Dr Grant,

attached are some pertinent comments that your committee may find useful.
Given more time, and money, I would be able to supply a much more informed submission.

One area not covered, because you are not asking this question, is why an AWD?
The feedback I get from many ex-RAN people is that we could not man it anyway.

Of the submissions you received to date I particularly recommend two for special attention.

1. Dave Truelove - the real Department of Defence
2. Mr Greg Copely - with respect to the real need. but I personally disagree with the need for an AWD size vessel..

Both these gentlemen are well informed, and call a spade a spade.

The submission from IEAust is a little self serving, but is about as objective as they will ever get. It has been researched very well.

The submissions from within industry ie Tenix, Saab etc etc are only beating their own drums. I was particularly upset by the submission by Gibbs and Cox, this was supposedly written by the ex head of DMO, and the new GM at G&B. an "IEAust Fellow", and was just plain rubbish. When I mentioned this to a G&B interviewing panel, naturally I was shown the door. That's the main problem with management in this industry (and probably elsewhere), they believe they are beyond reproach.

I would like to add more, time eludes me, as I mentioned I have to work more than 50 hours a week doing what I do best, building and repairing ships.

If you would like any further assistance or direction please advise.

Regards
Robin Virant

Dr Richard Grant

Senior Research Officer

Senate Foreign Affairs, Defence and Trade Committee

24 June 2006

I apologise for the haphazardness of this submission, I have been given short notice, and I'm a busy professional shipbuilder/repairer, preparing submissions of this nature are the forte of observers to the industry.

However I have noticed that many submissions from sections of the industry are self serving, in that they only wish to highlight their expertise in niche sections of the industry. Then there are others who have tried to swing the argument towards their particular strength within the industry.

I have seen, first hand, the work by Tenix and Austal. And I can say that the ANZAC class vessel is a very good platform except for the first one – the engine/shaft alignment was not up to par; and that the Bay Class Patrol boats are falling to pieces.

My comments are made in good faith, and are based on my personal observations of the Australian ship building industry since returning from 10 years of employment in the ship building industry overseas.

The Committee wishes to inquire into and report upon the scope and opportunity for naval shipbuilding in Australia and in particular:

a. The capacity of the Australian industrial base to construct large Naval vessels over the long term and on a sustainable basis;

The capacity is undeniable, but the industry has some major obstacles they must overcome to obtain and sustain this capacity:

1. Skills shortage and Training

There is a current skills shortage at all levels of the design and production cycles for both platform and combat systems. This has been clearly evident in recent work I carried at Garden Island in Sydney, and Tenix in Melbourne; as a contract Project Manager.

Observations:

The recent FFG Upgrade for the Combat Systems has been halted because the contractor cannot deliver the "goods". The RAN has been forced to accept HMAS SYDNEY "as is" with almost no combat system functionality, where the RAN go from here I have no idea, nor do the staff at GI who are responsible for the acceptance checking and acceptance of the CS from the contractor.

Regular seagoing engineers are in high demand, and the problem extrapolates because there has been minimal training for the replacement of aging engineers - worldwide. This

is also the case for all engineering trades levels. By way of example, a shipyard pays a boilermaker $20/hr and a mine will pay $40/hr. One need only peruse the employment pages to support this observation.

The RAN cannot recruit or retain technical staff in sufficient numbers, and this is due to the private industry's demand for them. Recent experience have shown that a competent marine engineer can demand $80/hour, and that professional defence consultancy's are charging substantially more to supply the defence department with project management specialists.

Some large companies prefer ex-naval experience and others prefer international experience, some prefer graduate level inductees that they can mould into corporate puppets. The major defence contractors prefer to take on professionals as required on a project by project basis (thanks in part to the new IR laws). There is little or no continuity, and the good professionals invariably end up overseas or setting up small consultancies for niche sections of the industry, this leaves the "big picture" up to places like DMO. All I can say about the way DMO is run is that it would not last one week in a commercial environment.

2. Poor Management

There is a propensity for the RAN and Department of Defence to hinder the progress of the design and production processes.

As an example a RAN department, ironically named the ANZAC SPO (an acronym which equates to being the specialist of the ANZAC class) took almost a year to decide on the replacement item for a guardrail on ANZAC class. In the commercial world it would take less than 4 hours to find a turnbuckle and install it.

They also tend to over manage a project and waste substantial resources duplicating efforts. It is especially annoying when Project Management positions are created so an "old mate" can be employed. This is prevalent among ex-RAN LCDR's, they seem to have formed a club to keep themselves in 'cushy' jobs after retirement.

For example:

1. The Pacific Patrol Boat Refurbishment Program, there is an in-house government QA officer (RANRes), and a Refit Management Representative (Tenix), three Cook Islanders (Boat's crew), Project Office Representative (RANZ). Enough to oversee that the contract is run efficiently, to budget, and on time; NOT SO; the Project Office has representatives visit the site, and they must also countersign all the contract changes after being recommended by the local Management Authority.

   The project over-runs the budget by $500,000 per vessel, so a few extra "jollies" by the Canberra staff is insignificant I suppose. Except it's my tax dollars paying for all these "jollies". This is just the tip of the iceberg, three to five tier management is the norm, not the exception.

   In the commercial world on a project this size you have one Project Manger, one QA manager, and one Parts/Financial Clerk vs One ship's representative.

2. On the recent annual refit for HMAS STUART and on all future annual refits the ANZAC SPO intend to employ a project superintendent to manage the project. I was employed to assist the Superintendent on this vessel. I was not considered suitable after the SPO found out I was not exRAN, and also a security threat to my country after working overseas.

Notwithstanding this, I filled in for the incumbent while he ran off to attend university courses to gain a PhD in Project Management. While I stood in for the Superintendent I managed to reduce the daily progress meetings from one hour to less than 30 minutes. The representatives from interested parties that attended the daily meetings applauded this initiative as it saved a lot of productive time that was otherwise wasted.

This is all I had to do all day, 30 minutes work, and the SPO has employed a Superintendent to do this full time, and allowed me to be employed full time to assist him. The project Superintendent does have other responsibilities over the course of the ships refit (and preparation for the refit), but they are given 12 months to do it. In the REAL commercial world this could be done in less than a week.

The use of ex RAN personnel is to be expected within the industry, they are after all the hands on experts for the platform's systems. They are NOT expert managers, the best ex RAN managers are out there managing their own businesses or working as specialist consultants. Sadly there are more bad ones than good ones working as consultants.

The use of PhD graduates by the Minister and the Commonwealth to extract information about the industry is commended, they are after all experts in espousing theories and observing the rules of research to prove or disprove those theories. They are NOT managers, I have not met one PhD who I would rate a manager, in my entire professional career (over 30 years).

The use of accountants to maintain a budget, and control expenditures is logical, they are after all "bean counters" and do their job well. They CAN manage the financial aspects of a project or business, but they are rarely equipped to manage the day to day problems encountered in ship building, nor do they have the technical expertise to forecast or analyse the risk involved in decision making within the ship building industry.

The best managers I have met are those who, have an appreciation of the work involved, understand the demands the work has on the individual and company, and then make the appropriate DECISIONS.

The industry is full of self serving people making submissions, espousing theories, introducing new systems or creating new departments or positions to solve problems. I haven't met many decision makers. In this profession you make 100's of decisions each day, each one impacts on the nex, and the overall efficiency of the shipyard, to make a profit.

3. Vision

Some of the major shipbuilders in Australia propose alternative designs closer to a commercial model, this is short sighted and does not meet the objective of supplying an AWD. Decisions like this are driven by economical considerations, and trying to reduce new developmental risks/costs – in short a "bean counters" decision.

The RAN and the Department of Defence (Navy) must start the drive for the industry to train and retain staff. Once the IR laws dig in, the trades and professional staff will realise their worth and demand it. The government is forcing the industry to import more skilled labour from overseas.

How is the government going to fill all the "SECRET" positions once they run out of appropriate staff? They advertise almost every week for applicants, but they must be able to pass security scrutiny. I have 18 years prior government service, including 6 years at "SECRET" level. After 10 years or working overseas I am now considered a security risk and denied opportunities to work within the defence ship repair industry.

In summary, I concur with many other submissions that Australia has the capacity to construct large naval vessels over the long term. But what no one has addressed in their submissions is that to obtain and maintain this capacity a major shift has to be made by the industry with respect to management, training, wages, and conditions.

b. The comparative economic productivity of the Australian shipbuilding industrial base and associated activity with other shipbuilding nations;

Other submissions have covered this very well, in particular the submission from the IEAust.

c. The comparative economic costs of maintaining, repairing and refitting large naval vessels throughout their useful lives when constructed in Australia vice overseas;

I concur with Mr. Copely and others, it is tantamount to Australia's maritime future that we take on this role. And I reiterate, the hingepin will be the capacity of the industry to train personnel, and pay suitable enticements to retain them.

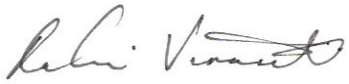
d. The broader economic development and associated benefits accrued from undertaking the construction of large naval vessels

The broader benefits to be gained are substantial, particularly in expanding the countries skill base in trades, design, and professional employment, across the whole spectrum of disciplines. The alternative would be what companies like Gibbs and Cox propose, where they bring in their expertise and use their own overseas staff to devlop and retain the expertise.

There is also the benefit to the armed forces' overall capacity to maintain the strategic initiative in the region, and particularly in the Indian Ocean.

I would like to thank you for the invitation to submit these comments.

Regards



Robin Virant