



Australian Israel Chamber of Commerce

SPEECH BY ASC MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER STEVE LUDLAM

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Thank you for your kind invitation to speak today.

Let me first acknowledge the personnel from ASC and the AWD Alliance. Both are in my mind during my daily routine and I appreciate their support and attendance here today.

First a little about me... I have been in the submarine and shipbuilding business for 35 years.

I have managed the design and construction of all kinds of vessels and ship equipments, particularly nuclear submarines, diesel submarines and major surface combatants in the United Kingdom, Europe and America.

Much has been said about the six Collins Class submarines ASC has constructed and maintained over the last two decades.

If you believe what you read in the media they are “notorious”. They are “failing” and “troubled”. These vessels have been rubbished repeatedly.

This is a view in Australia but it’s not a view held around the world. They are a force to be reckoned with. A world class performer.

Not so much has been said about our role in the AWD Alliance and building the air warfare destroyers, but they too will perform on the world stage and make Australia proud.

So, when I was asked to take on the role of Managing Director and Chief Executive Officer of ASC, I saw a fantastic challenge.

I packed my three suitcases and moved over here. And on arriving at Osborne I was shocked.

Not by the submarines. They are world class.

Not by the people working on them. They are world class as well.

The first thing that hit me was that the team at ASC has produced six submarines from literally a field of snakes.



These big brown snakes are a part of working at ASC.

They occasionally make their way through the perimeter fencing into ASC's facility. We have to catch them and return them to their new home outside the facility.

No one believes me when I tell them about it, but it is true. Imagine such an achievement; few places in the world could even come close.

South Australia should be truly proud of supporting the creation of world class facilities and residents at Techport – our very own naval construction and support hub.

So over the next 20 minutes I want to take you inside ASC's facility at Osborne.

I will illustrate how this company is reshaping Australia's frontline naval defence - above and below the surface of the sea.

Perhaps, most importantly, what I want to share with you is the way our people are transforming the business from the inside.

I've scanned my predecessors' public comments and much has been relayed since 1987 about ASC's contribution to the Commonwealth and South Australia.

This contribution has been truly immense.

But this is the first time that any ASC Managing Director and Chief Executive Officer has talked about the inner workings of the company and, after six months leading the Corporation, I feel privileged to be able to share this with you today.

I also want to share with you how ASC is becoming more closely aligned with our customer – the Defence Materiel Organisation.

Like every company which makes things, ASC needs to be alive to our customer's every demand and every expectation.

When you listen to your customer you can achieve outstanding results. And, we are starting to achieve some results.

So ASC's core business is the construction and maintenance of naval vessels.

We have built six Collins Class submarines and we maintain these vessels through their operating lives.

There is no other conventional submarine in the world that is capable of challenging the technical capabilities of the Collins Class. In the water, these vessels are practically invisible.



ASC is also part of the Air Warfare Destroyer Alliance building three Hobart Class air warfare destroyers. Based on a Spanish design but built here in South Australia. These too will be world class performers.

We currently have 1500 employees across three sites – one facility in Western Australia and two facilities at Osborne.

ASC has contributed enormously to the South Australian community.

This has seen job creation, a new defence supply chain, and a new industry with cutting-edge technology and the development of high-end skills.

We also have enduring relationships with institutions and organisations outside the Osborne precinct.

These organisations include the Defence Science and Technology Organisation at Salisbury, the University of Adelaide and the University of South Australia (to name a few).

Each connection promotes two-way advantages and further strengthens ASC's commitment as a corporate citizen in the community.

And it's from the community that ASC draws its greatest strength. That is, the people we bring to the task - their experience, their skills and their enthusiasm.

Yet when I arrived at ASC earlier this year I was struck by three things:

- First, that ASC kept its distance from its customer;
- Second, there was no urgency or pace about the way we conducted our business; and
- Third, it was striking how the Submarine operations and AWD operations operated as separate entities.

I will start with the last point first.

Anyone who has been out to the ASC precinct on the LeFevre Peninsula will be aware of the geographic location of ASC's two key operations - the submarine facility is located right next door to the AWD shipyard.

Yet before I arrived, the submarine and AWD employees were separated.

Each group had their own administrative teams. There were different ways to manage the supply chain, different methods for managing engineering, and duplicated facilities, for example: two pipe shops, two medical centres and, nearly two fire engines – at, I might say, great expense.



Employees had loyalty to their own division – ASC Shipbuilding or ASC Submarines – and we effectively had two companies operating under one Board.

Critically, the AWD team did not have the ability to learn more about its customer from those who had worked on the submarines. And, the submarines team could not learn some of the great new ideas and practices coming from AWD.

And more than two decades of experience with the build and maintenance of the Collins Class submarines, and the recent new build and start up of ASC Shipbuilding, has taught ASC some valuable lessons.

Yet none of these lessons were being applied across the entire business. This didn't make sense to me.

I looked at the big global engineering companies with some of the world's most powerful brands.

They can operate in the defence sector, the civil sector; produce armored fighting vehicles, ships and submarines, aircraft...

Yet despite the focus on a number of markets, they all operate as one company and strive for a leadership role in every market they operate in.

I want the same for ASC.

So, just days into my time in Australia I began talking to the Federal Government about a new approach to managing the business under a One Company structure.

To me this seems straightforward. We have one customer – the Defence Materiel Organisation. We operate two projects. And therefore we are one company.

This approach has support from the highest levels of Government, and I can tell you that our 'One Company' transformation has overwhelming support from DMO and the Navy.

So, as of May 3 this year ASC Shipbuilding and ASC Submarines ceased to exist. This was a shock to the system for many inside the Corporation and, for some of our stakeholders, this has taken some getting used to.

We've had to create a common profile across the organisation - language, lanyards, uniform, email addresses, signage, stationery, and so on.

At the same time we had to enhance our major brands, particularly the AWD Alliance. The strength of this Alliance must grow under our one company and the strength of the AWD brand must be maximised wherever possible.

We want to build the future frigates here in South Australia and the Alliance is the way of doing that successfully.



The Shipbuilding yard is now known as ASC South and the Submarine facility and corporate head office is known as ASC North.

This fits neatly into our broader profile with the Western Australian operations known as ASC West.

Changing the way the Corporation operated wasn't purely a business decision.

It was about ASC using taxpayers' money wisely. It was about creating a platform so the company could learn, grow and prosper.

And it was about developing a capacity to meet the demands of the Royal Australian Navy.

But changing the signs across the precinct has been the easy part. The major challenge is winning the hearts and minds of our stakeholders.

It's the support of our workforce that is integral to this change.

It's our ability to harness the skills, enthusiasm and energy of these talented people across ASC that will ensure our success.

Let me repeat that I have been working in this industry for 35 years and ASC people are world class – they are some of the best people I have ever worked with.

I want you to meet some of these employees...

Let me first introduce you to Ben Kidd.

Ben is a Specialist Signatures Engineer. He has a job which is simple to describe but incredibly complex to deliver.

Ben's job is to silence a Collins Class submarine.

He gives a submarine a forensic once over, searching the vessel for noise sources.

Pumps, motors... every widget that makes a noise.

To do this he makes a computer model of the submarine and he works out how much noise travels from the inside of the submarine to the hull and outside the vessel.

Thanks Ben.

Next is Ruben Swinkles. As well as being one of our mechanical apprentices working on the Collins Class submarines, he is a TAFE student and was recently recognised by the highly competitive TAFE SA Mechanical Apprentice of the Year award.

Thanks Ruben.



And finally, I would like you to meet Theo Zachos. He works on the AWD program. He designs leading-edge components for each ship.

So you have heard from me and you have heard from some of our employees.

Now you are entitled to ask: after six months in the job what have we achieved so far?

For a start, the way I have approached our employees contrasts with my predecessors.

They had a different style. My approach has been simple.

We are engaging with the production teams, the engineering teams and the supply teams and working with them to figure out where they face issues.

We need to take each issue away and help solve them by thinking in new ways.

We've held numerous discussions with the unions and they have raised some interesting points for management to consider.

One of them is that the submarine maintenance facility could be laid out in a different way.

So we've sat down with our production people and have brought them together with our unions to form a working group that will develop ideas and then relay them out to the workforce.

The tooling that we are using will be upgraded so we are working with the unions on that front as well.

There have also been extensive discussions between ASC, the Navy and DMO on a new approach to improving submarine capability.

This was formalised in February when the Minister for Defence Materiel and Science Greg Combet established the Australian Submarine Program Office as an integrated product team that brings together ASC, DMO and Navy personnel in Adelaide.

Has this had any impact on the way we do business?

You need to look no further than the recent full-cycle docking of Collins Class submarine HMAS *Dechaineux*.

We announced in May that *Dechaineux* was back in service but the back story is one of collaboration and a team effort.

A full-cycle docking is a complete overhaul of a submarine. It is a comprehensive and complex process that delivers a fully refurbished Collins Class submarine to the Navy.



This is a massive task.

Each Collins Class submarine has over 3.8 million parts, 75 km of cable, seven thousand individual cables, two hundred thousand onboard connections, 23.5 km of pipe, fourteen thousand pipe welds and 34.5 km of hull welding.

But *Dechaineux's* FCD was different from any conducted before. This time we talked with our customer about changes they wanted to see in *Dechaineux*.

And we listened to what they told us.

Navy and DMO personnel also joined the crews working on the submarine, creating a fantastic collaborative environment across the Materials, Planning, Engineering Support, Design Support and Production teams.

So - **for the first time** - this was truly a team delivery.

ASC, the Navy and DMO are no longer organisations working in isolation. We are delivering together. And this ultimately delivered a high quality submarine to ASC's customer.

But it's also fair to say that there are some lessons to be learnt from *Dechaineux's* FCD.

So, our next step is to measure our performance, learn from our mistakes and make any necessary adjustments to our process so that we can deliver our next FCD – HMAS *Sheean* – without any shortfalls.

Just as an aside, the submarine we delivered to our customer included a series of design enhancements to *Dechaineux's* tactical capability. These included:

- A new combat system based on the United States Navy's submarine tactical and sonar capability;
- An anti surface warfare torpedo and an anti submarine warfare heavyweight torpedo; and
- The capacity to cater for Australia's elite special forces so teams can now be deployed from the submarine.

So, in my first few months as Managing Director and Chief Executive Officer the reshaping of our business and rebuilding stakeholder relationships has been a clear focus.

It's been about sheer energy, leadership and effort.

It's been about injecting some urgency and pace into the way we work and focusing on getting the boats out to sea so they are available for the Navy.



It's about creating a new reputation for ASC and a new culture based on a new set of behaviours.

Strongly held corporate values are an important element of the strategic business framework that underpins successful companies.

These values – service, safety, leadership, integrity, results and innovation - are the guiding principles of our organisation, while the behaviours underpin the way in which we conduct our business.

We need to become something different. Sure we can be proud of what we have achieved in the past but we should be ambitious for what we're going to achieve in the future.

I want to talk about the AWD project. This is an Alliance contract. ASC is in the AWD Alliance with DMO and Raytheon Australia.

The Air Warfare Destroyer project is central to the creation of this new reputation.

What strikes me about this project is that many Australians fail to see its national significance.

When the AWD Alliance secured the \$8 billion contract to build the AWDs we made it clear we had a national vision for their construction.

That work would see a pipeline of Australian suppliers service contracts while construction on the destroyer blocks would get underway at sites in different parts of Australia.

This vision is now a reality with shipyards in South Australia, Victoria and New South Wales, simultaneously building blocks for the largest defence project in Australia's history.

ASC will undertake construction of 28 ship blocks in our dedicated \$120 million shipyard, while the other 65 blocks have been subcontracted out.

These blocks will average 15 metres by 12 metres by 9 metres, and weigh around 200 tonnes each.

ASC workers, led by the AWD Alliance team, will then oversee the handling and transport of each block to our shipyard, and consolidate them into air warfare destroyers. This includes outfitting work, the management of equipment and systems, and trial activities.

Job creation across the AWD project will peak in the first quarter of 2012.

ASC will employ more than 800 people in its shipbuilding operations out of an Alliance total of about 1900 in direct support of AWD. The project will also create many more jobs in supporting industries.



So, it's about ASC developing relationships – with our partners at the shipyards in Victoria and New South Wales – and with companies such as Raytheon and Government agencies such as DMO.

As far as an update on activities is concerned, I can report that the project is tracking along well.

Each shipyard is simultaneously building destroyer blocks.

Sparks are flying, if you will, at shipyards in Williamstown, in Melbourne, at Newcastle in New South Wales, and of course at Osborne.

There is a lot to do but with our new flatter structure, with the lessons that we are taking on board from all our experience, with the input of DMO and the Navy and, in particular, the strong alliance between Raytheon, ourselves and DMO – the AWD project is progressing well.

Moving on, those who follow ASC will know that we are working to position ourselves for the next generation of submarines.

ASC is focused on this project and investing in developing a Future Submarine concept design.

But I want to make one thing clear.

We've got to get our Collins submarines right before we are ready to take on this multi billion dollar project.

If we don't achieve production and maintenance efficiencies from AWD and Collins respectively, then nobody is going to believe we deserve to undertake another project.

I am focused on building the future submarine and future frigates here in South Australia and we're preparing to bid at this point for the submarine the project. We have got to ensure we have the capability to do that.

But we will not earn the right to design and build a future submarine or frigate until we prove ourselves and perform in an exemplary manner.

We have no God given right to those projects.

We must compete and win here in Australia.

The need to compete creates a driving force for change in the business. A competitive naval environment is a must in order for Australia to succeed in producing world class ships and submarines. And, I want that production to be here in South Australia.

So when employees ask me to define my role, I tell them I have a simple approach to a complex task.



My job is actually to give ASC a 50 year future - to give 1500 employees a 50 year future.

And there are many ways people can interpret the work that ASC is doing now. There are many ways people can interpret my decisions as Managing Director and Chief Executive.

Where I am leading with the rest of the team is to be a world class business.

We want to be at the tip of the spear of the nation's frontline naval capability.

We've got no God given right for that role - but that is where we want to be.

Thank you for your time this afternoon and the opportunity to tell you about ASC.

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