

## Hon Martin Hamilton-Smith MP

Minister for Defence Industries

Wednesday, March 29, 2017

### **Commonwealth must deliver local industry promises on naval shipbuilding**

Naval shipbuilding jobs and investment are at risk, unless the Federal Government can deliver the promised 90 per cent level of local industry content.

Concerns are emerging that local benefits are at risk of slipping away in all states, South Australian Minister for Defence Industries Martin Hamilton-Smith.

Stakeholders are expecting an announcement within the week of the Australian Government's Naval Shipbuilding Plan and a request for tender (RFT) for the nine-ship, \$30 billion frigate program.

Unless these documents lock in the 90 per cent level of local industry content promised by the Federal Government, industry, unions and state governments have good cause for alarm.

### **Background**

During the 2016 Federal election campaign the Federal Government and DCNS gave repeated assurances that at least 90 per cent of all of the work would be done in Australia. Since then Defence Minister Payne and Defence Industries Minister Pyne have refused to repeat the promise.

In May 2016 Federal Defence Industry Minister Christopher Pyne said less than a tenth of the work on Australia's 12 new submarines would be done outside the nation.

Mr Pyne was quoted on ABC TV on Monday, May 16 saying, "DCNS has admitted that probably less than 10 per cent of the work will be done outside of Australia".

But on October 18, 2016 during a Federal Defence Estimates hearing in Canberra, Defence Minister Marise Payne and Department chief Dennis Richardson said they could not guarantee how much of the work will actually be done here, despite Mr Pyne's election vow talking up the 90 per cent commitment.

Contracts signed with shipbuilders so far apparently have not locked in the 90 per cent level of local industry content. Local industry content can only be delivered by the designers pre-qualifying and engaging with local Australian companies to develop critical partners, or by requiring overseas based companies in the existing supply chain to relocate operations to Australia.

### **Quotes attributable to Minister for Defence Industries Martin Hamilton-Smith**

Industry and unions have every right to expect that the 90 per cent promise will apply to the frigate program. The submarine and frigate programs have a combined estimated value of \$89 billion. The 90 per cent promise would deliver around \$80 billion of that value to local companies and to local Australian workers. Anything less would be a failure by the Commonwealth and a broken promise.

Over the past 18 months ASC has shed 1005 jobs as the second AWD was put in the water and program scaled back.

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The Valley of Death is well and truly upon us. The Commonwealth needs to clarify in its Shipbuilding Plan over the coming week what percentage of Australian industry content will be delivered.

The Commonwealth must ensure that it is not hoodwinked by the multi-nationals who will build the submarines, frigates and OPVs, into some kind of hybrid construction plan by stealth.

We must be more than an assembly plant; we must be receiving the promised intellectual property, science and expertise for a genuine transfer of technology. Unless this is spelt out in the documents the Federal Government is about to release, they will be a great disappointment and an alarm bell for the entire program.

The South Australian Government wants an assurance from the Commonwealth that the contracts signed so far with DCNS have adhered to the 90 per cent Australian industry content promised by both DCNS and the Commonwealth Government. If we could achieve 70 per cent 30 years ago with no industry base with the Collins contract.

We also want confirmation of the number of companies DCNS has either pre-qualified, or identified as reliable partners, in the submarine project; together with a clear statement about expectations of frigate designers in the RFT to be announced shortly.