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

**“Our system of democracy has continued
through the most difficult of times”**

Let me start by saying... Yes, I am a Victorian and yes I am in Canberra. My home state is experiencing a disaster right now and believe it or not I cannot wait to go back. But democratic government is at the heart of our ability to fight the coronavirus.

It builds the state capacity that funds health care and carries the public confidence necessary to enable the difficult decisions that we have seen in Victoria over the last few days to be made. Our system of democracy has continued through the most difficult of times and it is essential that it does so now. So I have followed every health protocol and more in order to be here today to hold the Morrison Government to account and raise a critically important matter for our nation.

**“There are two great conceits
of conservative governments”**

There are two great conceits of conservative governments. First, they will always be better in managing the economy. And second, they will always be better on national security.

Just as tariffs produced protectionism in the economy which hindered productivity, these conceits are a kind of political protectionism which has always bred in the Liberal Party a political laziness and in the case of the Morrison Government complete ineptitude.

The conceit is obviously not true. Australia's economy today was built by the Hawke and Keating Labor Governments and their commitment to dismantling the compact of Federation. The unprecedented period of economic growth that Australia experienced up until this year has been first and foremost an achievement of a reforming Labor government. And when it comes to national security: it was the Fisher Labor Government which gave Australia its navy; the Curtin Labor Government which dragged Australia out of complacency and put us in a state of readiness to fight the Second World War; and the Chifley Labor Government which established ASIO. More recently, the existing strategic paradigm which underpins the 2016 Defence White Paper finds its origins in the 1986 Dibb Report and the subsequent 1987 Defence White Paper which was a product of Defence Minister Kim Beazley and the Hawke Labor Government.

While Labor has been focused on substantive reform of the economy and national security to the benefit and protection of all Australians, the Liberals have been focused on their own brand and deploying it as a powerful electoral weapon only benefitting themselves. The truth is that the heavy lifting in both economic management and national security in this country has been done by Labor. And right now, both our economy and our national security are languishing badly under the Morrison Government.

Even before COVID-19, when Australians take a serious look at their economic situation, can they honestly say they were better off at the end of 2019 than they were in 2013 when the Liberals took office.

There are some in the commentariat who say that amid this crisis the Prime Minister is doing a good job. But is he? Is he really? Is this Government managing our economy and our national security in a way which will see Australia move into the middle of this century prosperously with a sense of optimism and confidence?

A case study of the Morrison Government's incompetence has been its handling of the Future

Submarine Program.

“[T]here are two key reasons why this story should be on the radar of every Australian”

The Future Submarine Program has been of concern to the defence community for many years. But there are two key reasons why this story should be on the radar of every Australian.

First the Future Submarines are the single most expensive item that the Commonwealth of Australia has ever purchased in any context since Federation.

And second, Australia’s national security desperately requires the evolution of its long-range submarine capability.

“[W]hen we buy a submarine, we buy that question mark”

Why submarines are so important is not immediately obvious.

Submarines are highly complex and versatile pieces of equipment. They can engage in surveillance. They can be lethal. They can perform a wide range of functions and duties. But most significantly they have stealth. Everything that a submarine does can be done in a way which is undetected.

Australia having the power to deploy this capability, with its lethality, a long way from our shores is the single biggest question mark that we can place in any adversary's mind. So, when we buy a submarine, we buy that question mark. They are a powerful deterrent. And more than any other military platform that Australia has today, submarines can shape our strategic circumstances in a way which empowers our nation and gives Australia sovereignty.

Before the Coronavirus struck Australia was facing its most complicated strategic circumstances since the Second World War. But COVID has been an accelerant on difficult trends which were already in play. COVID has given rise to greater instability within our region and the world. COVID has created questions to which there are no answers. And this has raised our strategic challenge to an entirely different level. And so the need for Future Submarines which will help meet this challenge has quite simply never been greater.

“The Collins Class was designed with a ... life of 28 years”

Australia's current long-range submarine capability is performed by the Collins class submarines. They were initiated by the Hawke Labor Government in June 1987. The designing and building of these submarines is one of the great achievements of the Australian defence industry.

After a number of years of poor service during the Howard Government the Gillard Government initiated the Coles review process which saw the Collins Class so dramatically improve its operational availability that by 2016, John Coles described the Collins class as having graduated from *“mediocre to excellent in less than four years at almost level funding”*. Coles said further: *“a program once that was considered a ‘Project of Concern’ should perhaps now be treated as an ‘Exemplar Project’ if such a category existed”*. At their core, these reforms introduced the current highly successful sustainment arrangements for Collins that have ensured Navy’s availability requirements for our nation’s submarine capability can be finally met sustainably.

The Collins class submarines are doing an incredible job for our nation. However, these are submarines which were conceived in the 1980s. The first of the Collins class submarines, HMAS Collins, was commissioned in July 1996. The Collins Class was designed with a theoretical platform life of 28 years – meaning it was originally intended that their end of life would start to occur in the decade we are in right now. A new class of submarines was therefore essential to evolve Australia's long-range submarine capability.

And so in 2009, the Rudd Labor Government announced that Australia would pursue a program of building 12 Future Submarines for our nation.

“[A]n active aversion to Australian built defence materiel”

With the election of the Abbott Government in September of 2013 it became clear the ambition of building these submarines in Australia was not shared by the Coalition Government. In 2014, then Defence Minister David Johnston questioned the need for 12 new submarines. He raised fears of an overseas build. He then famously declared that ASC could not be trusted to build a canoe. Prime Minister Abbott sought to have the Future Submarines built in Japan in an attempt to close the deal on the Japan Free Trade Agreement.

Then, at the beginning of 2015, the fate of Australia's Future Submarine Program was tossed around the Government party room as part of “the empty chair” challenge on Prime Minister Tony Abbott. This mind-blowing act of indulgence made it clear that for the Abbott-Turnbull-Morrison Government the politics of survival completely trumped Australia’s national interest and national security.

Later that year Defence Minister Kevin Andrews announced the submarine acquisition program and explicitly called for options around an overseas design and build.

The indifference shown by the Liberals towards Australian defence industry was replicated in the rest of their defence procurement program. Tony Abbott sent the new Australian supply ship to be built in Spain. One could be forgiven for assuming the Coalition Government had an active aversion to Australian built defence materiel.

**“Defence Industry became the answer to
the Government's industry policy failures”**

And this in turn reflected the Coalition's view toward Australian industry more generally. In 2013 Joe Hockey told Holden *“either you are here or you are not”* and in the process began goading the Australian car industry to leave our shores. This came to fruition with the decision of Holden in December 2013 to stop building cars in Australia with Toyota following suit in 2014. As the most complex form of manufacturing in Australia, the loss of the car industry had ramifications that reverberated throughout the entire manufacturing sector.

In September of 2015 Malcolm Turnbull became the Prime Minister and Christopher Pyne became Industry Minister. This heralded a change of tack.

The political consequence of losing the car industry on its watch was not lost on Christopher Pyne. But Coalition governments don't do activist industry policy because the Liberal Party is the party of government getting out of the way.

Defence industry however, where the client is the government, provided a unique opportunity for government intervention into the industry space. And thus Defence Industry became the answer to the Government's industry policy failures.

While Australia has many successful companies which engage in defence industry and many thousands of workers employed in the industry, as a nation our defence industrial base is of the highest quality but it is modest. We could and we should do much more. Yet there is no example in the world where a country has managed to build a significant defence industry void of strategic rationale.

A domestic defence industry needs to serve the defence force in a way which is competitive and economical. A national agenda to produce jobs and economic output – industry policy – will not lead you to building this industrial capability, as opposed to any other industrial capability. There needs to be some strategic rationale not just political stop gaps.

The Abbott-Turnbull-Morrison Government has never been able to articulate a strategic rationale for its defence industry policies even though Labor believes that such a rationale definitely exists. And this failure to develop a proper strategic rationale for establishing a defence industry in Australia has meant that Scott Morrison's attempt to pursue an Australian defence industry policy remains half-hearted.

But that is a story for another day.

“[A]n epic fail”

One other step that was quickly taken by Christopher Pyne was to recommit building the Future Submarines in Adelaide. But given its recent history, on this issue, the Abbott-Turnbull-Morrison Government suffered from a major gap in credibility.

As the 2016 election loomed, both Malcolm Turnbull and Christopher Pyne wanted to place beyond doubt their intent to build the 12 Future Submarines in Adelaide. It is in this moment that a profound mistake was made.

On 26 April 2016 Malcolm Turnbull and Christopher Pyne announced that, not only would the 12 Future Submarines be built in Adelaide, but to prove it they also announced the company which would build them: namely Naval Group. In a brazen effort to create a lot of hype and make the announcement sound convincing, for the biggest procurement in Australia's history they down-selected to one company at a point in time before a design had even been done.

Consider that, rather than field healthy competition, they eliminated every other contender, giving one company full run of the field before the starting gun. In 2016 the estimated cost of the Future Submarine Program was \$50 billion: \$50 thousand million. The design phase was anticipated to be in the order of \$400 million.

With large defence procurement projects the rule is that problems can be solved in the design phase with very little cost. But a problem in design which makes its way into the physical build, costs an exponential amount of money to rectify at the back end of a program. So, to save money in the long run, you spend money up front.

And in order to put some competitive tension into the spending of thousands of millions of dollars it is worth it to pay for two designs and in the process create a competition for the best one.

Literally every serious defence observer believes that the Government down-selected the Future Submarine Program to one company in a way that was negligently premature. Instead the design of the Future Submarines should have been the subject of competition and in the process Australia would have maximised its bargaining power in respect of the biggest procurement spend we have ever made. Spending that additional \$400 million up front would have saved tens of billions of dollars down the track. But the failure to compete the design has meant that from the very outset Naval Group has been put in a position of supreme bargaining power which in turn has enormously disadvantaged Australia in the management of this program.

On 4 March this year, Ron Finlay AM, a Member of the Naval Shipbuilding Advisory Board, put it very simply during Senate Estimates:

“In my experience of many decades of negotiating major contracts, if you do not have an alternative of either going to bidder B or cancelling the project, yes, you are captured in a negotiation with few options. That does increase the number of issues that can become a block to concluding the negotiations”.

The premature down-selection to a single bidder was an epic fail. And the problems which have ensued in managing the Future Submarine Program have stemmed from this original massive mistake.

**“In the last seven years the Future Submarines Program
has slipped by ten years”**

There have been enormous difficulties in maintaining the Future Submarine Program on its timetable. In 2015, Kevin Andrews said that the Future Submarines:

“... must be delivered in time to avoid a capability gap in the mid-2020s when the Collins Class submarine is scheduled to be retired from service”.

With the 2016 Defence White Paper that timetable went out the window and the language changed to delivering the first of the Future Submarines in the early 2030s.

The failure to compete the bid meant that negotiations with Naval around the conclusion of the key document – the Strategic Partnering Agreement – were delayed for 16 months. The Strategic Partnering Agreement was not signed until 11 February 2019.

Then earlier this year, Defence confirmed that the first of the Future Submarines was expected to

undergo test and evaluation between 2032 and 2034, meaning it will not be operational until around 2035.

It is inevitable that the Coronavirus will impact this timing even further.

In the last seven years the Future Submarine Program has slipped by ten years. And now Australia is faced with the dilemma of how to bridge the capability gap which is created by the anticipated end of life of the Collins class submarines.

“[T]he program cost has increased by 80 per cent”

On 19 February 2015 Kevin Andrews said:

“the Future Submarine Program is the largest defence procurement program in Australia's history and represents an investment in the order of \$50 billion in Australia's security”.

During Senate Estimates at the time this was confirmed to be a cost expressed in out-turned dollars. That is, the actual amount of money that will be spent in the life of the program with the value of each dollar being calculated in the year it is spent. This means that the figure should not change over time.

Through the mist of much smoke and mirrors, it has now clearly emerged that the price tag for the Future Submarine Program has blown out to \$90 billion in out-turned dollars.

Since Christopher Pyne and Malcom Turnbull announced in 2016 that Naval Group would build the Future Submarines the program cost has increased by 80 per cent. And we are only 4 years into a 30-year program. This is not a cost blow out: this is a cost supernova.

“[N]o ... commitment to have any specific level of Australian Industry Content ... at all”

In 2016, with an election just months away, Christopher Pyne was in full hyperbolic flight saying *“[w]e are involved in a proper commercial negotiation with ... [Naval] ... as the builder of the submarine”*. He went on to declare that Naval *“... has admitted that probably less than 10% of the work will be done outside Australia”*.

Then with the election well and truly in the rear-view mirror, Christopher was back-peddalling so quickly he risked spilling his gin and tonic. By April 2017, he was claiming a 90 per cent local build *“was never the Government's figure”* and that he had always said *“a local build meant*

around 60 per cent of the project”.

Come December 2018, with another election on the horizon, Christopher Pyne’s optimism was returning. *“A local build is defined as being around 60 per cent-**plus**”*, he said, before declaring *“I’m sure it’ll be further north of 60 per cent”*.

But by the time the Strategic Partnering Agreement was signed it became clear there is no contractual commitment to have any specific level of Australian Industry Content for the Future Submarines at all. The only commitment is to maximise Australian Industry Content which ultimately means nothing.

In February this year, with concerns over the program’s Australian Industry Content reaching fever pitch, Defence Minister Linda Reynolds was forced to act and announced an undertaking from her French counterpart that Naval Group was committed to a level of Australian industry capability of at least 60 per cent of the contract value spent in Australia.

To be clear that is not 60 per cent of the submarine build – the threshold the Government itself had identified as a local build – but 60 per cent of the contract value. Under questioning by Labor, Linda Reynolds was forced to admit that this includes a vast array of ancillary services:

- sub-contracts with hotels and conference facilities ... they’re included;
- language training with Alliance Française ... that’s included;
- travel agents ... absolutely included; and
- money spent with, of all places, the Royal Agricultural & Horticultural Society of South Australia ... you better believe it – that’s included too.

And what does any of this have to do with the nuts and bolts of actually building a submarine in Australia? The answer is absolutely nothing.

In January of 2020, we also learned via the Australian National Audit Office that in December 2018 the Department of Defence had approved the fabrication of hull parts for the first Future Submarine be undertaken in France. If hull fabrication is being performed in France it begs the question as to exactly what work will be done in Adelaide.

The contract for the build of the first Future Submarine is yet to be signed. This will be the last opportunity to create a legal commitment on the part of Naval Group to have a specified level of Australian Industry Content in the Future Submarines. This is an opportunity that Scott Morrison cannot afford to miss.

And so in relation to each of the three key indicators – time, cost, and Australian Industry Content – the Future Submarine Program is going in the wrong direction and fast.

“Australia is now faced with the most wicked problem”

The consequences of the failure to manage the Future Submarine Program properly are profound. Australia is now faced with the most wicked problem.

We have seen continuing delays in the build from Naval Group. Some issues are beyond the control of anybody such as the COVID crisis. However, Naval Group is owned by the French Government which has its own priorities in relation to the programme of design for its future submarine capabilities. Australia, with its Future Submarine Program, sits somewhere within that order of business.

But any thought of ending the contract with Naval Group and pursuing another alternative would obviously be very expensive and involve enormous delay of itself.

The Morrison Government has put Australia's national security between a rock and a hard place.

The point at which the fourth Future Submarine will be operational – which will be the moment that Australia's submarine capability is being predominantly performed by the Future Submarines – is not expected to occur until about 2040: twenty years away. However long that period of time felt this time last year, in the midst of the Coronavirus now with the implication it has for complicating our strategic circumstances, this period seems like an eternity.

Australia is seeking a regionally superior long-range submarine. But there are submarines which are operating in the Indo-Pacific right now which are much faster and have a much longer range than our Future Submarine will have in 2035.

All of this means we need to extend the life of the Collins class. The 2016 Integrated Investment Program included money to perform a life of type extension for three of the Collins boats. Defence is now saying that five of the Collins boats will need to be extended and in all likelihood this will ultimately apply to all six. The cost of extending the Collins class submarines might kindly be described as vague for work that is meant to start in 2026. The recently released 2020 Force Structure Plan puts the cost at between \$3.5 and \$6 billion – an enormous sum and an enormous range – yet still provides no firm details.

What we do know is that Defence considers a realistic withdrawal date for the first of the life-extended Collins boats to be 2038. Presumably this will be HMAS Collins, which at that point will have been in service for 42 years. If we assume all six Collins boats are extended, the last – presumably HMAS Rankin – will be withdrawn in about 2048 after 45 years of service. In other words, two decades from now in the 2040s, Australia’s submarine capability will still rely on the Collins class – submarines conceived in the 1980s, built in the 1990s, and by then in service for over four decades.

Repeated reports from the ANAO have made clear the highly precarious nature of the Future Submarine Program and its handling. In May 2018, the ANAO reported that:

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

In January this year, the ANAO revealed that the Government’s hand-picked Naval Shipbuilding Advisory Board had recommended in September 2018 that Defence examine alternatives should the Strategic Partnering Agreement negotiations falter. And remarkably, the Board also expressed a view that Defence should assess whether program risks outweighed the benefits of proceeding with the Future Submarine Program even if the negotiations succeeded.

This is jaw-dropping. And it is the predicament in which the Morrison Government has placed Australia's long-range submarine capability.

**“Labor totally supports pursuing
the Future Submarines Program”**

At this point let me be crystal clear on a couple of issues.

Labor totally supports pursuing the Future Submarine Program. Because Australia desperately needs modern best-in-class long-range submarines for our national security.

And none of this should be taken as a criticism of Naval Group. They are a first-rate builder of submarines with a proud history and a superb track record. They certainly have the capability to produce for Australia the long-range submarines that we need.

**“Scott Morrison’s Liberals
have failed Australians with our national security”**

But I do criticise the way in which the Morrison Government has bungled the Future Submarine Program to the enormous detriment of Australia's national security.

Since 2016 there have been 40 press releases about the Future Submarines, the vast bulk from Christopher Pyne as both the Minister for Defence Industry and the Minister for Defence. There was no shortage of hoopla then from the Morrison Government about its brilliant capacity to deliver for Australia the most astonishing Future Submarine on time, on budget and Aussie built. In fact, you could hardly move for being drowned in the avalanche of press releases and being trampled by the most fabulous circus surrounding the celebration of their announcements.

But now, with the Future Submarine Program in trouble, there is no proper explanation at all from Linda Reynolds about how this Program will be successfully delivered. And the Future Submarines are certainly not Scott Morrison's favourite topic either.

The Morrison Government goes big on rhetoric but is a complete failure on delivery.

Recently there has been much muscular language used by Morrison Government MP's about Australia's relationship with China. It has not helped our relationship with China. It has done nothing to improve Australia's strategic circumstances.

Yet when it comes to the management of a program which, done properly, would materially change Australia's ability to engage with the world, in a way which would be empowering, and would build our sovereignty, and give us more choices about our strategic circumstances, all we have from this Government is one giant fiasco.

So, let me be completely clear. Because of the way this Liberal Government has governed, because of Scott Morrison's Prime Ministership, Australians are less safe. Our national security has been profoundly compromised. Australia now has a major problem in relation to the single most important military platform this country possesses.

Scott Morrison's Liberals have failed Australians with our national security.

**“[W]hen it comes to the doing
this is a government which repeatedly fails”**

Submarines are just one example of how the Morrison Government has failed when it comes to operationalizing its commitments.

Construction proper of the Future Frigates has already been delayed by the Government by two years to 2022 to ameliorate risk. Defence has now added the Future Frigates as a Project of Interest due to its strategic importance but also its cost and schedule risks. It is also clear that there are significant design issues. And the recently released 2020 Force Structure Plan has revealed that what was touted as a \$35 billion program just two years ago is now a \$45.6 billion program – a 30 per cent increase. This massive increase in cost has reportedly come not as a result of building more frigates or speeding up the build process, but in fact to slow down the build process.

In handling the Coronavirus, the Morrison Government was initially reluctant to put in place a wage subsidy resulting in massive queues outside Centrelink offices unlike anything Australia has seen since the Great Depression. It was only because Labor urged the Government to put in place a wage subsidy that the Government moved to implement Jobkeeper. But when it did the scheme saw 870,000 Australians paid on average \$550 a fortnight more than what they had earned before the Coronavirus hit. While small businesses were going up in flames all over the country others received an unexpected windfall to the tune of \$6 billion in just six months. On an annualised basis this is the equivalent of the entire cost of the Pharmaceutical Benefits Scheme.

The Morrison Government introduced an App for case tracing the Coronavirus costing \$2 million to build and \$70 million to spruik. To date this App has only traced a handful of cases.

Given the horror bushfire season this country just experienced, and the stark warning it should have sounded about the need for better preparedness, it is staggering the Government has failed to distribute a single cent from the \$200 million Emergency Response Fund that Labor helped it establish.

The Robodebt scheme has resulted in the Morrison Government repaying more than \$700 million to 470,000 people who were unlawfully sent false notices of payment to the Commonwealth Government. In effect this represents the biggest settlement of a class action in Australia's history.

The Morrison Government has made an art form of talking the biggest game Australia has ever seen. The Prime Minister has seen the Coronavirus as an opportunity to do a victory lap around the country.

Yet when it comes to the doing, this is a government which repeatedly fails. And it fails in relation to the two areas which it would claim as its conceit: economic management and national security.

Just look at the scoreboard.

Australia has unemployment at an effective rate, according to the Treasurer, of 11 per cent. Australia has accrued about the same level of debt as we did to fight the First World War. And we are in recession for the first time in almost three decades.

Yes, Australia is going through a crisis. But when the Rudd Labor Government managed Australia's affairs through the Global Financial Crisis, we put in place targeted stimulus (which was opposed by the Liberals) and managed to keep the economy growing while continuing to generate jobs.

By contrast, during the COVID-19 crisis, the Morrison Government has failed on jobs, failed on debt and failed on growth.

And when it comes to national security the Morrison Government has monumentally failed to manage the single most important national security project on its watch namely: the Future Submarine Program.

The COVID-19 crisis has placed Australia at a crossroads. It will bring about the most significant reimagining of our country since the Second World War.

Australia needs leadership which will take us forward with prosperity and enhance our national security. Yet on every measure Scott Morrison is failing. The Liberals are not fit to govern for the future. When tested they fail, when pushed they falter, when questioned they lecture.

So whenever you hear that Scott Morrison is doing a good job ... start with the Future Submarines and go down the list from there.

ENDS

Authorised by Paul Erickson, ALP, Canberra.