



Inquiry into the Department of Defence Annual Report 2023–24

Submitted to
Joint Standing Committee on Foreign Affairs, Defence and Trade
Defence Subcommittee

Babcock Australasia
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1. Introduction

- 1.1. Babcock Australasia ('Babcock') was invited by the Joint Standing Committee on Foreign Affairs, Defence, and Trade (JSCFADT) – Defence Subcommittee to provide a submission into the Inquiry into the Department of Defence Annual Report 2023 – 2024. The JSCFADT requested Babcock's submission to address the following key themes: Sovereign Defence Industrial Priorities (SDIP) and AUKUS.

2. Babcock Australasia

- 2.1. Babcock is an international defence company operating in our focus countries of the UK, Australia, New Zealand, Canada, France, and South Africa, with exports to additional markets with potential to become focus countries. We meet our customers' key requirements of affordability, availability, and capability by delivering engineering, support and critical systems to defence and civil markets.
- 2.2. We are Australia's premier maritime sustainment company, a leader in High Frequency Communications Systems and Australia's largest rotary wing helicopter emergency services provider. We are a proven and trusted leader in submarine sustainment, nuclear safety, and stewardship, playing a crucial role in the UK, US, and Australia's submarine programs today. We also have an established history of designing, building, and managing the integration of some of the world's most complex ships.
- 2.3. Babcock and HII in June 2024 formed a new joint venture and entity named H&B Defence to participate in the AUKUS Pillar 1 nuclear-powered submarine program. H&B will combine the world-leading nuclear submarine and shipbuilding experience from Australia, the UK, and US to support Australia's inaugural nuclear-powered submarine program under AUKUS. Together, HII and Babcock bring comprehensive expertise in every aspect of nuclear-powered submarine activities to support the development of Australia's sovereign capability. H&B Defence will support all steps of Australia's optimal pathway to sovereign nuclear-powered submarines under AUKUS Pillar 1: including workforce, nuclear infrastructure design and build, submarine defueling and decommissioning, nuclear waste, and future sustainment.

3. Sovereign Defence Industrial Priorities

- 3.1. The seven Sovereign Defence Industrial Priorities (SDIP) were announced in the Defence Industry Development Strategy (DIDS) in February 2024. The DIDS outlined the Commonwealth's partnership with Defence Industry in developing a sovereign defence industrial base, providing clarity on procurement reform, development of a skilled workforce, and clearer priorities for sovereign capabilities. The SDIPs are a good starting point for Australia's defence industrial base and the Epochs provide an elementary basis for Industry planning. The details provided in areas such as continuous naval shipbuilding and R&D acceleration especially provide a firm basis for us to work from.
- 3.2. Building from the DIDS the SDIPs full potential can be strengthened through enhanced certainty for Industry for ongoing and future defence procurements. Commercial entities require notice for significant investments to determine allocation of capital, infrastructure, workforce, and capability to meet defence acquisitions. The designation of Strategic Partners and long-term contracts can further provide Industry certainty to drive these types of investments, which without a proper demand signal Industry is unable to generate the best value and capability for the Commonwealth. Clear assurances, more open collaboration to develop Industry capability sector wide, providing opportunity to a wider capacity of firms, and sufficient notice are areas we can work together to ensure Australia has the sovereign defence industry we need. A more direct way the Commonwealth and Industry to regularly discuss and collaborate can further ensure a way for the SDIPs and an industrial base be developed into the future.
- 3.3. Continuous Naval Shipbuilding and Sustainment is an example where the Commonwealth and Industry can collaborate further together for success. Policy announcements such as the December 2024 release of the Naval Shipbuilding and Sustainment Plan and Henderson consolidation plans

provide Industry an excellent basis for planning and understanding for this SDIP. The Maritime Workforce and Skills Council is a foundational aspect of this relationship, though regular and consistent dialogue is important, in an ever-changing landscape. Clarifying requirements for each SDIP aspect and Epoch requires Industry and the Commonwealth to share information and be aware of each other's intentions. Babcock is for example highly experienced in marine complex asset management and delivering engineering services globally for navies. We own and manage the Devonport Royal Dockyard for the Royal Navy, the largest naval dockyard in Western Europe. By tapping into existing experienced providers and providing early certainty, Industry can plan based on their competitive advantages, resulting in a better partnering arrangement for the Commonwealth.

- 3.4. Building a skilled and sovereign workforce to enable SDIP's is rightly recognised by the Commonwealth as a key foundation for Australian industry. The SDIP's sustainability is dependent on an Australian workforce that remains competitive, economic, and productive. A skilled defence workforce is an invaluable asset in sustaining the SDIP and Australia's defence capability, though must be carefully managed. An open workforce is subject to market pressure, as competitive remuneration from other sectors will provide a continuous challenge. The degradation of a suitably qualified and experienced workforce will be difficult to reverse, impact the SDIP's viability and Australia's defence.

4. AUKUS

- 4.1. The AUKUS partnership between Australia, UK, and US represents a keystone of Australia's national security. AUKUS Pillar 1 reflect a historic challenge for Australia. With acquisition of nuclear-powered submarines, Australia's defence capability will develop to a much more potent force. Nuclear-powered submarines are a high performing and complex capability, from its design, build, service, sustainment, and disposal. Babcock supports the trilateral partnership and both Pillars 1 (nuclear-powered submarine acquisition) and Pillar 2 (enhanced cooperation on key technologies).
- 4.2. While progress has been made since the Optimal Pathway's announcement in 2023, we look forward to more collaboration on Pillar 1 relating to acquisition and sustainment planning and execution. Clarity will allow Industry to build the right partnerships and right investments to contribute to the Optimal Pathway's success. This is especially important for key aspects of Pillar 1 such as a Nuclear Skilled Qualified Experienced Personnel (NSQEP) workforce, governance, infrastructure, to decommissioning. Governance of these complex assets, from cradle to grave of nuclear infrastructure are aspects that must be addressed as early as possible. Babcock has a longstanding track record in nuclear governance, owning and managing the Devonport Royal Dockyard in Plymouth. At this site, Babcock is the nuclear steward for the UK's Centre of Excellence for Royal Navy complex platform deep maintenance and provides nuclear engineering services. Currently we are upgrading the docking facilities of our Devonport 10 Dock to enable long-term Submarine Deep Maintenance or A and V Class submarines, including Type 26 frigate support.
- 4.3. Determining a clear Australian Enterprise model must be communicated as soon as practicable, to understand whether the direction is built on Royal Navy (RN) or US Navy (USN) foundations. The USN model is based on the End User having a major role in the build and sustainment, compared to the RN, where roles are split between the RN operator, Ministry of Defence / Submarine Development Agency as the Buyer, and Industry delivering the work. Models will determine the funding and workforce structure, schedule, and milestones; all essential to achieving success. Nuclear-powered submarines are inherently complex and difficult programs to execute and manage, and deciding which model we will follow in Australia is critical to understand foundations for the future.
- 4.4. Additional consultation on top of existing avenues is essential, as input from Industry with longstanding nuclear expertise in operating a never-seen environment in Australia. Commonwealth and State Government consultations are important drivers in Pillar 1, however an integrated approach which recognises the market drivers and commercial environment is similarly critical for a

viable Pillar 1 environment. Babcock in the UK has since 2009 participated in the Submarine Sponsorship Industry Board, a forum that facilitates direct contact between the UK Ministry of Defence and Industry partners for nuclear-powered submarine sustainment. This forum provided a step up to collaboration, transparency, and reduced the pressure in relationships between all key stakeholder in the space. A similar forum in Australia will benefit all Pillar 1 stakeholders covering defence nuclear regulation, Industry operators, and the Royal Australian Navy as the End User.

- 4.5. The Commonwealth has set aside an estimated \$367.6 billion for the lifetime of the program and roughly 0.15% of GDP as announced in the 2024 Integrated Investment Program. We welcome this dedicated funding line and reiterate the importance of having contracts for qualified Nuclear qualified and experienced operators as early as possible to ensure a firm industrial base for the capability. The headline figure is beneficial to providing Industry the right demand signal though clearer direction on where these funds are directed is required.

5. Conclusion

- 5.1. Babcock's appreciate the opportunity to provide a submission to the JSCFADT and reiterates that we will continue to work with the Commonwealth to build Australia's defence capability and industrial base. Consistent and open engagement with industry plays an invaluable role in allowing all parties involved in defending Australia to collaborate for the best outcome.

