



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

ADDRESS TO THE SUBMARINE INSTITUTE OF AUSTRALIA

10TH BIENNIAL CONFERENCE 2020

ADDRESS VIA TELECONFERENCE

TUESDAY, 17 NOVEMBER 2020

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

Thank you for the opportunity to address the SIA's 10th Biennial Conference.

I would like to start by acknowledging the traditional owners of the land on which I am participating, the Wadawurrung people, and I pay my respects to their elders – past, present and emerging.

In a year unlike any other in my lifetime, in which daily life as we know it came to halt, it is now almost unremarkable to be speaking to you via videolink from 700 kilometres away.

But as inspiring as it has been to see people adapt to a new 'COVID normal' and, as impressive as this technology is, I very much look forward to returning to the 'old normal' and to seeing you all in person at the next SIA event.

I started the year concerned about the state of Australia's submarine capability and, as this

year draws to a close, I find myself deeply troubled.

In August at the National Press Club I put on record the extent and seriousness of Labor's concerns about the Government's history of mismanagement of our submarine capability.

That was not a decision taken lightly.

Labor strives for practical bipartisanship when it comes to the defence of our nation and the safety of our citizens.

But that isn't a blank cheque.

It is the job of an opposition to hold the government of the day to account for the promises it makes.

On this issue, it was necessary to sound the alarm given the seriousness of Labor's concerns about the state of this critical capability.

And that alarm has only grown louder in the subsequent months.

In reaching this view, Labor's starting point is our nation's capacity to shape and respond to our strategic circumstances.

The bottom line is this: the world in which we find ourselves today presents the most challenging set of strategic circumstances since the Second World War.

That view has only been strengthened in the wake of the coronavirus pandemic.

On this there is now largely consensus across the political spectrum.

The recent Defence Strategic Update, for example, presents a noticeably starker assessment of the world around us than the Defence White Paper that was released four years earlier.

What that ultimately means in terms of how we equip our armed services – how we turn important words into a hard reality – is a premium on capabilities that help us influence and respond to these circumstances.

And it means our submarines are more important than ever.

Countries with a modern submarine force benefit from their unique mix of endurance, surveillance and strike.

And at the very heart of what makes submarines so special is stealth.

It is these unique attributes – the fear a submarine may be lurking ahead, undetected and ready to strike – that gives a potential adversary pause.

As I have said in the past, when we talk about buying a submarine, what we are ultimately buying is a question mark in an adversary's mind.

And the importance of that question mark should not be underestimated.

As the Minister put it earlier this year:

“Our submarine capability – underpins Australia’s credibility and influence as a modern military power.”

And she is absolutely right.

So one would think that careful and deliberate management of this national asset would be amongst the Government's highest priorities over its seven years in power.

And yet what we are confronted with is the opposite.

I have spoken in the past about how we arrived at this critical juncture.

About how the Government initially said the Future Submarines were needed in the mid-2020s.

About attempts to send the build offshore.

About how our submarines became a political football in Liberal leadership contests.

About a rushed Competitive Evaluation Process and a fatal mistake to down-select to one bidder too early.

And about how delivery of the Future Submarines has been delayed by a decade.

The litany of politically-driven decisions that got us to this point should not be forgiven or forgotten.

But today I want to focus on what is ahead of us.

What we face is a wicked problem as critical deadlines approach and politically inconvenient decisions are put off.

This is most acute in the case of the Collins class.

The same submarines that Tony Abbott called “fragile”.

The same submarines built and maintained by Australian workers that David Johnston said he would not trust to build a canoe.

And the same submarines the Government now **rightly** lauds.

The importance of Collins is easily overlooked in the context of the Future Submarines.

But those Future Submarines are nothing more than digital diagrams at this point in time.

Meanwhile the Collins class is our submarine capability in the here and now.

It will be the backbone of our submarine capability for the next two decades.

And it will be in operational service for almost another 30 years.

In other words, the maintenance and successful extension of the life of the Collins class is absolutely essential.

This life of type extension work must commence in 2026.

It is a complex and high risk undertaking, in which considered decision making is critical.

And yet almost every key decision is up in the air.

The Government has still not made a decision on how many Collins boats it will extend.

Nor has it made a decision on where this work will occur – be it South Australia or Western Australia.

Not only did the Minister not live up to her promise that this decision would be made by the end of last year – she now refuses to say whether a decision will be made before the next election.

Meanwhile the clock is ticking, and the risks are increasing.

ASC, which is responsible for undertaking this work, told Senate Estimates last month that it needs around five and half to six years to prepare should the Government decide to move this work to Western Australia from 2026.

In other words, time is almost up for a decision.

ASC executives also revealed that they only became aware the Government had dispensed with the option of moving this work at an earlier date by way of a press conference by Scott Morrison in February this year.

This is a vital program for our nation and the Government can't say how many Collins boats will be extended, won't say where that work will occur, won't commit to making a decision before the next election, and officials are learning key details through press conferences.

For a government that likes to talk itself up when it comes to its national security credentials – they have completely dropped the ball.

And the Government has also dropped the ball through its mismanagement of the Future Submarine Program.

On every measure, the Future Submarine Program appears to be going backwards.

As *The Australian's* Paul Kelly said earlier this year, there is a crisis of trust engulfing this project.

That starts with the timelines for this acquisition.

The very reason that extension of the Collins is so pressing is because the first of the Future Submarines will not be operational until about 2035 – a decade later than we were

first told.

So despite the Government's own assessments about the deterioration in our strategic circumstances, their acquisition strategy appears to be pulling in the other direction.

And as challenging as our strategic circumstances are now, they will likely only be more challenging again in 15 years when the first Future Submarine is operational.

And yet more challenging again by 2054 when all 12 will be operational.

These timelines are so long, in the post-COVID world, they render any reasonable assessment as to whether our Future Submarines will really be regionally superior effectively impossible.

And when one looks at how the Government is implementing these acquisitions –

At whether it is ensuring Australian defence industry gets its fair share of work on the Future Submarines –

It is once again a story of broken promises.

This is a government that liked to repeat claims that 90 per cent of the build would occur locally before the 2016 election, but sprinted away from that promise as soon as the election was over.

We were then told that 60 per cent represented a local build.

And then even that was abandoned when it came to signing the Strategic Partnering Agreement – replaced instead with a hollow and unenforceable commitment to 'maximise' local content.

Then in February the Minister announced she had secured a commitment that 60 per cent of the value of Naval Group's contract would be spent in Australia.

A commitment that still, nearly nine months later, has not been negotiated into the Strategic Partnering Agreement.

A commitment that sees hotels and language training counted as Australian industry capability on the Future Submarines.

Now I do not begrudge any Australian company winning contracts and work as part of this program, whatever industry they are in.

In fact, I want to see more Australian companies win that work.

But it is beyond a joke to suggest that spending money on hotels and language training has anything to do with Australian industry capability in the context of our submarines.

And that the Morrison Government wants to be congratulated for this achievement is an insult to all the businesses and Australian workers in our local defence industry.

The Government should be taking every opportunity to leverage that investment to build the types of reliable and sovereign supply chains this conference has been discussing.

But for that to occur there needs to be clear and enforceable local content requirements built into these major materiel procurements at the start – not retrofitted as an afterthought because the Government has a political problem.

That's why in his Budget reply speech Anthony Albanese committed that a future Labor government will negotiate appropriate, specific, enforceable and audited commitments into the contractual arrangements for all major defence materiel procurements and local defence contracts.

Labor will ensure transparent public disclosure of AIC commitments to give confidence to industry and the public.

And we will ensure those commitments are regularly reviewed by a body independent of procurement decisions, with appropriate contract measures built in to enable auditing through the supply chain and to deal with breaches of these commitments.

Anthony Albanese made this commitment because Labor believes that supporting Australian defence industry and building reliable, sovereign supply chains is a priority, not an afterthought.

And that when we are spending \$270 billion of taxpayer money over the next decade, we should maximise the national return on that investment.

The Future Submarines alone are a \$90 billion acquisition with a \$145 billion sustainment

tail.

Nearly a quarter of a trillion dollars in public expenditure and the largest acquisition in our nation's history.

The public need to have confidence that these vast sums are being spent wisely.

And yet when it comes to the Future Submarines, what we have learnt in recent weeks is that the Government hid cost blowouts for three years.

For three years they hid the fact the acquisition cost in 2016 was not \$50 billion, but in fact nearly \$80 billion.

The Minister's assertion that the public know to adjust the Government's figure to factor in four decades of inflation is patently absurd.

That there was also a nearly \$10 billion cost increase in the Future Frigates hidden from the public and Parliament by the Government for 18 months suggests a disturbing pattern of behaviour.

Being upfront and honest with the Australian public about how their money is being spent is not optional.

Hiding massive cost increases from taxpayers is unacceptable.

This is precisely the kind of behaviour that destroys public trust and eats away at the public's confidence in those elected to represent them.

I have now written to the Auditor-General to request an investigation into the failure by the Government to disclose these vast cost increases.

I have also asked the Auditor-General to examine whether there are other instances of cost increases that have not been publicly disclosed.

This a regrettable but necessary course of action – one forced upon us by a Government that hides the truth.

Make no mistake – Labor wants to see the Future Submarine Program succeed.

We are not blind to the fact that complex acquisitions of leading-edge defence capabilities involve risk to both schedule and cost.

And we appreciate there are elements of these acquisitions that must remain confidential.

But nobody is asking the Government to reveal the nation's secrets.

Frankly, it isn't much to ask that the Prime Minister and Defence Minister front up and tell the truth –

To explain to the Australian people why they continue to run down the clock rather than making key decisions about the future of our vital Collins class –

To justify why they hid \$40 billion in cost increases for years all while issuing press releases and arranging media opportunities boasting about figures they knew were wrong –

And to explain how they think expenditure on hotels and language training has anything to do with building the capability of Australian defence industry.

This is a government that likes to make much of its national security credentials.

But on every measure, since coming to office, this government has failed to live up to its own hype.

And at a time when we are facing the most complex strategic circumstances in living memory, what we need more than ever is delivery, not spin.

And on that measure the Government has failed and continues to fail this country when it comes to national security.

The Australian community should be assured that in opposition Labor is taking the role of holding the Government to account seriously.

We will continue to hold them to account and ensure that the failure to deliver this critical capability on time, on budget and built in Australia, is central to our national discourse – as it should be.

Because we understand now more than ever people need a government they can trust with

our national security. A government that will do what it says, and that's precisely what I look forward to being part of after the next election.

ENDS

Authorised by Paul Erickson, ALP, Canberra.