

## Hon Martin Hamilton-Smith MP

Minister for Defence Industries

Tuesday, August 1 2017

### **Australians must build future submarines and frigates**

The need for an Australian-owned builder for the \$89 billion 12-submarine and nine-frigate program was emphasised in State Parliament today by South Australian Defence Industries Minister Hamilton-Smith.

The Minister told budget estimates that indications coming from Canberra are that the French Government-owned Naval Group (formerly DCNS) having been chosen as the architect and designer of the new submarine, will now be selected as the builder.

It's one thing to have an architect for a house, it's another to then ask the architect to build the house, he said.

This stands in stark contrast to decisions taken by previous federal governments to create the Australian submarine builder ASC to build the Swedish-designed (SAAB/Kockums) Collins Class submarine.

He said there are further concerns that the successful frigate architect/designer (Fincantieri, BAE or Navantia) will be asked to build the frigates, cutting the ASC and companies like Austal out of the deal.

Minister Hamilton-Smith told Parliament there are real concerns held by industry and the union movement about foreign, government-owned multi-national defence companies being given exclusive rights to build our submarines and ships, at the expense of Australian companies and Australian workers.

The Minister flagged that the SA Government is considering coordinating a national campaign with other state governments, industry associations, unions and members of the Australian Parliament to ensure that the submarine and shipbuilding enterprises are majority Australian-owned.

### **Background**

Construction of the \$3 billion Offshore Patrol Vessels starts at Techport in 2018; it will lead to 400-plus direct and 400 indirect jobs. The \$35 billion Future Frigate program is due to commence in Adelaide in 2020. It will lead to approximately 2000 direct jobs.

Construction of the 12 Future Submarines will start in 2022. Worth \$50 billion, French designer DCNS estimates the submarines project represents 2900 direct jobs in South Australia, with 1700 jobs in shipbuilding, 100 jobs at DCNS office, 600 jobs in supply chain and 500 jobs in combat system integration.

### **Quotes attributable to Minister Hamilton-Smith**

The Federal Government needs to provide clarity on the fundamental principle of whether contracts will specify that an Australian company will have prime carriage of building the submarines and frigates in partnership with the designer.

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If we are to build a genuine sovereign naval shipbuilding capability, then an Australian company should own at least 51 per cent of the ship builder carrying out the work.

How will we guarantee that Australian subcontractors and workers will be given a high level work in the supply chains if the ship builder is not Australian owned?

What will happen at the end of this particular build if we want to choose another design for the next submarine or frigate run? How will we evolve our own intellectual property and national capability if foreign government-owned multi-nationals control both the design and build?

These are questions the federal government must answer.

As our national intent is to lock in a continuous on-going build of submarines and frigates, it is important that we set out on the shipbuilding journey with ship and submarine building companies that are Australian-owned, with Australian citizens ultimately doing the work, with assistance from the selected designers.

Decisions made in the next 12 to 18 months will affect Australia's ship building capabilities for decades to come. The Federal Government needs to be more consultative with state governments, the defence industry and with defence workers and unions about future plans