



Submission Deadline August 10

Submission to Defence Amendment (Sovereign Naval Shipbuilding Bill) Inquiry

The bill seeks to amend the Defence Act 1903 to require new vessels 30m or more in length be built in Australia by a high-performance; well established Australian owned and controlled shipbuilder.

Naval Group Australia welcomes the invitation to provide a submission to this committee.

If Australian sovereignty is the principle concern of this Bill then Australian sovereignty is written into the very DNA of the Future Submarine Program and Naval Group believes the design and build structure associated with the Future Submarine Program meets the spirit of the Defence Amendment (Sovereign Naval Shipbuilding) Bill. However, Australian owned would preclude many companies, particularly those that are publicly traded.

The fleet of 12 Future Submarines will be built in Adelaide at the Submarine Construction Yard, with a predominantly Australian workforce and wherever possible, Australian suppliers and those suppliers will be spread across the nation.

This is an Australian submarine program working with Naval Group as the international partner to deliver the Australian government requirement for a regionally superior submarine with a sovereign Australian industry capability.

Naval Group Australia is a young but well established Australian company. However, it should come as no surprise that the capability and capacity of Naval Group Australia will firstly require the development and then the establishment of the ability to undertake this activity in Australia.

Naturally there will be expertise and support from Naval Group SA into this task, particularly as Naval Group Australia establishes its submarine construction capacity in Adelaide.

As the program matures, French expertise will be gradually drawn back to France and replaced by an established Australian capability.

This transition is covered by the Transfer of Technology agreement endorsed by both the Australian and French governments. This agreement obliges the French Government to transfer all aspects of Future Submarine technology to Australia to enable the establishment of a sovereign submarine sustainment capability.

But first a bit about the progress of the program.

The Future Submarine Program is the largest Defence program in Australia's history and represents a truly national endeavor which will maximize Australian industry involvement and create jobs for many generations of Australians to come.

Working with our partners the Commonwealth and Lockheed Martin Australia, together we will design and build, in Australia, the fleet of 12 regionally superior conventionally powered submarines to the Royal Australian Navy.

By the end of 2018, working with the Commonwealth, South Australian and Local Governments, we expect to be turning the first sod and laying the foundation for the new Submarine Construction Yard at Osborne.

Over the next three years the hull and construction halls, which will house the equipment to build the submarines, will be under construction.

Establishing the infrastructure in this timeframe will be required to ensure the construction of the submarines can begin as per the program schedule from 2022-23.

We envisage building up the Naval Group Australia workforce to around 1500 employees by 2028-29.

Once the program is fully underway the program is expected to maintain an annual average of around 2800 jobs in Australia (1100 direct and a further 1700 in the supply chain).

The first submarine will commence service in the early 2030's, with the last to be constructed sometime in the late 2040's and sustainment to continue to the end of the 2080's.

In terms of local engagement with Australian companies as at the end of June 2018, 939 companies had engaged with Naval Group nationally through the Industry Capability Network – an online database which gives companies access to projects large and small.

Now to revisit Naval Group's interaction with ASC.

Naval Group and ASC have already entered into an agreement to ensure we are not poaching from each other's workforce.

We entered a Framework Agreement in July 2017 which sets out Naval Group's intent to avoid any actions which would undermine ASC's ability to conduct sustainment and maintenance activities on the Collins class submarines.

A copy of this document is provided as an annex to this submission.

As a responsible Australian corporate citizen, Naval Group understands the importance of maintaining and indeed extending the lives of the Collins class submarines to ensure there is no gap in Australia's submarine capability.

Australia's \$1.6 trillion economy is dependent on secure sea lanes and as such Australia needs the best possible submarine to protect trade and maritime security and that applies both to a continuing vital role for the Collins class before the eventual introduction in to service of the Future Submarine.

The Commonwealth made a detailed assessment of the risks of each option and determined that the option with the least risk to overall program success was for Naval Group to build up its in-country capability through the commercial entity of Naval Group Australia and for this entity to undertake the build of the Future Submarine.

Top tier producing nations predominantly employ a designer builder approach and it is generally accepted globally that the least risk to such a complex program is for a single organization to be responsible for the design and construction of submarines.

ASC has many capabilities which could make it a potential sub-contractor to the Future Submarine Program, there is no reason that ASC cannot and will not be successful in competing for activities on the Future Submarine.

To this end, Naval Group Australia has entered into a new round of discussions with ASC on possible areas of cooperation and collaboration.

This could involve cooperation with ASC on such areas as providing advice and support on workforce and industrial relations issues.

Another promising area of cooperation is the potential for trialing new technologies on Collins class submarines which could help de-risk the Future Submarine Program.

Sharing and collaborating on supply chain challenges has also been discussed which would assist the Naval Group Australia supply chain organisation to learn and benefit from the ASC experience.

Selected Naval Group Australia staff could be seconded to ASC for fixed periods to help develop critical skills in areas where gaps have been identified.

Last but not least as resources become rarer in South Australia due to the volume of naval programs being undertaken concurrently, we have agreed with ASC to share the list of competencies required by either party with the aim of pooling our skilled resources.

This helps ensure that skills and competencies built up are not lost to the naval shipbuilding industry or South Australia.

But of course all this has to ensure the best outcomes for the Future Submarine capability without compromising cost, nor introduce undue risk to the schedule and must provide the appropriate value for money that the Government has mandated.

Suppliers to the Future Submarine Program are selected after a competitive bid to ensure value for money for the Commonwealth.