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## Australian naval shipbuilding since the 2013 election: a quick guide

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This Quick Guide provides an overview of the Australian naval shipbuilding industry since the 2013 federal election. Specifically, three key questions are addressed:

- What is the current status of naval shipbuilding and sustainment within Australia?
- What are the positions of Australian political parties and independents regarding naval shipbuilding?
- What is likely to be done in the future?

### What is the current status of naval shipbuilding and sustainment?

Australian naval shipbuilders are currently focused on two main projects, completion of the [Canberra Class Amphibious Assault Ships](#) (more commonly referred to as Landing Helicopter Docks—LHDs) and the ongoing manufacture of the [Air Warfare Destroyers](#) (AWDs).

#### **Landing Helicopter Docks**

Peter Donaldson's [article](#) in the January edition of *Naval Forces* provides a detailed summary of the LHDs. The first LHD, NUSHIP *Canberra*, [began initial sea trials](#) in March 2014 while the second LHD, NUSHIP *Adelaide*, was [delivered](#) from Navantia's shipyard in Ferrol, Spain, a month prior for fit-out in Australia. It has also been reported that the Australian Government is [considering](#) purchasing a 'short take-off and vertical landing' variant of the Joint Strike Fighter, which [could operate](#) from the LHDs. At a press conference in early June 2014, Prime Minister Abbott [indicated](#) that such a proposal would be addressed in the 2015 Defence White Paper. Later that month it was also [announced](#) that Australian company Kellogg, Brown & Root Pty Ltd had been awarded a five year sustainment contract for the LHD program.

#### **Air Warfare Destroyers**

Following the 2013 election, the Government [initiated](#) a review into the AWD program, which was [reportedly](#) suffering significant delays and cost overruns. Although the review's full report has not been made publicly available, in early June 2014 the Government released a [summary](#) of the review's findings. Additionally, the Australian National Audit Office released its [report](#) on the AWD program in early March 2014. Both reviews led to the establishment of a formal '[Reform Strategy](#)' with commercial and legal advisers [announced](#) in mid-June.

#### **Collins Class submarine sustainment**

Maintenance of the Collins Class submarines is conducted at both Osborne in South Australia and Henderson in Western Australia, predominantly through [ASC](#), a proclaimed Government Business Enterprise. In April 2014 the Government [released](#) the fourth and final review into Collins Class sustainment. Following the report's release, it

was [determined](#) that the improved performance of the submarines could facilitate extending the life of the Collins Class submarine, allowing more time for their replacement to be developed without a capability gap. Specifically, it was [reported](#) in mid-April 2014 that the Defence Minister was confident use of the Collins Class submarines could be extended into the 2030s, when the future submarines are expected to come online.

### ***The ‘valley of death’ and potential solutions***

The so-called ‘valley of death’ refers to an expected gap in Australian naval shipbuilding, where there will be no major projects from the end of AWD construction to the commencement of the Future Frigates and [Future Submarine](#) projects. There have been various views on how to overcome this situation. For example, the CEO of the AWD Alliance has [advocated](#) for the building of a fourth AWD, while the consulting firm ACIL Allen provided its own [analysis](#) to the Australian Industry Group in December 2013. The Australian Strategic Policy Institute (ASPI) [Cost of Defence](#) report contains an entire chapter on the Australian defence industry and more recently in late June the Productivity Commission issued a [report on Trade and assistance](#), which made considerable reference to naval shipbuilding.

## **Stated positions of Australia’s political parties and independents**

### ***The Coalition Government***

The Defence Minister, David Johnston, has made several key statements regarding the naval shipbuilding industry since the 2013 election. Most recently, on 29 July 2014, Senator Johnston [addressed](#) the Defence + Industry Conference in Adelaide, stating that his priorities were ‘getting the AWD program back on track’ and ensuring ‘that everything is in place to ensure a continued naval shipbuilding industry is in Australia should industry demonstrate it can meet an acceptable benchmark for productivity and cost’.

Other notable remarks include a [doorstop](#) interview at the Defence Science and Technology Organisation at Edinburgh, South Australia on 4 July 2014 and a [media release](#) from 6 June 2014 titled ‘Boosting Australia’s maritime capabilities’. This entailed plans to deliver new supply ships, patrol boats and bring forward work on the Future Frigates. Additionally, as part of its preparations for the new Defence White Paper, the Government has released a [Defence Issues Paper](#), which indicates that ‘the Government wants to see shipbuilding continue in Australia, but not at any cost’.

### ***The Labor Party Opposition***

Since the 2013 election, the Australian Labor Party (ALP) has continued to [advocate its plan](#) of bridging the ‘valley of death’ by bringing forward the construction of new supply ships and patrol boats in Australia’s shipyards. Additionally, the Shadow Minister for Defence, Stephen Conroy, has [questioned](#) the Government’s decision to not more fully support the shipbuilding industry, having already paid ‘the premium’ to initially establish the skills and infrastructure required.

### ***Other political parties and independents***

Clive Palmer, leader of the Palmer United Party, [advocated in early July 2014](#) that Australia should investigate acquiring nuclear powered Virginia Class submarines from the United States, noting the benefits would include lower costs and better force integration/protection. Previously, Mr Palmer also [suggested](#) that these submarines could either be bought ‘off-the-shelf’ or built in Adelaide, with new infrastructure developed in northern Australia to provide servicing support to the fleet.

Alternatively, Family First Senator Bob Day has [stated](#) that Australia should consider partnering with the United Kingdom in building nuclear powered submarines in the UK, ‘with the inclusion of South Australian labour’. Senator Day also cited ‘informed defence opinion’ which supported a minimum submarine fleet of three nuclear powered and six diesel-electric submarines.

According to the Liberal Democratic Party’s (LDP) [stated Defence policy](#), the LDP ‘does not support artificial maintenance of a domestic defence industry’, and furthermore would support selling off most of the Navy’s surface fleet. This would significantly impact the production of many proposed naval acquisitions.

Independent Senator Nick Xenophon has [stated](#) his strong support for maintaining the Australian naval shipbuilding industry and has specifically criticised the Government’s decision to acquire new naval supply ships from overseas without allowing Australian manufacturers to bid for the work.

## Parliamentary debates

Within the parliament there have been numerous recent debates on naval shipbuilding:

- On 23 June 2014, [Melissa Parke](#) brought a motion of Private Members' Business regarding Australia's shipbuilding industry. Other speakers on the motion were [Dan Tehan](#), [Tony Zappia](#), [Ewen Jones](#), [Tim Watts](#), [Teresa Gambaro](#), [Gai Brodtmann](#) and [Andrew Nikolic](#).
- On 17 June 2014, there was a Senate Matters of Urgency debate regarding Australia's shipbuilding industry. Speakers were [Stephen Conroy](#), [Simon Birmingham](#), [Nick Xenophon](#), [Alex Gallacher](#), [David Fawcett](#), [John Madigan](#), [Kim Carr](#) and [Ian Macdonald](#).
- On 17 March 2014, [Patrick Conroy](#) brought a motion of Private Members' Business regarding Australia's naval shipbuilding industry. Other speakers on the motion were [Dennis Jensen](#), [Mark Butler](#), [Matt Williams](#), [Tim Watts](#) and [David Coleman](#).
- On 6 March 2014 [Don Farrell](#) brought a motion in the Senate regarding Australia's shipbuilding industry. Other speakers on the motion were [David Fawcett](#), [Alex Gallacher](#), [Ian Macdonald](#), [Doug Cameron](#) and [Sean Edwards](#).

## The future for naval shipbuilding

The [2013 Defence White Paper](#) (DWP) contained proposals for Australia to acquire a range of new naval vessels, including Future Submarines, Offshore Combatant Vessels, new supply ships, Future Frigates and Pacific Patrol Boats. The latter three vessel types were [specifically addressed](#) by the Defence Minister on 6 June 2014. The 2015 Defence White Paper is also expected to provide greater clarity in terms of future naval capabilities.

### Future Submarines

As part of the 2013–14 budget decisions, the previous Labor Government [determined](#) that it would suspend investigating military-off-the-shelf options for the proposed 12 new submarines, and instead focus on progressing either 'evolved Collins' or completely new design options. While in Opposition, the current Defence Minister also [declared](#) that 'I want to confirm that the 12 submarines as set out in the 2009 Defence White Paper ... are what the Coalition accepts and will deliver. We will deliver those submarines from right here at ASC in South Australia'.

In early April 2014, the Defence Minister [addressed](#) ASPI's 'The Submarine Choice' conference, where he reaffirmed both the Prime Minister's and his own commitment that 'work in Australia on the replacement of the current submarine fleet will be centred around the South Australian shipyards'. However, the recent [Defence Issues Paper 2014](#) notes the 'significant debate emerging about the future submarine and whether it should be built in Australia. The debate must consider the cost, risk and schedule as well as the benefits of the different options'. In this context, the Defence Minister further [noted](#) in late July 2014 that upon taking Government, the Coalition 'had to reassess the way forward' regarding the Future Submarines and accordingly 'there is literally years of work-up in getting to the point where we make a decision'.

However, the Abbott Government has already decided to reject the idea of replacing the current Collins Class submarines with nuclear powered submarines. In justifying this position, the Defence Minister [contended](#) that Australia has neither the infrastructure, training or expertise to operate such vessels and that to acquire such platforms would be cost prohibitive. Accordingly, in mid-June 2014, the Defence Minister [stated](#) that Australia was 'interested in submarine technology in the diesel-electric area across a range of countries—France; Germany; Japan; we also get assistance from the United Kingdom and the United States'. With the visit to Australia in July 2014 by the Japanese Prime Minister, Shinzo Abe, speculation regarding submarine cooperation between the two countries intensified. For example, it was [suggested](#) just prior to Prime Minister Abe's visit that Australia might engage in joint construction of Australia's Future Submarines with Japan, while the Foreign Minister Julie Bishop noted in the same report that 'having the Japanese so prepared to discuss not only their technology but even the prospect of purchasing even an entire submarine brings a different flavour to the discussions'.

### Offshore Combatant Vessels

The 2012 [Defence Capability Plan](#) indicated the potential for Australia to rationalise its patrol boat, mine countermeasures, hydrographic and oceanographic capabilities into a 'single modular multi-role class or family of around 20 Offshore Combatant Vessels (OCV)', with initial operational capability scheduled to occur at the

end of the decade. However, the 2013 Defence White Paper was non-committal regarding the program, [indicating](#) that the OCV was merely a ‘possible longer-term capability outcome’.

Less than a month following the 2013 election, the Defence Minister [supported consideration](#) of the [Littoral Combat Ship \(LCS\)](#) that West Australian company Austal were delivering to the US Navy as an OCV option. Such vessels are reportedly a strategic priority, given the need to protect Australia’s naval sea lanes in the country’s northern and western approaches. A detailed US Congressional Research Service [paper on the LCS program](#) was published in mid-July 2014, but, to date, no decision has been made by the Abbott Government.

### ***New supply ships***

On 6 June 2014 the Government [announced](#) a limited tender process between Navantia (Spain) and Daewoo Shipbuilding and Marine Engineering (South Korea) to deliver two replacement naval supply ships. Senator Johnston affirmed that ‘competition between these two experienced shipbuilders is the best way to ensure delivery of capable, cost effective vessels in the time frame required’. [Recent analysis](#) by ASPI’s Mark Thomson indicates that Australia would likely save hundreds of millions of dollars in an offshore acquisition from either of the selected suppliers. However, the Government’s decision to exclude Australian shipbuilders from the tender process has attracted criticism from both the [Opposition](#) and [Nick Xenophon](#), who claim that this project could have helped bridge the ‘valley of death’ for the naval shipbuilding industry.

### ***Future Frigates***

The Government has also [committed](#) over \$78 million to preliminary engineering and design work to ascertain whether continued production of the current AWD hull would be appropriate to develop the Future Frigate. According to the [Future Submarine Industry Skills Plan](#) released in 2013, work on the Future Frigates is due to commence around 2021, with delivery of the first ship in 2026. Although bringing forward the construction of Future Frigates would potentially allow for a ‘rolling build’ and a degree of continuity within the shipbuilding industry, ASPI’s [Mark Thomson](#) and [Andrew Davies](#) have cautioned against this for economic and capability reasons, respectively. Tom Muir’s [analysis](#) of the Future Frigate also elaborates on possible design and capability options.

### ***Pacific Patrol Boats***

In order to replace the 22 patrol boats currently involved in the Pacific Patrol Boat program, the Australian Government has [decided](#) to allocate \$594 million to facilitate construction of more than 20 new vessels. Accordingly, there will be an open tender for the construction, with an option for ongoing sustainment and crew training.

### ***More reviews***

The Senate Economics References Committee is currently undertaking [an inquiry](#) into Australia’s naval shipbuilding industry, incorporating analysis of the tender process for the Navy’s new supply ships (scheduled to report in late August 2014) while the broader inquiry reporting date is 1 July 2015. The [last Senate inquiry](#) specific to naval shipbuilding delivered its [report](#) in December 2006.

The Government is also conducting key reviews across the Defence portfolio, with likely implications for the naval shipbuilding industry. For example, the [First Principles Review](#) will report in early 2015 with a focus on ‘achieving more streamlined decisions on defence acquisitions and sustainment programs’.

A new DWP will also be released in 2015, informed by the First Principles Review and a new Force Structure Review, according to the Department of Defence’s [2015 Defence White Paper website](#). The 2015 DWP [should provide new clarity](#) regarding future shipbuilding projects, including the Future Submarines.

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