



## Order of Australia Annual Dinner

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Morphettville Junction, 5 November 2005

Speech by Mr Greg Tunny, Managing Director

**“Air Warfare Destroyers: Building an Industry, Not Just Three Warships”**

On the 31<sup>st</sup> May this year, following 2 years of serious preparation for the tender, 3 months preparing our tender response and 5 months of evaluation by Defence, Senator Robert Hill, Minister for Defence, announced that ASC had been selected as the Air Warfare Destroyer Shipbuilder.

This announcement came on the 20<sup>th</sup> anniversary of the company’s incorporation. Quite a birthday present.

What followed was a whirlwind of media coverage press, radio and television interviews. The public acclaim in South Australia, in stark contrast to the political outrage and indignation in another state to the east.

However, as the cheers quietened and the champagne ran out, an old adage came to mind:

“Be careful what you wish for because it may just come true.”

ASC had won a great victory – one that would bring \$Billions in revenue and a thousand jobs to ASC, plus thousands more jobs to South Australia - but **our prize came encased in a great challenge**; one of the greatest engineering challenges in Australia’s history. Rivalled in size & complexity by only the Collins Class submarine and Snowy Scheme. To truly reap our reward, we must meet the challenge.

Winning the tender was indeed only the end of the beginning.

ASC will, as part of the AWD Alliance, build 3 Air Warfare Destroyers each worth between \$1.5billion and \$2billion.

The first ship will be delivered around the end of 2013, the second in 2015 and the third in 2017.

Each Air Warfare Destroyer will house a version of the US Navy’s powerful Aegis combat system.

However, tonight I am not going to detail the impressive technical specifications of the ship or the Aegis combat system.

Rather, I will focus on AWD related industry issues, in particular:



- **jobs** (sustainable inter-generational jobs),
- **skills** (high-level skills) and
- **training**.

And so, I return to the proposition.

AIR WARFARE DESTROYERS – Building an industry not just 3 (very large, very complex, very fearsome, very expensive) warships.

Why do I say building an industry?

And how do I know it to be true?

**Because ASC has already built an industry;** built on the back of the 6 Collins Class submarines.

In **1987**, the **Australian Submarine Corporation**, as ASC was originally named, began the great technical, industrial and commercial adventure that was the Collins Class submarine project.

At that time it was considered by most a project. A very large project - worth \$5 billion - and the most complex in Australia's history, but still a project.

ASC ramped up from its founding 5 employees to almost 1,200 employees during the construction of the submarines.

We delivered the first boat, HMAS Collins, in 1993 and the last, HMAS Rankin in 2001. Following that employee numbers dropped to under 600, before Defence and ASC fully realised the magnitude and complexity of the task of supporting and enhancing the Collins Class submarines throughout their operational life.

A comprehensive 25 year **Through Life Support (TLS)** contract was negotiated and June 30 this year saw the first full year of the TLS contract concluded.

To undertake the TLS contract and rise to the challenge of becoming the Class Designer – following the departure of Kockums – we had to rebuild employee numbers.

Today ASC employs almost 1,050 people; 900 in South Australia and 150 in Western Australia.

ASC provided about 15,000 job years during the Collins Class build phase. During the TLS phase, the company will provide some 25,000 job years.

Some key Collins Class build phase facts:

- During the build phase ASC employed over **1,600** subcontractors of which about **1,250** were Australian companies.



- Prior to the submarine build, there were only **35** Australian companies with ISO 9000 quality accreditation. Largely on the back of the Collins Submarine and Anzac Frigate projects, that number grew to over **1,500** by the year 2000.
- ASC achieved **73.5%** Australian Industry Involvement. Many of the Australian companies that helped achieve that impressive Australian Industry Involvement statistic not only survived the end of the build phase but have thrived.
- For every ASC employee, it is estimated that there was a **multiplier effect of 2 to 3** within local industry.

That was laying the foundations for an INDUSTRY, not just delivering a project.

Now, with both the Collins Class Through Life Support contract and the Air Warfare Destroyer construction program, we will complete the task of building an industry.

Perhaps the title of tonight's speech should have been:

**“Air Warfare Destroyer – Completing the construction of a sustainable industry, not just building 3 ships.”**

ASC is an important part of the evolution of the South Australian economy. We will optimise not only the Australian Industry Involvement during the build phase, but also ensure that it is better able to be sustained post the AWD construction phase.

What does the industry that ASC is spawning have or potentially have before it? **A lot!** Including:

- **Collins Class TLS:** 24 years to 2029, delivering approx 25,000 job years.
- **AWD build** – ship 3 delivered in 2017, delivering approx 8,000 job years.
- **New Generation Submarine:** commencing about 2015, boat 1 delivered in 2025 and boat 6 in 2030, delivering approx 15,000 job years.
- **New generation submarine TLS:** 25 years to 2055, delivering approx 20,000 job years.

That likely work alone, neglecting new frigates post 2025, equates to roughly 68,000 job years between now and 2055. When one counts the direct multiplier effect, at least x2, on jobs within local industry that amounts to potentially more than 200,000 job years over 50 years.

**That is an industry!! A naval shipbuilding & repair industry.**

A highly sophisticated, high-skills industry, providing professionally rewarding secure jobs with attractive conditions for at least 2 more generations of employees.

**That is a good industry to be to be part of.**



**Training** – training will be critical to the success of:

- The Air Warfare Destroyer build;
- ASC’s business; and
- This naval shipbuilding & repair industry

As part of its contribution to ASC’s successful bid, the South Australian Government committed to establishing a Maritime Skills Centre.

The Maritime Skills Centre will be a 1,500 sqm purpose built facility adjacent to ASC’s shipyard at Osborne.

The primary role of the Maritime Skills Centre will to train the AWD workforce for ASC, our Alliance partners and our South Australian subcontractors; providing training for trade, technical and professional employees.

Training will include; employee induction, up-skilling, X-skilling, specialist shipbuilding skills and advanced technical training.

Over the life of the Air Warfare Destroyer build phase we anticipate that over 400,000 hours, that is 50,000+ days, of training will be delivered.

ASC is also working with a university in Adelaide to establish a Masters in Marine engineering course.

We will ensure that the people working in our industry have the training and career opportunities to become and sustain world class skill sets.

ASC has a unique opportunity. To reinforce its position as a National Strategic asset, Australia’s only shipyard that is a warship design authority, systems integrator and constructor of both submarine & surface warships.

**ASC - the brains & the heart of Australia’s naval shipbuilding & repair industry.**