



**MINISTER FOR TOURISM; RACING AND GAMING; SMALL BUSINESS;
DEFENCE ISSUES; CITIZENSHIP AND MULTICULTURAL AFFAIRS**

Our ref: 70-00093

Senator Chris Ketter
Chair
Senate Economics References Committee
PO Box 6100
Senate
Parliament House
CANBERRA ACT 2600

Dear Senator Ketter

I have recently been appointed as the Minister for Defence Issues in the Western Australian Government.

The McGowan Labor Government is committed to the delivery of the Defence West initiative to support and grow the State's defence industry.

A submission to the Inquiry was forwarded by the previous Western Australian Government on 31 January 2017. As the current Government was not in a position to provide comment prior to the election, please find attached a supplementary submission for consideration by the Committee. This document was forwarded 20 February 2017 to the Inquiry on the Framework Agreement between the Government of Australia and the Government of the French Republic concerning Cooperation on the Future Submarine Program.

I look forward to appearing before the Committee 3 April 2017 and appreciate the opportunity to discuss our Defence West initiative and more generally, Western Australia's contribution to naval shipbuilding.

Yours sincerely

HON PAUL PAPALIA CSC MLA
MINISTER FOR TOURISM; RACING AND GAMING;
SMALL BUSINESS; DEFENCE ISSUES;
CITIZENSHIP AND MULTICULTURAL AFFAIRS

28 MAR 2017

WA Labor submission to the Inquiry on Framework Agreement between the Government of Australia and the Government of the French Republic concerning Cooperation on the Future Submarine Program

Background

Prior to the last federal election, the then Abbott government announced its plan to locate the construction of around \$89.5 billion in future ship and submarine builds for the RAN at two sites. Although the Australian Marine Complex in Western Australia was announced as the site for the build of the Pacific Patrol Boat program and part of the Offshore Patrol Vessel build, the lion's share of construction work was allocated to South Australia.

It is the view of WA Labor that the Barnett Government failed to make a proper case for a far greater share of ship and submarine construction being undertaken in Western Australia. Further, the decision to allocate most of the construction work to South Australia was purely political and is subject to change given robust advocacy by a future WA Labor state government.

Noting that this Inquiry focusses on Treaty obligations that enable the future submarine build, it is an opportunity to revisit the poor decisions around construction sites and ensure that the Treaty accommodates possible relocation of part or all of the future submarine build to Western Australia.

The case for Western Australia

Key arguments for the state receiving a much greater share of these construction projects were not advanced by the Barnett government at the time of the announcement. These include:

- a. **Unemployment.** At the time of the Abbott government's decision, the extent of fragility in the state's employment market was still shielded by proximity to the biggest commodities boom in Australian history. Hubris or embarrassment on behalf of the Barnett government prevented it from advancing the case for Western Australia to receive near term, employment generating federal contracts. Conversely, the South Australian government made powerful arguments for federal investment to offset job losses in the car manufacturing.
- b. Since the Abbott Government's decision, there has been a dramatic rise in unemployment in Western Australia. Under the Barnett government, the state's unemployment rate has soared to 6.5 percent well above the national rate of 5.7 percent. There are 93,000 Western Australians out of work now, 64,300 more than when Colin Barnett took office in 2008.
- c. Unlike jurisdictions on the east coast, the Barnett government has failed to diversify the Western Australian economy. Big employment sectors like housing and tourism are under performing in Western Australia. Workers losing employment in the commodities sector could find alternative jobs in housing construction or hospitality on the east coast. In Western Australia there are far fewer options. By way of comparison, recent Tourism Research Australia data showed high double digit growth in international visitor numbers along the entire eastern seaboard with growth ranging from 19 percent in Queensland to as high as 22 percent in Tasmania whilst Western Australia grew international visitors by only 3 percent. For the first time on record, international visitor spend in Western Australia actually contracted.

- d. **Capacity.** As a consequence of decades of meeting the intense demands of the offshore oil and gas and mining industries, the Western Australian steel fabrication sector has developed capabilities second to none. Industry players engaged in heavy rolled steel fabrication, necessary for submarine hull construction, are easily the best in the nation.
- e. The transition of the commodities sector has meant significant numbers of highly skilled fabrication industry workers are now unemployed or underemployed. In human capital terms, Western Australia has far greater capacity than South Australia.
- f. **Common User Facility.** The Australian Marine Complex has been the beneficiary of significant investment by consecutive state governments before the Barnett government. As a consequence, the Common User Facilities available for support of ship and/or submarine construction and defence related industries are long established and well proven. By contrast, the federal government is spending \$500 million of taxpayer's money to establish a Common User Facility in South Australia,
- g. **Regional markets.** Australian defence contracts alone should not represent the extent of ambition for our defence industry. The federal government's commitment to continuous build programs across a range of naval vessel types offers the opportunity for industry to use domestic naval construction as a springboard for expanding into the global naval construction marketplace.
- h. Western Australia has the advantage of proximity to regional markets along the entire Indian Ocean rim, the Middle East and Asia. The state's decades long history of engagement with the region through commodities trading, its proven capacity to win foreign military contracts, and the presence of extensive expatriate communities with strong ties to potential markets, mean Western Australia is perfectly suited to become a key player in international naval construction.
- i. **Our own valley of death.** As a result of the transition in the commodities sector, Western Australian steel fabricators are facing a threat to their sustainability today. The promise of future maintenance contracts does nothing to assist the survival and development of steel fabricators. At the time of the Abbott decision, much was made of the South Australian 'valley of death' between the end of AWD construction and commencement of subsequent submarine and ship builds. In reality, the Western Australia fabrication industry confronts its own valley of death, every bit as deep and threatening as South Australia's.
- j. **National interest.** Western Australia is the only state with an Indian Ocean coast and is closest to current and possible future key areas of operations for the Australian Defence Force. It is undeniably in the national interest to have a robust defence related fabrication industry as close to areas of operations as possible.

Appearance at the Inquiry

WA Labor would appreciate the opportunity to appear before any Inquiry hearings in the state to allow us to ensure the state's interests are properly represented.