

Statement of Corporate Intent

2020/2025



ASC

About ASC



ASC Pty Ltd is a proprietary limited company registered under the *Corporations Act 2001*. ASC is owned by the Commonwealth and represented by the Minister for Finance (Shareholder Minister).

Established 35 years ago in 1985 at Osborne, South Australia, ASC was chosen in 1987 as the prime contractor for the design, manufacture and delivery of Australia's first locally built submarine.

In 1992 ASC commenced submariner training services to the Royal Australian Navy (RAN), staffing the Submarine Training and Systems Centre at HMAS *Stirling* in Western Australia.

At the conclusion of the Collins Class Submarine (CCSM) build program in 2003, ASC was awarded the contract for through-life support, maintenance and design upgrades of the six submarine fleet.

In 2004 ASC changed its name and corporate identity from 'Australian Submarine Corporation' to ASC Pty Ltd to better reflect its shipbuilding endeavours and its future business.

In 2005, following a competitive tender, the Commonwealth selected ASC as the shipbuilder for the Hobart Class Air Warfare Destroyer (AWD) Program as part of the AWD Alliance.

The first AWD, HMAS *Hobart*, was delivered in 2017, providing the RAN with its most advanced and complex warship.

The second, HMAS *Brisbane*, was delivered in 2018 and the third HMAS *Sydney* in March 2020.

HMAS *Sydney* was fitted with additional modifications during the build to accommodate the MH-60R Romeo helicopter, and Close-in Weapons Systems, making it Australia's most lethal warship. The delivery of the third AWD in 2020 marked the end of yet another successful Australian shipbuilding program.

In 2017, ASC Shipbuilding tendered for and won the role of South Australian shipbuilder for the Arafura Class Offshore Patrol Vessels (OPVs). ASC entered into a contract with prime contractor and designer, Luerksen Australia, for the construction of the first two vessels, *Arafura* and *Eyre*. The program is progressing, with *Arafura*'s keel laying in May 2019 and *Eyre* in April 2020.

In June 2018 ASC Shipbuilding was announced as the shipbuilder for the Hunter Class Frigates following a competitive tender process. The structural separation of ASC Shipbuilding Pty Ltd from ASC Pty Ltd occurred in December 2018, with ASC Shipbuilding becoming a subsidiary of BAE Systems Australia.

In the same year, ASC became the first Australian defence company to achieve asset management certification under global standard ISO 55001, which represents international best practice for the management of complex physical assets.

ASC's 1,300-strong workforce is based across two states, at Osborne in South Australia and at ASC West, in Henderson, Western Australia. More recently, 30 ASC submarine platform experts have been seconded to the Commonwealth's Future Submarine Technical Office (FSTO).

ASC continues to perform at above international benchmarks for submarine availability, through the Australian Submarine Enterprise, partnered with the RAN and the Australian Defence Force (ADF).

In 2020 and beyond, ASC will proudly serve as an integral part of Australia's sovereign naval industrial capability, building and maintaining the nation's frontline naval assets.

Chairman's Message

ASC's Collins Class performance continues to exceed international benchmarks in submarine availability and reliability.



ASC's Statement of Corporate Intent (SCI) 2020/2025 summarises ASC's Corporate Plan, setting out the company's strategy and objectives for the coming five years. It includes an analysis of future business opportunities, corporate performance, requirements and risks.

ASC is the sole, sovereign provider of submarine sustainment knowledge and experience to the Commonwealth. This capability is unique and does not reside anywhere else in the world.

ASC's CCSM performance continues to exceed international benchmarks in submarine availability and reliability. Our experience, knowledge and local supply chain will be required to support the fleet until the late-2040s.

In early 2020, the third and final AWD was delivered by the AWD Alliance Partners to the Commonwealth, marking the end of the three-ship build. This program demonstrates that sovereign Australian shipbuilding can deliver world-leading warship platforms at increasing productivity levels.

The OPV Program continues to meet project milestones with ASC working with Luerksen Australia to deliver the first two ships, *Arafura* and *Eyre*, by 2022.

Safety and quality remain the central focus of what we do every day. We are committed to



providing a safe working environment for our people, the vessels we work on and the defence personnel who sail on them, while implementing continuous improvement and innovation as part of a performance-driven culture.

This commitment was strengthened in March 2020 through our swift response to the COVID-19 pandemic. ASC implemented measures to ensure essential services could continue, while taking all necessary steps to protect the health and safety of our employees.

ASC's SCI 2020/2025 has been prepared for the consolidated ASC Group, noting that ASC has two dormant subsidiaries and two subsidiaries that are contracting entities for its shipbuilding programs.

The SCI covers the years of 2020/2025, as required under subsection 95(1) of the *Public Governance, Performance and Accountability Act 2013* and *Public Governance, Performance and Accountability Rules 2014*.

BRUCE CARTER
ASC Chairman

Our Purpose



OUR VISION

To be an enduring and integral part of Australia's maritime strategy and national security.

OUR MISSION

To be a trusted and efficient partner with sovereign design, build and sustainment capabilities, driving best value for our customers.



OUR VALUES

- Safety
- Service
- Leadership
- Integrity
- Results
- Innovation

PURPOSE

ASC is Australia's dedicated submarine sustainment and maritime services company.

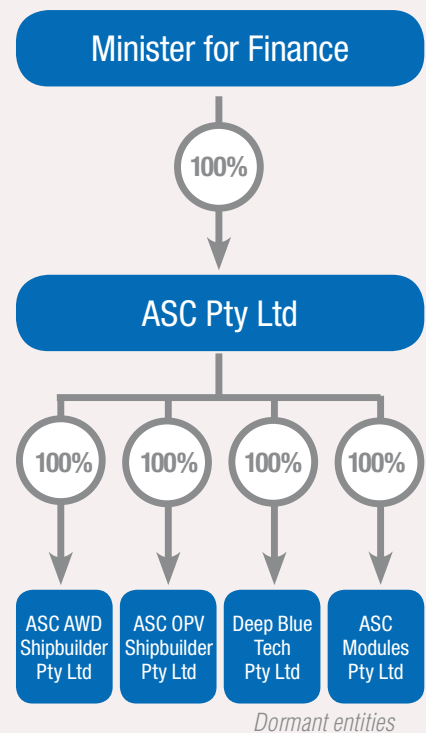
As Australia's only established sovereign submarine capability, ASC is central to achieving Australia's long term submarine and maritime objectives and committed to delivering the world's best submarine sustainment and capability support services to Australia's submarine programs. ASC will also simultaneously deliver two OPVs and meet our final AWD program commitments.

The company's strategic focus remains on achieving continuous improvements in program performance and capability, whilst supporting our experienced workforce to remain Australia's leading provider of submarine platform expertise and services.

In addition to its strategic objectives, ASC's constitution sets out objectives that guide the company's activities:

- Enhance and maintain the ADF's maritime defence capabilities; and
- Support Australian Government policies in relation to the Australian naval surface shipbuilding and repair industry and the submarine sustainment and construction industry.

ASC GROUP STRUCTURE



On 11 June 2004, ASC was proclaimed as a Government Business Enterprise (GBE) under the then *Commonwealth Authorities and Companies Act 1997*. ASC remains a GBE pursuant to section 5(2)(a) of the *Public Governance, Performance and Accountability Rule 2014*. ASC is a Commonwealth company.

Submarine Sustainment and Capability Development

ASC is home to Australia's largest specialised submarine workforce and is committed to attracting, retaining and growing its uniquely skilled people who remain fundamental to its submarine capability.

As Australia's only sovereign submarine and sustainment organisation, ASC is committed to supporting the Commonwealth to:

- Meet the RAN's requirements for CCSM submarine availability, reliability and supportability.
- Ensure the safety and technical integrity requirements for the CCSM are achieved and maintained; and
- Ensure the Commonwealth has achieved value for money, including improvement in the logistical cost of ownership.

ASC is home to Australia's largest specialised submarine workforce and is committed to attracting, retaining and growing its uniquely skilled people who remain fundamental to its submarine capability.

Ensuring that Australia maintains a potent submarine capability is a critical strategic requirement of Government during the COVID-19 pandemic.

Submarine sustainment work has continued at ASC's sites in Osborne and Henderson under new routines and protocols, aligned with relevant State and Federal Government policies for the management of COVID-19.



Shipbuilding

The commissioning of HMAS *Sydney* in May 2020 marked the end of another successful Australian shipbuilding project.

In February 2020, ASC and its Alliance Partners delivered the third and final AWD to the Australian Government, under a contract which is expected to end in mid-2021.

The commissioning of HMAS *Sydney* in May 2020, following acceptance trials with the RAN, formally marked the end of another successful Australian shipbuilding project.

ASC continues to progress the construction of the lead and second OPVs, employing lessons learnt from the AWD Program, as well as working with computerised 3D models.

Following structural separation in December 2018, ASC Shipbuilding became a subsidiary of BAE Systems Australia to deliver the Hunter Class Frigates. ASC Pty Ltd engages a contracted ASC Shipbuilding workforce, to successfully deliver ASC's shipbuilding programs.



Future Opportunities

ASC actively engages with domestic and international partners to maximise its future opportunities.

ASC's ability to build capacity within the Australian submarine sector, and work with key partners of the Attack Class (ACSM) program, positions it as a critical contributor to Australia's defence industry.

ASC recognises the continued successful delivery of CCSM sustainment, the OPV construction and execution of the remaining contractual obligations of the AWD program are critical to its future work.

To harness future opportunities, ASC actively engages with domestic and international partners to maximise its involvement in future projects, including the ACSM.

In 2019, ASC and Naval Group Australia, the designer-builder of the ACSM, signed their first training initiative under a framework agreement. In the first placement of its kind, ASC has integrated Naval Group Australia



apprentices into its existing, highly competitive, four-year fabrication apprenticeship program working on the CCSM.

ASC continues to diversify its revenue streams by growing new business in domestic and international submarine and maritime markets and is forging new strategic relationships beyond its traditional Defence customer.

Business Environment

ASC continues to manage the impact of the COVID-19 pandemic, taking actions to reduce the risk of disruption to submarine availability.

ASC's environment is influenced by Government-led decision processes.

While ASC is actively developing new strategic partners, it remains committed to strengthening the existing strong, open and collaborative relationships with its customers – the Commonwealth of Australia, Luerssen Australia, AWD Alliance partners, the Australian Submarine Enterprise and its suppliers and industry partners.

COLLINS CLASS SUBMARINE MAINTENANCE

ASC's primary submarine program objectives are to;

- Deliver world's-best submarine sustainment and capability support;
- Leverage program performance and capture new business in submarine and maritime markets;
- Attract, retain and grow our people; and
- Optimise ASC's business model and organisational design for growth.

ASC will continue to leverage its CCSM program expertise to expand its sovereign submarine capabilities, to further de-risk the delivery of the program and Life of Type Extension, and to grow and retain a qualified workforce in support of future opportunities.

FUTURE SUBMARINE TECHNICAL OFFICE

ASC is the largest single supplier of technical expertise to the FSTO.

ASC expects to continue providing this level of expertise to the FSTO for the foreseeable future, as the only active source of this submarine expertise in Australia.

As outlined in the Australian Naval Shipbuilding Plan (2017), the ACSM program will see a doubling of Australia's submarine platform workforce by the mid-2020s. ASC, along with its partners, continues to manage the competing demands for skilled and experienced personnel so that CCSM availability is not adversely impacted.



ASC continues to work with Naval Group (design partner, platform builder) and Lockheed Martin (combat system integrator), and is committed to pursuing opportunities that will add value to the program, leveraging ASC's experience as Australia's only sovereign submarine design and sustainment organisation.

DELIVERING UNDER COVID-19 CONDITIONS

Like many Australian and global businesses, ASC continues to manage the impact of the COVID-19 pandemic, taking actions to reduce the risk of disruption to submarine availability. ASC remains committed to providing a safe workplace for its people in a performance-driven environment, while dealing with challenges such as COVID-19.

Appropriate policies and procedures have been instituted across our corporate and shipyard environments to ensure workers are protected from this risk and able to carry out their roles to the best of their ability. This has been reflected in our uninterrupted schedule for the CCSM program.

Performance

ASC continues to focus on delivery of benchmark efficiency whilst maintaining its performance targets.



Financial

The primary sources of revenue for ASC Pty Ltd include: the CCSM program and the ASC's two shipbuilding contracts – the OPV and AWD. The AWD program will be finalised in 2022.

ASC's financial objectives are to achieve profit before tax and cash reserves in accordance with, or better than, its Corporate Plan projections.

Non-Financial

ASC's focus to 2025 and beyond continues to remain on delivery of benchmark efficiency, whilst maintaining its performance targets.

Positive performance evaluations of its CCSM program reflect ASC's continued collaboration with the RAN and Capability Acquisition and Sustainment Group to support Australia's overall submarine outcomes. The program continues to achieve above-benchmark performance, exceeding RAN's requirement for submarine availability and delivering efficiencies across the enterprise.

As the COVID-19 pandemic continues to have a global impact, ASC will ensure Australia maintains a potent submarine capability as a critical strategic requirement of Government, as well as maintaining its progress towards the delivery of the OPV Program.

In 2020/2021, ASC will:

- Complete HMAS *Collins* Intermediate Docking and commence HMAS *Farncomb*'s 12-month Mid Cycle Docking in Western Australia.

- Commence HMAS *Dechaineux*'s two-year Full Cycle Docking in South Australia.
- Meet warranty obligations under the AWD contract following completion and delivery of the third and final ship to the Commonwealth of Australia.
- Maintain progress on the construction of the two Arafura class OPVs, with the first, *Arafura*, contracted to be complete in September 2021.
- Provide high quality submariner training and continue to work with the RAN to develop the Submarine Sea Qualification from being performed on-board the submarines, to on-shore delivery by 2024.
- Continue submarine sustainment work at ASC's sites in Osborne and Henderson under new routines and protocols, aligned with the relevant State and Federal Government policies for the management of COVID-19.

Risk Management

ASC fosters a strong risk management culture and promotes a hands-on approach to managing risk.

Risk Management is fundamental to achieving ASC's strategic objectives and in creating long term shareholder value. ASC demonstrates its commitment to Risk Management through the implementation of a comprehensive Risk Management Framework and a sound Risk Governance Structure.

The ASC Board fosters a strong risk culture and promotes a hands-on approach to managing risk through the operation of the Business Assurance and Security Committee (BASC). The BASC oversees the overall implementation of the Risk Management Framework and is responsible for monitoring risk performance to ensure that threats and opportunities are appropriately identified, assessed, communicated and managed across ASC.

The Framework includes an overarching policy direction for Risk Management across the organisation and outlines ASC's Risk Appetite Statement. Its design and operation aligns with Australian Standard AS/NZS ISO 31000:2018 Risk Management – Principles and Guidelines (ISO 31000) and the 2014 Commonwealth Risk Management Policy, describing ASC's approach to the risk management process and in particular, the steps of risk identification, evaluation, treatment, and monitoring, reporting and continuous improvement.



Capability

ASC's existing capabilities remain a crucial element in supporting the business to achieve its strategic objectives.



PEOPLE

ASC's unique capabilities largely reside in the skills and experience of its people. ASC remains committed to providing a safe workplace for its people in a performance-driven environment within which they can thrive.

ASC's vision is to be a leading, innovative, dynamic, and resilient organisation that abides by its values, prides itself on quality, strives for continuous improvement, and excels at building and maintaining Australia's frontline naval capabilities.

Fostering a culture of inclusion to attain greater workforce diversity will not only help ASC to achieve its business goals, but also to be regarded as an 'employer of choice' in a highly competitive market.

FACILITIES

ASC will work with Australian Naval Infrastructure (ANI) to maintain the purpose-built facilities at its two sites in South Australia to ensure they are meeting ASC's requirements.

This also includes working with ANI in support of the facility being utilised for programs other than the CCSM, AWD and OPV.

In Western Australia, ASC continues to ensure its facilities meet the requirements of its operations, whilst it is under lease from the Western Australian State Government, through Development WA and the Australian Marine Complex.

SUPPLY CHAIN

ASC manages a large, complex and diverse supply chain across its programs.

ASC's supply chain currently provides Australian Industry Content of 92 percent; supporting local industry and jobs in their delivery of high quality, secure and resilient supplies and services.

ASC's active management of its supply chain throughout the national response to COVID-19 has ensured materiel availability in support of all its programs.

CAPABILITY PARTNERS

ASC has longstanding collaborative relationships with organisations that provide specialised expertise in technologies that contribute to the continuous improvement of submarine maintenance and shipbuilding activities.

In addition to the technical support network that includes subject matter experts, industry, tertiary institutions and government research establishments, ASC also partners with world-leading submarine and shipbuilders.

CORPORATE SOCIAL RESPONSIBILITY

As a responsible corporate citizen, ASC is committed to contributing to the development of positive social, environmental and economic value for Australia.

ASC's Corporate Responsibility Program draws together these elements to ensure enduring outcomes are achieved.



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