

Hon Martin Hamilton-Smith MP

Minister for Defence Industries

Sunday, 21 May 2017

South Australia calls for clarity and action on National Shipbuilding Plan

The long-awaited National Ship Building Plan which identifies workforce, infrastructure and creation of an industrial ecosystem, does not go far enough and needs to be revised and reinforced with five key actions.

In a formal response to the Plan today Defence Industries Minister Martin Hamilton-Smith says the plan, 'dropped from the sky' last week with no view of draft copies or extracts, should be considered a 'first draft discussion paper' to be revised in the form of a proper plan of action, after thorough consultation.

A revised plan of must set out the following actions:

A Plan for a guaranteed Australian build. The Federal Plan does not tell Australians who will build the naval vessels. Will French Government-owned submarine designer DCNS also get the job of building the subs or will it be an Australian builder like ASC? Will the frigates be built by the successful designer from overseas or an Australian company like ASC or Austal? This decision is critical if we want to own the capability into the future. Pivotal to this is the unanswered question of the future ownership of the ASC business and future ownership of Techport and the shipyard itself. A shipbuilding plan which doesn't provide this answer is not a plan, it is just a PR exercise.

A Plan to deliver 90 per cent Australian industry content. To win the work, DCNS' senior management publicly promised that 90 per cent of all work would be done in Australia, including construction, assembly and supply chain. Federal Defence Industry Minister Christopher Pyne repeated the promise. The Federal Government's plan does not deliver that promise at this point. Contracts with submarine and frigate designers and combat systems providers must require them to deliver the 90 per cent.

Action on Workforce and skills. The Federal promise was that Offshore Patrol Vessels would be built in SA until the frigate work commenced. The plan is silent on OPV construction and bridging the Valley of Death. It is highly likely that more than two OPVs will need to be built in SA to maintain industrial capability and avoid a costly blow out in the Future Frigate program. In any event, given that approximately 70 per cent of spending will be in sustainment in Perth and in Sydney, the build location for all OPVs should be reviewed. The plan discusses the problems of workforce and skills, but does not spell out a plan of action or a solution.

A Plan to genuinely deliver a Sovereign Capability. The Federal Plan does not guarantee Australia's ability to create a sovereign construction, only a sovereign capability to sustain and

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maintain. That's not enough. We need to be able to build, operate, maintain and upgrade our own subs and frigates. This Plan fails to deliver this sovereign capability. Australian shipbuilder Austal was required by the US Government to ensure that its US shipyard comprised 100 per cent US citizens within three years before contracts were written. Overseas workers must be either become residents/citizens or be replaced by Australians within three years of construction commencing. If not, sovereign capability is gone. The Plan is silent on these issues.

A genuine National approach. The Plan pays lip service to a national approach. Minister Pyne has refused to establish cooperative structures such as a ministerial council with state ministers. Instead of cooperation, plans are dropped without notice or engagement and national announcements are made in company with partisan opposition MPs without the courtesy of notifying state governments. Likewise, industry and unions are too frequently left out of the loop. This entire plan will fail unless the Federal Government changes its approach.

Quotes attributable to Minister for Defence Industries Martin Hamilton-Smith

While the Federal Plan is welcome, it is lacking in several key areas including details of Australian content, bridging the construction gap between the Air Warfare Destroyers and Future Frigates and who will build the ships and submarines.

There is a lot at stake. As the Naval Shipbuilding Plan states, by 2026 the industry will require more than 5000 staff in construction activities in South Australia and more 10,000 in sustainment and supply chain opportunities across Australia.

First this plan was not thoroughly consulted with the states, industry or workers and has dropped from the sky. Second the plan is defined not by what it says, but by what it does not say. Thirdly it contains some wishful thinking and optimistic timelines which may pull it apart.

South Australia stands ready to work with the Australian Government to ensure an efficient build of the required infrastructure at Osborne and ensuring creation of the highly-skilled workforce required for future programs in the state. Our advocacy of the last three years has been successful and yes, we have reason to celebrate; but the job is not yet done.

Quotes attributable to the Australian Manufacturing Workers Union (AMWU) Assistant State Secretary Peter Bauer

Urgent action is required by the Federal Government to secure existing expertise, as well as the negotiating of an iron clad obligation on the builder to transfer capability and know how to Australian workers on the projects. The naval ship building plan is of limited use without contracted capability being built into build contracts to ensure every opportunity is given to develop the industry domestically.