

## **The Future Sustainability of the Australian Naval Ship Building Industry**

The AMWU believes that it is vital for Australia's future security and prosperity that we maximise the jobs, skills and economic growth that can be created through government investment in the strategically vital naval ship building industry over the next 30 years.

This will only be possible if Australia seizes the opportunities presented by defence procurement spending to ensure Australia's strong and growing ship building industry and its highly skilled workforce is integrated into new projects from the very beginning.

The scale of the security and economic benefits from the full integration of Australia's manufacturing sector into the global naval ship building supply chain cannot be understated. Using commonly adopted measures, a fully-integrated local industry including design, construction and maintenance would give a spill over effect to the Australian economy would be around \$16.85 billion from the submarines alone.

To achieve these benefits, the federal government must develop a Sovereign Capability Strategy that identifies the skills and expertise that are critical to our national security and which provide the greatest economic benefit to the nation.

In the long-term this approach will keep costs down, lower risk and allow for continuous improvement during the lifecycle of our submarines and surface vessels.

The detailed report upon which this submission is based is attached for the information of the Committee.

### **Local content and integration into global supply chains**

It is important that the Australian Government build in contractual requirements for Australian involvement for future submarine and ship building projects. For example, it is important that future partners be required to located design offices in Australia, transfer IP to Australia and have a substantial Australian industry participation plan. This will ensure that defence procurement spending helps to build a competitive Australian industry capability as well as sovereign capability.

This will help to build Australian skills at all parts of the production life-cycle and allow the local industry to develop expertise over time. This will lower cost and reduce risk and allow Australian forms to integrate themselves into international supply chains.

Local involvement in development of new IP will enable Australian entrepreneurs to commercialise new ideas outside defence applications, potentially created more opportunities for growth.

### **Meeting our unique requirements**

The number of true off-the-shelf procurements that can be made by Australia decreases dramatically as the complexity of our requirements increases. Given the unique geographic and strategic situation that Australia finds itself in, the ability to work with overseas suppliers to ensure that the products we receive suit our needs will continue become more and more important.

By encouraging the growth of a strong domestic ship building industry from the ground up, we will be able to ensure that the RAN gets the ships and submarines that they need, at a fraction of the long-term cost.

Given the importance of networking and interconnectivity in the modern battlespace, it is vital that Australia's ships and submarines are able to work together flawlessly. A strong domestic ship building industry ensures that Australia is not entirely reliant on military-off-the-shelf designs which may cause unforeseen compatibility problems in which may limit our operational effectiveness.

Local expertise will also make Australia a better customer – better able to define what it wants when it goes to market, and more technically adept at ensuring that we get what we want from our relationships with foreign prime contractors.

### **Designing procurement to deliver sovereign capability**

Australia must have the ability to ensure, under full national control and without reliance on any direct foreign assistance, the execution and sustainment of national security operations. This will require:

- Sufficient numbers of highly capable and competent staff
- Defence systems with the required capabilities and operational availability
- Domestic capabilities to support and sustain these defence systems

The extent to which industry is critical to sovereign capability is not always fully understood. Without local industry expertise, it is impossible to properly sustain all of our key defence assets.

To deliver a sovereign capability, the federal government needs to map out the supply chains required to support naval development and sustainment. Once this is done, the firms within it should be classified and supported based on their importance to our sovereign capability. This will allow the government ensure that vital skills and expertise are available when they are needed. It will also help governments to identify existing gaps in our capability and work with industry to support firms by upskilling workers and providing access to capital equipment.

### **Conclusion**

The Australian ship building industry is a strong and growing industry that already plays a vital role in defending Australia. With the support of government to maximising local involvement in naval ship building, it can provide the sovereign capability that Australia's future security relies upon.

By ensuring that Australia's next generation of ships and submarines are designed, built, maintained and sustained by skilled and experienced Australian workers, the government can deliver a dividend to Australian industry and to the Australian economy. This investment in the Australian ship building industry will allow it to integrate into the global supply chain and deliver jobs, economic growth and a more secure nation for a very low cost.