

2 March 2006

Committee Secretary
Senate Foreign Affairs, Defence and Trade Committee
Department of the Senate
Parliament House
Canberra ACT 2600
Australia

Email: fadt.sen@aph.gov.au

Inquiry into Scope and Opportunities for Naval Shipbuilding in Australia

The Chamber of Commerce and Industry of Western Australia (CCI) would like to make the following submission to your inquiry into the scope and opportunities for naval shipbuilding in Australia.

This submission outlines the progressive implementation of a network of high wide load corridors within the Perth metropolitan area. This is extending the reach of the Australian Marine Complex at Henderson to form an industrial cluster with formidable capabilities and improving Western Australian industry's ability to undertake naval shipbuilding work.

Modularisation

There is a growing trend towards the use, for land based projects (including shipbuilding), of the modular fabrication technology that was originally developed for the offshore oil and gas industry. Modular fabrication - or modularisation or use of pre-assembled units – has the capacity to significantly lower construction costs and provide useful scheduling benefits for project planning and implementation.

Modular construction techniques allow the bulk of steelwork fabrication and equipment installation to be performed in controlled workshop environments, in a number of locations simultaneously, significantly shortening project schedules and reducing manpower requirements. However, the use of modularisation techniques also leads to an increasing need for the transportation by road of high wide loads up to and exceeding 200 tonnes in weight.

With the trend towards modularisation, principal workshops in the Kwinana and the Kewdale-Welshpool industrial areas were previously hamstrung from bidding for many large contracts because the road network out of those areas contained power line and road furniture obstructions preventing the outward movement of high and wide loads.

In the absence of such suitable road corridors to allow local fabricators to compete for this work, local industry faced the prospect of all of these modules being constructed overseas, off-loaded at regional ports and transported to project sites, bypassing the bulk of the transport impediments facing local fabricators.

The State and Federal Governments recognised this trend by funding the development of the Australian Marine Complex and its Common User Facility to provide infrastructure to fabricate, join or assemble and load out modules that need to be transport by sea. However, in the absence of suitable road corridors to other established industrial areas in Perth, particularly Kwinana and Kewdale / Welshpool, the capacity of wider industry outside Henderson could not be readily harnessed to maximise the benefits of that investment.

CCI has therefore been campaigning since 1998 to bring about the development of a high wide load corridor network in Western Australia. One of CCI's earlier reports 'High Wide Load Corridors for Western Australia' (November 2002) prepared by Syme Marmion is enclosed. In response, the Western Australian Government has been progressively developing the network of high wide load corridors in the Perth metropolitan area. These corridors have enormously improved the capacity of the WA engineering and fabrication sector to capture naval and resource development work.

Benefits of Existing Kwinana to Henderson Corridor

In order to further illustrate the importance of establishing the network, CCI commissioned two additional studies (again undertaken by Syme Marmion) in 2004 with around \$45,000 in industry contributions from 31 companies. The resulting reports are also enclosed.

The first study "High Wide Load Corridors – Whole State Trip Data" assessed all oversized permits, for loads wider than 5.5 metres, issued by Main Roads Western Australia across WA for the period between September 2002 and March 2004. It confirmed the key metropolitan and regional nodes that need to be connected via high wide load corridors. The study also found that the number of over dimension load permits issued each year has been growing by around 9 per cent per year.

The second study "Review of Benefits of High Wide Load Corridor (Kwinana to Henderson)" analysed the benefits to industry of the existing Kwinana to Henderson corridor and involved a series of industry interviews to more fully reveal the value of the corridor to industry. Funding by the State Government allowed power line and road furniture obstructions to be removed from this corridor in the middle of 2002.

This report demonstrates that the high wide load corridor between the Henderson and Kwinana industrial areas has already increased the reach of the Australian Marine Complex and its Common User Facility. The report underlines the corridor's outstanding success with the maximum width of load moved being 12.5 metres, maximum height 13.5 metres and maximum length 72 metres.

This report also assessed the amount of work that would not have been undertaken in WA if the State Government had not created the Kwinana-Henderson corridor. It estimates that at an establishment cost of \$2 million, it is generating economic benefits to the State of \$9 million per year or in net present value terms a benefit in excess of \$100 million.

Recent State Government Commitments

The recent decision by the Western Australian Government to commit a further \$22 million in funding over 2005 / 06 and 2006 / 07 for the establishment of a second corridor

to the high-wide load corridor network will extend the reach of the Australian Marine Complex still further.

The latest road corridor will link the key industrial areas of Kewdale and Welshpool to Henderson and the Australian Marine Complex. This funding will allow changes to the power lines and road furniture alongside major roads out of Kewdale and Welshpool, and into Henderson. This will allow the transportation of large pre-fabricated modules, similar to what has already been done on the Kwinana to Henderson corridor.

This link between the Kewdale and Welshpool industrial areas and the Common User Facility at the Australian Marine Complex will ensure that a broader range of Perth manufacturing companies will be able to better support naval shipbuilding projects, instead of only those facilities located in Henderson itself and those located in the Kwinana industrial area.

The State Government has also foreshadowed further works within the latest funding to extend the high wide load network into the South West upon confirmation of the next major project in that region. This will enhance the viability of proposed projects in the region as well as expand the synergies between the metropolitan area and the South West.

Future Work Required

In preparation for the establishment of the Kewdale to Kwinana corridor, CCI has been liaising with local authorities and Main Roads WA to ensure the necessary power line and road infrastructure modifications can also be readily made to the local access routes between workshops and the designated high wide load corridor. CCI is also liaising with the City of Cockburn to facilitate better access to the southern corridor for companies within their municipality - as already has been done by the Town of Kwinana for companies within their locality.

It is also important to ensure that the existing connections to the Bassendean-Bayswater industrial area and the Fremantle Inner Harbour remain open and are made more effective. Connections to the Pilbara and the Goldfields also need to be brought up to standard if the full benefits of the network are to be achieved.

Conclusion

The existing Kwinana to Henderson high wide load corridor and the soon to be established Kewdale / Welshpool to Kwinana corridor extend the reach of the Australian Marine Complex and its Common User Facility at Henderson to form an extended industrial cluster with formidable capabilities.

While more needs to be done to achieve the full benefits of a state-wide network, these corridors are helping to improve Western Australian industry's ability to undertake naval shipbuilding work.

Yours sincerely

W S Sashegyi
Director Industry Policy