

## Submarines

- 8.1 This report has reflected the Committee's interest in the two main components of Defence capability: acquiring equipment and providing sufficient, and sufficiently skilled, personnel to render it effective. Chapters 2-5 focus on equipment, and 6-7 on personnel.
- 8.2 This chapter, on Australia's submarine capability, focuses on aspects from both of these areas. The first section considers submarine rescue training for submariners. A second section considers incentives that been offered to personnel in the RAN's submarine force in order to retain them.
- 8.3 Recent advice by Defence in Senate Estimates was that Australia was well below full complement on submariners. As at 1 January 2009 the requirement was for 662 fully trained submariners with which to man the current submarine fleet. However the number of submariners available to Defence was 429: 233 short of full complement.<sup>1</sup>
- 8.4 As a result, Defence is considered to be capable of operating only three of its six Collins class submarines at any one time.
- 8.5 The *Defence Annual Report 2007-08 Volume 1* states that 'Navy is able to routinely crew three submarines with appropriately qualified personnel'. It also states that '[c]ontinuing personnel shortages are impacting on experience levels in the submarine force', and that training requirements are being 'hampered' by a 'shortage of available trainees' and 'pressures in the training pipeline'.<sup>2</sup>

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1 Senate Standing Committee on Foreign Affairs, Defence and Trade, *Estimates (Additional Budget Estimates)*, Wednesday 25 February 2009, Canberra, <http://www.aph.gov.au/hansard/senate/committee/S11649.pdf>, p.72.

2 *Defence Annual Report 2007-08, Volume 1*, p.59.

8.6 In evidence to the Sub-Committee on 19 June 2009, Air Chief Marshal Houston enlarged on this point, noting that the Navy would have:

...three fully operational submarine crews next year. Right now, we can probably crew three boats, but what I am talking about is three boats that you could send away to do things.<sup>3</sup>

8.7 The 2009 Defence White Paper includes the planned acquisition of 12 new submarines.<sup>4</sup> This will put renewed pressure on the RAN's ability to recruit, train and retain personnel for its submarine fleet. Both rescue training and incentives for submariners, considered here, are among measures relevant to the RAN's ability in this respect.

## Submarine rescue and rescue training

### Introduction

8.8 The entry in the *Defence Annual Report 2007-08, Volume 2*, for the Maritime Systems Division of the Defence Materiel Organisation, lists among its 'achievements' that:

The submarine escape and rescue vehicle Remora was refurbished and re-certified in Canada and is awaiting transport to Australia. Remora's lifting and recovery system was refurbished in Scotland.<sup>5</sup>

8.9 The Senate Standing Committee on Foreign Affairs, Defence and Trade was told by representatives of the ADF that the submarine rescue vehicle Remora remains out-of-service due to technical obstacles with lifting equipment and subsequent hold-ups on sea-worthiness certification.<sup>6</sup> That Committee was told, as a result, that:

- Australian Sub-mariners were flying to Canada to receive escape training;<sup>7</sup>

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3 Air Chief Marshal Houston, *Transcript*, 19 June 2009, p.7

4 Department of Defence 2009, *Defending Australia in the Asia Pacific Century: Force 2030*, [http://www.defence.gov.au/whitepaper/docs/defence\\_white\\_paper\\_2009.pdf](http://www.defence.gov.au/whitepaper/docs/defence_white_paper_2009.pdf), pp.70-71.

5 Department of Defence 2008, *Defence Annual Report 2007-08, Volume 2: Defence Materiel Organisation*, viewed 02/06/09 [http://www.defence.gov.au/budget/07-08/dar/2007-2008\\_Defence\\_DAR\\_14\\_v2\\_full.pdf](http://www.defence.gov.au/budget/07-08/dar/2007-2008_Defence_DAR_14_v2_full.pdf), p.62.

6 Senate FAD&T Estimates, *Transcript*, 25 February, 2009, pp.51-52, 54-56.

7 Senate FAD&T Estimates, *Transcript*, 25 February, 2009, p.50.

- ADF had contracted submarine rescue capability from the UK, able to deliver a rescue vehicle in Australia within 80 hours;<sup>8</sup> and
  - The Australian submarine escape training facility at HMAS Stirling was not in use.<sup>9</sup>
- 8.10 In discussion, questions were raised about the cost of out-sourced training; the potential loss of indigenous capability in respect to escape training, particularly regarding skilled personnel, and ADF management of the problem.<sup>10</sup>

## Public hearings

### Current status of *HMAS Stirling*

- 8.11 In hearings, the Joint Committee engaged Defence on the current status of the facility at HMAS Stirling purpose-built to train RAN submariners. The Committee expressed concern that while this was a 'world-class facility' it was 'not being used'.<sup>11</sup>
- 8.12 Two elements were involved: first, the availability or otherwise of the RAN's Australian Submarine Rescue Vehicle Remora (ASRV Remora) and, second, the use of the HMAS Stirling facility itself.

## Background

- 8.13 Defence advised the Committee on the history of this matter. Until 1987 submarine escape training for the RAN had been performed in the United Kingdom. Subsequently, Defence built its 'own facility and we undertook our own training program'.<sup>12</sup>
- 8.14 From 2001 to 2003 the two basic elements of submarine rescue and training were managed separately: 'ASC managed the rescue service with the Remora and the Navy did in-house training'. However, from 2003 to 2008 they were managed under a single contract:<sup>13</sup>

The thinking at the time was, and it remains valid, that if an emergency occurred and we had had the rescue equipment, we

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8 Senate FAD&T Estimates, *Transcript*, 25 February, 2009, p.53.

9 Senate FAD&T Estimates, *Transcript*, 25 February, 2009, p.51.

10 Senate FAD&T Estimates, *Transcript*, 25 February, 2009, pp.51, 54-58.

11 *Transcript*, Thursday 16 April 2009, p.49.

12 Rear Admiral Robinson, *Transcript*, Thursday 16 April 2009, p.52.

13 Rear Admiral Robinson, *Transcript*, Thursday 16 April 2009, p.49.

would use the experienced workers from the training facility to assist and to man that equipment. That makes sense because they are trained in those sorts of aspect of escape.<sup>14</sup>

8.15 Defence told the Committee that this contract expired in June 2008, and 'tender activity started some 12 months before then with a view to having a new contract in place'.<sup>15</sup>

8.16 However, a critical event intervened:

In December 2006, the Remora was lost off the Western Australian coast. It was recovered in April 2007 and it was sent back to Canada to be refurbished and have some obsolescence issues dealt and recertified for 10 years.<sup>16</sup>

8.17 Subsequently, Remora was recertified for 10 years and returned to Australia in June 2008, 'fully certified'.

### Lifting gear

8.18 However, as a ship-launched vessel, Remora also needed lifting gear in order to deploy, and this also needed repair work and certification. Lifting gear was due in Australia 'in the middle of 2008', and 'returned in August' but 'was not certified by our classification society because of [concerns] about its ability to operate in the sea states that we want it to operate in'.<sup>17</sup>

8.19 This, Defence told the Committee, proved to be a significant obstacle. The equipment was not certified and couldn't be introduced 'into the service in the time frame we had envisaged'. This produced difficulties for the process to establish new contractual arrangements to manage submarine rescue and the training facility.<sup>18</sup>

8.20 Defence told the Committee that at this stage it had 'selected a preferred tenderer and had started negotiations for the new contract'. However, with the lifting gear unavailable, Defence now 'needed to amend the contract to say we were going to take out the rescue service and change the contract to a training contract' and this had 'proved a difficult negotiation'.<sup>19</sup>

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14 Rear Admiral Robinson, *Transcript*, Thursday 16 April 2009, pp.49-50.

15 Rear Admiral Robinson, *Transcript*, Thursday 16 April 2009, p.50.

16 Rear Admiral Robinson, *Transcript*, Thursday 16 April 2009, p.50.

17 Rear Admiral Robinson, *Transcript*, Thursday 16 April 2009, p.50.

18 Rear Admiral Robinson, *Transcript*, Thursday 16 April 2009, p.50.

19 Rear Admiral Robinson, *Transcript*, Thursday 16 April 2009, p.50.

8.21 Further, Defence told the Committee:

In December 2008 we were advised by...the classification society, that they were not in a position to certify this equipment without further modifications.<sup>20</sup>

8.22 Subsequently, Defence's probity advisor advised that it should not proceed, and the contract was terminated in December 2008. This led to consideration of alternative arrangements:

At the time we realised that the tender negotiations were going to take some time, we started exploring how we would conduct the training process for mariners in the event that we could not recommission escape training facility in Western Australia. When that came to pass, we made the arrangements with Canada and we have since been sending submariners who need that training or retraining to Canada.<sup>21</sup>

### New developments

8.23 However, Defence advised the Committee that new arrangements were under way, and use of the facilities at HMAS *Stirling* would be resumed:

We put out a new tender for the escape training facility last month. Tenders close this month and they will be assessed and we will have a contract signed in June. The contractor will have to get his team trained and up to speed and then we can start training people in our facility before the end of the year.<sup>22</sup>

8.24 A more exact timeline was that Defence would 'have a contract in June and then it will depend on the time taken-it could be 12 weeks to 16 weeks-to fully train and certify' specialised 'water workers', who train submariners in rescue procedures. In the meantime, Defence told the Committee, there would be 'no impact because we are training the submariners in Canada'.<sup>23</sup>

### Out-sourcing or in-house?

8.25 The Committee engaged Defence on the question of whether staff at the escape training facility should be RAN personnel. The Committee suggested to Defence that many former RAN instructors had gone on to

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20 Rear Admiral Robinson, *Transcript*, Thursday 16 April 2009, p.50.

21 Rear Admiral Robinson, *Transcript*, Thursday 16 April 2009, p.50.

22 Rear Admiral Robinson, *Transcript*, Thursday 16 April 2009, p.50.

23 Rear Admiral Robinson, *Transcript*, Thursday 16 April 2009, p.51.

become employees of the private contractor. The Committee asked about the fate of these staff, in view of the facility not being in use.

- 8.26 Defence advised that it was unable to tell the Committee in detail as to the disposition of this staff. Money had been allocated to retain skilled personnel for a time, but this had ceased. Defence believed that there were 'a number of them still in Western Australia', but was uncertain of exact numbers.<sup>24</sup>
- 8.27 The Committee asked whether this risk of the loss of availability of specialist skills might suggest a different way to proceed for Defence. Should these specialist tasks again be performed by RAN personnel?<sup>25</sup>
- 8.28 Defence responded by saying that it had performed 'an assessment of taking that training in-house to establish whether we could do it'. However it had put this requirement out to tender 'because it is a significant step and it would take some time to reconstitute that in-house capability'.<sup>26</sup>
- 8.29 Further, Defence told the Committee that the decision to continue to put these services out to tender was an expression of how the RAN regards a specialised function in this particular instance. While escape training for submariners is a mandatory requirement of the Navy, the specialist skills required by 'water workers' (that is, trainers) at HMAS Stirling are not:

One of the reasons for outsourcing it is that it is not an inherent Navy skill. The skills of the water workers are not training we normally give to any of our personnel. The skills that the people who run the training facility need are not normally skills that the Navy requires ...<sup>27</sup>

## Committee comment

- 8.30 In the Committee's view, the difficulties experienced with HMAS Stirling and Remora are indicative of challenges that Defence has often faced in recent times, including contractual difficulties and problems managing (and retaining) skills while at the same time attempting to deliver financial efficiency. Defence procurement projects are often complex, in that they involve highly-specialised equipment and, in some instances, high levels of certification.

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24 Rear Admiral Robinson, *Transcript*, Thursday 16 April 2009, p.50.

25 *Transcript*, Thursday 16 April 2009, p.52.

26 Rear Admiral Robinson, *Transcript*, Thursday 16 April 2009, p.52.

27 Rear Admiral Robinson, *Transcript*, Thursday 16 April 2009, p.52.

- 8.31 The Committee is concerned that escape training for submariners, which is essential and a mandatory requirement of the Navy, could not be provided within Australia. Whilst there will be financial analysis comparing in house with contracted options, any option which fails to provide necessary capability is unacceptable. It is clear that the previous arrangements failed this basic test.
- 8.32 The Committee returned to this issue at its public hearing on 19 June when the Chair asked Air Chief Marshal Houston why the submarine escape training facilities at HMAS Stirling were no longer being used:

You would know that the tower, the submarine escape system, was outsourced some years ago because that was a more efficient way to do business and we went down that route. Unfortunately, there were some issues with the contract and in the renegotiation of a contract we were not able to get a value-for-money solution. So the DMO is working through those issues at the moment.<sup>28</sup>

#### **Recommendation 4**

**The Committee recommends that Defence ensure the provision of submarine escape training at HMAS Stirling be re-established.**

#### **Recommendation 5**

**The Committee recommends that the deployability issues governing the Australian Submarine Rescue Vehicle Remora be resolved without delay.**

### **Incentives for RAN submariners**

- 8.33 The Committee engaged Defence on incentives intended to retain submariners in the RAN's fleet. The Committee's interest was to consider any possible anomalies that had been generated by special incentives or allowances to personnel in the graded ranks. These included pay

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28 Air Chief Marshal Houston, *Transcript*, 19 June 2009, p. 11

arrangements which provided a \$60,000 incentive to 're-sign for an additional 18 months or to stay for 18 months'.<sup>29</sup>

8.34 The Committee asserted that this 'brought about a position in which the pay of a chief petty officer was lifted to around \$10,000 under that of a commanding officer'. In addition, 'the lowest ranking personnel on the ship, the able seaman or steward with less than three years experience, was actually paid substantially more than a lieutenant navigator with more than three years of seagoing experience'.<sup>30</sup>

8.35 As a result, the Committee wished to explore whether this had created reasonable grievances among serving officers of the submarine corps.<sup>31</sup> At issue was the question of whether motivation and incentive for officers were harmed by these arrangements, under which a 'steward ... is paid \$30,000 more over an 18-month period' than a 'lieutenant navigator with more than three years seagoing service'. The Committee asked: '[w]hat does that say to junior officer ranks?'<sup>32</sup>

8.36 Defence told the Committee that:

...across all the services and within my group, we hold the view that retention bonuses are a somewhat blunt instrument, and in a sense they are an emergency instrument; you use them when you are seeking to get a significant effect on a trend which we do not think can be sustained or is sustainable.<sup>33</sup>

8.37 Defence acknowledged that such arrangements 'create a range of cultural issues and a range of relativity issues', such as were raised by the Committee.

8.38 However, Defence told the Committee that incentive payments of this nature had not flowed through to officers in the submarine corps because:

...naval officers had received movements in their pay through the GOPS scheme, the graded officer pay structure. My recollection is that it was the view of the Defence Force Remuneration Tribunal that extending the naval capability generally would amount to a double dip for officers.<sup>34</sup>

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29 *Transcript*, Thursday 16 April 2009, p.55.

30 *Transcript*, Thursday 16 April 2009, p.55.

31 *Transcript*, Thursday 16 April 2009, p.55.

32 *Transcript*, Thursday 16 April 2009, p.56.

33 Mr Minns, *Transcript*, Thursday 16 April 2009, p.55.

34 Mr Minns, *Transcript*, Thursday 16 April 2009, p.55.



- 8.39 Defence agreed that there had been ‘some initial disquiet from officers’, this had ‘abated’, ‘largely because the GOPS decision, which is the officers’ pay scale decision, has been well received by submariners’.<sup>35</sup>
- 8.40 At the public hearing on 19 June, Air Chief Marshal Houston told the Committee that the flow-on effect of the 18 month retention fee for submarine crew should take into account the fact that:
- ...in terms of the retention of officers and the retention of sailors, there is quite a difference between the two. The problem we had was that we were losing sailors to the mining industry; we were not losing the officers. We have to react to the problems of supply and demand. We have to compete in a highly competitive labour market. That is really what drove the realities of the retention bonuses.<sup>36</sup>
- 8.41 Another important dimension, Defence told the Committee, was that ‘the broader non-financial conditions of service improved’. These were improvements that had been ‘specifically directed at the submarine arm’ and they ‘had taken effect’.<sup>37</sup>
- 8.42 Defence told the Committee that these ‘non-financial conditions’ were an important part of its approach to retaining the submarine workforce:
- I was with the submariner team in Perth approximately three weeks ago. When we spoke about the sorts of factors and issues that they felt were contributing factors to how they feel about their service in the last six months or a year. It was much more things like changes to the activity schedule and shore leave arrangements and the ability for them to spend more time at home while in port.<sup>38</sup>
- 8.43 Defence told the Committee that these changes had led to ‘a discernible view that some things had improved about the lifestyle of being a submariner’ and, as a result, the submariner team ‘did not raise with me questions about pay’.<sup>39</sup>

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35 Captain Hill, *Transcript*, Thursday 16 April 2009, p.56.

36 Air Chief Marshal Houston, *Transcript*, Friday 19 June 2009, p. 9

37 Captain Hill, *Transcript*, Thursday 16 April 2009, p.56.

38 Mr Minns, *Transcript*, Thursday 16 April 2009, p.55.

39 Mr Minns, *Transcript*, Thursday 16 April 2009, p.55.

8.44 Defence told the Committee that changes to remuneration were one part of its strategy to maintain and extend the submariner corps. While:

...we will always be looking at the reward framework, the remuneration framework for submariners and indeed the other critical trades that we have within the three services, the overwhelming theme that comes through the Moffatt review is the issue about the lifestyle of submariners and the way that their crewing arrangements operate, such as the issues dealing with shore leave postings and so on.<sup>40</sup>

8.45 Thus, remuneration is part of 'a broader range of measures that the Chief of Navy is pursuing', which taken as a whole 'goes to the theme of what we are saying to people who are contemplating a career as a submariner and what is the promise of employment that they can expect if they join the submariner [team] in the Navy'.<sup>41</sup>

8.46 While Defence admits retention bonuses are a 'blunt instrument', it suggested to the Committee that it was a valuable strategy, among others, for Defence with respect to the challenges in recruiting and retention it has encountered, and continues to do so. This applies not only for specialist areas such as the submarine corps, but more broadly across the services:

One of the points that I have raised with the three services within the last year is that we have to start focusing on what I would call the critical talent categories of our organisation. There will be occasions when reward outcomes do not follow a traditional pattern because of the nature of the shortage we face in particular parts of our workforce.<sup>42</sup>

8.47 Defence told the Committee, to 'get on top of the issues we face, we have to run a differentiation strategy around reward', such as had been done for submariners.<sup>43</sup> But a more sustainable strategy involved considering broader elements of the work environment:

Over time, what we have to do is see if we can create that kind of working environment that is more attractive, rather than off-putting for people to contemplate a career as submariners, and then ensure that we keep adjusting their remuneration framework

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40 Mr Minns, *Transcript*, Thursday 16 April 2009, p.56.

41 Mr Minns, *Transcript*, Thursday 16 April 2009, p.56.

42 Mr Minns, *Transcript*, Thursday 16 April 2009, p.56.

43 Mr Minns, *Transcript*, Thursday 16 April 2009, p.56.

for both other ranks and officers so that we sustain the required number and that we grow the number.<sup>44</sup>

- 8.48 On 19 June, Air Chief Marshal Houston returned to the issue of a broader strategy to retention issues which included all aspects of the working environment:

One of the things that Admiral Crane (*Chief of Navy*) is seized with is the need to get the right balance between the mission and the need for people to have time with their families. You cannot send people to sea forever and expect them to stay in the Navy.<sup>45</sup>

- 8.49 In response to a Committee request to provide details of actual separation rates for Naval officers and sailors for the three years preceding and following the introduction of the Navy Capability Allowance, the figures were given as follows:

- May 05 to April 08, separation rate of officers – 5 per cent, of sailors, 13 per cent.
- May 08 to April 09, separation rate of officers – 8 per cent, of sailors, 11 per cent.
- April 09 to May 09, separation rate of officers – 7 per cent, of sailors, 10 per cent.<sup>46</sup>

- 8.50 Air Chief Marshal Houston provided a summary of the effects of the post - Moffitt Report changes as follows:

...one of the recommendations was to increase the size of the crew. We think that that will be very useful. That is phase two of the project – phase two is the stabilise phase. That will also be supported by a submarine support group to provide the technical and administrative support in-port. The idea there is that when they come back to port – where in the old days they would have stayed aboard the submarine and look after it – they go on leave and this other group gets aboard and looks after the submarine. The workforce supply across the submarine categories has been stable at 435, plus or minus five, between April 2008 and April 2009.<sup>47</sup>

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44 Mr Minns, *Transcript*, Thursday 16 April 2009, p.56-57.

45 Air Chief Marshal Houston, *Transcript*, Friday 19 June 2009, pp. 8-9

46 Department of Defence, *Submission no. 4*,

47 Air Chief Marshal Houston, *Transcript*, Friday 19 June 2009, p.10.

## Committee comment

- 8.51 Recruitment and retention are impacted by a range of considerations, extending beyond pay to encompass the complete work environment and its interaction with the private lives of personnel and their families.
- 8.52 In the Committee's view elements of safety, such as the submarine rescue vehicle and submarine rescue training, form an integral part of this whole. The priority Defence assigns to safety sends a clear signal to Defence personnel as to what degree they are valued. Accordingly, this must attract a high priority if Defence is to project a positive message for recruiting and retention.