



## **Foreign Affairs, Defence & Trade References Committee Inquiry into Naval Shipbuilding in Australia**

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**Adelaide, Wednesday, 19 April 2006**

### **Witness' Address by Mr Greg Tunny, Managing Director**

Mr Chairman and members of the committee, I thank you for the opportunity to be heard today. I am Greg Tunny, Managing Director and CEO of ASC Pty Ltd, previously known as the Australian Submarine Corporation.

I wish to introduce my colleagues joining me at the witness table today – John Gallacher is the Chief Executive Officer of ASC Shipbuilding, ASC's wholly owned subsidiary and Martin Edwards is the General Manager of ASC Shipbuilding.

Today I speak with you not only as an N S & R industry executive leading one of the few major defence contractors that is still Australian owned, but also as an Australian who is proud of what Aussie engineers and tradesmen have achieved.

I know what it takes to be successful in a complex technology business – both domestically and internationally – and how fragile success can be. There are important issues before this Senate Committee pertaining to the health and future of Australia's N S & R industry and in particular its continuing ability to design, construct and support through life complex naval surface ships and submarines.

This ability, this capability is in my view a true national asset. We have some world class N S & R capabilities in this country, but they could be lost if not continually exercised and advanced.

The strength of our N S & R industry lies in our people and the skills and experience that they bring to bear, on programs that keep the RAN operating, defending this country.

ASC was pleased to submit a response to the specific questions asked in the inquiry's terms of reference.

By way of background, ASC was the prime contractor for the design and construction of the Collins Class submarines – now widely considered to be the best conventional submarines in the world.

Today, ASC has a 25 year – actually 15 years plus 5 + 5 -through-life support contract for the ongoing design enhancements, maintenance and support of the Class throughout their operational lives.

The company was also selected in May 2005 as the shipbuilder for Australia's Air Warfare Destroyer Program. ASC is working within the AWD Alliance to deliver three Air Warfare Destroyers.



In response to the inquiry's terms of reference, ASC believes that the ANZAC, Collins and Huon projects demonstrate that Australia has a strong track record of building naval surface ships and submarines in country to a very high standard.

Our analysis, while considering the cost-effectiveness of shipbuilding in Australia, led us to a series of prerequisites which we consider to be factors that must be present for success.

ASC has actively sought to adopt these prerequisites in its own submarine and shipbuilding business.

These factors, detailed from page 6 in our submission, are considered by ASC to be crucial if a high standard of complex submarine and shipbuilding is to be undertaken within Australia cost-effectively.

Briefly, the key prerequisites for success include:

- high-end naval engineering capacities and capabilities to undertake the detailed design and production design and engineering of vessels;
- the scale of demand for vessels is sufficient to win at least minimum economies of scale;
- the demand for new vessels is stable and predictable;
- capability to manage the production and integration of both ship systems and combat systems;
- capability to use advanced ship design and production technologies effectively;
- securing access to key warship intellectual property;
- [sourcing of competitive bids for all vessels of a class within an efficient contracting environment; and]
- the Australian Government actively encouraging development and maintenance of key maritime design, construction and support capabilities.

ASC's submission also considers results of detailed economic modelling that suggest that substantial benefits would be obtained if Australia adopted a more commercial pattern of vessel capability management for all new Navy surface vessels and submarines.

A review of recent overseas naval shipbuilding also supports this proposal.

In particular, we can learn from foreign experience that naval shipbuilders are vulnerable to the scale and variability of demand and those shipyards that can secure long term contracts for the production of significant numbers of ships of the same class generally achieve the greatest efficiencies.



We believe that Australia should plan for new classes of naval vessels from the outset to have a service life between 16 and 20 years, and subsequently avoid major and costly vessel mid-life refits.

In addition to reducing the service life of naval vessels, we propose that where feasible, continuous or nearly continuous processes of construction should be maintained.

We believe that incorporating this proposal of a more commercial pattern of vessel capability would realise numerous benefits, including:

- a more internationally competitive naval shipbuilding industry;
- a Navy with a younger, more available and more capable fleet;
- Australia developing some of its own ship designs and systems;
- Australia being able to successfully export a range of high value naval vessels; and
- far higher levels of sustainable employment within the industry.

The redirection of saved funds from major mid-life refits to new ship construction also suggests that these benefits can be sought at no net cost to the Australian taxpayer.

In many respects, this approach represents a virtuous circle that would provide the Navy with a younger and more capable fleet while providing industry with a predictable and highly efficient rate of production.

Thank you for the opportunity to introduce ASC's submission, I welcome any questions from the committee regarding ASC's submission or position within Australia's shipbuilding industry.