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ADDRESS TO THE SUBMARINE INSTITUTE OF AUSTRALIA

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CHECK AGAINST DELIVERY

OBSERVATIONS FROM THE OPPOSITION

May I start by acknowledging the traditional owners of the land on which we meet, the Ngunnawal people, and acknowledge elders past, present and emerging.

“[T]he pointy end of ... capability is submarines”

In the world of strategic contest shaping the field of competition is everything. The ability to place a question mark in your competitor's mind about what you may be able to achieve, about what force you may be able to bring to bear, is the single most potent way to shape your competitor's behaviour.

At this moment in the history of military affairs no platform has the capacity to give rise to these question marks more than submarines.

The undetectability of a submarine, leaves an adversary unsure as to: where its navy can safely sail, where Special Forces might be able to operate, and what can be observed.

And so the quality of the capability that we acquire with our submarines is simply defined by the size of the question mark that it creates.

Our submarines are crewed by the most amazing Australians. Back in March I had the opportunity of spending 24 hours on HMAS Rankin. On board I met a committed group of people who make a special sacrifice. They are professional, dedicated, really kind and expertly provide Australia with a military potency we are unable to obtain in any other way.

Australia faces the most complex set of strategic circumstances since the

Second World War. How our nation navigates these waters will determine the safety and prosperity of every Australian throughout this century.

While many decisions that we face are not obvious, one matter is very clear. The more we can build influence and shape affairs the more we are empowered. Central to this is a highly capable Australian Defence Force. And the pointy end of this capability is submarines.

At \$50 billion the Future Submarine is the most expensive procurement Australia has ever made in any context. But the defining way in which it will allow the Australian Defence Force to shape Australia's strategic circumstances makes this expense understandable.

That said, the size of the price tag also demands a corresponding acute attention to value for money.

And this means that every decision must be made carefully and be the subject of scrutiny. It means every question about the capability we are acquiring must be asked no matter how uncomfortable or politically awkward it feels.

We should not assume, for example, that the state of science which makes the submarine king in 2018 will always persist.

What define aircraft is speed. What define ships is size. But submarines are not fast. Even the largest are not that big. They are not maneuverable, nor comfortable, nor flexible.

What define submarines is stealth. And that is provided by the opaque nature of the sea.

Yet there are large numbers of scientists seeking to lift the veil of the sea. If they do the continued role of submarines becomes uncertain.

Given that the Future Submarine Program takes us out to the 2080s, this is just one example of how we need to be flexible enough in our thinking to comprehend the technological change which will inevitably have a huge impact on the role of submarines and the way they are used. This requires a constant grappling with hard issues and questions.

If any of us who have responsibility for this program now shirk the hard issues, the consequences will be profound and history will condemn us.

So if there is one message more than any other that I want to give you today it is that, given the chance, a Shorten Labor Government will take the responsibility of the Future Submarine Program very seriously.

“[B]uilding ... twelve long range submarines in South Australia”

Let me make it clear at the outset. A future Shorten Labor Government would be utterly committed to the building of twelve long range submarines in South Australia.

We acknowledge and support Naval Group building the submarines in the context of a new spirit of partnership between Australia and France which greatly increases the significance of our bilateral relationship.

A Shorten Labor Government would be committed to the building of an Australian defence industry founded on a proper strategic rationale and with high tech capability. The Future Submarine Program will be crucial in developing this industry and particularly in building technological capability within the Australian defence industrial base.

Accordingly, if we were to be successful at the next election, we will be committed to ensuring that the partnership with Naval Group and France gives rise to the biggest capability and technology transfer to Australian industry that is possible. This will be, in a defence industry context, priority number one.

In acquiring the Future Submarine it is imperative that no capability gap is created in the transition from the Collins Class submarine to the Future Submarine.

In thinking through the issue of preventing a capability gap arising attention must not only be given to the submarine itself, but also to the critical need to train the large number of extra submariners we will need for them. We need to have enough of them. And they need the time to properly be trained on the new platform.

All of these considerations demand a look at the life span of the Collins Class submarine to ensure we do not create a capability gap in submarines or submariners. If elected we would do that. But well before then we call on the Coalition Government to do this right now.

We also need to ensure that there is no capability gap between our Future Submarine and the submarines of our competitors. This question must be constantly monitored and interrogated throughout the life of the Future Submarine Program. And this must be done honestly and without fear or favour.

Circumstances will change. The Future Submarine Program must be adaptable.

“[A] new class of submarine”

While the Future Submarine is based upon the Barracuda SSN, it will be to a very large extent a new class of submarine.

It will be the biggest conventional submarine the world has seen. This carries with it lots of technological challenges.

It is inevitable that the Future Submarine will experience teething problems and Labor accepts that. This occurs with all new platforms as it did with Collins.

But whereas our political opponents seized on every technological issue with Collins to advance a short term political agenda, Labor will have a larger view.

The truth is that seen in the broadest context the building of the Collins Class submarine in Australia was a huge achievement of Australian industry and has delivered to our navy a first rate capability.

Labor can see the bigger picture. While thinking through and constantly contesting the strategic direction of the Future Submarine Program will be essential, short-term nitpicking harms Australia's national interest. We will not do this in respect of the Future Submarine and in this we will be different to and better than the conservatives.

We also acknowledge that of the three options that were part of the Competitive Evaluation Process all would have involved a new or substantially new design. Even a son of Collins would have been a very different submarine to what we have now.

So the teething costs associated with evolving our submarine capability are inevitable, and that's OK.

“[A]n epic mistake”

However, in being frank and honest about the Future Submarine Program it is important to identify where mistakes have been made.

And the decision by this Coalition Government back on 26 April 2016 to down-select to one designer for the Future Submarine was an epic mistake.

I say this without casting any aspersions on Naval Group. They are a great company that makes excellent submarines and will deliver a wonderful outcome for our nation.

But in the context of a 50,000 million dollar spend it makes no competitive sense at all that the Government did not contest a 340 million dollar design. One only needs to think of the competitive pressure this would have placed on the other 49,000 million dollars of expenditure to realize that this mistake will ultimately cost the Australian taxpayer billions.

This mistake is in the past and little can be done now without creating sovereign risk and delay which a Shorten Labor Government would not do. But every time contract negotiations struggle to conclude, every time we see a task

not done in Australia which would have created an Australian job and built Australian industrial capacity, every time a piece of intellectual property is not transferred, don't blame the French or Naval Group who are simply pursuing their legitimate interests according to the bargaining power they hold.

Blame instead the Abbott/Turnbull/Morrison Government. First they told the Australian public that they didn't believe that Australian industry as represented by ASC had the capacity to build a canoe. Then they sought to have the Future Submarine built in Japan in order to close a Free Trade Agreement. Then they tossed the Program around their party room as part of an internal leadership brawl. And then in a desperate attempt to convince a rightfully skeptical public that the submarines would be built in Australia they felt the need to prematurely announce who the builder would be.

It is a tale of ineptitude in respect of the biggest and most important procurement in our history. And it has created a significant negative legacy that Australian governments will be wrestling with for decades to come.

“[S]obering reading”

In May of this year, the Australian National Audit Office released its report into the Naval Shipbuilding program.

It made sobering reading.

Commenting on the new design of the Future Submarine, the report stated:

The Future Submarine Program is highly developmental and does not conform to the Government's guiding principles on design maturity.

To a degree, given that any design of the Future Submarine would have been a new design, these same problems would have existed no matter which designer was ultimately chosen to build the Future Submarine. However, the identification of risk involved in building a new design submarine is valid.

The point is that in facing this risk, irrespective of its inevitability, we would want to deal with it from the greatest position of advantage possible. The way in which the procurement has unfolded under this Government has denied Australia this opportunity.

In respect of the handling of the entire Naval Shipbuilding program the report was even more blunt:

Defence has advised the Government of its assessment that the naval construction programs carry high to extreme risk. Key risks relate to the delivery of expected capability, program cost, ability to meet program schedules, and management of the industrial base.

The ANAO's phrase "*extreme risk*" is not lightly used. The giving of advice by the Department of Defence in these terms is frankly stunning. That the advice appears to have been shrugged off is astonishing.

A key obligation of any Government is to be a safe pair of hands when it comes to national security.

The record of the Abbott/Turnbull/Morrison Government over the past five years in relation to the submarine procurement in particular and the Naval Shipbuilding program in general does not suggest this obligation has been met.

"Naval Group ... is a fine company"

In making these observations about the Coalition Government I want to be clear about Naval Group.

This is a fine company with an incredible track record of building submarines for France and countries around the world.

This time last year I visited Cherbourg and saw the facility where the Barracuda is being built and indeed saw the first one, Sufren, close to completion. This is also the place where the Future Submarine is being designed.

There are now about 40 Australian families living in Cherbourg associated with the Future Submarine program and their presence in the relatively small town is being felt in a very positive way.

It is impossible to leave with any other impression than Australia's Future Submarine Program is in the hands of a very expert company.

The way in which the local community has embraced its new Australian residents is a wonderful vignette of how this program is transforming the Australian-French bilateral relationship. I'm sure the same phenomenon will occur in Adelaide in reverse.

The blossoming of the bilateral relationship is a very significant dividend to France and Naval Group being our Future Submarine partners.

It is also important to say that while there are genuine criticisms about the way in which the Coalition Government has handled this procurement, at all points Naval Group has behaved honourably.

Naval Group is a highly capable submarine builder who will deliver to Australia a first rate submarine. This is clearly relevant in assessing the Government's handling of the procurement. But the weak position in which the Coalition Government has placed Australia in dealing with Naval Group has been utterly hopeless.

This is not Naval Group's fault. But it is the Government's.

“Strategic Partnership Agreement”

It is hardly surprising then that there has been a significant delay in the signing of the Strategic Partnership Agreement.

Back in April 2016 when the time line for the Future Submarine Program was first established it was envisaged that the Strategic Partnership Agreement would be completed by the end of 2017. By reference to that timeline this is now a year overdue.

The Strategic Partnership Agreement is not the final contract in respect of any aspect of the Future Submarine build. Rather it is the document that contains the guiding principles of what should be a genuine partnership between Australia, Naval Group, and ultimately France.

There is lots of gossip about what issues are in dispute and who's at fault for the delay. I don't know the answers to these questions and so I don't intend to comment.

Indeed Labor's response to the delay has been muted, both because we don't want to deal in rumour and because the national interest lies in these relationships being the best they can be without sniping from the side.

Suffice to say that whatever the reason, the delay is concerning and the sooner the Strategic Partnership Agreement is signed the better. I certainly hope it occurs this year.

“ASC ... is a great national asset”

A consequence of note which is playing out because the Strategic Partnership Agreement has not been signed is a bleeding of experience from ASC.

ASC, as the entity charged with maintaining the Collins Class submarines, is a great national asset.

At the heart of an idea of sovereign capability is the capacity to maintain and sustain the equipment our armed forces use. None is more complex than our submarines. As such ASC is central to Australia having sovereign capability in respect of our submarines and the critical strategic capability they bring to our nation.

Those working at ASC clearly have, in an Australian context, unique skills. It takes years to grow an experienced submarine engineer.

But right now the place ASC will have in the building or maintaining of the Future Submarine is completely unclear. And it's hard to see how that clarity

can even begin to be provided so long as the Strategic Partnership Agreement remains unsigned.

In the meantime this uncertainty is leading to a significant number of personnel from ASC leaving and moving to Naval Group.

The Collins Class submarines will play a role for another two decades at least and we need to be able to maintain them. It matters that ASC retains the necessary expertise among its staff to carry this out.

So right now there is an urgent need for ASC, Naval Group, the Government and the relevant unions to sit down together and work through these workforce issues in a cooperative way.

This may be the single biggest issue associated with the Strategic Partnership Agreement not having been signed.

“[A] Shorten Labor Government will not engage in sovereign risk”

Having made these observations let me again be crystal clear: a Shorten Labor Government will not engage in sovereign risk.

If given the opportunity to govern we will accept the world on the terms that we find it. We are committed to the essence of the Integrated Investment Plan and will honour every aspect of it that has already been rolled out.

The bipartisan commitment to the renewal of Australia’s military equipment and the 2% of GDP defence spend has been critical to this renewal occurring. The commitment is given sincerely and will be honoured.

That said, a Shorten Labor Government would actively manage the Future Submarine Program with a view to ensuring: that our capability needs are met as measured against our competitors, that the Program delivers value for money, and that the Program is genuinely leveraging the building of an Australian defence industry.

The Australian public would expect no less of us.

“[A] short moment”

With this in mind if we are fortunate enough to win the next election a Shorten Labor Government would take a short moment to examine where the naval shipbuilding program is at. We would look at its progress as against the stated schedules. We would look at the cost projections. We would look at whether capability aspirations are likely to be met. We would look at how the Australian defence industry base is being developed as a result.

And then we would act accordingly.

Any incoming government would clearly have this right, noting – of course – that the broad objectives of the Naval Shipbuilding Program enjoy our support and that we would not entertain any sovereign risk.

“Our nation’s submarine capability is central to our nation’s military capability”

Our nation’s submarine capability is central to our nation’s military capability. It cannot be the plaything of a government in turmoil. It is so much more important than that.

The Future Submarine Program is the focal point of Australia’s contemporary military procurement. It needs to be put back on track.

A Shorten Labor Government would do exactly that.

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