

Fighting chance for Navy

Competition must be central to equipping the RAN, argues **Mark Thomson**.

On February 28, 1968, HMAS Torrens was launched from Cockatoo Island naval dockyard in Sydney. Because of cost overruns and schedule delays with Torrens and her predecessors, it was to be the last fighting ship launched in Australia for more than 20 years. Instead, we bought frigates and destroyers direct from the United States.

In the mid-1980s, the Federal Government again tried to build fighting ships, this time at the Williamstown naval dockyard in Melbourne. After a faltering start, the yard was privatised, along with a contract for two frigates. This was a turning point. Thereafter, naval construction moved to the private sector through competitive tendering, resulting in a series of largely successful projects.

The reliance on competition may be set to change following the announcement last year by then defence minister Peter Reith of a new "strategic approach" to the defence industry. This policy seeks to sustain key industries by replacing open competition with cosy, long-term partnerships with selected big companies, where appropriate.

Reith and his successor, Robert Hill, have been studiously vague on how this might be accomplished. It has been left to Defence to determine, with a plan for naval shipbuilding due in September. At stake is close to \$10 billion in new naval projects, as well as lucrative repair and maintenance contracts.

Many think the plan will seek to consolidate the sector down to only one or two players. Supporters of this approach cite too little work and too much competition. But the Government must decide more than whether it will restructure the sector. It must also decide whether to abandon competition. Great caution should be adopted before doing either.



Even with the Collins submarines' problems, competition delivered a result.

Photo: STUART DAVIDSON

A consolidation of the sector is by no means inevitable. Later this decade, the Navy will begin a program to acquire eight large ships in less than 10 years. That would keep two shipyards very busy. And, until then, all the players have maintenance and upgrade work to sustain them.

In any event, if a consolidation were to occur, the market should sort it out, not the Government. The more the Government shapes the industry, the more it will bear responsibility for supporting the survivor(s). At worst, the Government could end up owning the solution — literally.

It would take a big risk in turning its back on competition. Competition has delivered good results, as seen by the success of recent projects such as the Anzac frigate. Even the Collins project deserves credit, given the daunting challenges faced. Using competition, Australian industry has delivered sophisticated naval ships on budget and largely on time.

Without competition, a private shipbuilder with a guarantee of work would be little better than a government shipyard.

To abandon competition, the Government would have to somehow choose a partner. It is not obvious how this would occur, but the lobbying would be ferocious. In the end, it might all prove too hard and lead to a compromise. The worst possible outcome would be the parcelling out of projects on a non-competitive basis to several companies. It would have all the ills of a monopoly plus costly multiple overheads.

That's not to say the naval shipbuilding sector does not need attention. To begin with, the Government should revise the present awkward schedule for ship replacements. And there is ample opportunity to take a more strategic approach to ship maintenance. The Navy is currently suffering what Defence describes euphemistically as a "logistics shortfall" and much work is still awarded in a piecemeal fashion.

Finally, the plan should also chart

a way ahead to resolve outstanding issues with the Australian Submarine Corporation — both to assure support to the Navy's submarines and to allow the Government to sell the corporation.

Of course, in the bigger picture, if more radical reforms all go wrong the Government can return to buying warships from overseas, as it did after Torrens. The days of naval shipbuilding as a component of national mobilisation are long past.

Australia needs to be able to maintain vessels in-country, but there is no strategic imperative to build them here. There may be areas of defence industry that require nurturing and protection, but these belong to the technologies of the new millennium, not the industrial processes of the last century like shipbuilding.

■ *Mark Thomson is a program director at the Australian Strategic Policy Institute and co-author of a report on the naval shipbuilding industry released today.*

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