



Premier of Western Australia

Our Reference: 59-070985

Senator Linda Reynolds CSC
Chair
Senate Foreign Affairs, Defence and Trade Legislation Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Senator Reynolds

Thank you for your invitation to provide a submission on behalf of the Western Australian Government to the Senate Inquiry into the Defence Amendment Bill 2018.

The Sovereign Naval Shipbuilding Bill amendments are an important step in building Australian capability and the Western Australian Government encourages the Commonwealth Government to consider broader industry strategies to ensure capability is retained in strategic industries.

Please find attached a copy of the submission on behalf of the Western Australian Government.

Yours sincerely

Mark McGowan MLA
PREMIER

- 3 AUG 2018

ATTACHMENT 1

Defence Amendment (Sovereign Naval Shipbuilding) Bill 2018 – Western Australian Government Submission

The Government of Western Australia is supportive of the intent of the Defence Amendment (Sovereign Naval Shipbuilding) Bill 2018 that would require naval vessels to be built by Australian Shipbuilders. The legislation will lead to the growth of industry capacity and capability.

Naval shipbuilding capacity and skills need to be retained in the main shipbuilding locations across Australia should there be a periods where specific skills are only required for part of each project. Even with a continuous build program for a class of ships, specific skills may not be required for the entire duration of a ship's construction.

Once the hull and superstructure are complete, some skills may not be required in the same quantity until the next hull commences. These skills can be used in other collocated industries as occurs at Henderson in Western Australia, where oil and gas subsea projects, heavy engineering, mining infrastructure and commercial boat building provide opportunities for retention of a skills and capability base, as well as revenue streams for businesses in the supply chain.

A healthy multi-industry industrial precinct, mindful of security needs and defence requirements will ensure the outcomes sought from this legislation.

The Defence Amendment Bill 2018 only applies to ships over 30 meters. Boats of 30 metres or less can be built in Australia and do provide work that will contribute to the retention of skills. The WA government would prefer that all naval ships of any size be built in Australia by Australian shipbuilders.

While the technological capability of naval ships is critical to performance and some operational and combat systems will need to be supplied by leading technology developers, internationally, Australian based supply chains and companies should be encouraged to develop a wide range of components. Multinationals should also be encouraged to have substantial research or production capacity in Australia. Many defence technologies used in Australia have origins in the United States.

The US has a range of legislated initiatives that seek not only to build sovereign capability, but also to support capacity retention in periods between major naval building programs. The US legislation covers both naval purchasing and commercially purchased ships. Some of the legislation that exists in the USA is summarised below:

- *US Code 10 – Armed forces sec 7309 – Construction of Vessels in Foreign Shipyards: Prohibition* – restricts US naval vessels from being constructed anywhere other than the USA.
- *US Code 10 Armed Forces sec 7299a – Construction of Combatant and Escort Vessels Assignment of Vessel Projects* – details the costs to be considered in evaluating bids for alteration and repairs for work to be undertaken away from the homeport of a vessel. This section of the legislation also requires requests to bids only be sought from home port based contractors if it is considered there is sufficient competition. If a bidder outside of the homeport is considered for repair work, then the Navy must also consider all related costs including the cost and time to move the vessel from the home port and the cost of relocating the crew to their vessel, plus the costs of returning the vessel and crew to the home port at the end of the contract.

- *US Code 10 Armed Forces sec 7315 – Preservation of Shipbuilding Capacity* – noting the cost of losing and rebuilding skills, business capacity and infrastructure, the navy can pay for certain costs when a naval shipbuilding company undertakes commercial shipbuilding contracts as a means of ensuring capacity when required through the Navy entering into a Shipbuilding Capability Preservation Agreement.
- *US Code 46 – Shipping, Subtitle 5 Merchant Marine Sec 55102 - the Jones Act* – This legislation requires that commercial vessels that are used for US domestic merchant voyages must be US flag vessels, built in the USA and US owned. While not applying to naval vessels, this legislation does however guarantee a base of skills and capability.
- *US Code 46 – Shipping, Subtitle 5 Merchant Marine Sec 55103(b) – The Passenger Vessel Services Act*– requires all passenger carrying vessels to be built owned and documented in the US
- *US Code 41 – Public Contracts, Subtitle IV-Miscellaneous, Chapter 83 – Buy American* – legislation that guides all US Federal Government purchasing for land based transport including road and rail infrastructure – while not shipbuilding, it does guarantee substantial domestic engineering capacity that would retain the skills base for shipbuilding.

To this end, where Australian companies have had success in contracting to build ships for the US defence forces, major contracts have required facilities to be established in the US.

The Sovereign Naval Shipbuilding amendments are an important step in building Australian capability, and the WA Government also encourages the Commonwealth Government to consider broader industry strategies to ensure capability is retained in strategic industries.

Yours sincerely

Mark McGowan MLA
PREMIER

- 3 AUG 2018