Materiel Organisation of Australia, acting within its authorities, will invite specific Australian companies to participate in a Code of Conduct. Pursuant to the Code of Conduct with such Australian companies, the Defence Materiel Organisation of Australia will use its best efforts to ensure that Accredited Australian Companies will do all they can to provide priority support to DoD contracts when requested to do so by the U.S. DoD point of contact identified in Section 4. Priority support will include:

- a. Accepting that a contract they are entering into or are participant in with the U.S. DoD, or with one of its contractors, will, after approval by the point of contact of the Defence Materiel Organisation of Australia, be accepted as a contract falling under the Code of Conduct (these contracts will known as “Code of Conduct contracts”);
- b. Inserting into any subcontract provisions designed to ensure due performance of such a Code of Conduct contract;
- c. Responding in a timely manner to requests of the U.S. DoD, transmitted through the Defence Materiel Organisation of Australia, for amendments to the timing of deliveries provided that the customer is willing to compensate them, as required by the relevant contractual provisions; and
- d. Informing the Participants of priority conflicts between Code of Conduct contracts and other contracts.

15. The Defence Materiel Organisation of Australia will notify the U.S. DoD of the Accredited Australian Companies. The Defence Materiel Organisation of Australia will consult with Accredited Australian Companies, their subcontractors, and suppliers as described below, when requested to do so by the U.S. Deputy Assistant Secretary of Defense (Manufacturing and Industrial Base Policy) and/or the involved Accredited Australian Company. The Defence Materiel Organisation of Australia will use its best efforts to facilitate U.S. DoD requests for priority.

16. In the event that an Accredited Australian Company intends to refuse to provide the priorities support requested by the U.S. DoD, the Defence Materiel Organisation of Australia will, acting within its authorities as detailed in the Code of Conduct, investigate the circumstances surrounding the case. The U.S. DoD will have the opportunity to provide the Defence Materiel Organisation of Australia with details of the case. The Accredited Australian Company will be entitled to respond either in writing or orally. The Defence Materiel Organisation of Australia will take measures necessary to assess/evaluate the circumstances surrounding the case.

- a. If the Defence Materiel Organisation of Australia considers that the Accredited Australian Company has complied with the Code of Conduct, the Defence Materiel

Organisation of Australia will, if requested to do so by the Accredited Australian Company, notify the U.S. DoD. The U.S. DoD will act on that notification as it considers appropriate. The Defence Materiel Organisation of Australia will use its good offices with the U.S. DoD to resolve any remaining difficulties. Participation of the Accredited Australian Company in the Code of Conduct and the benefits received under the system will not be affected.

- b. If the Accredited Australian Company is deemed non-compliant with the Code of Conduct, the Defence Materiel Organisation of Australia will use its good offices to obtain assurance that the Accredited Australian Company will take such steps considered necessary to rectify the situation, and will notify the U.S. DoD. Failure to comply with this request may result in the suspension or termination of the Accredited Australian Company's participation in the Code of Conduct.

17. In the event that an Accredited Australian Company cannot satisfy a request to amend a contract falling under the Code of Conduct without incurring a financial loss, and the relevant customer is unwilling to reimburse it, the Accredited Australian Company may decline the request.

18. The Participants recognize that the U.S. DoD or one of its contractors may require assistance in obtaining priority support from an Australian company that is not participating in the Code of Conduct. In such cases, if so requested by the U.S. DoD, the Defence Materiel Organisation of Australia will request the company join the Code of Conduct, or otherwise provide priority performance for the U.S. defense order.

United States

19. In furtherance of the above principles, and when requested to do so by the Defence Materiel Organisation of Australia's point of contact identified in Section 4, the U.S. DoD will arrange for the Defence Materiel Organisation of Australia, or Australian contractors, subcontractors, or suppliers, to use priority ratings on defense contracts placed with U.S. contractors, subcontractors, and suppliers to provide priority support. Priority will be provided in accordance with the U.S. Defense Priorities and Allocations System (DPAS). The U.S. DPAS:

- a. Establishes priority designations for contracts performed in the United States and provides preference in performance of those contracts;
- b. Defines U.S. industry's responsibilities, setting forth rules to ensure timely delivery of Industrial Resources to meet approved national defense program requirements;
- c. Provides procedures to request assistance if production or delivery problems arise; and
- d. Sets forth compliance procedures.

20. The Office of the Deputy Assistant Secretary of Defense (Manufacturing and Industrial Base Policy) will keep the U.S. defense procurement community informed of all Accredited Australian Companies participating in the Code of Conduct System.

Australia and United States

21. All activities under this Arrangement will be carried out in accordance with the respective national laws and regulations and with any other obligations binding the Participants.

22. The Participants do not intend to place the financial responsibility of implementing this Arrangement in Australia with Australian industry or in the United States with U.S. industry.

23. In fulfilling their commitments under this Arrangement, the Participants recognize that Accredited Australian and U.S. companies may have contracts with other customers, which the Participants do not wish to undermine.

24. Any dispute arising from the interpretation and implementation of this Arrangement, including prioritization of supply, will be resolved by means of consultation between the Participants. Each Participant reserves the right to decide final prioritization requirements within its territory, and the other Participant will give deference to such requirements.

25. Participation in the Code of Conduct System may be offered by Accredited Australian Companies as an indication of their reliability in supplying Industrial Resources to the U.S. DoD and the contractors supplying it. Likewise, U.S. Companies may offer being subject to the U.S. DPAS as an indication of their reliability in supplying Industrial Resources to the Defence Materiel Organisation of Australia and the contractors supplying it.

SECTION 4 – DESIGNATED POINTS OF CONTACT AND REVIEW

Designated Points of Contact

26. Essential to the implementation of this Arrangement and the ability of the Participants to provide priority support to each other when needed is the designation of a point of contact for each Participant. This point of contact serves as the focal point for the implementation and administration of this Arrangement, and is the point of contact to whom all requests for priority support and related issues should be directed for approval.

Australia

- a. Requests for priority support in Australia should be directed to:

Head of Commercial and Industry Programs
Defence Materiel Organisation
BP25-3-107
Brindabella Business Park
Canberra, Australia

United States

- a. Requests for priority support in the United States should be directed to:

The Deputy Assistant Secretary of Defense (Manufacturing and Industrial Base Policy)
Office of Under Secretary of Defense (Acquisition Technology & Logistics)
3330 Defense Pentagon
Washington, DC 20301

- b. Copies of correspondence related to priority support in the United States should be provided to:

Director, Defense Programs Division
Office of Strategic Industries and Economic Security
U.S. Department of Commerce
Room 3876
Washington, DC 20230

27. In the event of any reorganization or reassignment of responsibilities of a point of contact of either Participant, that Participant will notify the other Participant in writing of the new point of contact as soon as practicable. Such notification will not require amendment of this Arrangement.

Australia and United States – Review of Priorities Systems Policies and Procedures

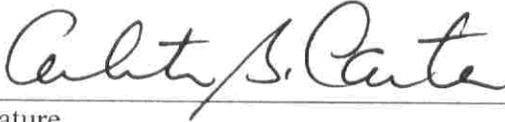
28. Representatives of the Participants will review their established or developing Priority Support System policies and procedures at the request of either Participant, and will adjust them and amend the provisions of this Arrangement, in accordance with paragraph 30. of Section 5 (Effective Date, Revision, Duration, and Termination) of this Arrangement, as feasible and necessary to conform with evolving national Priority Support Systems and to provide Security of Supply.

SECTION 5 - EFFECTIVE DATE, REVISION, DURATION, AND TERMINATION

29. This Arrangement will become effective on the date of the last signature below. Requests for priority support may be made after each of the designated points of contact in Section 4 have acknowledged receipt of notification that the respective internal procedures to effect this Arrangement have been established.
30. This Arrangement may be amended by written consent of the Participants.
31. This Arrangement will remain in effect until either Participant discontinues its participation as set forth below, or until the Memorandum of Agreement between the Government of the Australia and the Government of the United States Concerning Reciprocal Defense Procurement, entered into force April 19, 1995, is no longer in force.
32. If either Participant considers it necessary to discontinue its participation under this Arrangement, it will notify the other Participant in writing. The two Participants will immediately consult to evaluate the consequences of such termination. If satisfactory arrangements cannot be reached on the way forward, this Arrangement will be terminated six months after the date of notification.

Signed in duplicate in the English language.

FOR THE DEPARTMENT OF DEFENSE OF
THE UNITED STATES OF AMERICA



Signature

Dr. Ashton Carter
Name

Under Secretary of Defense
Title

Ft Worth, TX 14 APR 2011
Place and date

FOR THE DEPARTMENT OF
DEFENCE OF AUSTRALIA



Signature

Dr. Stephen Gumley
Name

CEO Defense Materiel Organisation
Title

Ft Worth, TX 14 APR 2011
Place and date