

## Main finding

1. The committee has taken a measured and balanced approach to presenting and analysing the evidence. The lack of data in particular caused the committee to be cautious in reaching its main finding. The evidence, however, was clear cut—Australia's naval shipbuilding base is well-established, and in recent years has become more efficient, motivated and highly skilled. It has produced a number of outstanding world-class vessels that showcase the capability of Australia's naval industrial base. In assessing the four major components of Australia's naval industrial base, the committee found:

- Australian primes have an improved track record;
- SMEs and international subsidiaries form a vibrant, innovative and competitive network of suppliers;
- past and current investment in heavy engineering infrastructure outside the traditional ship building yards places the industry on a sound but flexible footing to meet future demand; and
- initiatives by both the public and private sector are tackling the problem of skills shortages to ensure that Australia has the knowledge and skills to support the industry.

2. The committee believes that this capability, built up over recent decades, is an asset to the nation which should be encouraged and supported by government, but with stronger emphasis on competitive productivity gains over the long term.

3. Not only does this industrial base have the capacity and potential to contribute to the maintenance of a self sufficient and self reliant naval shipbuilding industry, it also contributes in many other ways to Australia's industrial manufacturing base, the broader economy and Australia's national defence interest. The range of benefits include, but are not limited to:

- strategic self reliance for the repair and maintenance of the navy fleet and commercial shipping;
- greater self reliance and independence for national strategic defence capability;
- improved assurance of dependability and flexibility flowing from domestic capacity for ship modification or customisation for Australian conditions, and the development of innovative solutions for any of the Navy's unique requirements which might be considered appropriate and practical;
- increased gross domestic product from capital investment;
- reduced pressure on the balance of payments;
- enhancement of the labour market;
- expanded indigenous research and development (R&D), design, production and management capabilities;

- the acquisition and development of valuable new skills, manufacturing techniques and processes;
- extensive technology transfer across a broad spectrum of activities;
- a strengthening belief in Australia's own capabilities and confidence in its own ability to exploit opportunities;
- enhanced potential for exporting;
- the maintenance of capability to support vessels throughout their operational lives, shorter turn around for repairs with in-service support; and
- greater foreign investment.

4. The committee emphasises the need to retain a viable shipbuilding and repair industry to ensure that the Navy has the ability to respond quickly to urgent operational requirements. A reliance on off-shore industry to maintain, repair, upgrade or modify navy vessels would put Australia's defence interests at risk.

5. Further, the committee accepts that domestic naval construction provides greater assurance for ongoing effective technical support, maintenance, refurbishment and emergency repairs—as opposed to post construction technology transfer from overseas providers. There is a direct and strong connection between a ship's build and acquiring the knowledge, skills, experience and resources needed to support the ship especially when a rapid response is required.

6. When taking account of all the factors that are to be considered when acquiring a naval vessel, the committee believes that it is in Australia's national interest to maintain a viable naval shipbuilding and repair industry.

7. This requires a commitment by the government to have Australia's naval vessels constructed in Australia and for the government and Defence to adopt measures that would ensure the industry remains efficient, innovative and competitive.

8. Government should not allow itself to be captured by overly dependent and uncompetitive suppliers. The trade off between the benefits of self reliance and self sufficiency must be carefully measured against the best possible international benchmarks so as to avoid debilitating subsidisation of inefficient practices, but at the same time promoting improved productivity.

9. While the committee supports in country builds for naval vessels, the committee notes that for virtual commercial ships where there is no strong strategic defence interest, such as the *Delos* acquisition, offshore purchase may be appropriate.

10. The Committee believes that to assist the shipbuilding and repair industry improve its productivity, it is imperative that government develop longer term naval defence strategies from which can be derived economies of scale and continuity of demand, without which industry will continue to suffer.

## **Recommendation 1**

**11. The committee recommends that the government make a public commitment to maintain Australia's naval shipbuilding and repair industry. This commitment to be supported by improved long-term planning of naval shipping needs in order to maximise economies of scale and provide continuity for the broad but specialised design and construction skills required for a healthy industry over the long term.**

