

Appendix 3

Background to SEA 1000 Phase 1A—deliver Australia's future submarine capability

Defence's decisions regarding the replacement of the Collins Class submarine with a new fleet of more capable boats have been many years in the making. In this appendix, the committee traces the capability development phases of the future submarines to date, starting with its inclusion in the 2009 Defence White Paper.

White Paper—2009

The Defence White Paper is a key strategic document that presents the government's long-term strategic forecast and commitments for Defence including its future capability. In its 2009 White Paper, the government indicated its intention to replace and expand the current fleet of six Collins class submarine with a more capable class of submarine. It recognised that some decisions on significant aspects of Australia's defence capability must be taken over the next few years, including in submarine forces. This project would be a multi-billion dollar decision requiring very long lead-times for project development, acquisition and entry into service.¹

The White Paper indicated that, through consideration of current and future requirements, a major new direction had emerged with significant focus on enhancing Australia's maritime capabilities. It stated that by the mid-2030s, Australia would have a heavier and more potent maritime force with a more capable submarine, Future Frigate and enhanced capability for offshore maritime warfare, border protection and mine countermeasures.²

Expanded submarine fleet

With respect to the submarines, the government formed the view that Australia's future strategic circumstances required a substantially expanded submarine fleet. The government would double the size of the submarine force to 12 replacing the current fleet of six Collins class submarines. This enhanced capability was:

...to sustain a force at sea large enough in a crisis or conflict to be able to defend our approaches (including at considerable distance from Australia, if necessary), protect and support other ADF assets, and undertake certain strategic missions where the stealth and other operating characteristics of

1 Department of Defence, *Defending Australia in the Asia Pacific Century: Force 2030*, Defence White Paper, 2009, paragraph 1.14, http://www.defence.gov.au/whitepaper2009/docs/defence_white_paper_2009.pdf (accessed 8 August 2014).

2 Department of Defence, *Defending Australia in the Asia Pacific Century: Force 2030*, Defence White Paper, 2009, paragraph 8.39.

highly-capable advanced submarines would be crucial. Moreover, a larger submarine force would significantly increase the military planning challenges faced by any adversaries, and increase the size and capabilities of the force they would have to be prepared to commit to attack us directly, or coerce, intimidate or otherwise employ military power against us.³

The future submarine was to have 'greater range, longer endurance on patrol, and expanded capabilities compared to the current Collins class submarine'.⁴ The boats were to be equipped with 'very secure real-time communications and be able to carry different mission payloads such as uninhabited underwater vehicles'. The White Paper specified the boats capability:

The Future Submarine will be capable of a range of tasks such as anti-ship and anti-submarine warfare; strategic strike; mine detection and mine-laying operations; intelligence collection; supporting special forces (including infiltration and exfiltration missions); and gathering battlespace data in support of operations.⁵

The White Paper recognised that the long transits and potentially short-notice contingencies in Australia's primary operational environment demanded high levels of mobility and endurance in the future submarine. The boats needed to be able to undertake prolonged covert patrols over the full distance of Australia's strategic approaches and in operational areas. They would require low signatures across all spectrums, including at higher speeds.⁶

The government placed a priority on broadening Australia's strategic strike options, which would occur through the acquisition of maritime-based land-attack cruise missiles. These missiles would be fitted to the AWD, future frigate and future submarine. The incorporation of a land-attack cruise missile capability would be integral to the design and construction of the future frigate and future submarine.⁷

The government ruled out nuclear propulsion for these submarines.⁸

3 Department of Defence, *Defending Australia in the Asia Pacific Century: Force 2030*, Defence White Paper, 2009, paragraph 8.40.

4 Department of Defence, *Defending Australia in the Asia Pacific Century: Force 2030*, Defence White Paper, 2009, paragraph 9.3.

5 Department of Defence, *Defending Australia in the Asia Pacific Century: Force 2030*, Defence White Paper, 2009, paragraph 9.4.

6 Department of Defence, *Defending Australia in the Asia Pacific Century: Force 2030*, Defence White Paper, 2009, paragraph 9.5.

7 Department of Defence, *Defending Australia in the Asia Pacific Century: Force 2030*, Defence White Paper, 2009, paragraph 9.74.

8 Department of Defence, *Defending Australia in the Asia Pacific Century: Force 2030*, Defence White Paper, 2009, paragraph 9.5.

Australian industry involvement and assembled in Adelaide

The government understood that the strategic importance of the future submarine's capability was such that Australian industry involvement would 'need to be factored into the design, development and construction phases, and the sustainment and maintenance life cycle' of the boats. It anticipated that the operational life of the boats would extend well into the 2050s and possibly beyond.⁹ The White Paper indicated that the government would give early consideration to the complex capability definition and acquisition issues involved in this substantial undertaking; consider matters such as basing and crewing; and would seek early advice from Defence on those and other issues.¹⁰

The construction program for the future submarines would be designed to provide the government with the option to continue building additional submarines in the 2030s and beyond, should strategic circumstances require it.¹¹

According to the White Paper, the government had decided that the boats were to be assembled in South Australia.¹²

Schedule

The White Paper acknowledged that this major design and construction program would span three decades, and be 'Australia's largest ever single defence project'.¹³ Given the long lead times and technical challenges involved, the White Paper argued that the complex task of capability definition, design and construction must be undertaken without delay. The government announced that it had already directed that a dedicated project office be established for the future submarine within Defence, which would closely oversee this project.¹⁴

9 Department of Defence, *Defending Australia in the Asia Pacific Century: Force 2030*, Defence White Paper, 2009, paragraph 9.7.

10 Department of Defence, *Defending Australia in the Asia Pacific Century: Force 2030*, Defence White Paper, 2009, paragraph 9.7.

11 Department of Defence, *Defending Australia in the Asia Pacific Century: Force 2030*, Defence White Paper, 2009, paragraph 9.9.

12 Department of Defence, *Defending Australia in the Asia Pacific Century: Force 2030*, Defence White Paper, 2009, paragraph 9.3.

13 Department of Defence, *Defending Australia in the Asia Pacific Century: Force 2030*, Defence White Paper, 2009, paragraph 9.3.

14 Department of Defence, *Defending Australia in the Asia Pacific Century: Force 2030*, Defence White Paper, 2009, paragraph 9.6.

Overseas partners

To ensure the project's success, the government stated that it would need to engage with a number of overseas partners during the design and development phase. In particular, it noted its intention 'to continue the very close level of Australia–US collaboration in undersea warfare capability', which, in its view, would be crucial in the development and through life management of the future submarine.¹⁵

Collins Class

Turning to the current submarine fleet, the government also agreed to further incremental upgrades to the Collins class submarines throughout the next decade, including new sonars, to ensure they remained highly effective through to their retirement.¹⁶

The White Paper noted that the government was determined to respond decisively to deficiencies in the availability of operationally ready submarines. The Navy would embark on a major reform program to improve the availability of the Collins class fleet and ensure that a solid foundation was laid for the expanded future submarine force. These reforms were intended to change how the Navy attract, remunerate, train and manage the submarine workforce, and improve the deployment and maintenance of the submarines.¹⁷

Defence Capability Plan

Details of the capability Defence was seeking to acquire from the acquisition of 12 submarines specified in the White Paper was then translated into a more concrete proposal in the Defence Capability Plan (DCP) 2012. The DCP is a 'classified and costed 10-year detailed development plan for Australia's military capabilities (including workforce requirements)'. The document:

...lists the rolling program of major capital investment projects that meet the capability objectives and priorities that fall from the Defence White Paper (or subsequent strategic updates) and the DPG [Defence Planning Guidance].¹⁸

15 Department of Defence, *Defending Australia in the Asia Pacific Century: Force 2030*, Defence White Paper, 2009, paragraph 9.8.

16 Department of Defence, *Defending Australia in the Asia Pacific Century: Force 2030*, Defence White Paper, 2009, paragraph 9.9.

17 Department of Defence, *Defending Australia in the Asia Pacific Century: Force 2030*, Defence White Paper, 2009, paragraph 9.10.

18 Department of Defence, *Defence Capability Development Handbook 2014*, paragraph 2.2.4, [http://www.defence.gov.au/publications/docs/Defence%20Capability%20Development%20Handbook%20\(DCDH\)%202014%20-%20internet%20copy.pdf](http://www.defence.gov.au/publications/docs/Defence%20Capability%20Development%20Handbook%20(DCDH)%202014%20-%20internet%20copy.pdf) (accessed 8 August 2014).

Government approval for entry of projects into the DCP provides 'the foundation for subsequent capability work in Defence'.¹⁹ Defence also publishes a public version of the DCP designed to:

...provide industry with a synopsis of the projects including: confirmed scope; background; indicative schedule; Australian Industry opportunities; cost banding; and points of contact. The format of this Public DCP also introduces stakeholders to the concept of Program and Sub-Program management.²⁰

The 2012 DCP included a costed and scheduled plan for the acquisition of the future submarine and its sea-based strike capability, which entered the plan as project SEA 1000. The DCP noted that:

SEA 1000 will provide Australia with a new and more potent Defence capability with greater range, longer patrol endurance and increased capability compared with the Collins Class submarine. Key capabilities will be in the areas of anti-submarine warfare, anti-surface warfare, strike, intelligence, surveillance and reconnaissance, electronic warfare, mine warfare, and support to advance force operations.²¹

The DCP explained that, as part of the 2009 Defence White Paper preparations, significant work had been undertaken to identify and quantify the maritime capability developments that would be required to meet government's expectations. For example, the government had allocated \$15.4 million for early studies and research in relation to the future submarine project of which \$9 million had not been spent by May 2010.²²

In mid-December 2011, the Minister for Defence announced that the government had approved the release of Requests for Information to three overseas submarine designers offering military-off-the-shelf (MOTS) designs. It had also entered into a contract with Babcock to study the establishment of a land based propulsion systems test facility to inform engineering development of the future submarines.²³

19 Department of Defence, *Defence Capability Development Handbook 2014*, paragraph 2.2.7.

20 Department of Defence, Defence Capability Plan, public version 2012, p. 1, <http://www.defence.gov.au/publications/CapabilityPlan2012.pdf> (accessed 17 October 2014).

21 Department of Defence, Defence Capability Plan, public version 2012, p. 201, <http://www.defence.gov.au/publications/CapabilityPlan2012.pdf> (accessed 17 October 2014).

22 Senate Foreign Affairs, Defence and Trade Legislation Committee, *Estimates, Committee Hansard*, 31 May 2010, pp. 49–51.

23 Minister for Defence and Minister for Defence Materiel, 'Progress of future submarine project', 13 December 2011, <http://www.minister.defence.gov.au/2011/12/13/minister-for-defence-andminister-for-defence-materiel-progress-of-future-submarine-project-2/> (accessed 7 May 2012).

Options 1–4 for future submarines

Rear Admiral Gregory Sammut, Head, Future Submarine Program, DMO, explained that initially the submarine program had investigated four broad options:

- Option 1—a MOTS submarine modified to conform to Australian legislative requirements;
- Option 2—a MOTS submarine with a combat system of Australia's choosing that would be aligned pretty much to the combat system methodology used for the Collins class today;
- Option 3—an evolved Collins; and
- Option 4—broadly termed a new design.²⁴

Staged acquisition

The DCP anticipated that a staged acquisition process would be undertaken to acquire this capability. As noted in the White Paper, the project was to be the largest and most complex Defence acquisition yet conducted. It was expected that the government would on multiple occasions consider the project as information was gathered that facilitated government decision-making.²⁵

Phases 1 and 2 of SEA 1000 would entail the design, build and delivery of 12 conventionally powered submarines as well as infrastructure and Integrated Logistic Support requirements. At the time of publication, the DCP indicated that all options from military-off-the-shelf to a new design were being examined. The DCP envisaged that:

...this phase may have multiple decision points identified as the project definition matures. Accordingly, as the project is in a very early stage of development an acquisition strategy has yet to be determined.²⁶

The DCP confirmed the government's intention that the future submarines would be assembled in South Australia.

Planned Schedule

The DCP set out the following schedule for SEA 1000:

First Pass Approval	financial year 2013–14 to financial year 2014–15
Year-of-Decision	financial year 2016–17 to financial year 2017–18

24 *Committee Hansard*, 30 September 2014, p. 35.

25 Department of Defence, *Defence Capability Plan*, public version 2012, p. 206, <http://www.defence.gov.au/publications/capabilityplan2012.pdf> (accessed 17 October 2014).

26 Department of Defence, *Defence Capability Plan*, public version 2012, p. 206.

Initial Materiel Release financial year 2019–20 to financial year 2025–26

Initial Operational Capability financial year 2025–26 to financial year 2026–27.²⁷

In order to deliver the new capability submarines in time to replace the Collins class, preliminary work to prepare first pass approval in late 2013/early 2014 is clearly a demanding priority.

Australian Industry Capability Considerations

An Australian Industry Capability Plan is required for each project procurement where the estimated value of the procurement is equal to or greater than \$20 million or where the procurement will impact on a Priority Industry Capability (PIC). The DCP indicated that it was likely that Phase 1 and 2, the design and construction of the submarines, would require Australian industry capability, priority industry capability, strategic industry capability and global supply chain. It noted further that the project would fully explore and define the priority industry capability requirements such as 'they can be recorded in the Acquisition Strategy'. According to the DCP the exact nature of Australian industry opportunities would be identified as the project definition matured.²⁸

The DCP indicated that through-life support needs would be refined as the capability solution developed but that planning would be based on through-life-support being provided in Australia.²⁹

On 3 May 2012, the then Prime Minister announced that \$214 million would be provided for the 'next stage' of the future submarine project and be directed towards further detailed studies and analysis to inform the government's decisions on the design of the next submarines.³⁰

27 Department of Defence, *Defence Capability Plan*, public version 2012, p. 206, <http://www.defence.gov.au/publications/capabilityplan2012.pdf> (accessed 17 October 2014).

28 Department of Defence, *Defence Capability Plan*, public version 2012, p. 206.

29 Department of Defence, *Defence Capability Plan*, public version 2012, p. 207.

30 Prime Minister, Minister for Defence, Minister for Defence Materiel—Joint Media Release—'Next stage of future submarine project announced', 3 May 2012, <http://www.minister.defence.gov.au/2012/05/03/prime-minister-minister-for-defence-minister-for-defence-materiel-joint-media-release-next-stage-of-future-submarine-project-announced/> (accessed 7 May 2012).

Defence White Paper 2013

In May 2013, the government brought forward the delivery of its anticipated Defence White Paper by one year from its original 2014 timetable 'to address a number of significant international and domestic developments influencing Australia's national security and defence posture internationally and domestically'.³¹ The 2013 White Paper recognised the strategic value and importance of Australia's submarine capability and reaffirmed its commitment to replace the existing Collins Class fleet with an expanded fleet of 12 conventional submarines.³²

When releasing the 2013 White Paper, the then Prime Minister, the Hon Julia Gillard MP, noted the government's decision to have the future submarine program focus on two options: an 'evolved Collins Class' design; and new design options likely to best meet Australia's strategic requirements. The White Paper spelt out this intention:

The Government has also taken the important decision to suspend further investigation of the two Future Submarine options based on military-off-the-shelf designs in favour of focusing resources on progressing an 'evolved Collins' and new design options that are likely to best meet Australia's future strategic and capability requirements...³³

The Prime Minister indicated that the government had also directed further detailed work on establishing a land-based test facility in Adelaide. This Submarine Propulsion Energy Support and Integration Facility was intended to 'substantially assist submarine capability design, delivery and sustainment and reduce risk in all stages of the Future Submarine Program'.³⁴

As noted earlier, the government had approved expenditure of over \$200 million to fund design, modelling, analysis and technology studies to examine in detail options for the future submarine capability. A range of studies, which looked at the different technologies in terms of propulsion, whole design and so on, were undertaken to help Defence build-up a base knowledge so it would be an informed customer and able to understand likely future advances in submarine technologies.

According to Rear Admiral Sammut, DMO also conducted various studies into each of the four options. He indicated that DMO was trying to ascertain the capabilities of MOTS submarines; whether further exploration was required; or whether DMO needed to concentrate on other options that may have a chance of coming closer to

31 Defence website, <http://www.defence.gov.au/whitepaper2013/> (accessed 20 October 2014).

32 Department of Defence, *Defence White Paper 2013*, paragraph 8.46.

33 Department of Defence, *Defence White Paper 2013*, paragraph 8.50.

34 Prime Minister and Minister for Defence—Joint Media Release—Release of the 2013 Defence White Paper, 3 May 2013, <http://www.minister.defence.gov.au/2013/05/03/prime-minister-and-minister-for-defence-joint-media-release-release-of-the-2013-defence-white-paper/> (accessed 19 October 2014).

meeting Australia's capability needs.³⁵ He informed the committee that by the middle of 2013, DMO had reached the point where, as indicated in the White Paper, the program was beginning to focus on options 3 and 4.³⁶ He explained that both options 1 and 2 fell into the 'suspended' category:

We had not done any further work on the options so that we could focus our energies on option 3 and option 4. I do not think that necessarily amounted to a decision to completely eliminate consideration of MOTS submarine at that stage but an ability to focus the resources we had on looking at what would be involved in involving the Collins class as an option and what would be involved in progressing a new design.³⁷

Combined with the various investigations looking at the different acquisition options, the studies involved with modelling and analysing submarine technology formed the bulk of the work undertaken with the allocated funding.³⁸

It should be noted that on 30 September 2014, Rear Admiral Sammut informed the committee that to date total expenditure on phase 1A, for which the \$214 million was allocated, accounted for \$68.4 million. The remaining budget, including contingency, was \$185.3 million.³⁹

Aside from the \$214 million, an additional \$34.2 million was allocated in April 2013 for the Submarine Propulsion, Energy, Support and Integration Facility. According to Defence, first pass approval for this submarine design and test facility was achieved in April 2013 but no construction work has commenced.⁴⁰

The 2013 White Paper reaffirmed the government's intention to have the future submarines assembled in South Australia and again ruled out consideration of a nuclear powered submarine capability to replace the Collins Class fleet. It again highlighted the challenges facing the project:

The Future Submarine Program is a capability design, construction and sustainment challenge of unprecedented scale and complexity, and will span decades. Implementation will require a sustained and coordinated national effort. The Program will harness the knowledge, skills, expertise

35 *Committee Hansard*, 30 September 2014, p. 35.

36 *Committee Hansard*, 30 September 2014, p. 35.

37 *Committee Hansard*, 30 September 2014, p. 35.

38 Vice Admiral Jones, *Committee Hansard*, 30 September 2014, p. 55.

39 *Committee Hansard*, 30 September 2014, p. 49. In its answer to question taken on notice No. 4, Defence provided the following information 'As at 1 October 2014, \$68.1 million or 32 per cent of the budget (excluding contingency) for planned work has been expended. There has been no expenditure of contingency'.

40 Department of Defence, question to answer on notice taken 30 September 2014.

and lessons learned over the last 50 years of Australian submarine ownership.⁴¹

According to the White Paper, Defence would work with relevant Commonwealth and State Agencies and authorities and Australia's strategic partners along with suitable Australian industrial capacity during all stages of the program. It recognised that such engagement and collaboration would be critical to the project's success. In particular, the government intended to continue close cooperation with the United States on developing undersea warfare capabilities.⁴²

Australian Defence industry

The White Paper also recognised that the future submarine program represented 'a true nation building endeavour' which presented both challenges and significant opportunities for Defence and Australian industry. It argued that to complete the program successfully, the government would need to support the Australian naval shipbuilding industry to develop and maintain a workforce 'skilled in a wide range of specialist activities'. They included 'systems engineering, design, production engineering, construction and project management'. It stated further:

While building new skills within the maritime sector is important, it is equally important to maintain the skill level of the existing maritime workforce. The Government is committed to a program of naval shipbuilding that will ensure that the skills developed during construction of the Air Warfare Destroyers and Landing Helicopter Dock ships will be available to be applied to the Future Submarine Program and Defence's broader long-term needs.⁴³

According to the White Paper, to do otherwise would result in a later delivery of the future submarines at a higher cost than is necessary, thereby resulting in a loss of capability for the ADF.⁴⁴

Election and new government

In the lead-up to the 2013 general election, the now Defence Minister visited ASC and said:

The Coalition today is committed to building 12 new submarines here in Adelaide, we will get that task done, and it is a really important task, not just for the Navy but for the nation.⁴⁵

41 Department of Defence, *Defence White Paper 2013*, paragraph 8.47.

42 Department of Defence, *Defence White Paper 2013*, paragraph 8.47.

43 Department of Defence, *Defence White Paper 2013*, paragraph 12.54.

44 Department of Defence, *Defence White Paper 2013*, paragraph 12.54.

45 Press Conference, 8 May 2013

As part of its Defence policy, the Coalition announced that any substantial decision on Defence acquisition, including Australia's submarine fleet and capabilities, could only be made responsibly with the advice of the Chief of the Defence Force and Service Chiefs.

It made clear, however, that within 18 months of winning the election it would make the decisions necessary to ensure that Australia would not experience a submarine capability gap. It also gave assurances that the work on the replacement of the current submarine fleet would centre around the South Australian shipyards.⁴⁶

New or evolved design

In April 2014, the Minister for Defence reminded a conference on submarines that before the last election, he gave his support to Defence's charted course for the Future Submarine program—the suspension of investigations into options 1 and 2 and more detailed investigation of options 3 and 4 (a bespoke new design). He concluded 'we are left with options 3 and 4 at this particular time'.⁴⁷

The following month, the minister announced that, as promised before the election, the government would soon consider Defence's plan to progress the future submarine to ensure it was achievable and that it balanced cost, capability and risk. He stated:

We will ensure that Defence is investigating all appropriate options and is drawing on private sector expertise in order to successfully deliver this complex project.⁴⁸

At that same conference, Mr Simon Todd, lead of the Future Submarine Integrated Project Team (ITP), told the audience that one of the key assumptions and derived requirements that underpinned the ITP's work was that Australia's future submarines would be assembled in South Australia. He explained further 'so any design created overseas must be imported and matched to Australian shipyard practices'.⁴⁹

46 The Coalition's Policy for Strategic Defence, p. 4, <http://www.liberal.org.au/our-policies> (accessed 17 October 2014).

47 ASPI, *The submarine choice*, Perspectives on Australia's most complex defence project, September 2014, p. 10. The conference, which was called, 'The Submarine Choice' brought together a 'group of distinguished speakers to discuss the reasoning behind, and the options for, Australia's most expensive and complex defence project—the replacement of the Collins class submarine fleet.

48 Minister for Defence—Budget 2014–15—Defence Capability, 13 May 2014 <http://www.minister.defence.gov.au/2014/05/13/minister-for-defence-budget-2014-15-defence-capability/> (accessed 27 September 2014).

49 ASPI, *The submarine choice; Perspectives on Australia's most complex defence project*, September 2014, p. 18.

The May 2014 Portfolio Budget Statement confirmed that work would proceed on options 3 and 4. It provided further information on the future submarine acquisition:

During 2014–15, the strategic direction of this project will be reviewed by Government as part of the White Paper process. To assist this review and maintain schedule, work will continue on Option 3 (Evolved Collins Class) and Option 4 (New Design). Consultations with industry will also commence to progress planning for the delivery of the Future Submarine, which is being scheduled to avoid a capability gap as the Collins Class is progressively withdrawn from service. The project will refine proposed arrangements to ensure the roles and functions of the Commonwealth can be fulfilled over the full course of the SEA 1000 Program.

The key risk for this project remains the mobilisation of resources across Government, industry and academia necessary to manage the Future Submarine Program with appropriate international support, informed by our experience and knowledge of similar programs.⁵⁰

In July, at an industry and defence conference, the minister acknowledged that there was significant debate around the future submarine and whether it should be built in Australia. He suggested that this debate must consider the cost, risk and schedule as well as the benefits of the different options. He identified key questions such as:

Where domestic industrial capability is scarce; where ought it be directed?
To what priority and to which ADF needs?

The minister concluded that with tens of billions of dollars of new opportunity on the table the government must choose wisely.⁵¹

On 21 August 2014, the minister informed the Australian Business Industry Group that no decision had been made on the future submarines but work was progressing well on options. He gave assurances that there would be no capability gap.⁵² The following day in Adelaide, the Prime Minister stated that the government was going to ensure that Australia has the strongest possible Defence Force:

We are going to ensure that we have the best possible submarines in service for Australia. We have got six Collins-class boats that were built here in

50 Portfolio Budget Statements 2014–15, Defence Materiel Organisation, http://www.defence.gov.au/budget/14-15/pbs/2014-2015_Defence_PBS_04_DMO.pdf (accessed 27 September 2014).

51 Minister for Defence—Defence and Industry Conference 2014, 29 July 2014, Defence+Industry Conference 2014, Adelaide Convention Centre, <http://www.minister.defence.gov.au/2014/07/29/minister-for-defence-defence-and-industry-conference-2014/> (accessed 27 September 2014).

52 Minister for Defence—Australian Business Industry Group, 21 August 2014, <http://www.minister.defence.gov.au/2014/08/21/minister-for-defence-australian-business-industry-group/> (accessed 27 September 2014).

Adelaide; they are good boats. It took us a long time to get them right, but they are good boats.⁵³

Speculation about Japanese submarine

On 26 August 2014, a delegation of Japanese Defence science technicians visited ASC, Osborne in South Australia, spending two days at Osborne and one day at Henderson, south of Perth. ASC facilitated the visit at the request of DMO. Mr Stuart Whiley, Interim CEO, ASC, informed the committee that DMO wanted to demonstrate to the Japanese the capability Australia had in-country in terms of the ASC facility and workforce.⁵⁴

According to the Minister for Defence, the delegation was to visit Perth, Canberra and Sydney. He also noted that many people from overseas had visited Australia to exchange technical information.⁵⁵

This visit by the 18 Japanese dignitaries sparked speculation about the government's stated intention to build the submarines in Adelaide. Media reports suggested that the visit had heightened fears that the Australian Government was contemplating building the future submarines overseas. The South Australian Defence Industries Minister, the Hon Martin Hamilton-Smith, told journalists that he knew nothing of the trip and wanted answers about the reason behind the Japanese visit. He wanted to know whether the visit 'signalled a back down from the Coalition's election promise to build the submarines in Adelaide' and was urgently seeking an explanation from the Australian Government.⁵⁶

In response to a question without notice seeking clarification on the government's intention with regard to the possibility of buying Japanese submarines, the Minister for Defence, told the Senate on 27 August 2014 that 'We are not ruling in or out anything here'.

53 Prime Minister of Australia, the Hon Tony Abbott MP, Joint Doorstop Interview, Adelaide, 22 August 2014, Adelaide, <http://www.pm.gov.au/media/2014-08-22/joint-doorstop-interview-adelaide> (accessed 27 September 2014).

54 *Committee Hansard*, 14 October 2014, p. 27.

55 Questions without Notice, Defence: Submarines, *Senate Hansard*, 27 August 2014, p. 40 and Minister for Defence—Transcript—Interview with Tony Jones, Lateline, 27 August 2014, <http://www.minister.defence.gov.au/2014/08/27/minister-for-defence-transcript-interview-with-tony-jones-lateline-3/> (accessed 27 September 2014). Note in his answer to the question without notice, the Minister indicated that some 14 Japanese technicians comprised the delegation.

56 ABC News, 'Japanese submarine experts visit Adelaide, sparking fears for shipbuilding future', 27 August 2014, <http://www.abc.net.au/news/2014-08-27/japanese-delegates-spark-fears-submarine-future/5699076> (accessed 27 September 2014) Evidence taken by the committee suggested that the delegation comprised 18 Japanese visitors. See *Committee Hansard*, 14 October 2014, p. 27.

According to the minister there were only three places that Australia could approach for the design of a new submission—France; Germany; and Japan.⁵⁷

On 3 September 2014, the Senate debated the future submarines, as a matter of urgency. The motion before the Senate was 'the need for the Abbott Government to keep its pre-election promise to design and build Australia's Future Submarine Fleet in Adelaide and to justify why it's planning to destroy Australia's strategically vital shipbuilding capability'.

The following week, the Minister for Defence explained:

Australia has a 3,400 submerged tonne submarine which gives us enough room for lots of battery space and lots of fuel. The Japanese submarine is about 4,200 submerged tonnes, which is bigger than the Collins, it's the biggest diesel electric submarine. But the Germans also produce some very good vessels and the French have got on offer a Barracuda which is almost 5,000 tonnes, so we are canvassing widely across a number of countries...⁵⁸

Even so, speculation continued to mount about the possible decision to purchase the future submarines from Japan.⁵⁹ It was in this context that the committee decided at short notice to hold a public hearing on 30 September and 8, 13 and 14 October 2014 to examine the future submarine project and to report to the Senate on its findings.

Through these public hearings, the Committee has been able to consider:

- the significance of, and messages emanating from, the Japanese visit in August 2014 and subsequent government announcements on discussions with Japan regarding submarines;
- Australian requirements and the future submarine—range, endurance and stealth;
- potential contenders for designing and building the future submarine;
- the capability of Japanese submarines as measured against Australian requirements;
- the tender process and the merits and feasibility of having a funded project definition study, the benefits of undertaking a competitive tender process and

57 Questions without Notice, Defence Procurement, *Senate Hansard*, 27 August 2014, p. 41.

58 Minister for Defence—Transcript—Interview with Justin Smith, 2UE Drive, 9 September 2014, <http://www.minister.defence.gov.au/2014/09/09/minister-for-defence-transcript-interview-with-justin-smith-2ue-drive/> (accessed 27 September 2014).

59 See for example, *Adelaide Advertiser*, 'Japanese subs could sink the budget', 10 September 2014; *Australian Financial Review*, 'Germans undercut Japan subs', 11 September 2014; *Daily Telegraph*, 'Don't torpedo this strategic industry', 12 September 2014; *Adelaide Advertiser*, 'Japanese subs deal will leave nation "at risk"', 13 September 2014; and Hugh White, *the Age*, 'What lies beneath: the real reason for Japan subs', 16 September 2014.

whether there was time to complete such a process while avoiding a capability gap;

- the capacity of Australian shipyards to build submarines onshore, the costs, including through-life-support and the broader economic benefits;
- the strategic importance of the Australian Defence industry and of building the submarines in Australia; and
- recommendations designed to ensure that the future submarine program succeeds in acquiring a world-class, highly capable conventionally powered submarine that meets Australia's requirements and is truly a national endeavour.

