

## Hon Martin Hamilton-Smith MP

Minister for Defence Industries

Tuesday, 4 April 2017

### **Federal Government must stand by its pre-election promises**

South Australians are right to expect the Federal Government to stand by its pre-election promise of 90 per cent local industry content in the Future Submarines program.

The 90 per cent figure was first promised by French designer and builder DCNS and affirmed by Federal Defence Industry Minister Christopher Pyne in an interview with the ABC in May 2016, prior to the Federal election.

South Australia's Defence Industries Minister Martin Hamilton-Smith queried the commitment today, pointing to the refusal of Federal Ministers to endorse the 90 per cent figure in the period since the July 2016 election.

The critical period for locking in local content is in the period where DCNS and the Federal Government negotiate Australian Industry Content plans, supply chain partnerships and pre-qualification of local businesses – and that's happening now.

### **Background**

In its submission to the Senate's Economic Reference Committee Inquiry into the Future of Australia's Naval Shipbuilding Industry, the South Australian Government used published data to show how the total cost of ownership of a naval vessel is spread across Australian and international industry partners.

The data shows that the total cost of owning a naval vessel is 30 per cent initial build, and through-life sustainment is the other 70 per cent.

The submission used data in a 2015 Department of Defence report into the Collins Class Submarine program and the Air Warfare Destroyer program that showed 67 per cent and 52 per cent Australian industry content, which included work done in NSW, Victoria and elsewhere in Australia.

Sydney and Perth were the main beneficiaries of through-life support.

The submission states: "Drawing on these published data points, with through-life support performed outside of the State, we can hypothesise that only 10-15 per cent of the total cost of ownership of a vessel should be extended in South Australia".

### **Quotes from Minister for Defence Industries Martin Hamilton-Smith**

Having spruiked the 90 per cent Australian content promise by DCNS to get through an election, Mr Pyne surely has an obligation to local workers and industry to get it in writing and to lock it into the contracts. He hasn't done that.

This is a backflip plain and simple. Mr Pyne promised 90 per cent local jobs before the election now it's 60 per cent. What's next?

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We have done this detailed work to ensure that South Australians know where the money is going; that other States will do as well as, if not better than us.

Our main concern is that the Offshore Patrol Vessels program, the first of the three major shipbuilding programs, is not capitalising on local supply chain capacity and that can easily spread through the remaining parts of the continuous build program.

We won't stand by and watch pre-election commitments drift off into the sunset while our shipbuilding workers and businesses are left idle.

The time to insist on a 90 per cent commitment to be embedded into contractual commitments is now and South Australia's State Government will do all it can to get the most work possible.

*Note: Radio National breakfast 27 April*

*Pyne: And in fact the CEO of DCNS Australia, Sean Costello, said yesterday that less than 10 per cent of the work would be done in France. **So the facts are** it is an Australian build, there will be Australian jobs, using Australian steel."*

*May 23, 2016*

*AAP*

*Less than a tenth of construction work on Australia's 12 new submarines will be done outside the nation, Industry Minister Christopher Pyne says.*

*Mr Pyne said that was good news for Adelaide, where the new subs will be built, and for the rest of Australia.*

*He said most people regarded a local build as 60-70 per cent of work performed in Australia.*

*"We are involved in a proper commercial negotiation with DCNS as the builder of the submarine. DCNS has admitted that probably less than 10 per cent of the work will be done outside Australia," he told ABC television on Monday.*

*Last month the government announced French shipbuilder DCNS had been chosen as designer for the new subs which would be constructed in Australia.*

*The contract, worth up to \$50 billion over half a century, is now being negotiated.*