

Response to Question on Notice

SENATE ECONOMICS REFERENCES COMMITTEE

Future of Australia's naval shipbuilding industry
Public hearing - 7 June 2018

SPECIFIC QUESTIONS ON NOTICE

Question 1 (Hansard p.43)

Senator KIM CARR: But you're not familiar with that requirement? Can you tell me if there have been any recent ministerial directions?

Mr Whiley: There have been no ministerial directions to the board.

Senator KIM CARR: Have you had any ministerial directions at all with regard to maintaining the value of the company?

Mr Whiley: No, there have been no ministerial directions.

Senator KIM CARR: As distinct from your responsibilities and the board's responsibility to maintain the value of the company, particularly protections the shareholders' value—that is, the Commonwealth of Australia?

Mr Whiley: Sorry, I'm not—

Senator KIM CARR: Have you taken any steps to protect the shareholders' value of the company?

Mr Whiley: In terms of the way we operate, we protect the value of the company in terms of our strategic intent as a company. We go through a process with the board to develop a strategic plan that's developed that goes into a corporate planning document. It's sent to the minister, so that process is ongoing. And we enact that plan accordingly.

Senator KIM CARR: The Department of Finance refers to ASC reform implementation. Are you familiar with that?

Mr Whiley: I'm not sure.

Senator KIM CARR: I'm talking about the Department of Finance, which, of course, you report to.

Mr Whiley: I'm not sure which reform you're referring to.

Senator KIM CARR: That's what I'm asking about. This is identified on their website, which said in October 2016 that it was to do with the structural separation of the ASC into its three component elements. Can you update us on how that's going? Has that concluded?

Mr Whiley: As has been said at Senate estimates, the second part of phase 2, which was separation of the shipbuilding and submarine business, is on hold until the outcome of the Future Frigate decision.

Senator KIM CARR: So it's not completed?

Mr Whiley: It's not completed. We operate as two discrete business units as an organisation, but the separation is effectively on hold.

Senator KIM CARR: Perhaps you should take this on notice, because it's a question for the board. Is the board confident that, in terms of changing its role, the new arrangement secures ASC's future and value?

Mr Whiley: I'll take the question on notice, but I'm not quite sure which new arrangements—

Senator KIM CARR: The new arrangements, the structural separation, the so-called reform implementation, which is a government direction to separate the company.

Mr Whiley: It's still a hypothetical that separation will occur.

Senator KIM CARR: Sorry; hypothetical?

Mr Whiley: Yes, because, as I said, the decision to either proceed or not proceed will be made post any Future Frigate decision.

Senator KIM CARR: The Department of Finance website said the full separation is expected to be completed. It doesn't say anything about 'hypothetical'.

Mr Whiley: I think that's a question for the Department of Finance.

Senator KIM CARR: That's a reasonable answer, if I might say, but that's what it says. I'm just wondering if you could—

Mr Whiley: I think the minister has been quite clear at Senate estimates that proceeding or not proceeding with the next step will be based post any decisions on Future Frigate.

Senator PATRICK: But you have divided into the shipbuilding—

Mr Whiley: That was phase 1 of the separation.

Senator PATRICK: I'd say that's probably what they're referring to.

Senator KIM CARR: That might be it, but let's just be clear. Can you clarify why the Future Frigate arrangements put this whole question of structural separation on hold?

Mr Whiley: I think that's a question for government, not a question for us. The decision of separation is—

Senator KIM CARR: You're just stating the fact that it's on hold and the reason it's on hold is because of this matter.

Mr Whiley: Yes.

Senator KIM CARR: Thank you very much.

CHAIR: Senator Reynolds.

Response

On 11 October 2016, the Government announced its decision to structurally separate ASC into three individual Government owned companies with three key capabilities – submarine maintenance, surface shipbuilding and naval infrastructure.

The decision was consistent with the separate operations of ASC's submarine maintenance and shipbuilding businesses in recent years.

In March 2017 the ASC Board approved the arrangements for the first phase of the restructure, which resulted in the establishment of the separate infrastructure company, Australian Naval Infrastructure (ANI).

On 24 October 2017 Finance Minister, Senator Mathias Cormann, told the Senate Finance and Public Administration Legislation Committee (Estimates):

ASC Shipbuilding and submarine maintenance operate as separate businesses within ASC. There is managerial separation, but whether or not we will go the next step of formal structural separation will depend on the outcome of currently pending procurement processes.

Question 2 (Hansard p.46)

CHAIR: And just to finish off, Mr Whiley, going back to the issue of structural separation and the fact that the next stage of separating ASC shipbuilding and submarine maintenance is on hold, pending the procurement processes, I just want you to take on notice for me when you became aware of that decision that further structural separation was—

Mr Whiley: I'll take the question on notice.

CHAIR: And also was there any documentation that accompanied that. Were you advised by the board, or how did you become aware?

Mr Whiley: I actually can't remember specifically. I'll take it on notice, though.

Senator KIM CARR: Would that constitute a ministerial direction?

Mr Whiley: I'm not sure, is the honest answer. It was government's decision on separation and it was government's decision to put it on hold. I'll take that on notice as well, if you like.

CHAIR: Okay. Thank you very much, gentlemen.

Response

ASC management and senior officials in the Department of Finance held discussions in September and October about the possibility of the separation of ASC Shipbuilding from the ASC group being deferred.

On 24 October 2017 Finance Minister, Senator Mathias Cormann, told the Senate Finance and Public Administration Legislation Committee (Estimates):

ASC Shipbuilding and submarine maintenance operate as separate businesses within ASC. There is managerial separation, but whether or not we will go the next step of formal structural separation will depend on the outcome of currently pending procurement processes.

The decision to defer was not a Ministerial Direction.