



Australian Government
Department of Defence

Greg Moriarty – Secretary of Defence

Opening remarks to Senate Estimates – 26 October 2020

Thank you very much Chair, and thank you for the opportunity to clarify answers previously given to the Senate by the Department of Defence about knowledge of the likely cost of the future submarine program.

Senator Wong has drawn attention to statements by Mr Richardson and Mr Baxter at the 21 October 2015 Senate Estimates Hearing that the cost of the future submarines was \$50 billion in out turned dollars.

That statement on the cost projection was made in the context of an announcement on naval shipbuilding made on the 4 August 2015 by the former Prime Minister Mr Abbott and then Defence Minister, Mr Andrews. Mr Abbott announced at that time that the Government would invest \$89 billion in ships and submarines over the next 20 years. The Government announced at that time that the submarines element of the naval shipbuilding plan would be based on the outcomes of the Competitive Evaluation Process for the future submarines.

At the Estimates Hearing on 21 October officials stated that the outcomes of the Competitive Evaluation Process were still being finalised and no final decisions, including on cost and number of submarines, had been made.

At that time the Future Submarine Competitive Evaluation Process remained underway and the Government was yet to formally consider future submarine fleet size and the build location.

It was only on 30 November 2015 that proposals from participants in the Competitive Evaluation Process were provided to Defence.

Those proposals were for eight submarines and included options (with estimated costs) to build in Australia, or the home country of the participant (France, Germany or Japan), or a hybrid option.

The 2016 Defence White Paper was released in February that year. In that document the Government committed to the acquisition of a fleet of 12 regionally superior submarines.

The Integrated Investment Program released at that time stated an approximate investment in submarines of greater than \$50 billion out turned over the time period 2018-2057.

The provision within the classified Integrated Investment Program at that time was \$78.9 billion. It was not released due to commercial sensitivities (noting the Government was yet to consider the outcomes of the Competitive Evaluation Process and decide the build location).

It is important to note that it was only in the context of finalising the 2016 White Paper Integrated Investment Program that the figure of \$78.9 billion for future submarines was arrived at. That figure was not known in October 2015 when Mr Richardson and Mr Baxter gave evidence to the Estimates Hearing.

The response of the Department of Finance to Senator Gallacher's question has been interpreted to mean that Defence was aware in October 2015 that the out turned cost of the Future Submarine Program was \$78.9 billion. This was not the case. The statement that the cost of the program in October 2015 was \$50 billion out turned predated receipt of proposals from participants in the Competitive Evaluation Process and decisions that 12 submarines would be acquired and that they would be built in Australia.

Thank you Chair.