

STATEMENT BY ASC MANAGING DIRECTOR & CEO, STEVE LUDLAM
TO SENATE ESTIMATES' FINANCE & PUBLIC ADMINISTRATION COMMITTEE

Parliament House – May 2014

[You will be asked if you would like to make an opening statement]

With your leave, I would like to make an opening statement to the Committee.

[Leave will be granted]

Minister, Senators and other attendees:

Thank you for the opportunity to appear before you today. I'll provide a brief update on key activities since we last met in February.

On the Collins Class submarine program...

I am pleased to advise that we have recently completed the Full Cycle Docking (FCD) - or major maintenance period - for HMAS *Rankin* in South Australia.

The submarine was completed early against the agreed integrated master schedule, or contracted date.

HMAS *Rankin* leaves the FCD more capable than planned with several configuration changes added to the original work scope during the activity.

Importantly, the HMAS *Rankin* FCD successfully demonstrated key initiatives required to support a two-year FCD to improve performance in the readiness, execution, monitoring and close-out of work.

The costs of this FCD were contained within the wider budget with some good lessons learned for the future in respect of cost estimating and cost management.

Senate F&PA Committee

Tabled Document

Inquiry: Budget Estimates 2014-15
Date/Time: 28/5/14
Witness Name: Mr Stephen Ludlam
Organisation: ASC Pty Ltd

Significantly, this is the last submarine to complete her FCD under the old system with the new 10+2 FCD schedule to come into effect from next month with the commencement of HMAS *Farncomb's* two-year FCD.

We have been preparing extensively to move towards the 10+2 schedule for some time now.

As you would be aware, this was a key recommendation from the *Study into the Business of Sustaining Australia's Strategic Collins Class Submarine Capability*, or the Coles Review as it is more commonly known.

The latest progress review by John Coles into sustainment activities by ASC and our Enterprise partners - the Royal Australian Navy and the Defence Materiel Organisation (DMO) - describes progress over the past 15 months as a "remarkable transformation" and an "astonishing turnaround".

The Minister for Defence rightly attributed the improved performance to the collaborative effort of the Enterprise; clear strategic direction and requirements; adoption of a performance-based ethos; and significant changes in work practices.

As Mr Coles has indicated, this is a remarkable transformation, but we're only just nearing the half way mark of this long and complex program, and we have more to do.

HMAS *Farncomb's* FCD combined with the opening of the new maintenance support tower at ASC North towards the end of this month will herald a new way of working.

On the Air Warfare Destroyer program...

Work continues on fitting out Ship 1 at the ASC shipyard in South Australia following hull integration completion earlier this year.

A range of combat system equipment is expected to be loaded out in the coming months in the lead up to the launch of HMAS *Hobart*. Most recently, the Vertical Launch System (VLS) was successfully installed.

Block consolidation on Ship 2 also continues following the keel laying ceremony earlier this year, with five blocks now joined. Work is also continuing on blocks for Ship 3 at ASC and across our partner shipyards.

ASC has participated in the independent review into the Air Warfare Destroyer program, being conducted by Professor Don Winter and Dr John White.

We look forward to the findings and recommendations of this review and stand ready to work with our alliance partners (the Defence Materiel Organisation and Raytheon) to consider how we might enhance program performance further in the future.

However, it is important to note that ASC is not waiting for the outcomes of the review process, and we are already taking steps to improve our own performance.

In relation to future defence projects...

ASC continues to prepare, and build capability as a submarine and ship integrator, in readiness for future opportunities.

We continue to provide input to the future submarine project with ASC employees performing roles in the Integrated Project Team that is working on Option 4 - a wholly new design. Preparation for input into Option 3, an evolved

Collins design, is also occurring in readiness for close collaboration with the DMO.

From a shipbuilding perspective, as we look towards future frigate longer term, ASC is developing a solution for SEA 1654 - auxiliary support ships - should it be called upon by Government.

This will also be an important opportunity to ensure the national shipbuilding industry retains key skills in readiness for those major projects – future submarine and future frigate - on the longer term horizon.

ASC will ensure that a solution meets the Government's ongoing needs for in-country capacity in warship production.

Thank you.