

Defence SA

Level 4, 151 Pirie Street
Adelaide SA 5000

PO Box 3643
Rundle Mall SA 5000 Australia

T: +61 8 8463 7140

F: +61 8 8463 7150

enquiries@defencesa.com
defencesa.com

ABN 42 912 246 233

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Senator Sam Dastyari
Chair, References Committee
Senate Standing Committees on Economics
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Senator

FUTURE OF AUSTRALIA'S NAVAL SHIPBUILDING INDUSTRY (PART 1 – SUPPLY SHIP PROCUREMENT)

On behalf of the Government of South Australia, Defence SA's submission to Part I of the inquiry is focused on Terms of Reference (a) and (b).

The reasons cited by the Commonwealth Government to purchase supply ships offshore included urgency and a lack of suitable shipbuilding facilities. The Minister for Defence stated that the ships are 'far too large' for us to build in Australia – either the 20 000 tonne Navantia design or 26 000 tonne Daewoo design - without 'a lot more millions and potentially billions' in infrastructure investment.

These comments do not accurately reflect existing shipbuilding facility capacity in Australia.

With a small investment in the Techport Australia Common User Facility, it is feasible to launch ships of this size - where the docking rather than displacement (ie fully laden) weight is the relevant measure in terms of shiplift capacity in Australia. The docking weight of the two designs reduces significantly to 9400 and around 14 000 tonnes respectively.

Based on available design information, investment of around \$20 million would increase the capacity of the shiplift to support vessels up to 15 500 tonnes (from current capacity of 13 500) - by installing two additional load bearing beams – which should accommodate the heaviest of the two designs. Even if the shiplift needed to be extended in length, this could be achieved for around \$50 million (ie 15 metre extension would increase lift capacity to 17 000 tonnes).

Either way, this is a small investment in the context of the \$1.8 billion supply ship project. And even smaller when whole-of-life costs are taken into account.



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Expansion works could be completed well before supply block fabrication was complete. From a national capacity perspective, block fabrication could be undertaken in the Melbourne and/or Newcastle shipyards, with the ships consolidated and launched at Techport Australia.

Shipyard infrastructure is a fundamental input to Defence capability and determines the feasibility of Australian industry participation in the acquisition and support of naval ships. In sensible recognition, the Commonwealth has designated ship dry docking facilities and common user facilities as a Priority Industry Capability. The 2011 PIC 'Health Check' of these facilities reported them to be 'healthy' however much has changed since, including the closure of Forgacs' Cairncross dock (Brisbane) and disposal of its floating dock (Newcastle).

There is now a shortage of docking capacity in Australia for supply ship and larger-sized vessels. Garden Island's Captain Cook Graving Dock (Sydney) is the only facility capable of docking supply ships. However, with constant high Navy and commercial demand for the facility it is not suitable for construction, and is not always readily available for unscheduled and/or emergency dockings of vessels this size.

High value for money investment in Techport Australia would create an enduring indigenous capability to construct and dock vessels of this size. It would provide a critical alternate emergency docking capability, reducing safety and Navy capability risks.

The Commonwealth's decision to purchase supply ships offshore reflects the unfortunate consequences of Australia's now historic project-by-project rather than strategic approach to naval shipbuilding. We are now at a critical juncture, as the Government determines its forward plans and budgets for delivery of the future naval fleet.

With \$250 billion to be invested over the next 30 years or so on building and sustaining naval ships, a long-term strategic approach to naval shipbuilding is essential if as much of this work as possible is to be undertaken in Australia.

The Government of South Australia has invested more than \$300 million in developing the Techport Australia shipbuilding and sustainment precinct. Commonwealth strategy, policy and investment surety (and continuous build approach) will underpin development of a robust indigenous naval shipbuilding capability in Australia, to build and sustain Navy's future fleet. Workflow continuity will drive innovation, productivity, efficiencies and improved naval capability.

South Australia stands ready to continue supporting the Commonwealth in this critical endeavor.

Yours sincerely

Andrew Fletcher
CHIEF EXECUTIVE