



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

Parliament House – 16 October 2012

Minister, Senators and other attendees:

Thank you again for the opportunity to appear before you today and update you on the key challenges and achievements of ASC – Australia's only remaining national shipbuilder.

As a Government Business Enterprise, we are acutely aware of our responsibility to keep yourselves and the wider public informed of our activities.

For this reason we also strive to deliver value for money. To that end, I am focussed on continuing to embed a culture where we look for ways to improve the efficiency and effectiveness of the business in everything we do.

Since I was last before you in May this year, progress has continued to occur on a number of fronts.

Submarine Performance

ASC entered into a new performance-based contract - the In Service Support Contract, or ISSC - with the DMO for the maintenance of the Collins Class submarines.

This is ground-breaking as it is the first time in Australia's 98-year proud history of owning submarines that a performance-based maintenance contract has been viable.

Having recently passed the 'first 100 days' milestone of this contract I am pleased to report significant progress already.

Ensuring the required level of submarine availability and reliability for the Royal Australian Navy is a key outcome, while ensuring safety and technical integrity requirements continue to be met.

I am pleased to report that ASC has achieved the targets set for submarine availability during this time.

We are also remediating the supply chain towards a single supply chain managed by ASC. We are now the Stock Item Owner for almost half of the parts required for Collins Class maintenance.



This has already yielded results. Both instructions and parts are required for each maintenance task. A work pack gives the instructions. Currently, 97 per cent of all work instructions for HMAS Waller have the parts necessary to do work before the work commences. This is a first class achievement and is within world's best practice.

I am confident this will continue, with the pre-docking material mustering for the upcoming HMAS Farncomb docking up by 16 per cent, from 80 per cent to 93 per cent and rising day by day.

Our supplier performance on on-time delivery is improving significantly – mainly small to medium enterprises - who provide approximately 90 per cent of the smallest replaceable units that support submarine maintenance. We continue to develop their performance and encourage their ideas for improvement.

These steps are paramount to remove obsolescence and improving maintenance reliability.

This is a good, solid start but to ensure it is sustained we must have the right culture and relationships in place. To this end, the Submarine Program Management Office has been established. Comprised of DMO, ASC and Navy personnel, collocated in the same office space at our submarine maintenance facility at ASC North, it is creating a dynamic, collaborative environment to work towards solutions.

Prior to the implementation of the ISSC, we had already identified 12 key projects internally aimed at improving the efficiency of submarine maintenance. These were undertaken using a Lean Six Sigma methodology and I am pleased to report that in the first six months this has generated savings of \$1 million in the business, with a Return on Investment ratio of almost 4 to 1.

Transforming the business

This leads me to talk about the business more widely as our focus on improved performance and efficiency has not been limited to submarine maintenance, although that is often the area most scrutinised.

ASC has a company-wide program charged with improving performance and reducing cost through the elimination of waste and duplication. Again, using a Lean Six Sigma approach modelled from that used by the US Navy and our capability partners, Bath Iron Works and Electric Boat, it has reaped significant results.

Over the past two and a half years, more than 200 staff have been trained in advanced business improvement techniques. To me, this is critical, as it is those people who know the business inside and out. They know what works well and what doesn't. They live and breathe it every day and it is only them that can really effect the change we are seeking.

The result is an achievement of more than \$10 million over two and a half years, which represents a return on investment of 10:1.



Core business

During all of this, we continue to do what we do best – maintain submarines and build ships. Our shipyard at ASC South is now at full capacity constructing the most complex warship ever built in Australia, the Hobart Class Air Warfare Destroyer. Following a memorable keel laying ceremony just over a month ago, consolidation has now commenced on Ship 1.

We are not just building a ship, along with our Alliance partners, and myriad of contractors and suppliers, we are building a national shipbuilding capability. To that end, we welcomed the Federal Government’s recent announcement to rebase timing for the delivery of each AWD towards closing the skills gap between projects.

The Government’s announcement of a Future Submarine Systems Centre to be established by early next year will also be a significant step, by progressing towards the future submarine project.

I commend the effort being invested by the Government towards minimising the potential skills gap between the AWD and the future submarine project, as do the more than 2,300 staff at ASC and many more contractors and suppliers whose future livelihoods depend on it.

Thank you.