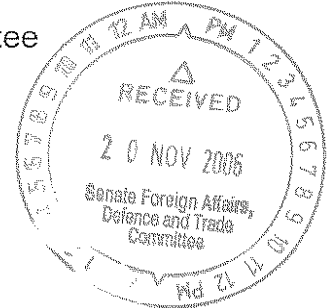




Hon. Mike Rann MP
Premier of South Australia

Senator Steve Hutchins
Chair
Senate Foreign Affairs, Defence and Trade References Committee
Suite 51.57
Parliament House
CANBERRA ACT 2600



Dear Senator Hutchins

Thank you for the opportunity to provide input to the discussion paper on Australia's naval shipbuilding and repair sector.

South Australia's February 2006 submission to the Inquiry and verbal evidence provided on 19 April 2006, addressed the issues identified in the discussion paper. Having reviewed publicly available evidence, the State does not intend to provide a further lengthy submission but rather to reiterate some of the fundamental issues.

The future of shipbuilding in Australia is complex, and as might be expected there will be differing views about the way ahead. The consensus that has emerged is the critical importance of the industry to Australia's national security interests. The challenge for the nation is to ensure that the infrastructure and workforce necessary to support the current and future generation of warships is available. Clearly these capabilities must be provided in the most cost effective manner possible.

From the perspective of a state that has committed more than \$250m in investment in critical shipbuilding infrastructure and skills development, there is an urgent need for a more proactive dialogue between Defence and the industry to ensure these critical capabilities are maintained for the future.

The nature of that dialogue and the degree to which the Commonwealth can commit to longer-term plans will need to be the subject of careful consideration. What is clear is that maintaining the status quo of awarding contracts on a 'project by project' basis will likely leave the nation with underutilised and uncompetitive infrastructure and a problematic skills base.

Small ship and equipment numbers will always challenge our ability to maintain internationally competitive infrastructure and retain the skill base. A longer-term strategic plan that leverages off investments already made is needed to counter these challenges.

The skills issue must focus upon the core competencies required to maintain the Fleet rather than any notion of self-reliance. That said there is ample evidence from the Collins program that the engineering and integration skills attained in designing and building these complex boats is vital to their successful support through life. The AWD ship with Aegis will pose an even greater challenge. As a consequence, it is vital that plans are established to build and retain the critical AWD skill set. Furthermore, utilising the AWD infrastructure and skills as broadly as is possible across the remainder of the Fleet will maximise economies of scale and scope.

Finally, the issue of the Memorandum of Understanding between the Western Australian and South Australian Governments has been raised. In the absence of a national plan both Governments decided to work together to ensure that their shipbuilding and repair industries and infrastructure developed in a complementary manner. Until the Amphibious ship decision is taken the initial impetus of work has been in exploring opportunities for joint skills development. Clearly this template has the potential for national application.

The South Australian Government is committed to assisting ASC and the Commonwealth deliver a successful AWD program. The skills and infrastructure developed for this program will then be capable of delivering the next generation of warships and submarines.

I trust our submissions have helped the Senate Committee in this important Inquiry.

Yours sincerely



MIKE RANN
Premier

13/16/2006