



Premier of Western Australia

[REDACTED]

Mr Mark Fitt
Senate Economics References Committee
Department of the Senate
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Mr Fitt

Thank you for the invitation to provide a submission to the Senate Economics Reference Committee Inquiry into Australia's Sovereign Naval Shipbuilding Capability.

I acknowledge the Commonwealth Government's actions to date to grow the nation's shipbuilding capability through the release of the *2016 Defence White Paper*, the *Defence Industry Policy Statement* and the policies that have followed. These documents have made a commitment to maximising Australian Industry Capability (AIC) in the Department of Defence's (Defence) programs.

This framework provides extensive opportunities for Australian industry involvement in Defence acquisition and sustainment programs.

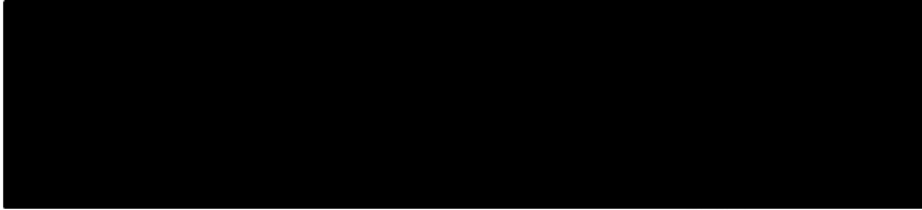
The Western Australian Government strongly supports this approach and is committed to working collaboratively with the Commonwealth Government to build Australia's sovereign naval shipbuilding capability to meet Defence's current and future needs. In particular, Henderson in Western Australia, was identified in the Commonwealth Government's Naval Shipbuilding Plan as the minor naval vessel shipbuilding hub and is the home to a strong and resilient defence industry.

Attached you will find my Government's submission to the Inquiry into Australia's Sovereign Naval Shipbuilding Capability. In summary, our main points include:

- the importance of strengthening AIC plans to ensure compliance by prime contractors;
 - providing better and more productive engagement between small-to-medium enterprises (SMEs) and supply chains, and providing more opportunities for SME's to tender for products and services; and
 - greater clarity on Henderson's role in the continuous naval shipbuilding program.
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Once again, thank you for an opportunity to provide a submission. If you have any questions, please do not hesitate to contact Defence West, the Western Australian Government's lead agency for supporting and promoting the defence industry at defencewest@jtsi.wa.gov.au.

Yours sincerely



Mark McGowan MLA
PREMIER; MINISTER FOR STATE DEVELOPMENT, JOBS & TRADE

27 NOV 2019

Attachment 1 - Senate Economics References Committee – Inquiry into Australia's Sovereign Naval Shipbuilding Capability – WA response

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| <p>a) Oversight and scrutiny of the national shipbuilding plan, to support a continuous build of vessels in Australia</p> | <p>Consideration should be given to clarifying on the alignment between continuous naval shipbuilding, and sustainment. This should include long-term forecasting of the lifecycle of Royal Australian Navy ships, and its relationship with sustaining continuous shipbuilding. It is assumed that in order to sustain continuous build programs, without significant peaks and troughs in maintaining key skills and workforces, the in service life of vessels will likely be reduced.</p> <p>The current <i>Naval Shipbuilding Plan</i> (NSP) identifies 10 Arafura class offshore patrol vessels (OPV) will be built at Henderson from 2020, and spans a 10 year period. However there is no indication if this vessel class (or replacement) will be part of a continuous build program.</p> <p>Under a continuous build process it is assumed that at the time the last OPV is being commissioned the first of Class (OPV-1) will be approaching the end of its service life, which would trigger the process of replacement. However the NSP does not reflect this.</p> <p>Similarly, there is no clarity within the NSP in relation to Guardian class patrol Boats (PPB-R).</p> <p>Without a replacement vessel class, shipbuilding capability and skills will be lost and it will be difficult to re-engage when a new project commences as they may have moved to different industries.</p> |
| <p>b) Progress of the design, management and implementation of naval shipbuilding and submarine defence procurement projects in Australia</p> | <p>Good progress appears to have been made. However, local industry is concerned about missing out on opportunities.</p> <p>There are a number challenges in the successful implementation of the naval shipbuilding and submarine defence procurement programs including:</p> |

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| | <ul style="list-style-type: none"> - Ensuring States receive accurate data and information on the required workforce and infrastructure so they include it as part of their own infrastructure and workforce planning. - Accurate information on the supply chains and prime contractor procurement processes so SMEs have every opportunity to tender for products or services within a large program. - Incidents including awarding 41 rigid hull inflatable boats (RHIB) for the Arafura class to the Finland based Boomeranger Boats is concerning. There are a number of local companies that could have designed, built and maintained the RHIBs. There is a need for transparent AIC plans and outcomes. |
| <p>c) Progress of the Naval Shipbuilding College in building workforce capability and developing the required skills and infrastructure to design, build, maintain, sustain and upgrade current and future naval fleet</p> | <p>The Naval Shipbuilding College (NSC) has made significant progress to build the nation's workforce capability including the establishment of a common job taxonomy, a workforce register and a list of critical skills. The WA Government through Defence West and South Metropolitan TAFE (the State's leading defence trainer and an accredited partner of the NSC) continue to work with NSC to ensure we have the required workforce to meet the needs of the Defence programs.</p> <p>Areas of improvement needed within the NSC include:</p> <ul style="list-style-type: none"> - Gaining a better understanding of workforce requirements for SMEs as the majority of the NSC data is from prime contractors. - Ensuring a pipeline of workers through ongoing promotion and marketing of defence industry careers in schools and communities. |
| <p>d) Ongoing examination of contracts and scrutiny of expenditure</p> | <p>Work should be spread across to States other than South Australia to de-risk programs and provide more widespread opportunities.</p> <p>WA supports opportunities for a greater number of Australian companies to be involved in the build program. Smaller contracts make it easier for SMEs</p> |

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| | to tender and be successful for work. Prime contractor's AIC commitments need to be examined and policed. |
| e) The implementation of Australian Industry Capability Plans | <p>We have received a number of concerns from industry regarding the implementation of AICs plans. AICs plans do not appear to be consistently applied across acquisition programs or flow down to smaller products or services. Local industry needs certainty on what products and services in each build program are contestable so they are prepared and able to contribute.</p> <p>There also needs be greater clarity on how AIC plans are monitored and what level of tolerance there is for change from the bid phase to the contract phase. In addition what penalties exist for removing Australian content where the company has not demonstrated sufficient reason that the capability or product does not exist within Australia.</p> |
| f) The utilisation of local content and supply chains | To maximise the utilisation of local content and supply chains there needs to be greater engagement with the supply chain. This includes the provision of solid information regarding timelines for contract execution to ensure SMEs are prepared for the work. |
| g) The transfer of intellectual property and skills to Australian firms and workers | In order to build a sovereign capability, the Commonwealth Government must ensure that intellectual property and skills are being transferred by international primes to Australian workers. This can be through job transfers, international placements or training being available to upskill workers to international benchmarks. |
| h) The prospect of imminent job losses and redundancies | Henderson in WA has been identified as the minor naval vessel shipbuilding hub for all vessels under 100m. Within the NSP, these vessels have not been identified as part of a continuous shipbuilding program. The uncertainty of continued work following the end of these programs will result in job losses and the loss of capability and skills. |

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| i) Opportunities and multiplier effects to local jobs and the economy | <p>The naval shipbuilding program provides the opportunity to build a skilled national workforce. They could transfer to other sectors, including oil and gas and mining. Workers from the resources sector could also transfer to the defence industry, if they have relevant skills. There will also be a large number of indirect jobs created.</p> <p>The programs also provide the opportunity for technology and research to be developed, which have applications across a number of sectors.</p> <p>The WA Government also supports work to collect data to better evaluate the economic impacts of Defence programs. This is an area that could be improved by the Commonwealth Government. A national survey which gives policy makers a snapshot of the defence industry will help improve decision making and evaluating success.</p> |
| j) Any related matters | No other matters. |