Barton Deakin Brief: Australia’s Naval Shipbuilding Programme

5 August 2015

The Prime Minister, the Hon Tony Abbott MP, and the Defence Minister, the Hon Kevin Andrews MP yesterday announced the Government’s plan for Australia’s future naval shipbuilding industry.

The announcement included a commitment of $89 billion over 20 years to invest in building ships and submarines for the Australian Navy. The announcement stated that the Future Frigates and Offshore Patrol Vessels will be built by Australia’s shipbuilding workforce.

Key elements of the plan include:

- A commitment to bring forward the Future Frigates programme from 2023 to 2020. The Competitive Evaluation Process is scheduled to begin in October 2015. The frigates will be built in South Australia;
- A restated commitment to construct the Offshore Patrol Vessels to replace the Armidale class patrol boats currently in use. This project will be brought forward two years. A continuous onshore build is set to begin in 2018 following a Competitive Evaluation Process;
- A commitment to insert into the Air Warfare Destroyer programme additional shipbuilding management expertise and an investment of an additional $1.2 billion; and
- Commissioning a strategic review of the ASC’s (previously the Australian Submarine Corporation) shipbuilding capability.

This is the first time the Australian Government has committed to a permanent naval shipbuilding industry.

The Government also stated that the ‘third pillar’ of the naval shipbuilding plan will be structured around the outcome of the Competitive Evaluation Process for Australia’s future submarines.

Background

In April 2014 the Prime Minister, the Hon Tony Abbott MP and the then Minister for Defence, Senator the Hon David Johnston announced that the Department of Defence would release a Defence White Paper in the latter half of 2015.

RAND Corporation Report

As part of the Defence White Paper process, the White Paper Management Enterprise Management Team requested the RAND Corporation produce a report on the Australia’s naval shipbuilding capabilities to meet the demands of current and future naval construction programmes.
The report entitled *Australian naval shipbuilding enterprise: Preparing for the 21st Century* contained the following key findings:

- That Australia’s future naval surface ships could be built wholly in-country, built partially in-country and partially overseas, or built entirely built overseas. The report outlined the various costs and risks associated with each strategy;
- That building the future vessels in Australia carried a premium of between 30 and 40 per cent compared with overseas production, but that this cost could be reduced if Australia adopted a continuous build strategy to mitigate the problem of a ‘cold start’ with each new shipbuilding programme; and
- There may be economic benefits to retaining an Australian shipbuilding industry but that these benefits are unclear and dependent on broader economic conditions in Australia.

**Collins-class submarine replacement project**

Australia’s current fleet of Collins class submarines is due to be retired from service in 2025. The replacement of these submarines, the Future Submarine Project, has been called “Australia’s most complex and expensive defence project”. This was referred to as the ‘third major pillar’ in the Government’s naval shipbuilding programme.

Possible courses of action include utilising the existing maritime construction industry in South Australia, purchasing the submarines ‘off the shelf’ from a country with submarine building capacity, or a combination of both. This project is currently subject to a Competitive Evaluation Project.

**Further information**

The media release on the Australian Government’s Naval Shipbuilding Programme by the Prime Minister and Minister for Defence is available [here](https://example.com).


The RAND Corporation’s *Australian naval shipbuilding enterprise: Preparing for the 21st century* report is available [here](https://example.com).

For further information, please contact Grahame Morris on +61 411 222 680, David Alexander on +61 457 400 524 or Christopher Reside on +61 400 823 933.

To stay up to date with the affairs of Coalition Governments and Oppositions around Australia, you can follow Barton Deakin on Twitter and LinkedIn.