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Department of the Senate
P O Box 6100
Parliament House
CANBERRA ACT 2600

Dear Sirs

Inquiry into Defence Procurement

We are pleased to provide a submission on behalf of Babcock. Having provided support to the Royal Navy and Ministry of Defence (UK) for submarines and surface ships over the past 30 years, we feel adequately qualified and experienced to provide input. The company is also involved in major naval acquisitions working as part of an Alliance.

The Australian subsidiary, Babcock Pty Ltd, was formed in 1989 whereby the company played a significant role in provision of key systems for the Collins submarines. Its current activities include Collins TLS and supply of systems for the Air Warfare Destroyer.

Babcock has strategic plans to develop its business in Australia and made significant recent investment in terms of people, facilities and business tools. It is pursuing numerous projects in the naval sector.

Recently Babcock provided a submission to the Rizzo Review. Given that the Defence White Paper identifies a need to improve the effectiveness and efficiency with in-service support, we believe that our comments are equally relevant to this inquiry. Consequently a copy of our submission is attached to this response.

Babcock has a track record of leading reform whilst delivering improved output. We commend our submission for consideration and would welcome further engagement so that we can expand on the material provided.

Yours faithfully


Ken Grove
Director of Strategic Development

Inquiry into Defence Procurement

1. Babcock contribution to the above inquiry is related to its experience and interest in the naval aspects of the Defence White Paper.
2. In general it would appear that both acquisition of new platforms and the subsequent in-service support are failing to meet the key government objectives for either cost, program or platform availability. Given that the White Paper outlines a need to expand new build activity and secure cost savings from in-service support, then some transformation in approach is needed in order to deliver improved outcomes. Consequently the current procurement procedures will need to change. Whilst recent Defence accountability reviews have identified measures to deliver improvement, these have yet to deliver substantial improvement. An integrated approach involving DMO, RAN and industry is required.
3. Babcock has extensive experience in working closely with customers to help achievement of strategic objectives, eg UK MoD and Canadian DoD. Defence projects are inevitably complex and satisfactory outcomes can only be achieved if government and industry work in an integrated manner with a long-term perspective.
4. The overall performance of the maritime sector is heavily influenced by the manner in which the DMO and the DoD are organised and operate. At present it would appear that there is excessive fragmentation within the DMO and consequently this results in polarised approach at a project level which prejudices achievement of economies of scale across the sector and the development of a broader industry capability.
5. The DMO has a strong preference for competition as a means of demonstrating 'value for money'. However, this approach is only effective when a clear specification of requirement exists and the supply chain has the requisite capability and equal opportunity. Given the complexity of defence projects, it is inevitable that definition of the contract deliverables will evolve over the project duration. The initial competition exercise frequently creates an adversarial relationship which adversely impacts changes and effective delivery of the project. Contractors for such long term, evolving programs should be selected on the basis of commitment to effective relationships and not on the basis of lowest costs for a transient requirement.
6. SEA1000 is a key component of the Defence White Paper. Given that Australian operational requirements are unique then a dedicated solution will be needed. Current procurement procedures were not created for this situation and it is therefore inevitable that some adaptation will be required. SEA1000 would be a challenging project for an established submarine building nation, however, this will be further complicated by the need to satisfy the following:
 - Use of US technology for weapons and combat systems;
 - Australian ownership of IPR;
 - DMO Procurement Policy;
 - Local industry capability/resources.
7. The design and manufacture of 12 submarines will take in excess of 25 years to complete, the submarines will be in service for at least 25 years. Consequently a strategy needs to be developed which takes account of the need to create and sustain the appropriate capability for the next 50 years. Considerable effort is needed in the short term to establish the sustainable capability, both in government and industry. Significant enhancement of the industrial capability is required and urgent action is needed to deliver submarines in the timeframe identified in the White Paper.



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8. The delivery of the Defence White Paper capability with respect to submarines requires consideration to the extension of life for Collins submarines to ensure continuity of submarine availability whilst SEA1000 is introduced into service. The formation of a team to deliver this capability would provide the foundation for the SEA1000 resources.
9. It is common for defence to procure new platforms with a strong focus on operational performance. Often the support solution is allowed to evolve with subsequent impact on platform availability eg Collins submarines. As a specialist in the service support business, and based on lessons learnt from previous projects, Babcock believes that the support solution needs to be designed and substantiated at the concept phase with such expertise so that the design can then be managed to meet the support dimensions.