



**THE HON RICHARD MARLES MP
ACTING LEADER OF THE AUSTRALIAN LABOR PARTY
SHADOW MINISTER FOR DEFENCE
MEMBER FOR CORIO**

**ADDRESS TO MIAL MODERN MARITIME CONFERENCE IN
CONJUNCTION WITH PACIFIC 2019**

**INTERNATIONAL CONVENTION CENTRE, SYDNEY
WEDNESDAY, 9 OCTOBER 2019**

*****CHECK AGAINST DELIVERY*****

I wish to acknowledge the Traditional Owners of the land upon which we meet today and pay my respects to their Elders past, present and emerging.

I would also like to acknowledge those in the room this afternoon, particularly:

- Vice Admiral Tim Barrett, the former Chief of Navy;
- David Parmeter, Chair of Maritime Industry Australia Limited and Chair of the Asian Shipowners Association; and
- Teresa Lloyd, Chief Executive Officer of Maritime Industry Australia Limited.

At this moment in time our nation is undertaking a very large endeavour.

In seeking to build a new class of submarines, frigates, off-shore patrol vessels, and Pacific patrol boats at the same time, it represents the largest peacetime rebuilding of our navy. It is a \$90 billion investment in Australia's naval capability.

With great power relationships evolving in the East Asian Time Zone, our nation faces the most challenging set of strategic circumstances that we have since the Second World War. As an island trading nation, maritime power is central to our ability to protect and advance our interests within this ever-changing landscape. Accordingly, Labor supports this investment and in that sense this historic endeavour, which will occur over decades, can proceed with the confidence that comes from the existence of settled bi-partisan policy.

But the \$90 billion is also an investment in Australia's naval shipbuilding industry. Both Labor and the Coalition have identified the opportunity that this investment represents in leveraging the establishment of a long term naval shipbuilding industry in Australia. But in the actual execution of the plan is the Government maximising the opportunities presented by this mammoth endeavour to build an Australian naval shipbuilding industry?

I worry that it is not. And at the heart of this concern is that the Abbott/Turnbull/Morrison Government hasn't properly asked and answered the important foundational question: why

does Australia want to have a domestic naval shipbuilding industry?

To be clear I passionately believe that Australia should seek to establish this industry and for the long term: “yes” because of the jobs, “yes” because of the economic impact, and “yes” because of the increased technological capability it yields to the general economy. But these alone are not reasons to pursue the establishment of a naval shipbuilding industry as distinct from any other high-tech industry. Ultimately there has to be a strategic rationale for pursuing this industry which sits at the heart of the effort. And it is the failure to articulate this strategic rationale which has been missing in the way the Abbott/Turnbull/Morrison Government has approached the naval shipbuilding program.

Australia is a First World developed economy, located in the Southern Hemisphere and the East Asian Time Zone. Along with New Zealand we face these particular circumstances on our own. And, in many ways, it is the fact of facing these circumstances on our own which characterises Australia’s strategic landscape.

With New Zealand we have to work out our way in the world on our own. We are not a part of a grouping of nations like the EU or the AU or even ASEAN which can help share that burden of strategic thought.

And so to navigate this journey on our own, particularly given how challenging the journey has become, Australia has an enormous premium on being taken seriously: as much perhaps as any nation in the world.

A naval shipbuilding industry can help in that. A Navy is at the core of a nation’s interest. Helping support it is an activity right at the centre of a nation’s circle of trust. And right now we understand this by the way, for example, our relationship with France has deepened so dramatically by virtue of Naval group building the Future Submarines.

So an Australian naval shipbuilding industry which is designing, building and sustaining naval vessels for our region and the world would greatly add to Australia’s strategic weight. It would be a significant projection of Australia which would contribute enormously to Australia being taken seriously in the world.

This is a strategic rationale for the establishment of an Australian shipbuilding industry which has significant domestic capability that is appropriately exported to the world.

But the absence of this clear rationale by the Abbott/Turnbull/Morrison Government, or any strategic rationale like it, has led to wild swings in the support provided for an Australian naval shipbuilding industry during its time in office.

Over the past six years, we have witnessed the extreme ends of a debate about the virtues of a domestic naval shipbuilding industry – and more broadly, a local defence industry.

Under the three Prime Ministers of the current government there have been dizzying shifts in purported support for our local defence industry – but one constant has been the lack of a coherent long term vision for the industry founded on a deep appreciation and understanding of the strategic importance of this domestic capability.

Under Tony Abbott, our domestic defence industry was given short shrift as he sought to acquire naval assets from overseas – supposedly because this would lower costs and keep schedules under control.

It was this thinking that underpinned the Abbott Government’s decision to send the contract for the Navy’s supply ships offshore to Spain. This, more than any other decision,

has created the valley of death which is now being experienced by the naval shipbuilding workforce at Osborne in Port Adelaide. As work winds down on the Air Warfare Destroyers we have seen a peak workforce of 1,800 at Osborne be reduced to around 900 today, which is expected to further decline to about 700 by the end of the year.

Once these skilled people leave the shipbuilding industry, it is incredibly challenging to get them back. And so because of the Abbott/Turnbull/Morrison Government's decision to build the supply ships in Spain, Australia's naval shipbuilding capability is literally being marched out the door.

These jobs can be added to the thousands of naval shipbuilding jobs already lost across Newcastle, Melbourne and Adelaide since the Coalition came to government in 2013.

A government which had thought deeply about the strategic benefit in having a naval shipbuilding industry would not have let this exodus of skills occur.

It was also under Tony Abbott as Prime Minister that his Defence Minister, David Johnston, asserted that Australian naval shipbuilders as represented by ASC couldn't build a canoe. Accordingly he sought to have the Future Submarines built off-shore.

With an election on the horizon and a change of leadership, there was then a drastic course correction under Malcolm Turnbull, who adopted a new mantra espousing the virtues of Australia's own defence industry.

This 180-degree about-face was startling and sudden.

In February 2015, Tony Abbott and Kevin Andrews were trumpeting a 'Competitive Evaluation Process' for the Future Submarines, which included an explicit off-shore build option.

In April 2016, only a year later, Malcolm Turnbull and Marise Payne were announcing a local submarine build and extolling the virtues of a sustainable Australian naval shipbuilding industry.

All of this is why I remain deeply sceptical about the Coalition's whip-lash conversion to being domestic defence industry devotees.

There was no national discussion about the strategic need for an Australian naval shipbuilding industry. There was no in depth look at the experiences of other countries – such as Israel or Sweden – nations smaller than our own which have developed national defence industries for deep strategic reasons.

There was only a study of the 2016 electoral map, particularly in light of the loss of the car industry on this government's watch, and a consequent hard nosed political call.

Ironically the outcome of the call is one Labor supports. But our fear is that the Government's commitment to it will only last as long as the politics remains convenient.

In the meantime there is an inherent shallowness to the Coalition's approach to a sustainable naval shipbuilding industry.

It does not have a sustainable naval shipbuilding industry policy that is underpinned with a clear strategic rationale; rather it has a policy which was generated with the wrong motives and vision.

If the strategic projection of Australia was properly understood as a cornerstone of the rationale for the developing of an Australian naval shipbuilding industry, then the importance of existing Australian companies with naval shipbuilding experience should have been paramount in the Abbott/Turnbull/Morrison Government's decision making. And yet this does not seem to be apparent in the way this Government has treated Austal.

As an Australian shipbuilder that grew out of Henderson in Western Australia, Austal has grown from building small catamarans to an outfit which exports massive ferries globally and supports the Royal Australian Navy and the Australian Border Force – including building the Cape Class vessels for the ABF and building the Pacific Patrol Boats for Defence.

Austal has also exported naval patrol boats to countries like Egypt and Malta as well as larger troop vessels for the Omani Navy. Recently it has also started work on two patrol vessels for Trinidad and Tobago.

With all this experience and drive from an Australian company, surely this would have placed Austal as a front runner for future Defence shipbuilding contracts under a Government supposedly committed to fostering a local naval shipbuilding industry. Yet despite having the largest naval design house in the country, and despite great success in deploying this capability overseas, Austal was overlooked by our own Navy in building the Navy's next generation of Offshore Patrol Vessels.

Despite this the biggest success story of Austal has been its work for the US Navy. The Littoral Combat Ship and a large troop carrying catamaran have been and continue to be built at Austal's facility in Mobile, Alabama. Austal has been commissioned to build 33 ships from this facility and hopes to build more.

Importantly all the ships being built in Mobile have been designed by Austal in Henderson. The design brain of Austal, consisting of highly qualified technicians and naval architects is developing intellectual property in Australia, capability in Australia and jobs in Australia.

In 2017, I visited Austal's shipyard in Mobile.

With a population of near 200,000, Mobile is the fourth largest city in Alabama. And at the Austal shipyard in Mobile there are more than 4,500 employees. It is one of the city's and indeed one of Alabama's largest employers.

This is a city whose own history runs deep in the American story. It was a capital of the French colony of Louisiana, and an early capital of the Confederacy. Admiral Farragut's triumph in The Battle of Mobile Bay stood alongside General Sherman's taking of Atlanta as being the moment when the Union's fortunes in the American Civil War were finally assured.

But today it is Australia which forms part of the identity of modern Mobile. Because the people of Mobile understand the importance of Austal as part of the community fabric and from where Austal hails.

I know this first hand from when I checked into the Renaissance Riverview Plaza Hotel during my visit in 2017. The person behind the counter immediately noticed my accent and said, 'you're from Australia. You must be here to visit Austal.'

Austal forms a component of brand Mobile and in turn part of Mobile's identity is now its connection to Australia.

In Washington DC, Austal is also well known. From the halls of the Pentagon through to the White House where President Trump's gift to our Prime Minister Scott Morrison during his recent visit was a model of the USS Canberra: an Austal Littoral Combat Ship.

While at one level these are trivial examples of the reach of Austal's presence, they all paint a picture of a footprint in the US which is significant. And with this footprint, which is underpinned by between 10 to 15 percent of the US Navy surface fleet now being designed and built by Austal, Australia through its naval shipbuilding industry is being taken seriously by our most important ally.

There are new opportunities for Austal on the horizon. And this is where I want to draw your attention, because this is the next important test of the Government's commitment to an Australian naval shipbuilding industry.

Austal has put its hat in the ring to be considered for the US Navy's Guided Missile Frigate – FFG(X) program and has now been shortlisted to the final four bidders.

Austal's success in this tender is squarely in the national interest. This is the biggest foreign defence contract that an Australian company has ever tendered for. By the measure of Australian projection: it matters.

If the Government cares about developing a domestic defence industry, if it is serious about having one, then it should be doing all it can to help Austal win this tender. Because Austal winning this tender can also pave the way for other Australian companies to participate in US Defence supply chains.

Such as VEEM, also based in Perth. VEEM is a company which specialises in Propellers, Gyro roll stabilizers and fins and is currently selling to the US Navy.

And the path to this contract for VEEM was through its connection with Austal.

The contract for the Guided Missile Frigate FFG(X) Program is set to be awarded in 2020 and will result in 20 to 30 years of continuous shipbuilding for the successful bidder.

So with this in mind, what is the Australian Government doing to push forward the Austal case? What is being done by the Morrison Government to help Austal win this tender? You would think this would be front and centre of our bilateral relationship.

After all, we can all remember the effort that the UK Government put in to see BAE successfully win the tender to build the next generation of Australia's frigates.

So how many Australian Government Ministers have been to visit Austal's facility in Mobile? You would think at least one. In fact the answer is zero.

The truth is that Austal's bid to build the next generation of US frigates seems barely to rate on the agenda of the Abbott/Turnbull/Morrison Government.

Their efforts represent a very shallow pool of serious, strategic thought or any kind of genuine vision for the future of an Australian shipbuilding industry. Instead, we are left with a government more committed to media releases, hoopla and photo opportunities.

The establishment of an Australian naval shipbuilding industry remains a completely achievable objective emanating from the historic investment underway in our naval capability. But this will not happen by press release. It will not happen as a matter of course.

As every international example demonstrates it will only happen if the Government develops a proper strategic rationale for this industry. The rationale exists, but the Government has to start articulating it. And in the process they must convince our senior military personnel and our senior public servants of its value.

Right now this is not happening. But it needs to soon. Because for a domestic naval shipbuilding industry to become a long term reality, Australia has no time to lose.

ENDS

Authorised by Paul Erickson, ALP, Canberra