



## **PACIFIC 2013 EXHIBITION: Meet the Board event**

### **Speaking points for Managing Director and Chief Executive Officer Steve Ludlam**

Thank you for your attention everybody and thank you for attending ASC's Pacific stand this afternoon.

My name is Steve Ludlam, and I'm the Managing Director and CEO of ASC.

ASC is a world class business with a vision to be Australia's leading designer builder and maintainer of naval ships and submarines.

Since 1985, it has evolved into Australia's largest specialised defence shipbuilding organisation with naval design and engineering resources that we believe are without equal in Australia's defence industry.

We are on a clear journey.

ASC, over the past 30 years, has operated under one premise - to build and sustain technically advanced and capable warships and submarines.

We do this as an arm of the Commonwealth that supplies a vital service to the Royal Australian Navy and the Defence Materiel Organisation.



We also rely on sourcing goods and services from the private sector, working closely with more than 3000 international and local suppliers across the defence industry.

I would argue that this gives ASC a unique perspective about the naval shipbuilding industry and its future.

Our journey's goal is to be competitive in the marketplace, while ensuring the Commonwealth can demonstrate it has achieved value for money.

This means realising improvements in the logistic cost of submarine ownership, by identifying, adopting and realising efficiencies, continuous improvement and applying world's best practice.

While our operating business environment is incredibly complex, understanding our major programs isn't.

ASC's priorities are:

- 1) Providing submarine maintenance, repair and design enhancements for the Collins Class submarines;
- 2) Providing submarine training at our operations at Henderson, in WA.
- 3) Constructing the Hobart Class air warfare destroyers.
- 4) And providing technical assistance to DMO on the two Future Submarine design concepts under development.



I take this opportunity to welcome and introduce you to my fellow ASC board members.

Unfortunately, **Bruce Carter**, ASC's Chairman is unable to join us this afternoon due to personal reasons.

We do have here, **Sally Pitkin** who has a legal background and is an experienced ASX company director.

**Jack O'Connell AO** – who has an audit background as a former partner of one of the big four accountancy firms, KPMG, and sits on a number of boards.

**Kathy Hirschfeld** comes from a chemical engineering background including the challenging role of being MD and refinery manager of BP's Bulwer Island Refinery.

**Ros Dubs** joined the Board this year and comes with a science background that has taken her previously into the space industry, air services and senior executive roles with Thales SA, Germany, France and Australia.

Welcome all of you to ASC's stand this afternoon.

As I mentioned, ASC started a journey four years ago.

Around you, here on this stand you see the evidence of what we have been doing.

ASC is into the third year of a five-year program transforming our business into one that competes with the best in the world.

We now have a "One Company" structure where our submarine, future development and shipbuilding employees have been integrated into one workforce delivering multiple programs.



As a company we have become single-minded about being a world class performance-based organisation that enables employees to perform at an exemplary level, deliver for our customer and, ultimately, win new work by bidding successfully for new programs.

This transformation has taken shape across every element of our business: leadership, safety, measurement, reporting and technology...to name a few.

ASC is a committed member of the Collins Class Submarine Enterprise established between ASC, the DMO and the Navy and we're committed to accelerating the world's best practice performance earlier than recommended by the Coles Review.

We've already exceeded RAN's targets for submarine availability in the past 18 months and up 15 per cent in the first quarter of this financial year.

We've just started construction on a new maintenance support tower – a significant investment in ASC's submarine maintenance facility at Osborne.

This infrastructure will increase productivity and efficiency, and will be a key enabler in achieving a shorter duration for major submarine maintenance, or full cycle dockings.

By reducing the amount of time submarines spend in maintenance, we increase the amount of time they are available to the Navy.



The 13-metre high tower will span the length of a submarine, and provide permanent access inside and outside of the submarine, and co-locate vital services right next to the boat.

Our production staff will essentially live on the tower during their shifts.

This is all part of ASC proactively implementing a transition to a new usage upkeep cycle for submarines called 10+2 starting next June that will see them spend 10 years in service before commencing a 2 year full cycle docking.

This is a significant shift from the current practice of 8 years in the water followed by a three year major maintenance period.

The commitment to fund and build the MST is a physical demonstration of ASC delivering improved submarine maintenance and availability to our customer.

As an advanced manufacturing organisation, investment in infrastructure that will create greater efficiency is critical to ensure that we are world class. The tower will pay for itself in two years. This investment is a continuation of earlier investment.

In a relatively short space of time, we've taken an empty, greenfield site on the Port River, in Adelaide's north, and transformed it into a fully productive shipyard.

Today, at our headquarters at Osborne, you will see a ship under construction in that shipyard and the ship erection is almost complete.

We've grown our ship production workforce from zero to 850 people, men and women.

Overall, we've grown our ASC workforce to more than 2400 permanent employees and some 3000+ full-time equivalents.



We are part of an Alliance that will deliver these ships on time and budget to the Australian Navy.

As Lead Shipbuilder, ASC is managing:

- o Block construction and integration, including combat and platform systems integration and fabrication;
- o Subcontracting selected blocks;
- o Production design;
- o Planning and scheduling;
- o Supply chain management for major systems and equipment;
- o Platform integrated life-cycle support planning;
- o Liaison with Navantia, the Platform System Designer; and
- o Ship testing and activation.

We're world class at building ships and we'd like the opportunity to compete to be able to keep doing that.

The model here on our stand of our Aegir 18A proposal, is our response to the SEA1654 project to provide combat support ships to the Australian Navy.

The Aegir 18A represents a firm opportunity to compete.

We believe it represents the most capable and most affordable solution.

Delivering three superior auxiliary warships within budget.

It's designed specifically for the Royal Australian Navy and will enable continuous fleet operations across the Indo-Pacific.



We are pleased this afternoon to be joined here today by representatives of BMT Defence Services, the designer of the Aegir family of ships.

They're represented this afternoon by:

David Bright, Defence Sector Director, BMT Group

And Rob Steel, Head of International Naval Services, BMT Defence Services.

We have also representatives here today from DSME – Daewoo Ship & Marine Engineering, of South Korea, who would complete detail design and construct at least one but potentially two Aegir 18A vessels.

DSME is represented by:

Kim, Deog-Soo, Head of Naval Special Ship Marketing, Team Director

Lee, Sung-Jin, Naval & Special Ship Marketing deputy

Lin, Jin-Han, Head of Singapore Branch, Vice-President

And thirdly we have representatives from Lockheed Martin, who will supply the Lockheed Martin Agile Combat System, if required.

We welcome this afternoon:

Mike Oliver, ASW & Integration Director, Business Development.

Douglas Wilhelm, Director, International Programs

Geoffrey Moss, Director, International Business Development, Lockheed Martin Mission Systems & Sensors



Dale Bennett, Executive Vice President, Lockheed Martin Mission Systems & Training

Lisa Callahan, Vice President and General Manager, Lockheed Martin Mission Systems and Training Undersea Systems

Roy Stevens, Vice President, Business Development & Strategy, Training and Logistics Solutions & Undersea Systems, Lockheed Martin Mission Systems & Training

Raydon Gates, Chief Executive, Lockheed Martin Australia

Dan Seamans, Manager, International Business Development, Lockheed Martin Integrated Weapons Systems & Sensors.

Gerry Christian, Director of Business Development, Mission Systems, Lockheed Martin Australia

The most important aspect to our proposed auxiliary ship solution is that a ship would be constructed at ASC's Osborne yard in South Australia.

ASC would award block construction contracts to our supplier yards in Williamstown, Victoria, and Newcastle, NSW, to preserve national shipbuilding capability and productivity.

ASC would assume the role of Ship Integrator for the Australian-built Aegir.

Many of you may have heard Sean Costello, ASC's executive GM of Strategy & Communications, excellent speech this morning outlining a new paper, Building a Sustainable Australian Navy Industry.

If you haven't already, I urge you to download a copy of it from our website - that paper is an example of the smart, innovative and future thinking within ASC.



It sets out a new era for Australia shipbuilding – and why ASC is best-placed to lead our industry as a Ship or Submarine Integrator.

As an SI, ASC would lead industrial elements for the value chain bringing together industrial capability partners, the global technical support network and supply chain to safely deliver a capability to the end user.

ASC has the core skills necessary:

- Knowledge management;
- Engineering;
- Advanced manufacturing;
- Supply chain management;
- Programme and project management; and
- Applied science and technology

As a technically capable business, ASC is well placed to build on its relationship with for example Defence and suppliers to play a central role delivering projects successfully.

One such project would be Australia’s future submarine program - the ‘holy grail’ for ASC.

It’s a program we aspire to be a part of, but for now our priority is to ensure the Government receives the high quality advice it requires to determine the benefits of the two options it’s considering.



ASC has the credentials, supported by its expertise and experience, to fill the Submarine Integrator role for the Future Submarine project.

But there is still much to do.

We need to accelerate our pace and urgency; to improve every day in delivering sustainment services to the Collins program and on construction and consolidation of the AWDs.

Our future as an integrated defence contractor is not assured by any means. Our challenges remain formidable.

But it is only by becoming world class and achieving a range of higher level benchmarks that will we be recognised as the leader in national defence capability.

Thank you for your time, and please, have something to drink and eat.