



Australian Defence Magazine Defence Workforce Participation Summit 2012

SPEECH NOTES FOR MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER STEVE LUDLAM

27 September 2012

Topic: Skilling for the future of Australia's national shipbuilding capability: an industry perspective.

Thank you for the invitation to speak here today.

For those of you who are unfamiliar with ASC, I have the great privilege of leading over 2,300 employees who make up a company, owned by the Commonwealth, that built - and currently maintains - the Royal Australian Navy's fleet of Collins Class submarines.

ASC is also the Shipbuilder for the Navy's three Hobart Class air warfare destroyers (or AWDs).

ASC operates the most modern naval construction facility in Australia - in Adelaide - with access to Australia's largest ship lift and wharf. We also operate the most modern maintenance facility in Australia - in Henderson, WA - with access to Australia's very capable floating dock and the Western Australia Common User Facility.

We are a major employer in South Australia, with one of the largest apprentice programs in the State and an employer of some growing significance in WA.

Together, ASC's employees, across all sites in South Australia and Western Australia, are a dedicated group of individuals building Australia's frontline naval capability.

Our skills range through boilermakers, electricians, mechanical fitters, project managers and systems engineers. Attracting and keeping skills is our lifeblood. Like many of you today, we work hard at this and face a number of challenges.



These challenges provide ASC with a broad perspective of the opportunities and challenges we all face in building a workforce to deliver projects that are essential for the nation's security.

Today I want to share with you a defence industry perspective and outline the four areas we see as imperative if Australia is to have the capacity and depth of skills required to build and sustain defence projects across the nation.

First of all let's consider the characteristics of a workforce to meet the Defence Capability Plan (or DCP)...

As many in this room will attest, Australia is entering a phase of unprecedented capital investment in the enhancement and modernisation of major defence capabilities.¹

This ambitious investment strategy is necessary to ensure Australia is able to meet the full spectrum of contingencies that modern militaries must face.

The DCP is the embodiment of this strategy.

A cursory glance at the DCP reveals the complex nature of the capabilities that the Australian Defence Force requires. These programs will demand more of our workforce than we have ever asked of it before.

For industry, projects such as the construction of the three air warfare destroyers, provide an insight into the demands now being placed on companies working to deliver the next generation of defence capabilities.

It also underscores the expectation on each company to build, create and shape a workforce that will ensure the best possible outcome for all stakeholders.

The AWD project has shown us that the days of a tradesmen or Engineer with a discrete speciality are drawing to a close.

¹ Skills Australia, <http://www.awpa.gov.au/publications/documents/Defence-Industry-Workforce-Strategy-Discussion-2012.pdf>



In its place is the emergence of the need for better skills flexibility in order to rapidly assimilate new techniques and technologies necessary to realise the DCP.

The need for skills flexibility is not just apparent within the Defence industry sector, however.

The shrinkage of available skilled labour, caused by the loss of baby boomers from our economy, will mean that skills flexibility will also be necessary to allow labour transfer between industry sectors in line with broader economic demand.

This means that the general workforce must have a strong set of common core skills in order to reduce the training burden on companies.

At ASC, we've experienced this phenomenon first hand.

In the process of recruiting trades such as welders at our ASC South facilities, we have found the need to conduct extensive additional training so our workforce can meet the applicable Australian Standard.

While our success in this area is noteworthy, the question remains: Is this truly the responsibility of industry as opposed to the Vocational Education and Training (or VET) sector?

These and other questions have led ASC be pro-active in our involvement in State and Federal government discussions about skills flexibility and provide submissions to bodies such as the South Australian Training and Skills Commission, and the Australian Workforce Productivity Agency – discussions seeking to get this balance right.

In addition to skills flexibility, other key characteristic required of Australia's workforce is the need to unlock the latent capability within the broader workforce.

By this I mean finding ways to encourage tradespeople to step beyond their trade level and attain qualifications that enable them to take on technical and even more advanced jobs.



Australia has a strong and justifiably proud heritage in the creation of tradesmen and women. This heritage is best personified by the strength of our national apprenticeship schemes.

ASC itself has heavily invested in this area and currently has an Apprentice Development program with more than 100 young and mature aged apprentices that will form the backbone of our future workforce.

However the DCP will likely require more technician and para-professional workers in the period out to 2030 and beyond.

To achieve this we must find ways of encouraging tradesmen and women to move towards these technician, and para-professional qualifications and jobs, and in so doing realise that latent capability already available within our existing workforces.

Success in this area will allow our industry to meet the complexity of future projects with increased assurance. To do this will require leadership and sustained effort.

I believe we can do this and if we are in doubt we should look to experiences overseas, in countries such as Germany, where this transition has been executed successfully to the clear benefit of its defence industry.

Our people have great talent and we as industry leaders need to give them every opportunity to lead the world.

Secondly, we must attract and foster new talent...

Attracting and fostering talent is a crucial part of delivering the DCP. The reality of ever increasing demand and diminishing supply makes attraction and retention critical to industry success – but an ongoing challenge.

The national distribution of economic opportunities has created a heavily contested labour market.

The defence industry cannot compete alone on the basis of remuneration with other sectors, most notably the resource sector.



The attraction of skilled labour has therefore become one of the best examples of collaboration between government and industry.

Statistics from the Training and Skills Commission (SATASC) show that replacement demand for skills will exceed new demand for skills out to 2014.²

This trend will likely exceed beyond 2014 and, therefore, influence the DCP and the ultimate vision for the Force 2030 Defence White Paper.

Any future labour re-distribution strategies will certainly require close government-industry collaboration.

ASC has successfully partnered with the South Australian Government in a joint partnership built around the Make the Move campaign.

This was aimed at drawing the attention of talented individuals from national and international sources and attracting them to defence programs.

This path is based around balanced work and life, cost of living, attractiveness of lifestyle and, most importantly, the opportunity to use existing skills to the utmost and further develop them to the benefit of the nation and one's own family.

Indeed, any future labour re-distribution strategies will certainly require close government-industry collaboration.

Recommendations in the Defence Industry Workforce Strategy focus on attracting those leaving the resources sector. This will not be realised through industry alone and but will require a shared approach with government in order to provide a complete proposition to attract the numbers required.

Attraction, however, is only part of the challenge. Once recruited the more difficult job of fostering the full potential of the workforce begins.

And this is something that industry must embrace, we must take every opportunity to realise the full potential of all our employees.

² Loc cit



The ASC Graduate Development Program is the embodiment of this and is aimed at taking exceptionally talented young engineers and giving them invaluable experiences to create some of the best engineering capability anywhere in Australia.

The investment in ongoing training and personal growth is a key part of ASC's employer of choice approach.

An ASC employee will typically receive at least one significant training or upskilling opportunity each year in addition to a generous Professional Development Assistance scheme that financially supports employees wishing to gain higher level trade or tertiary qualifications.

However, fostering talent cannot just be about our existing workforce.

Defence industry must spend time in our schools articulating pathways students contemplating a future career path.

Drawing on our own experience, ASC is working with the South Australian Government to continue the Defence Industry Pathways Program (or DIPP) and we've recently secured extra funding to pursue our goals in this area.

The DIPP has been running since 2007 with 110 South Australian Secondary Students participating in a program which exposes them to Engineering and Trades.

Eleven of the Graduates are now undertaking an Apprenticeship with ASC with others going on to tertiary Engineering courses.

Such investment is critical to ensure this industry has the ability to meet future complex programs such as Future Submarine.

Now let me consider the third area – the challenge of upskilling...

The development of a world class capability is not an easy one.

That said, it is always valuable to get feedback from counterparts around the world to gain real insight and perspective into what has been achieved and the challenges that lie ahead.

The success that we have achieved in Australia in producing a large workforce over the past two and a half years in Newcastle, Williamstown



and Adelaide in order to produce the AWDs is admired by many around the world. All countries in naval shipbuilding are concerned about the growth, number and skills of their workforce and we in Australia have become the latest example to benchmark against.

The Collins Class Submarine has 108 individual systems and needs to successfully operate in the most dangerous and complex of environments. Foremost in our minds at ASC, therefore, is the need to maintain a focus on delivering quality in everything that we do.

As such, the calibre of our workforce is not just a source of our competitive advantage but a quality assurance mechanism.

Upskilling has become a key component in this process that ensures ASC maintains a workforce second to none.

The upskilling of any workforce is not without its challenges, however.

ASC, along with other defence companies, is heavily reliant on the VET and Tertiary sectors capacity to support it.

We have worked collaboratively with organisations such as Saab Systems and BAE Systems to co-develop the Masters of Military Systems Integration with the University of South Australia.

This course was specifically developed to not only support the complexity of existing military platform system integration but also to generate a capability to meet the increased complexity of future DCP projects.

As a leader in our field, ASC has also offered its senior Engineers as lecturers and tutors to support the delivery of the Masters of Marine Engineering offered by the University of Adelaide.

Such initiatives, are vital and demonstrate the ever increasing demand on specialist professions and industries within Australia to not only execute complex projects, but to share this knowledge and expertise in order to generate future capability.

Government must ensure that it adequately invests in both VET and Tertiary sectors sufficiently.



As with industry, VET and Tertiary institutions are also facing the impact of skills shortages and ageing workforces.

If not addressed these vulnerabilities may impact upon the capacity of our TAFE institutions and our universities to maintain the uninterrupted supply of critical trades and professions necessary to support Australia's skilled labour demand.

Now lastly I wish to consider the Importance of Industry Studies...

The workforce demand can only be sufficiently understood through the pursuit of industry studies such as that presently underway for Future Submarine.

The Future Submarine Industry Skills Plan brings together the heads of Industry and senior Defence decision makers to advise Government on ways to develop and maintain Australia's industrial skill base ahead of the construction of up to 12 submarines.

The output of this study group has great value as it offers Government the opportunity to gain first hand feedback and ideas, including options for refining the DCP, that develop and maintain specialist skills required to sustain our defence capabilities into the future.

As an industry leader, ASC welcomes any study that seeks to understand the factors affecting skills flexibility and solutions to unlock the latent capability within our existing workforce.

In talking about the steps required for a sustainable workforce for defence industry, I have drawn a great deal on the experience I have had at ASC.

You will each have your own stories of building and shaping a workforce and working with government to train your employees.

These experiences are valuable and if we are going to achieve bold, ambitious targets and map a future path for Australia's defence industry they need to be shared.



In summary, the key points I have drawn out today focus on:

- Building skills flexibility between industry sectors and then ensuring we have better sets of skills through advanced training and development;
- Partnering with others to attract new talent and then ensuring we realise their full potential once we have them. It is also critical that we articulate clear career paths for students who will be tomorrow's talent;
- Building a workforce that is world class. We can be the benchmark and we need to work closely with our training and tertiary institutions to achieve this; and
- Supporting industry studies tasked with looking ahead to what is coming up in the pipeline to ensure industry is positioned with the skills to deliver successfully.

And, perhaps most importantly, we must demonstrate we are committed to securing the employment future of younger Australians who will one day be part of a company building the nation's frontline defence capability.

Thank you.