

Hon Martin Hamilton-Smith MP

Minister for Defence Industries

Tuesday, 16 May 2017

Naval Shipbuilding Plan lacks detail

The Australian Government has today released the highly-anticipated Naval Shipbuilding Plan, however the South Australian Government says that a great deal of work is still needed to provide the detail required to build defence industry capability.

The release comes after the South Australian Government last week agreed to terms for the sale of Techport to the Australian Government, in a move which will both ensure reimbursement for the state's significant investment in the facility and enable a clear path for the Australian Government to expedite Offshore Patrol Vessel, Future Frigate and Future Submarine programs.

The Plan identifies workforce, infrastructure, creation of an industrial ecosystem and a national approach as the core enablers of success in the Naval Shipbuilding Plan.

Background

Last week the South Australian Government announced that it had secured the sale of Techport Australia to the Australian Government for \$230 million.

The Naval Shipbuilding Plan outlines that a \$535 million investment in infrastructure upgrades at Osborne's shipbuilding facility is due to start in the second half of 2017, following consideration of detailed design and awarding of contracts. A similar amount has been identified for the upgrade of submarine infrastructure on the site.

The South Australian Government will partner with the Australian Government to facilitate in the delivery of critical infrastructure, assisting with approvals and re-zoning of land.

Completion of the shipbuilding infrastructure development is expected to be completed by the second half of 2019, but the report warns that it is time-critical that this occurs to enable the Future Frigate program to commence on time by 2020.

The Plan states that by 2026 the industry will require more than 5000 staff employed in construction activities in South Australia and more 10,000 in sustainment and supply chain opportunities across Australia.

Quotes attributable to Minister for Defence Industries Martin Hamilton-Smith

The Naval Shipbuilding Plan lacks detail about how much of the \$89 billion naval shipbuilding program will be spent in Australia.

We are calling for mandated levels of Australian industry participation to be written into construction contracts for future projects once design activities are complete; in particular the \$50 billion Future Submarine program.

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Our defence industry has proven that it is capable of competing at an international level. The third ship of the Air Warfare Destroyer program is now meeting international benchmarks with our Collins Class submarines exceeding benchmarks for submarine availability.

South Australia's small and medium enterprises who are working on the Air Warfare Destroyer program are already struggling to survive as work on that program comes to an end.

The Australian Government must stand up for our industry and mandate 90 per cent Australian industry participation on the 2018 Offshore Patrol Vessel Program to stabilise the naval shipbuilding supply chain and increase industrial capability.

The Australian Government's 2015 RAND report, *Australia's Naval Shipbuilding Enterprise*, estimates up to 8.5 million hours of unproductive labour on the Future Frigate program should there not be sufficient industrial capability preserved from the Air Warfare Destroyer program.

South Australia stands ready to work with the Australian Government to ensure an efficient build of the required infrastructure at Osborne and ensuring creation of the highly-skilled workforce required for future programs in the state.