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Speaker Fawcett, Sen David

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Senator FAWCETT (South Australia) (22:01): I rise tonight to talk about defence acquisition and one area which has been constantly raised during the Senate inquiry into defence acquisition in terms of Australia's ability, capacity and competence to have an Australian defence industry in order to meet our future strategic needs. This may seem strange coming from someone who had a professional career as an army officer, but I intend to talk about submarines. I did actually attend Navy staff college, so I know the sharp end from the blunt end of a ship and to call a submarine a boat. Since being in this place I have had the privilege of doing a large amount of work with the Foreign Affairs, Defence and Trade Committee, as well as with Defence and with industry, looking at our shipbuilding capability and at submarines. I recently also had the opportunity to travel to a number of European countries to look at submarine maintenance, construction and design and to talk with a range of industry players about the considerations involved.

The first question many people ask is why Australia needs submarines and why we should be looking at replacing submarines. We are a maritime nation. Some 99 per cent by volume of our exports leave this country by sea and a large proportion of our fuel requirements arrive in this country by sea. So our sea lines of communication are important. The ability to protect those and to stop another nation or a non-state actor from interdicting our sea lines and also to protect the approaches by sea are an important strategic capability. History shows that submarines are one of the best asymmetric weapons to achieve that.

During World War II, for example, submarines comprised only two per cent of the American naval fleet, yet they sunk some 30 per cent of the Japanese navy and some 60 per cent of the Japanese merchant navy. More recently, in the Falklands conflict, the United Kingdom, with four submarines deployed, was able to cause the entire Argentine navy to withdraw from the exclusion zone and essentially to take no further part in that conflict after HMS *Conqueror* sank the *General B elgrano*. Submarines have proven throughout history to provide a significant strategic capability for a nation.

Before I look at our future submarine program, however, it is important to look at where we have come from. Recent history includes the Oberon and the

Collins class submarines. I particularly wish to come back to the Collins because, as people have looked at things like the Coles report recently and as they have read media reports going right back to the 1990s when the boats were being constructed, they have seen the media being relentlessly negative about the Collins. It is important to have a look at a few of the facts: what has caused the problems, how bad the problems have been and are they recoverable, is the boat indeed a capability for Australia?

As we look at a number of commercial projects, whether in mining, finance or the other defence projects, cost overruns are not unusual. Many people think that the Collins class was a complete disaster. In fact, by 2006 the project cost just over \$5 billion which, allowing for inflation, represented a cost overrun of only \$40 million, less than eight per cent, which is quite good in comparable standards, looking at other nations' programs and even at other defence projects here in Australia. Even allowing for what they call the FastTrack program, the total program came in with less than 20 per cent cost overrun. The significant schedule delay of around 18 months pales a little compared to modern projects. The majority of that 18-month delay concerned the combat system which, even for its day, was considered to be a stretch in terms of the technology and particularly the architecture of the computing systems on board the ship. Undoubtedly, though, most criticism recently has been about availability.

Many reports in the media are indicating that there might be only two submarines out of the six at sea. It is important to realise that, unlike a fleet of cars where, for example, if you own six cars in a hire car fleet you can expect to have most of them on the road, with submarines generally speaking the ratio is about three or four to one.

The experience of overseas navies—the UK, US and European navies—generally speaking, is that they need to have three to four submarines in order to have one deployed. So the Collins, historically, has actually met and at times exceeded world's best practice in terms of availability.

Furthermore, the Collins design issues are not unique. Even current manufacturers in Europe have built submarines where there have been noise problems,

handling problems or power plant problems, for example, so it is not surprising that the Collins had some of those issues, most of which have been overcome. What we have now, particularly with the combat system that has been developed in conjunction with the United States, is a conventional submarine that is recognised as having world-class capability. The Collins is also one of the few submarines that meets Australia's requirements in terms of its range—the ability to take the submarine to the places where we need it—and endurance with regard to staying on-station for the time it needs to stay there. So its size enables it to carry the fuel, and the combat system enables it to actually prosecute the mission and use the weapons systems that are strategically important.

So how do we build on that in terms of the future submarine program? The government has recently announced funding for a study into the options, which range from an off-the-shelf purchase to a brand-new design to evolving the Collins. I am sure there are greater minds than mine that will be working through that. But I would like to quickly touch on some of the risk and cost benefits of looking at building on what we have done here in Australia. We would be putting our faith in the people who created a capability when many naysayers said it was impossible, and in the submariners who developed that into a world-class capability that is respected by our allies and other nations in the region.

Whether we go for a new design or buy something off the shelf, there is a general acceptance that we will have to extend the life of the Collins, which involves overcoming some of the current problems with the diesel engines and generators. The Collins life extension program alone will provide us with the opportunity to further develop the fairly solid skill sets that we have. In the last couple of years, ASC have really turned around in terms of the efficiency of their work and the full-cycle dockings, the level of technology they are using, the work rate that is being achieved and the solutions that they are coming up with to fix things inside the boat, many of which do not have their origins here but have their origins in the equipment that came from overseas in the first place. If we build on that and start evolving the Collins design as those things are fixed, rather than leaving all that work and expertise that has been done, there is a strong case to say that building another Collins, essentially, with each of those rectifications in it, is a fairly low-risk way to start extending our fleet numbers and reliability as well as re-creating the capability to build submarines. The Japanese have proven that using an evolved build process means that the actual cost of build and ownership per boat progressively lessens, and the risk goes down, because you are evolving bit by bit.

For Australia, rather than spending billions of dollars—the costs range from \$18 billion to \$36 billion—of taxpayers' money overseas, which would see very little return here, an investment to evolve the Collins design would see benefits throughout Australia, would lower risk and costs for the Australian taxpayer, would develop a capability that is already world leading in terms of conventional submarines and would have the ability, in a spiral upgrade path with our American partners in the combat system weapons, to be a capable strategic asset for Australia into the foreseeable future.