Submission by the Returned & Services League of Australia (RSL) to The Senate Economics Reference Committee Inquiry into the Future of Australia's Naval Shipbuilding Industry

1 Introduction

1.1 Inquiry Terms of Reference

On 11 October 2016, the Senate referred the following matters to the Senate Economics Reference Committee for inquiry and report: -

(a) The development of contracts relating to naval ship and submarine building;
(b) The design, management and implementation of naval shipbuilding and submarine defence procurement projects in Australia;
(c) The utilisation of local content and supply chains;
(d) The integration of offshore design work and supply chains in Australia;
(e) Opportunities for flow on benefits to local jobs and the economy; and
(f) Any related matters.

1.2 This submission by the RSL responds to the Senate's invitation for organisations with an interest in the subject to participate in its inquiry. Although the remarks are focused on the Future Submarine Project, they are also more broadly applicable to the naval shipbuilding in general, as well.

1.3 The submission by the RSL in February 2006 addressing broader aspects of naval shipbuilding in Australia remains valid. The arguments are still pertinent and the conclusion still sound: -

There is both the scope and the opportunity for Australia to continue to develop a cost effective and efficient naval shipbuilding industry to supply both its own needs and those of friendly and allied nations.

2 Issues for Consideration

2.1 The Development Of Contracts Relating To Naval Ship And Submarine Building

1. An approach, novel to Australian Defence Department practice was the Competitive Evaluation Process [CEP] whereby selected international companies were invited to compete in these CEPs to provide the partner to design and build future ships and submarines for the Royal Australian Navy. The same approach was also adopted for the selection of he Combat System Integrator for the Future Submarines [Project SEA 1000]. In as much, as the CEP seems to be working well with every prospect of delivering good results, the RSL has no comment.

2 Given that Australia's geostrategic circumstances dictate that a submarine with unique characteristics is required then, as with COLLINS, the RAN will be the parent Navy with all the concomitant responsibilities that this entails. Failure to properly comprehend this responsibility is a key lesson to be learned from the COLLINS project. The resulting in service support difficulties that these submarines experienced as highlighted in the Coles Review, are directly attributable to this failure.

3 Another key lesson to be learned from the COLLINS Class acquisition strategy was the imperative to have a very collaborative and co-operative relationship between the project office and the design authority and shipbuilder with well defined and understood roles and responsibilities. This role of Design Authority is vital for the long life of the force of submarines to ensure that the capability of the Force and its effectiveness is sustained

throughout the life of the class. Furthermore, the Design Authority has to be located here in Australia so that there is an indigenous design capability to bear this responsibility.

2.2 The design, management, and implementation of naval shipbuilding and submarine defence procurement projects in Australia

1. Government policy statements, which recognize the importance of a naval ship and submarine building industry as Fundamental Inputs to Capability [FIC] are welcomed, together with the acknowledgement that the hitherto 'stop start process' for ship construction, is inimical to the maintenance of viable and effective capabilities to defend Australia and its interests. The development and sustainment of design expertise to understand and exploit emerging technologies, together with the trained and skilled workforce to install and maintain these assets in Australia, is essential if our ships and submarines are to have the tactical edge to fight and win at sea.

2. The test and evaluation of ships and submarines throughout their life to validate system performance for both the platform and the combat systems as well as upgrades and modifications made during maintenance periods, is a key element of the force capability. Operational evaluation to confirm the competence of crews to operate the platform, sensors and weapons effectively gives the crews confidence in their ability to fight their ship or submarine and to senior commanders, and hence government, assurance that the unit is well prepared and can be relied upon to perform as expected, when required.

3. Investment in test facilities and ranges is therefore a vital element of the capability as is the provision of time in the construction schedule or ship's program for this training and testing.

2.3 The utilisation of local content and supply chains

1. To paraphrase a quote from the 2006 RSL Submission into the Senate Inquiry in Naval Shipbuilding, though shipbuilding industries are among the main economic beneficiaries of shipbuilding in Australian yards, many other industries benefit. Engine manufacturers, steel makers, transportation companies, weapons producers, electronic and electrical firms are among the plethora of industrial activities which gain economic benefit from these complex and expensive national projects. In so doing these companies are provided with the impetus not only to grow but also to look for markets for their products in other countries.

2. They are also well placed to participate in and support subsequent upgrade programs for the vessels later in their life. The ANZAC Ship Anti Ship Missile Defence upgrade is an example with substantial economic benefits. CEA Technologies and Saab are two such beneficiaries.

3. In 2000, Defence advised the Tasman Asia Pacific Study into the economic benefits of the ANZAC Ship Project that 'sourcing locally rather than overseas, saves in repair times and stock holdings for a comparable operational availability'.

2.4 The integration of offshore design work and supply chains in Australia

1. To ensure that the Government's stated objectives of achieving a sovereign capability is achieved, it will be necessary for DCNSA and LMA to train Australian engineers and technicians, so that the skill sets necessary for sustainment of both the platform and the CS are embedded in the Australian workforce.

2. The adoption of modern Information and Communications Technologies [ICT] such as those used for the construction and maintenance of Offshore Oil and Gas industries will enable the world wide sharing of data created in PSI and CSI centres of excellence in their home nations. This practice is vital if the data developed for construction, and sustainment is to be available in Australia for the life of the class. The information has to

be readily available to ensure that there is a configuration management trail both for the rationale and background for decisions made, but also for the materials and the sustainment protocols required for satisfactory operation of the equipment through life. There will have to be Design Authorities established in Australia for both the Platform and Combat Systems to take design responsibility for the safe, efficient, and effective operation of the vessels in all of their roles. These authorities will have oversight of the supply chain components for all aspects of sustainment, modifications, modernization, and upgrades including ICT, throughout the life of the class.

2.5 Opportunities for flow on benefits to local jobs and the economy

1. These flow on benefits are real and tangible. The Coles Review into COLLINS sustainability states that ASC now spends 90% of sustainment funding in Australia.

2. In the RSL's view, the best way to deliver cost-effective and world- class sustainment, with flow on benefits to local jobs and the economy is to ensure that the Australian-based design and maintenance, supply chain and technical support network have been firmly established during the build program. Early attention to these principles when planning these naval ship and submarine building projects will ensure that they achieve their long term goals of cost effective operations throughout the life of the vessels.

Returned & Services League of Australia Ltd
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