

Submission 56 - Western Australian Government

The Western Australian Government made submission 38 to the inquiry into the Future of Australia's naval shipbuilding industry in the 44th Parliament.

This document is intended as a supplementary submission to the original submission 38.

All submissions received in the 44th Parliament can be accessed via the following link:

http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Naval_shipbuilding/Submissions



Our Ref: 24-632549/JH

Premier of Western Australia

Senator Chris Ketter
Chair
Senate Economics References Committee
PO Box 6100
Senate
Parliament House
CANBERRA ACT 2600

Dear Senator Ketter

I refer to your letter dated 24 October 2016 inviting the Government of Western Australia to make a submission to the Inquiry into the future of Australia's naval shipbuilding industry. Please find attached the Western Australian Government's response to this Inquiry, which addresses the Terms of Reference contained in your letter.

The defence industry is an important sector of the Western Australian economy. Over the past decades, defence has become one of the State's economic success stories and there is significant ongoing private and public investment in naval shipbuilding, repair and maintenance, upgrade and through-life sustainment capability.

Western Australia has a strong interest in the future sustainability of the Australian naval shipbuilding industry, with approximately \$300 million having been invested in State Government owned common use infrastructure in Henderson at the Australian Marine Complex. This investment is primarily to support the Royal Australian Navy vessels which are home-ported at HMAS Stirling.

Henderson has been selected as one of the two locations to implement the Commonwealth's commitment to a continuous build of naval surface ships in Australia. The State has a range of world class and diverse capabilities to contribute to the nation's current and future shipbuilding and submarine programs.

We thank you for extending this invitation to the Western Australian Government and I am pleased to provide this Submission for your consideration. Should you have any questions or wish to discuss this Submission further please contact Mr John O'Hare, Director of Industry Development at the Department of Commerce, on (08) 6552 9221.

Yours sincerely

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31 JAN 2017

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Senate Inquiry into the future of Australia's naval shipbuilding industry



Submission from the State Government of Western Australia to the
Senate Economics References Committee, [January 2017]

Senate Inquiry into the future of Australia's naval shipbuilding industry – Submission from the State of Western Australia

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Background

On 11 October 2016 the Senate referred the Inquiry into the future of Australia's naval shipbuilding industry to the Senate Economics References Committee for inquiry and report. On 24 October 2016 the State of Western Australia was invited to provide a submission to this inquiry, addressing the following Terms of Reference:

The future sustainability of Australia's strategically vital naval ship building industry, including:

- (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.

This Inquiry follows a similar Inquiry referred to the Senate Economics References Committee on 25 June 2014 which lapsed when the Senate and House of Representatives was dissolved prior to the General Election of 2 July 2016. The 45th Parliament has re-adopted this Inquiry and all submissions to the previous Inquiry were made available to the committee for consideration, which includes the submission made by the State of Western Australia in February 2015 (Attachment 1).

This 2017 submission reflects the State Government's current views on the naval shipbuilding industry in Australia.

Introduction

Western Australia has a strong interest in the future sustainability of Australia's naval shipbuilding industry. The State has a long and successful history of building, upgrading and providing through-life support for Royal Australian Navy (RAN) vessels and has the facilities, infrastructure and industry capabilities to support these activities into the future.

The State is the location of the country's largest naval base HMAS Stirling and has developed world class shipbuilding and maintenance facilities at the Australian Marine Complex (AMC) Common Use Facility (CUF) at nearby Henderson. These State owned facilities are supported by a strong local industry which has world-class capability in steel fabrication and assembly, electrical, process, mechanical and civil engineering, transport and logistics and information technology, computing and cyber security.

This local industrial capability is a strategic asset for the Department of Defence (Defence) due to its experience, expertise, flexibility and resilience. For example, while the State's fabrication industry has historically had a strong focus on the resources sector, the skills and capabilities developed are complementary to other sectors including naval shipbuilding.

The State Government has recently released its Western Australian Defence Strategy (Attachment 2). Contained in this strategy are a number of defence industry initiatives to promote and position the State's industry capability and capacity. As a key component of the strategy the State is also

actively pursuing future opportunities to build on its place as the RAN's principal maintenance and sustainment hub.

This submission recognises the significance of naval shipbuilding in Australia and showcases Western Australia's infrastructure, industrial capabilities and the State's ongoing importance to the RAN. It highlights the importance of local industry participation, discusses Defence's approach to Australian industry as well as the involvement of Small to Medium size Enterprises (SMEs) in naval shipbuilding supply chains.

Western Australia's importance to the Royal Australian Navy

HMAS Stirling, located on Garden Island approximately 8 kilometres off the Western Australian coast is Australia's largest naval base. There are 12 Royal Australian Navy (RAN) fleet units home-ported at HMAS Stirling with five of the ANZAC Class Frigates, all six Collins Class Submarines and the fleet Oiler HMAS Sirius. The base is also home to RAN Clearance Diving Team 4 and Defence Communications Station Perth. More than 2,300 Defence service personnel, 600 Defence staff and 500 long-term contractors are currently based at HMAS Stirling.

As Australia's only submarine base, HMAS Stirling has substantial submarine training and testing facilities, including an underwater escape facility which is the only one of its kind in the Southern Hemisphere. The base also has a torpedo maintenance centre and an acoustic testing range off the western coast of Garden Island.

In 2003 the State Government established the Australian Marine Complex (AMC) Common User Facility (CUF) at Henderson to provide local industry, particularly SMEs, with access to technologically advanced yet cost competitive facilities and infrastructure to service the marine, defence, oil and gas and resources sectors. The State has invested over \$300 million in the AMC CUF, with the Commonwealth providing an initial \$80 million contribution to the facilities and infrastructure.

The AMC CUF includes the following infrastructure available to support naval shipbuilding and maintenance:

- 40 hectares of laydown area;
- Load out and assembly areas;
- Heavy/wide load road system;
- Main fabrication hall with 200 tonne crane capacity;
- Fully protected harbour dredged to 10 metres;
- 3000 tonne wharf which can service vessels up to 200 metres in length; and
- A Floating Dock system capable of lifting up to 12,000 tonnes.

The AMC CUF continues to be utilised for naval ship upgrade/modification, repair and maintenance, hull and module construction, oil and gas and resources related infrastructure fabrication and oversize/overweight equipment fabrication and assembly. Since opening in 2003 the AMC CUF has delivered more than 417 major projects with an economic benefit in excess of \$2.43 billion and has

generated more than 37,000 jobs. The AMC is home to over 150 companies dedicated to servicing the defence, marine, oil and gas and mining sectors.



Figure 1 – Aerial view of the AMC

Commissioned in 2010, the AMC CUF's Floating Dock Stage One (FD1) has lifted over 100 vessels for the marine, oil and gas, mining and defence sectors. Measuring 99 metres in length and 53 metres in width, FD1 can lift up to 12,000 tonnes and transfer up to 4,000 tonnes onto hard stand using Self Propelled Modular Transporters (SPMTs). With this lifting and transfer capability FD1 is strategically important infrastructure for the RAN and is used regularly for maintenance, upgrade and repair work for the Collins Class submarines and ANZAC Frigates which are home-ported at HMAS Stirling. The Floating Dock is also available for emergency submarine dockings if required through an agreement between the ASC Pty Ltd and the State.

FD1 was designed as the first stage of a two stage docking system. FD2 will provide an additional 132m of docking capability and be able to lift 16,000 tonnes. FD2 would enable the docking of all future vessels that will be home-ported at HMAS Stirling, providing the nation with strategic docking capability on the west coast. The 18 metre deep sink pocket at the AMC has already been dredged to the dimensions of the two stages of the dock, to support the development of FD2. The State Government is currently progressing the planning for FD2 and will work with Defence and the Commonwealth Government to progress this as a matter of priority.

While the two stages of the Floating Dock will function independently they are designed to be configured together which would provide substantial benefit to the RAN in that a greater range of naval vessels could be docked on the west coast. With a length of 232 metres and a lifting capacity of 28,000 tonnes the combined stages of the Floating Dock could lift all current and proposed RAN

vessels including the Canberra Class Landing Helicopter Dock, Hobart Class Air Warfare Destroyer, future frigates and future Offshore Patrol Vessels. While it is acknowledged that a number of these vessels would be home-ported at Fleet Base East, the ability for their docking on the west coast provides a strategic advantage to the RAN. This enhanced docking capability could also enable the docking of vessels for the United States Navy and other allied Navies that operate in the region.

Recommendation 1 – That the Commonwealth Government invests in Stage Two of the Floating Dock (FD2) to provide strategic docking capability on the west coast for current and future naval vessels.

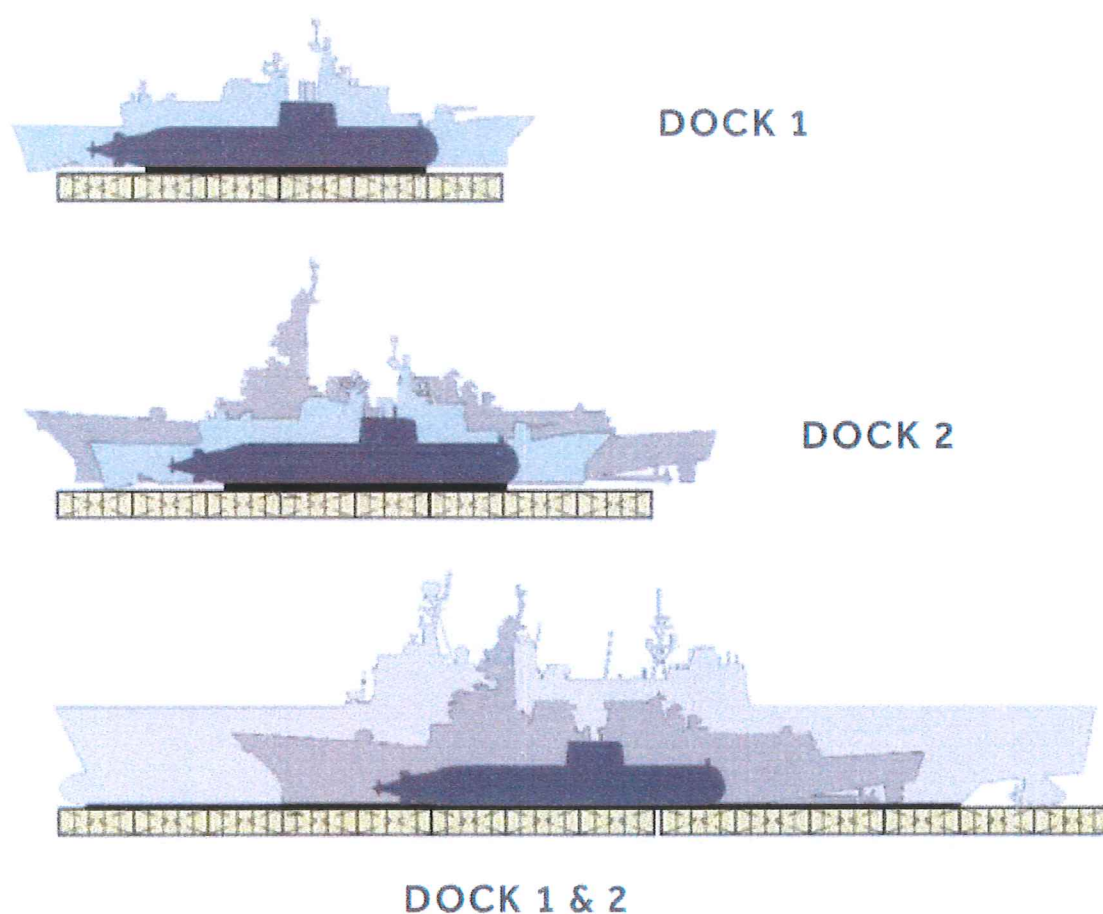


Figure 2 – Visual representation of the lifting capability of the two stages of the Floating Dock. Vessels shown are the Collins Class Submarine, ANZAC Class Frigate (Dock 1), Air Warfare Destroyer (Dock 2) and Canberra Class Landing Helicopter Dock (Dock 1 & 2).

Defence's approach to Australian industry

The release of the 2016 Defence White Paper and accompanying Integrated Investment Plan and Defence Industry Policy Statement (DIPS) mark a significant change of approach to the defence industry from the Commonwealth. Not only do these documents outline unprecedented levels of investment across a range of capability streams, they express a desire to work closer than ever before with Australian industry to develop and maintain sovereign industrial capabilities.

The DIPS represents a change in the way that sovereign industry capabilities will be identified and managed. This change will see collaboration between the Defence Capability Acquisition and Sustainment Group (CASG) and the newly formed Centre for Defence Industry Capability (CDIC) to create a Sovereign Industry Capability Assessment Framework and a Defence Industry Capability Plan which is scheduled for release in Q2 2017.

As part of this approach, the Defence-State and Territory Government Industry Advisory Forum was established to provide strategic direction and advice and to coordinate the implementation of the initiatives contained within the DIPS. The formation of this group recognises that State and Territory Governments are critical partners in delivering the defence capability and industry objectives which include the recognition of Australian industry as a Fundamental Input to Capability, building a more effective model for delivering industry and innovation programs and creating a more strategic approach to planning and developing industry capability. The State Government is supportive of this Forum and looks forward to participating and contributing towards its objectives into the future.

Recommendation 2 – That Defence funds and supports the Defence-State and Territory Government Industry Advisory Forum that provides strategic direction and advice and coordinates implementation of the Defence Industry Policy Statement (DIPS) initiatives

The CDIC replaces the existing Business Access Office (BAO) model and provide a ‘front door’ for Australian industry to access defence supply chains. The State Government welcomes the creation of the CDIC and its associated programs such as the new Defence Innovation portal, Innovation Hub and Next Generation Technologies Fund as these initiatives will assist Defence in achieving its goal of creating sovereign industry capability. The State Government will continue to work collaboratively with the CDIC team in Western Australia to ensure that local industry is provided with assistance and access to opportunities in the defence sector.

The State Government also strongly supports the recent efforts of Defence, led by CASG, to directly engage with industry through the industry engagement roadshows for acquisition programs including the Future Frigates and Offshore Patrol Vessels. The State Government has partnered with the Commonwealth to deliver these sessions in Western Australia which have provided local industry with an opportunity to learn about the programs and discuss their capabilities directly with Defence. The State Government strongly supports this initiative and encourages Defence to continue this approach for future acquisition programs in both maritime and other capability streams as it provides an invaluable opportunity for Defence to gain an understanding of existing and potential Australian industry capability.

Recommendation 3 – That Defence continues the industry engagement roadshow initiative for naval shipbuilding and other Defence acquisition projects, in order to directly engage with Australian industry in relation to these programs.

While not a new initiative, another important element of ensuring Australian industry involvement in Defence acquisition programs is the requirement for Australian Industry Capability Plans (AIC Plans) to be submitted by the prime contractor for each project with a budgeted cost over \$20 million (which will become a \$4 million threshold from 1 March 2017 following changes to the Commonwealth Procurement Rules).

Since 2011 Defence have made summaries of AIC Plans publically available, allowing industry and Government to have visibility of what activities related to the project would be undertaken by Australian based companies. While these plans do not have mandated local content requirements, they are a useful tool in that development of the AIC Plans requires prime contractors to engage directly with Australian industry and identify upfront what capabilities can be inputs to their supply chains. The State Government understands from the experience of the resources sector in Western Australia that the whole-of-life cost for acquisition programs primarily undertaken in Australia can be competitive with overseas procurement.

The State Government supports the use of AIC Plans as the basis for ongoing discussions with prime contractors and that these plans are used to identify outcomes in order to develop sovereign capability. Currently AIC Plan performance is taken into account as part of the Defence tender assessment process and prime contractors can be excluded if they have previously failed to deliver on their commitment to Australian industry involvement. The State Government agrees with this approach however it encourages Defence to further enforce AIC Plans by revisiting them throughout the procurement cycle to ensure maximum local industry participation is achieved.

Defence is encouraged to use AIC Plans to achieve a higher level of Australian industry involvement in future acquisition programs. Greater local involvement in defence supply chains will be a key enabler to achieving the goal of developing sovereign industry capability. The State would also like to see AIC Plans continue to be made publically available to assist industry in understanding what opportunities exist within defence acquisition supply chains.

Recommendation 4 – That Defence continue to make Australian Industry Capability (AIC) Plan summaries publically available and use AIC Plans as the basis for ongoing discussions with prime contractors to ensure maximum local industry involvement throughout the procurement cycle.

Another challenge for Defence is to manage the integration of overseas design work into Australian supply chains. This has been problematic in the past and has resulted in scope, cost and schedule overruns across several naval shipbuilding programs. To avoid these issues in future acquisition programs, Defence must work closely with the designer/prime contractor and Australian industry and use the lessons learnt from previous experiences to identify and manage these risks.

While there are risks introduced with the use of overseas designers, this also provides an opportunity for Australian industry to build capability through the transfer of knowledge and intellectual property. Increasing capability in design and related areas will increase the possibility that future design work will be undertaken in Australia which would significantly reduce the risks associated with the integration of overseas design/designers and local supply chains.

Recommendation 5 – That Defence work closely with prime contractors/designers for naval shipbuilding programs to build Australian industry capability through ensuring the transfer of knowledge and intellectual property to the local industry.

Naval shipbuilding in Western Australia

The Defence industry is an important sector in the Western Australian economy. Over the past decade and a half defence has become one of the State's economic success stories with Western Australian companies winning 180 defence related contracts resulting in over 4,000 direct employment opportunities. There is significant ongoing private and public investment in naval shipbuilding, repair and maintenance, upgrade and through-life sustainment capability.

In relation to naval shipbuilding and the creation and sustainment of sovereign industry capability, the White Paper states that:

"A strong, viable, and sustainable Australian naval shipbuilding industry is a vital element of Australia's defence capability to manage Australia's strategic challenges to 2035. The Government is delivering a long-term plan for Australia's naval shipbuilding industry to ensure the retention of a sovereign Australian shipbuilding industry and the jobs that go with it".

To achieve this Defence must work closely and collaboratively with Australian industry throughout the acquisition phase and beyond. Defence must have meaningful engagement with industry on an ongoing basis to build and maintain the required sovereign capability. The CDIC provides the opportunity for businesses to approach Defence and the State Government intends to work collaboratively to identify and support the capabilities which will provide valuable inputs into acquisition and sustainment programs.

The State Government regards naval shipbuilding as a national project. It recognises that no one State has the overall infrastructure, labour and skills sets to undertake all of the future acquisition programs. The State Government will continue to engage with Defence as these projects develop to ensure the nation maximises economic outcomes and avoids the costly duplication of current and future infrastructure and capability.

Recommendation 6 – That Defence does not duplicate the facilities, infrastructure or industry capability that currently exists in Western Australia for future naval shipbuilding programs.

The commitment from the Commonwealth that Henderson and the AMC will be one of two locations in Australia for the continuous build of naval surface ships recognises the facilities and infrastructure available, the presence of world-class shipbuilding companies, and the strength and depth of Western Australian industry.

The development of the Naval Shipbuilding Plan by Defence is a key element in ensuring the efficient and effective delivery of the future naval vessel programs. Consultation with State and Territory Governments, through the Defence-State and Territory Government Industry Advisory Forum and other groups and committees, will be an essential input to this Plan to assist Defence in understanding what capabilities and infrastructure exist and what additional capability is required to deliver these continuous build programs. The State Government looks forward to working with Defence in implementing this Naval Shipbuilding Plan. The State will continue to work with local industry to implement the Plan's objectives and ensure that the development of future infrastructure at the AMC CUF to support naval shipbuilding is planned in alignment with the requirements of the Naval Shipbuilding Plan.

Recommendation 7 – That Defence publishes the Naval Shipbuilding Plan as soon as possible to ensure the timely planning and development of infrastructure that will enable delivery of the future naval shipbuilding programs.

The State Government welcomes the announcement that up to 21 Pacific Patrol Boats will be constructed by Austal Ships Pty Ltd at their facility in Henderson. This project, commencing in 2017, is worth approximately \$300 million and will create over 120 direct jobs.

Western Australia strongly supports the Commonwealth's decision that 10 of the 12 Offshore Patrol Vessels (OPV) will be built in Henderson, following the commencement of the future frigate construction in Adelaide. The OPV program is worth \$3 billion and will create over 400 direct jobs. Western Australia has the necessary capabilities and workforce available to deliver this program and the State Government looks forward to working with Defence to facilitate an efficient transition of the build program from Adelaide to Henderson in a timely manner.

Recommendation 8 – That the Commonwealth implements the commitment of the continuous build of minor war vessels in Henderson, and ensures an efficient and effective transition of the Offshore Patrol Vessel (OPV) build program from Adelaide to Henderson.

A critical component of the OPV program is the development of the project headquarters and the Systems Program Office (SPO) in Western Australia. With the majority of the OPVs to be constructed at Henderson, locating these offices nearby will be beneficial to Defence and ultimately to the RAN. The State Government has set aside land at the AMC for the OPV headquarters and SPO and will work closely with Defence to progress the development of these project-critical offices.

Recommendation 9 – That the State Government work with Defence to establish the Offshore Patrol Vessel (OPV) project headquarters and the Systems Program Office (SPO) in Western Australia, to be ready for the transfer of the build program.

As well as bolstering sovereign industry capability, the continuous build of naval surface ships and submarines in Australia will create employment opportunities for many Australians across a range of industry sectors. Direct and indirect employment will be substantial for both the build programs and the sustainment of future naval vessels, and will require a skilled workforce nationwide.

The State Government is taking a strategic role in enabling Western Australia's workforce to develop the necessary skills and capability in our industry to deliver and support the national endeavour of continuous naval shipbuilding. The State is preparing a Defence Workforce Development Plan which aims to guide the development of capability in the Defence industry workforce in response to the Naval Shipbuilding Plan. This will ensure a sufficient pipeline of skilled workers is available to support the anticipated demand associated with the continuous build programs in coming decades.

As Henderson has been selected as one of the two locations for the continuous naval shipbuilding, Defence should ensure that a campus of the proposed Maritime Technical College is located in Western Australia. This will help develop and support the skills specific to the build of the OPV and other future vessel programs.

Recommendation 10 – That Defence work with the State Government to ensure that a campus of the proposed Maritime Technical College is located in Western Australia, with appropriate funding being allocated to this initiative.

The State Government will also work with Defence, through the Defence-State and Territory Industry Advisory Forum, to ensure that Western Australia's workforce has the required skill sets and is aligned with the Naval Shipbuilding Plan.

The State Government has a long standing commitment to defence and maritime training through the South Metropolitan TAFE which offers specialist courses to support the maintenance of the Collins Class Submarine's combat systems. South Metropolitan TAFE also offers a range of engineering courses that support sustainment of RAN vessels including the ANZAC Frigates which are home-ported at Fleet Base West. Together these programs have led to a number of apprenticeships and permanent jobs within the defence sector.

Western Australia's economy and workforce is set to benefit for decades to come from these initial build programs and also continued benefits with future upgrade and sustainment to support these and other vessels. The State is also in a strong position to contribute to the build and sustainment work in support of the \$35 billion future frigate and \$50 billion future submarine programs. The State Government will continue to work with Defence to ensure the Western Australia's workforce has the necessary skills to contribute towards these programs.

Recommendation 11 – That Defence work with State and Territory Governments to identify the skills required to support the Naval Shipbuilding Plan, fund the training and development of these skills to enable the delivery of the continuous build programs and develop sovereign industry capability in naval shipbuilding.

Western Australia has a long and successful history in submarine sustainment and maintenance activities. The State Government is also actively promoting local industry capabilities to contribute to the build programs along with our capacity to expand our current sustainment role to consolidate Western Australia's position as the RAN's west coast maintenance hub.

The State Government supports the future submarine fleet being home-ported at HMAS Stirling and is confident that the facilities and infrastructure at the AMC and depth and expertise of local industry could support this. Western Australia's facilities, infrastructure and industry capabilities also put the State in a strong position for the sustainment of current and future vessels, including Full Cycle Docking (FCD) of the Collins Class submarine fleet.

Recommendation 12 – That Defence work with the State Government to further develop Western Australia as the Royal Australian Navy (RAN) maintenance and sustainment hub and to facilitate the transfer of Full Cycle Docking (FCD) for the Collins Class submarine fleet from Adelaide to Western Australia.

Recommendation 13 – That Defence work with the State Government to further develop and enable Fleet Base West to continue to be the home port for the RAN submarine fleet.

Small to Medium size Enterprises and naval shipbuilding supply chains

Small to Medium size Enterprises (SMEs) provide essential inputs into naval shipbuilding and sustainment supply chains. Prime contractors for defence programs on average provide approximately 45-50% of products and services themselves, with the remainder being sourced from elsewhere meaning there is a significant opportunity for Australian industry and SME involvement in these programs.

SMEs often have specialist and unique capabilities that would provide significant benefit to defence acquisition programs, however they may be unfamiliar with the technical and commercial requirements of these programs. The gap that currently exists between Defence/prime contractors and SMEs needs to be addressed in order to increase Australian industry participation in these supply chains.

SMEs in the Western Australian economy provide a range of niche capabilities including electrical and mechanical engineering services, steel fabrication, C4ISR (Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance) products and services, software design and development and cyber security solutions. These capabilities need to be supported and further developed with the assistance of both the Commonwealth and the State Government.

The creation of the CDIC and a greater direct engagement by Defence will help to provide SMEs with the information they require to understand where their capabilities could fit into supply chains. The CDIC will also be able to assist SMEs in understanding the entry requirements and the emphasis that Defence and prime contractors place on national and international standards for products and services. Defence entry requirements may be different than what they are in other industry sectors so to increase Australian industry involvement and the involvement of SMEs in defence supply chains, Defence must also increase awareness of these requirements.

The oil and gas and mining services sector in Western Australia comprises a range of unique and complex skills and capabilities that are complementary to naval shipbuilding and other Defence projects. Major oil and gas and mining companies have comparable entry requirements, especially related to occupational health and safety (OHS) and risk management, to Defence/Defence prime contractors therefore many of the SMEs that have worked in the resources sector will be able to effectively and efficiently transition into defence supply chains. The State Government is promoting this cross-capability and industrial potential with the Commonwealth and prime contractors as the relevant capabilities that exist within the Western Australian resources sector could be of substantial benefit to Defence.

As an example of this cross-capability, Western Australian Company Cimtec who are a leading steel fabricator and heavy engineering service provider to the oil and gas and mining industries, has recently made a commitment to invest \$88 million in a new shipbuilding facility at the AMC in Henderson. This investment demonstrates that internationally competitive Western Australian

companies can and are willing to contribute to naval shipbuilding programs. This highlights the unique position that the State is in having an industrial base with skills and capabilities that are complementary to a range of large-scale engineering projects, in particular naval shipbuilding.

Western Australia's capabilities in respect to the size and depth of its highly skilled workforce were vastly increased over the past years of resource sector expansion. During this period the State was able to scale-up its training capabilities to increase the number of apprentices in training by 9,977 people (86%) over a six year period from 11,627 apprentices in 2001 to 21,604 apprentices in 2007. The State Government has continued to invest in training with over \$180 million invested in new or upgraded facilities for trades alone since 2008.

As part of the Western Australian Defence Strategy the State is undertaking a number of initiatives to promote and position the State's industry capability and capacity. The Industry Facilitation and Support Program (IFSP) provides grants to SMEs who are looking to make operational improvements, up-skill, diversify and grow their businesses. Since 2011, nine rounds of the IFSP have seen \$4.4 million invested in 257 Western Australian SMEs. This investment has led to more than \$314 million in contracts, 571 employment opportunities and 60 new apprenticeships being created.

The IFSP has had two defence focused rounds in 2016, with the first round providing over \$350,000 to 16 Western Australian SMEs to assist them in entering defence supply chains by increasing their competitiveness, capacity and capability.

As well as investing in the defence sector, the State Government has recently undertaken a media campaign to promote industry capability and advise the public of the upcoming employment opportunities in the construction and sustainment of naval vessels. This campaign targeted a wide audience through television, online and social media platforms with the intention of attracting skilled workers and advising the public of what skills will be required for the future. The campaign has received a positive response and has resulted in many inquiries from the public on how they can participate in the naval shipbuilding programs.

Recommendation 14 – That Defence recognise the flexibility and scale of Western Australia's fabrication, engineering and shipbuilding industries and incorporate the internationally competitive range of capabilities and skills that exist within the State's resources sector to develop sustainable industry capability through naval shipbuilding.

A clearly defined and consistent procurement process is also necessary for SMEs to understand the stages at which they can be involved in a project. It is essential for industry to understand at what point of the Competitive Evaluation Process engagement opportunities will occur so they can adequately prepare and invest in the required capabilities. Consistency, clarity and continued engagement from Defence and prime contractors are essential for SMEs to enter and remain in defence supply chains. The State will continue to work closely with both Defence and industry to ensure this approach to industry is productive and successful, and to facilitate Western Australian SMEs participation in naval shipbuilding and other defence projects.

Defence is encouraged to be the coordinator and disseminator of information which identifies the realistic opportunities for Australian industry and what specific actions need to be taken to secure those market prospects. The State Government would like to see transparency over which capabilities will be supplied from Australia, what potentially can be supplied from Australia and what cannot be supplied from Australia due to original equipment manufacturer or propriety technology reasons.

Recommendation 15 – That Defence maintain a clear and consistent procurement process for naval shipbuilding programs and continue to engage with Australian industry throughout the procurement process to identify realistic opportunities.

Conclusion

The State Government supports the Commonwealth's commitment to a continuous build of naval surface ships and submarines in Australia and congratulates them on selecting Henderson as the location for the build of minor war vessels. This decision recognises the world-class facilities and infrastructure available in Western Australia, as well as the capability and capacity of the local industry. The State Government looks forward to working with Defence and industry to deliver these vitally important future naval shipbuilding programs.

This commitment to a continuous build of naval surface ships and submarines will be greatly beneficial as a national endeavour in terms of job creation and growing and retaining skills and knowledge in Australia. The Naval Shipbuilding Plan, coupled with Defence's approach to recognise Australian industry as a Fundamental Input to Capability, will foster the development and maintenance of sustainable sovereign industry capability.

While the development of this sovereign industry capability will take significant time and effort from both the Commonwealth and respective State and Territory Governments, this will enable Australia to not only be more self-sufficient in defending its borders but allow Australian industry to become a greater exporter of defence products and services and increase opportunities for Small to Medium size Enterprises (SMEs) to enter international markets.

Western Australia is supportive of the approach to industry announced through the Defence White Paper and Defence Industry Policy Statement and understands that this new structure, and in particular the creation of the Centre for Defence Industry Capability (CDIC), will see Western Australian industry and Australian industry as a whole gain a greater understanding of Defence's requirements and lead to increased involvement in acquisition programs.

The State is a critical partner and will continue to work with Defence to implement and deliver sovereign capability and a sustainable naval shipbuilding industry. Through the initiatives in the Western Australian Defence Strategy, The State Government will continue to promote and position local industry to contribute to the national endeavour of continuous naval shipbuilding. The State will also continue to invest in programs such as the Industry Facilitation and Support (IFSP) to further develop local industry and increase SME capabilities, and will support programs that will provide workers with the required training and skills to participate and benefit from the naval shipbuilding programs.

The State Government intends to strengthen its already productive relationship with Defence and work in a complementary and collaborative manner to achieve maximum participation for Western Australian industry in the building and sustainment of naval vessels, which will ultimately benefit Defence and the Royal Australian Navy (RAN).

The State Government has the following recommendations:

Recommendation 1 – That the Commonwealth Government invests in Stage Two of the Floating Dock (FD2) to provide strategic docking capability on the west coast for current and future naval vessels.

Recommendation 2 – That Defence continue to fund and support the Defence-State and Territory Government Industry Advisory Forum that provides strategic direction and advice and coordinate implementation of the Defence Industry Policy Statement (DIPS) initiatives.

Recommendation 3 – That Defence continues the industry engagement roadshow initiative for naval shipbuilding and other Defence acquisition projects, in order to directly engage with Australian industry in relation to these programs.

Recommendation 4 – That Defence continue to make Australian Industry Capability (AIC) Plan summaries publically available and use AIC Plans as the basis for ongoing discussions with prime contractors to ensure maximum local industry involvement throughout the procurement cycle.

Recommendation 5 – That Defence work closely with prime contractors/designers for naval shipbuilding programs to build Australian industry capability through ensuring the transfer of knowledge and intellectual property to the local industry.

Recommendation 6 – That Defence does not duplicate the facilities, infrastructure or industry capability that currently exists in Western Australia for future naval shipbuilding programs.

Recommendation 7 – That Defence publishes the Naval Shipbuilding Plan as soon as possible to ensure the timely planning and development of infrastructure that will enable delivery of the future naval shipbuilding programs.

Recommendation 8 – That the Commonwealth implements the commitment of the continuous build of minor war vessels in Henderson, and ensures an efficient and effective transition of the Offshore Patrol Vessel (OPV) build program from Adelaide to Henderson.

Recommendation 9 – That the State Government work with Defence to establish the Offshore Patrol Vessel (OPV) project headquarters and the Systems Program Office (SPO) in Western Australia, to be ready for the transfer of the build program.

Recommendation 10 – That Defence work with the State Government to ensure that a campus of the proposed Maritime Technical College is located in Western Australia, with appropriate funding being allocated to this initiative.

Recommendation 11 – That Defence work with State and Territory Governments to identify the skills required to support the Naval Shipbuilding Plan, fund the training and development of these skills to enable the delivery of the continuous build programs and develop sovereign industry capability in naval shipbuilding.

Recommendation 12 – That Defence work with the State Government to further develop Western Australia as the Royal Australian Navy (RAN) maintenance and sustainment hub and to facilitate the transfer of Full Cycle Docking (FCD) for the Collins Class submarine fleet from Adelaide to Western Australia.

Recommendation 13 – That Defence work with the State Government to further develop and enable Fleet Base West to continue to be the home port for the RAN submarine fleet.

Recommendation 14 – That Defence recognise the flexibility and scale of Western Australia's fabrication, engineering and shipbuilding industries and incorporate the internationally competitive range of capabilities and skills that exist within the State's resources sector to develop sustainable industry capability through naval shipbuilding.

Recommendation 15 – That Defence maintain a clear and consistent procurement process for naval shipbuilding programs and continue to engage with Australian industry throughout the procurement process to identify realistic opportunities.