

**CN ADDRESS TO DEFENCE AND INDUSTRY
CONFERENCE - 15 JUNE 2016**

NATIONAL CONVENTION CENTRE

NAVY AS A NATIONAL ENTERPRISE

Salutations

The Defence White Paper has set the Navy on a new course.

Not only has the Navy been fairly and squarely redefined as a system rather than a collection of cobbled-together platforms but, more importantly, Navy has been repositioned as a national enterprise.

Prime Minister Turnbull's announcement that Australia would build 12 French-designed regionally superior submarines confirms the long-term agenda.

This is a fundamental transformation in thinking about what the Navy actually is, where it fits in our national architecture and how it relates to the national economic infrastructure.

In short, the Navy and the substantial re-equipment program sits squarely within the nation's future innovation pathway.

From the stump-jump plough to Wi-Fi, Australians have a great track record as inventors.

Innovation, however, goes beyond discovery to encompass new ways of doing things, of integrating invention into the way we conceive and design our national enterprise.

And this is nowhere more evident than in the way that the current government envisages Navy's role in a new approach to manufacturing and industry.

At the heart of Navy's transition from a consumer of industrial output to a partner in high-tech manufacturing are the continuous and rolling shipbuilding programs, whereby industry and the Navy combine to deliver a more efficient and more effective maritime defence system.

Partnership, of course, depends critically on trust, and that is what any government should be intent upon building, as we move to a new way of delivering defence capabilities.

It is disappointing to find some commentators representing our new construction program as a kind of salvage operation for Australia's manufacturing industry.

This shipbuilding policy extends far beyond the construction of hulls in Australian yards to the design and development of the systems that fill those hulls.

This is a program aimed at the entire Australian manufacturing sector, particularly those areas where invention, design and development combine to deliver innovation nationally.

Let me re-iterate just exactly what continuous ship building means. I want to emphasize that there will be several production lines operating in parallel to each other, namely:

One: a stand-alone capability to continuously build and evolve our twelve submarines; and

Two: a stand-alone capability to continuously build and evolve our twelve major warships, commencing with nine future frigates; and

Three: a stand-alone capability to build the nation's smaller vessels under a continuous serialized construction program.

So there are three distinct lines of operation to the continuous build strategy.

With just under fifty government-owned and operated small ships, twelve major warships and twelve future submarines, I am confident that there is a sustainable work program that the national engineering, systems design and integration, construction and management capabilities, folded into a continuous shipbuilding program, are able to meet indefinitely.

Now the historical stop-start approach to warship acquisition, with its high start-up and termination costs, is only part of the problem.

The more acute problem has been the lack of ambition and imagination to maintain the impetus that transforms Australia from a ship purchaser to a ship producer.

I ask you, if England, France, Spain and Sweden could initiate and sustain such a transformation in the sixteenth century, there is no reason that Australia cannot do so in the twenty-first century.

To realise its ambition to reposition the Navy as a national enterprise, we must ensure we also focus on the three core inputs that must underpin a continuous shipbuilding approach to sustaining and continually transforming naval war-fighting capabilities.

First, education and skills development are paramount.

Our universities, TAFEs and research organisations play an essential role in providing the professional and technical skills without which there is no industry.

Whether it is naval architecture, propulsion design, sensor and weapons design and engineering or organisational design, industry demands advanced skills.

Second, workforce design and flexibility are also critical.

The Navy is already planning for greater flexibility in career management and greater integration between the service and civilian components of its workforce.

Similarly, industry will need to leverage the skills, especially in engineering, that the Navy already has while complementing those skills from within the industry base.

This will demand innovative approaches to workforce management, generating new and exciting opportunities for young professionals and technicians to work across a number of institutional frameworks.

Third, investment is the essential driver of national enterprise. Here, our investment institutions will need to develop new ways of planning and managing the long-term capital investments without which a continuous shipbuilding program will be unachievable.

This will require innovative and imaginative ways of partnering with foreign direct investors to ensure both satisfactory returns on investment and the capability outcomes that are the fundamental reason for continuous and rolling shipbuilding.

For the Navy to be able to address the strategic uncertainties and complexities that are progressively characterising the twenty-first century, we need a new way of doing business.

It is no longer sensible or even possible for Australia to pick and choose among individual elements of our national industrial

capacity as though naval capability development was some kind of smorgasbord.

What we need to create is a fully integrated approach to naval capability planning, development, delivery and sustainment.

While the Offshore Patrol Vessels, the new generation frigates, the Air Warfare Destroyers, the replenishment vessels and, of course, our future submarines will provide a significant industrial challenge, it is a challenge that the Navy is confident that it can meet in partnership with industry.

It is not that industry leverages the Navy, or vice versa. Rather, continuous shipbuilding provides us with the critical tool to build and maintain a strategic maritime capability over the long term.

This is what is meant by Navy as a national enterprise.

And we are all involved.