

**TO: The Secretary - Senate Foreign Affairs, Defence and Trade References
Committee**

**FROM: Jock Ferguson - State Secretary - Australian Manufacturing Workers' Union
(WA Branch)**

**SUBMISSION TO THE INQUIRY INTO THE SCOPE AND OPPORTUNITIES FOR
NAVAL SHIPBUILDING IN AUSTRALIA**

Dear Sir/Madam,

Please find attached a submission from the Australian Manufacturing Worker's Union (WA Branch) to the Senate inquiry into the scope and opportunities for naval shipbuilding in Australia. This is a preliminary submission. Additional arguments and evidence are to be tendered by myself at the Committee's hearing on the 3rd and 4th of April, 2006. An Appendix to this submission will be provided to the Committee at that time.

Yours Sincerely,

Jock Ferguson
State Secretary
AMWU (WA Branch)

Submission to the Senate Inquiry into the Scope and Opportunities for Naval Shipbuilding in Australia

☒ Support for the National AMWU Submission

The WA branch of the Australian Manufacturing Workers' Union (AMWU) supports the submission of the AMWU national body. All information and opinion provided in the following submission is to be regarded as supplementary and complementary material, provided from a Western Australian perspective.

☒ Australian Manufacturing: Productive and Vital

The Australian manufacturing industry faces a crisis. Production is falling for the first time in over 10 years, resulting in the loss of 320 Australian jobs every week. In 2004/05 the manufacturing trade deficit stood at almost \$88 billion, which represents 990,000 offshore manufacturing jobs that could be filled by Australians. Resurrecting the Australian manufacturing industry is a matter of paramount importance. Manufacturing is not only important for the millions of Australian families who rely on jobs in the sector, but also has broader economic implications.

The Current Account Deficit (C.A.D.) stands at a banana republic-sized figure of \$57.5 billion, largely due to the decline of Australia's manufacturing industry and an unsustainable reliance on imports. The C.A.D. is currently dragging down economic growth by approximately 0.5% per annum, representing a huge loss of potential wealth and jobs. The manufacturing industry has a significant role to play in correcting Australia's economic imbalances. The industry is efficient and productive; productivity growth has outperformed that of other sectors for the past 9 years (rating at 22.4% compared to 16.4%). The Australian manufacturing industry is dynamic, highly skilled and ready to meet the challenges of large shipbuilding projects.

The development of a domestic naval shipbuilding industry can help secure the future of Australian manufacturing and the future stability of the economy as a whole. The position outlined by the Australian Defence Force (ADF) White Paper of 2000, and supported by then-Minister Peter Reith, ought to be revised. Domestic industries can and should be called upon to perform a vital role in the construction of new ships, not merely "the repair, maintenance and upgrades" of existing ships as envisaged by the White Paper. The imminent expansion of the capacity of the Royal Australian Navy (RAN) from nine to fourteen surface combatants provides a golden opportunity for the development of domestic manufacturing capability. Australian manufacturing is ready for the challenge, and Western Australia is well placed to meet the Navy's needs.

☒ Infrastructure

The Australian Marine Complex (AMC), south of Fremantle, is a massive and expanding manufacturing precinct. The AMC accounts for approximately 55% of national shipbuilding production, and has produced vessels in excess of \$2 billion dollars in the last decade. 25% of the world's demand for high-speed ferries is met by businesses at the AMC. The AMC is an internationally competitive manufacturing precinct with a proven record of large-project shipbuilding. Much of the infrastructure that would be needed to meet the Navy's needs in a new round of shipbuilding projects is already in place in Western Australia.

The AMC is equipped with extensive dry-berth supporting infrastructure, including Australia's largest ship lift, which is used extensively by the Royal Australian Navy. This will be soon complemented by a \$90 million upgrade sponsored by the State Government. The \$90 million upgrade will also include a floating dock and rail-transfer system similar to that which is utilised in the ship lift at Tenix shipyard alongside the AMC. The ship lift is used by a wide range of vessels, including commercial vessels and Australian Navy vessels for refits, repair and alterations. This ship lift is the largest in the Southern Hemisphere and has an excellent record in relation to handling Navy Defence work, repair and refits. Unlike other Australian locations, the AMC would not need significant additional infrastructure to cope with a major RAN shipbuilding contract. Such a project would, for the most part, merely require an expansion of current capacity rather than the construction of new facilities.

The Commonwealth has long recognised WA as a centre of shipbuilding excellence. The Federal and State governments, in conjunction with the West Australian marine industry, established the home port of the Collins class submarines in West Australia. With the construction of the ship lift, dry-berth and floating dock (to be in place by 2007), the AMC is more than suitable to handle RAN contracts. Navy work currently being performed at the AMC includes the \$60 refit and conversion of the Korean oiler *Delos* as a replacement for the *Westralia*. This work, being carried out by Tenix, is occurring in a calm industrial environment with the strong backing of the AMWU and other unions. The *Delos* experience demonstrates that WA is ready, able and willing to fill further RAN contracts. When announcing the decision to award the *Delos* contract to Tenix in WA, then-Defence Minister Robert Hill recognised that "if you have a proven record [of shipbuilding] it's obviously to your advantage" in competing for future tenders¹. WA has that proven record.

The *Delos* project has benefited immensely from the world-class support facilities present at the AMC. Major technology firms, fabricators and engineers have begun to establish a 'technology park' to provide support for the front-line shipbuilding and repair operations. The AMC is also able to draw from the strong base of skilled labour present in the area.

☒ Skills and Training

The AMC is able to benefit from a number of proactive measures implemented by the State Government. A State Training Board has been established, of which I am an active member. Premier Carpenter has established a Defence Industry Skills Taskforce, which directly reports to the Board. In addition to these measures, the nearby Challenger TAFE has a proven record of delivering workers with industry-specific vocational skills to a range of marine industries. WA workers have the skills to handle major contracts, be they from the RAN or any other body.

The Defence Industry Skills Taskforce comprises leading figures from the engineering, fabrication and hi-tech sectors working together to ensure that WA continues to enjoy the robust base of skilled workers needed to fill large contracts. The Defence Taskforce will recommend training strategies needed to service Defence projects, particularly in the

¹ Senator Robert Hill, *Doorstop - HMAS Westralia Replacement*, 11 February 2005, Commonwealth Parliamentary Office, Perth, [Online]. Available from: <http://www.minister.defence.gov.au/2005/050211.doc> [Date accessed: 9/3/2006].

shipbuilding industry. These strategies will help the sector train and retain the base of skilled labour essential to the future of the shipbuilding industry.

Challenger TAFE has a longstanding record of providing skills for WA's civilian shipbuilding industry, and has a rigorous plan² in place for skilling WA's Defence industry. The WA Applied Engineering and Shipbuilding Training Centre at Challenger TAFE offers training in areas including shipwrighting/fit-out, marine fabrication, welding, marine fitting, and electrical trades. Challenger TAFE's operations are bolstered by a flexible competency-based skills framework that allows industry's changing needs to be met. The AMWU is proud of its support for the competency-based framework, and believes that the current system is close to World's Best Practice in the training and retraining of West Australians for the shipbuilding and Defence sectors. The efforts of industry, unions and TAFE are bolstered by the State Government's foresight. Apprenticeship training in the metals and engineering sector have increased by over 40% in the last 12 months.

The WA Skills Advisory Board, of which the AMWU is a member, also plays a substantial role in securing WA's supply of skilled labour. The board seeks to ensure that industry's demands are met, through a combination of migrant labour (on subclass-457 and other visas) and trained Australians. The AMWU firmly believes that WA's tripartite approach to the development of skills and new industries has been efficacious. WA industry, unions and Government are ready to work together to fill major contracts.

☒ Industrial Relations

The AMWU is proud of its role in the numerous contracts that have been awarded to the AMC in Henderson. The AMWU has a positive relationship with major shipbuilders Tenix and the major engineering and fabrication firms in the areas that service the marine complex. The AMWU is more than willing to engage with industry to continue to improve productivity in the sector. I am confident that the good relationship between the union, the workforce and the employers in this sector that has been developed over many years will continue. This good relationship will be a very strong base for the future of the marine complex, and leaves the AMC ideally poised to fill RAN contracts.

☒ Conclusion

On behalf of the WA Branch of the AMWU, I firmly submit that Western Australia has the capacity and commitment to fill major shipbuilding contracts from the RAN or any other body. WA unions, industry and government have demonstrated their commitment to the vibrancy of this sector, and WA has an established record of civilian shipbuilding and Naval ship repair. WA's status as a world leader in the manufacture of civilian ships (including a 25% of the world market for high-speed ferries) and the location of choice for the refit of the *Delos* demonstrates the State's capacity for world-class shipbuilding.

²Challenger TAFE, *Skilling WAs Defence Industry*, [Online]. Available from: <http://www.challengertafe.wa.edu.au/scripts/documentredirect.asp?BID=3505&NID=6095> [Date accessed: 9/3/2006].