

Submarines for Australia

Media Release

A report released today shows that Australia's future submarine (FSM) project is extravagantly expensive, highly risky and, in an era of heightened tensions in the Asia Pacific, compromises the future defence of Australia.

The report shows that the proposed acquisition will be Australia's biggest ever defence acquisition project, will cost far more than necessary and, because of its extended delivery schedule, will probably leave a very serious capability gap of several years when Australia may have no operational submarines at all.

Mr Gary Johnston, a Sydney businessman and owner of the website *Submarines for Australia*, today published the independent report on the FSM that he commissioned from Insight Economics – *Australia's Future Submarine: Getting this Key Capability Right*.

"I have been very concerned about Australia's defence acquisition process for a long time," Mr Johnston said. "The Super Seasprite helicopters failed completely at a cost of \$1.4 billion, enough to pay for two teaching hospitals."

"When I saw last year that the government proposed to spend \$50 billion on twelve new French submarines with only a design concept and no proper evaluation or competitive tender process, I thought 'enough is enough'. I decided to commission a thorough investigation of the acquisition process for the FSM and see if there wasn't a better way forward, with a lower cost and fewer risks."

"This report by Insight Economics, to be launched by Professor Hugh White at the National Press Club in Canberra today, is the result of that process."

"The Insight Economics team has consulted very widely in Australia and overseas with strategic experts, admirals, former submarine commanding officers, engineers, shipbuilders and former Defence officials."

Mr Johnston said that it was clear that governments from both sides of politics were to blame for the situation we currently are in. To quote from the report:

'In 2009, the Rudd/Gillard governments talked a good game in terms of acquiring 12 advanced submarines and then did virtually nothing over the following four years to begin the acquisition process. The Abbott and Turnbull governments approved a grossly inflated acquisition budget for the submarines, established a flawed process that resulted in the costliest and most risky acquisition approach possible over an unacceptable timeframe and then, for political reasons, stated that the submarines must all be built in Adelaide, regardless of cost.'

"The report shows that by selecting a design partner rather than a platform, Defence was able to avoid being subject to all the checks and balances that had been established so carefully over the years to reduce the risk of procurement disasters. There was no competitive process between two or three contractors for a project definition and fixed price contract, no off-the shelf option to be considered and, as far as we can tell, limited scrutiny by Ministers and other departments of State."

"And the decision to build all the submarines in Adelaide regardless of cost was made by one Minister on the hop. Defence and the government-owned naval shipbuilder have not performed well recently. Three air warfare destroyers have cost us three times as much as they should have done and will be delivered three years late. On the other hand, local industry has provided value for money in past naval projects that were managed competitively with the private sector mainly building the ships with fixed price contracts."

"The cost of the 12 submarines beggars belief," said Mr Johnston. "The report estimates a whole of life cost, including acquisition, sustainment and a life extension for the Collins class, of \$180 billion. The current forecast acquisition cost of each new submarine is \$3 billion, over four times that of the latest Japanese submarine, a relatively large platform like Collins, which cost under \$700 million."

“The report sets out in vivid detail the high risks surrounding the acquisition. Based on painful experience, it is almost certain that, as a new design, the cost and delivery will blow out substantially. There are major technical risks in building such a big, developmental submarine and significant risks in operating it ‘up threat’ in North Asia.”

“The government says the FSM will be ‘regionally superior’. It will not. For a start, the waters to our north will be teeming with nuclear submarines in the 2030s. It is also highly disturbing that the FSM reportedly will not deploy air-independent propulsion or Lithium-Ion batteries, two breakthrough technologies that can allow conventional submarines to remain totally submerged for up to three weeks.”

Mr Johnston said that the greatest risk was of a capability gap. “The report shows that there is a strong possibility that the first FSM won’t be operational until 2040. With the Collins class reaching the end of their lives in 2026 to 2033, this is a terrible situation. The government is looking to extend the six Collins boats for ten years – at a reported cost of \$15 billion, enough to buy 18 new submarines with a thirty-year life. Experience shows that upgrades to 1980s designed platforms just don’t work.”

“So in a time of a heightened strategic threat, we may lack any credible submarine capability for a decade or more. And it takes a long time to restore that capability, not just by building platforms but in retaining personnel and being able to train new people.”

“The report proposes a way forward to address the capability gap in the future and, by introducing some competition, provides an insurance policy against the excessive cost and risks around the Shortfin Barracuda in the longer term.”

“The way forward would not require the government to change existing policy decisions.”

“First, rather than extend Collins, take urgent steps to acquire six off-the-shelf submarines, modified to extend their range and built in Adelaide if cost-effective. And also, because of the long transits to the Navy’s areas of operations, acquire a submarine tender – a mother ship – that could be forward based on Australian territory and provide a better amenity for the crews. Together this should cost under \$10 billion.”

“Second, bring forward the review of future submarine technologies flagged in the 2016 Defence White Paper. The review would consider whether we should either acquire more, much cheaper, modified off the shelf submarines; or build the Shortfin Barracuda; or set in motion the lengthy and costly process to acquire nuclear submarines. The criteria would be capability requirements and value for money.”

Mr Johnston said that in his view two of the prime responsibilities of government were to provide for the effective defence of Australia and to spend taxpayers’ money in a considered and responsible manner. “Government has failed badly on both counts in the submarine acquisition. It urgently needs to lift its game.”

Embargoed until 27 September 2017, 12.30 pm.

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**Full Report available 27 September on: www.submarinesforaustralia.com.au
and www.insighteconomics.com.au**