

ESTIMATES BRIEF – Hot Issue

ANI - INFRASTRUCTURE

Supplementary Budget Estimates – November 2024

ANI - INFRASTRUCTURE (SUBMARINES AND SURFACE SHIP)

Subject/Issue

Australian Naval Infrastructure Pty Ltd (ANI) owns, maintains and delivers naval infrastructure assets for current and future shipbuilding and submarine programs. ANI is designing and planning for developing infrastructure and facilities for the Nuclear-Powered Submarine Program.

Key facts and figures

- In the 2024-25 Budget, the Government agreed to inject further equity into ANI over four years from 2024-25 for the Nuclear-Powered Submarine Construction Yard, including additional enabling and early works, maturing design across the Submarine Construction Yard and the Skills and Training Academy in South Australia.
- This builds on the Government's previous 2023-24 Budget decision to provide equity for ANI to commence enabling and design works for the Submarine Construction Yard.
- ANI funding is not for publication (nfp) due to commercial sensitivities around disclosure which would impact ANI's ability to negotiate and contract with its suppliers.
 - ANI is contracting for various work packages. Publishing the aggregate funding envelope could impact these procurements particularly where one material procurement or one year within the aggregates which might prejudice negotiations.

Key points

Nuclear-Powered Submarine Construction Yard

- ANI is the Government's design and delivery partner for the Submarine Construction Yard.
- Key progress to date on the Submarine Construction Yard includes:
 - Appointing design consultants to progress concept designs for the yard, establishing a co-located office in Adelaide CBD, and growing ANI as a company to support activity uplift.
 - Finalising land transfers as set out in the Cooperative Agreement agreed between South Australia and the Commonwealth.
 - Commencing fast-tracked facilities design.

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- Progressing long-lead and major equipment procurement as well as environmental approvals.
 - Negotiating with utilities providers on relocation options.
 - Completing works for a carpark for works and a laydown area. Beginning works for a pedestrian bridge and road corridor.
- On 25 September 2023, the ASA applied for a decision under sections 75 and 77A of the *Environmental Protection and Biodiversity Conservation Act 1999*. This included public consultation occurring from 23 October 2023 to 6 November 2023.
- On 24 November 2023, the Minister for the Environment and Water entered into a Strategic Assessment agreement with the ASA assessing the impacts of constructing the yard. This included public consultation occurring from 4 December 2023 to 28 January 2024 and endorsed by the Minister for the Environment and Water on 25 March 2024.
- The ASA is now preparing a draft Strategic Impact Assessment report which, when completed, will be available for public comment.

Osborne South Naval Shipyard

- ANI is continuing to modernise and upgrade selected infrastructure elements at the Osborne South Naval Shipyard, including an additional Blast and Paint facility and an Outfitting Support Facility, for the Hunter Class frigates program.
- Luerssen is constructing two Arafura class Offshore Patrol Vessels at Osborne South.

Collins Class Sustainment Facility

- ANI provides ASC Pty Ltd leased access to infrastructure for the Collins Class program.

Henderson Defence Precinct

- On 16 October 2024 the Government announced it will establish a consolidated Commonwealth-owned Defence Precinct in Henderson, Western Australia. Establishing the precinct is a critical next step in realising continuous naval shipbuilding and Australia's AUKUS commitments and will underpin tens of billions of dollars of investment in defence capabilities in the West over the next two decades and support in the order of 10,000 well-paid, high skilled local jobs.
- The Government is committing an initial \$127 million over 3 years to progress planning, consultations, preliminary design and feasibility studies as well as enabling works.

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- The Government is committed to:
 - requisite large vessel infrastructure
 - infrastructure for conventionally-armed, nuclear-powered submarines including:
 - a contingency docking capability
 - depot level maintenance capability Detailed planning and studies will confirm the design of the Defence Precinct, including infrastructure and facility requirements.
- ANI has assisted Defence, as required, to inform capability considerations, taking into account the Defence Strategic Review recommendations and nuclear submarine infrastructure requirements in Henderson, Western Australia.
 - ANI had provided environmental and background monitoring and modelling at Henderson. ANI does not have a known role in the future Henderson Defence Precinct announced on the 16 October 2024. Commercial arrangements and funding options will be explored
 - Further questions about infrastructure in Henderson should be referred to Defence. ANI is not involved in infrastructure development at HMAS Stirling.
 - Further questions about submarine infrastructure at HMAS Stirling should be referred to Defence. ANI is not involved in infrastructure development at HMAS Stirling.

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Background

ANI was established on 26 March 2017, following the announcement of 11 October 2016 that the ASC Group would be structurally separated into three separate companies. The company completed greenfield works for Osborne South in December 2020 within the forecast project cost of \$560 million.

Following the AUKUS announcement on 16 September 2021, ANI put on hold work on the Attack Class Submarine Construction Yard. \$470 million had been spent on construction of the former Attack Class Yard.

The cancellation of the Attack Class program resulted in a loss of future revenues for ANI, as well as an impairment loss of \$307 million in FY2021/22. Where possible, assets are being salvaged, re-sold or re-purposed for the NPSCY. Where this is not possible, ANI is required to maintain the impairment loss.

Attention at Estimates

At the October 2023 Estimates, Senator David Shoebridge asked Mr Andrew Seaton, ANI's CEO, "do you have a date when you expect construction of the yard to commence?". Mr Seaton answered that "enabling works are the start of the construction of the yard". Senator the Hon Katy Gallagher noted that "that's the beginning of the construction of the yard because you can't do anything else until you've done that".

The land swap agreement (now complete) had been subject to questions from various Senators at Estimates in 2023.

Senator Shoebridge has previously mentioned the dismantling of certain partially constructed infrastructure following the cancellation of the Attack Class program such as the Platform Land Based Testing Facility (PLBTF).

Supporting information

Questions on Notice

2024-25 Budget Estimates: May 2024 (Finance Portfolio)

- In QoN 45, **Henderson ANI Budget**, Senator the Hon. Linda Reynolds asked Finance a series of questions about the budget, public-private partnerships, and funding models.
- In QoN 69, **ANI Equity Injection**, Senator the Hon. Jane Hume, asked Finance a series of questions about the amount, profiling of equity injection.
- In QoN 81, **ANI SA Funding**, Senator the Hon. Linda Reynolds asked Finance how much of SA AUKUS pathway funding will be through ANI.
- In QoN 100, **Investment in Combat Systems Facility**, Senator the Hon. Birmingham asked ANI about the total investment in the combat systems facility.

2023-24 Supplementary Budget Estimates: October 2023 (Finance Portfolio)

- In QoN F053, **Equity Injections**, Senator the Hon. Simon Birmingham asked for the total sum of the equity injection to ANI in the 2023-24 Budget to be known.

2023-24 Supplementary Budget Estimates: October 2023 (Finance Portfolio)

- In QoN F135, **Henderson Maritime Precinct**, Senator the Hon. Jane Hume asked a series of questions about the Henderson Maritime Precinct and ANI's involvement.

2023-24 Supplementary Budget Estimates: October/November 2023 (Defence Portfolio)

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- In QoN F383, **Henderson Precinct**, Senator the Hon. Linda Reynolds asked Defence a series of questions about the Henderson Precinct.

2023-24 Budget Estimates: May 2023 (Finance Portfolio)

- In QoN F056, **Cost to date - facilities for SSN-AUKUS**, Senator David Shoebridge asked ANI how much had been spent to date on planning facilities for the SSN-AUKUS.

2023-24 Budget Estimates: May 2023 (Finance Portfolio)

- In QoN F054, **Contingency Planning Henderson**, Senator the Hon. David Fawcett asked Finance if the outcomes of the Defence Strategic Review had any impact on the investment decision at Henderson.

2023-24 Budget Estimates: May/June 2023 (Defence Portfolio)

- In QoN 78, **Henderson Shipyard**, Senator the Hon. Linda Reynolds asked Defence a series of questions about Henderson Shipyard.
- In QoN 91, **Henderson Shipyard**, Senator the Hon. Linda Reynolds asked Defence a series of questions about Henderson Shipyard.

Freedom of Information (FOI) Requests

- On 29 November 2023, Senate Estimates briefs from Supplementary Budget Estimates in October 2023 were released, including *ANI – Role In Nuclear Powered Submarine Program*, *ANI – Impact Of Defence Strategic Review*, *ANI – Henderson (Western Australia)* (FOI 23-24/047).

Recent Ministerial Comments

- 16 October 2024, Joint Media Release: The Hon Anthony Albanese MP, Joint Media Release: The Hon Richard Marles MP, The Hon Pat Conroy MP: [New Defence Precinct at Henderson to deliver continuous naval shipbuilding and nuclear-powered submarine maintenance | Defence Ministers](#)
 - “The Albanese Government will establish a consolidated Commonwealth-owned Defence Precinct at Western Australia’s Henderson shipyard to underpin tens of billions of dollars of investment in defence capabilities in the West over the next two decades and support in the order of 10,000 well-paid, high-skilled local jobs”.
 - “It also represents a major milestone on the AUKUS pathway as Australia develops the capability to safely and securely own, operate and sustain conventionally-armed, nuclear-powered submarines”.
 - “..the Defence Precinct at Henderson will be the home of depot-level maintenance and contingency docking for Australia’s future conventionally-armed, nuclear-powered submarines. These vital maintenance capabilities will be established at Henderson in accordance with domestic processes and regulatory requirements, and consistent with Australia’s international obligations to maintaining the highest standards for nuclear safety, security and safeguards”.
 - “The Albanese Government will make an initial investment of \$127 million over three years to progress planning, consultations, preliminary design and feasibility studies as well as enabling works for the Defence Precinct at Henderson. This work will inform future decisions on delivery options and models for the Defence Precinct at Henderson”.

ANI - INFRASTRUCTURE

- Media Release, the Hon Richard Marles MP and Peter Malinauskas, 21 June 2024, *First step in boosting Navy's undersea warfare and strike capability*
"This first milestone is not just about cutting steel; we are supporting Australian workers to build frigates in an Australian yard, supporting Australian industry."
- Media Release, the Hon Richard Marles MP and the Hon Pat Conroy MP, 28 May 2024, *Concept design partners announced for South Australia's new nuclear-powered submarine construction yard*
"At its peak, up to 4,000 workers will be employed to design and build the infrastructure for the Nuclear-Powered Submarine Construction Yard in Osborne while a further 4,000-5,500 direct jobs are expected to build the nuclear-powered submarines in South Australia."
- Media Release, the Hon Richard Marles MP and the Hon Pat Conroy MP, 22 March 2024, *AUKUS build and sustainment partners announced*
"At the heart of today's announcement are Australian jobs and a pipeline of work for local Australian industry as we deliver on the commitment to build and sustain submarines here in Australia – and create a sovereign industry and workforce."
- Media Release, the Hon Richard Marles MP and the Hon Pat Conroy MP, 24 December 2023, *Submarine Construction Yard Works caps off a momentous year for AUKUS*
- "The start of enabling works at Osborne is another important milestone for the Australian Government as we progress at pace towards commencing construction of the first SSN-AUKUS by the end of the decade."

Relevant Media Reporting

- [Forget subs, there are better ways to revive SA](#), Alexander Downer, The Advertiser, 10 July 2024.
- [Naval shipbuilding will challenge industry](#), Marcus Hellyer, The Australian, 24 July 2024.
- [Design partners selected for nuclear submarine shipyard](#), Staff Reporter, AuManufacturing, 29 May 2024.
- [SA and federal government strike deal for AUKUS nuclear submarine construction yard](#), Eleanor Campbell, The Australian, 10 November 2023.
- [AUKUS nuclear submarine deal triggers accusations over cost and construction](#), Daniel Keane, ABC News, 29 October 2023.
- [Paul Papalia casts doubt on future of \\$4.3b Henderson dry dock project labelling it a 'hollow announcement'](#), Josh Zimmerman, The West Australian, 18 October 2023.
- [Osborne shipyard to triple in size for AUKUS nuclear submarines](#), Gabriel Polychronis, The Advertiser, 20 March 2023.

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FACT SHEET

Henderson Consolidation Announcement

OVERVIEW:

- On 16 October 2024 the Government announced it will establish a consolidated Commonwealth-owned Defence Precinct in Henderson, Western Australia. Establishing the precinct is a critical next step in realising continuous naval shipbuilding and Australia's AUKUS commitments and will underpin tens of billions of dollars of investment in defence capabilities in the West over the next two decades and support in the order of 10,000 well-paid, high skilled local jobs (media release at [Attachment A](#)).
- The Government also announced a Cooperation Agreement with the State of Western Australia that sets out the respective commitments and responsibilities of the Commonwealth and the State in catalysing enduring continuous naval shipbuilding in Western Australia to assist delivering and sustaining Australia's future defence capabilities (media release at [Attachment B](#)).
- Defence has established a website with information about the proposed precinct: <https://www.defence.gov.au/business-industry/national-naval-shipbuilding-enterprise/henderson-defence-precinct>

IF ASKED:

Will the Commonwealth own the land and infrastructure?

- The Government is committed to establishing a consolidated a Commonwealth-owned Defence precinct capable of building and sustaining larger and more complex vessels.
- The Henderson Defence Precinct is a critical next step in delivering continuous naval shipbuilding and Australia's AUKUS commitments, contributing to regional security.

Given record employment where is the workforce coming from?

- The Australian and Western Australian Governments are working together to assist and support the uplift of industry and workforce development in Western Australia that is critical to defence capability, including the naval shipbuilding and submarine sustainment workforces. Some initiatives underway to address workforce challenges include Continuous Naval Shipbuilding Projects, Strategic Shipbuilding Agreement, Australian Submarine Agency Nuclear Graduate Program, Regional Maintenance Centre, and the Defence Industry Pathways Program.
- Defence is already building the workforce required to deliver and sustain Australia's conventionally-armed, nuclear-powered submarines with a third group of Royal Australian Navy Officers and seven Sailors having graduated from the US Nuclear

Propulsion School. We also have our first industrial workforce cohort embedded in United Kingdom and United States facilities. These workers will bring their skills back to Australia.

Will the precinct host US or UK submarines with nuclear weapons?

- The Defence Precinct will be the location for depot level maintenance and contingency docking of Australia's own sovereign conventionally-armed, nuclear powered submarines.
- All work at the Defence Precinct will be undertaken in accordance with Australia's domestic and international obligations, including the Treaty on the Non-Proliferation of Nuclear Weapons, the Treaty of Rarotonga and our safeguards agreements with the IAEA.

There are media reports that the Government-commissioned Bechtel report has an indicative cost of up to \$20 billion. Does Finance consider this an accurate assessment and if so, how will the Government fund this initiative? (See Australian Financial Review article at [Attachment C](#)).

- The full scope, budget and program to transform the precinct will be informed by the planning, preliminary design, optioneering and feasibility studies which are underway and will likely to continue to evolve and adapt as needed to respond to future market conditions, risks and uncertainties.
- The precinct is a significant undertaking in the order of billions of dollars over decades and involving all levels of Government and the private sector.
- Commercial arrangements, ownership and funding options will be explored to support this Program. To realise the full capabilities of the precinct will likely require multiple commercial and contractual arrangements with multiple counterparties entered into over decades.

What will the \$127 million announced be used for?

- The \$127 million, over three years, will fund planning, consultations, preliminary design and feasibility studies as well as enabling works for the Defence Precinct at Henderson.
- This work will also inform future decisions on scope, options and models for the Defence Precinct at Henderson.

How will the initial commitment of \$127 million be funded?

- This funding will be offset from within the existing Defence budget.

What initial contribution is the Government of Western Australia expected to make as part of the Cooperation Agreement?

- The purpose of this Cooperation Agreement is to set out how the Commonwealth and Western Australia propose to work together to support planning and development of the Defence Precinct in Henderson, thereby supporting Australia's naval shipbuilding and submarine capabilities, in Western Australia.
- This Cooperation Agreement is not intended to set out the Commonwealth's and Western Australia's obligations to specific funding and delivery arrangements. These will be the subject of future agreements between the Commonwealth and Western Australia.

What will happen to the displaced private sector shipbuilders and use of the existing CUF?

- If the relocation of some industry participants is required to make way for the expanded and/or upgraded facilities, careful management will occur through detailed staging plans, outlining the steps for relocation.
- The intent would be to duplicate the Common User Facilities (CUF) as well as required infrastructure and facilities nearby.
- Under the Cooperation Agreement signed by the Commonwealth and Western Australian Governments, the parties have undertaken to work together to realise mutually-beneficial initiatives in an efficient, effective, economical and ethical manner. This includes establishing new State-Owned CUF, infrastructure and capabilities that can support current and future non-defence industries, activities, and projects, having regard to whole-of-life benefits across these programs.
- Both parties are responsible for collaborating and coordinating on project timeframes to ensure efficient and timely delivery of State and Commonwealth infrastructure development projects and works, including the Defence Precinct, new Common User Facilities, and Westport.

Will there be a role for Australian Naval Infrastructure (ANI) in the Henderson Defence Precinct?

- Government has not made any decisions and will explore commercial arrangements and funding options as part of the planning phase.
- Following the previous Government announcing in March 2022 a large vessel dry berth at Henderson, ANI has been assisting Defence, as required, to inform capability considerations.
 - ANI provided environmental and background monitoring and modelling at Henderson.

- Defence, in consultation with the Australian Submarine Agency, has lead the preliminary studies and analysis that has informed the Government announcements on the 16 October 2024
 - ANI does not have a known role in the future Henderson Defence Precinct announced on the 16 October 2024. Commercial arrangements and funding options will be explored.
 - Further questions about naval infrastructure at Henderson should be referred to Defence.

What does the announcement of the Henderson Defence Precinct mean for the announcement by the previous Government in March 2022 that up to \$4.3 billion would be invested in a large vessel dry berth at Henderson delivered by ANI.

- No equity funding was approved for ANI at the time of the March 2022 announcement.
- The full scope, budget and program to transform and fully realise the Henderson Defence precinct will be determined through planning, preliminary design and feasibility studies which are underway.
- It is a significant undertaking in the order of many billion dollars, funded over decades. Such significant undertakings over an extended period are subject to future market conditions, changing strategic requirements, risks and material uncertainties which may impact scope, budget and schedule as they become clearer or resolve themselves.
- Commercial arrangements and funding options will be explored to support this program of work.

On 16 October 2024, Cvmec notified the ASX that it has entered into a non-binding agreement to acquire Luerssen, subject to due diligence. Is the Commonwealth supportive of this acquisition?

- This is a question for Defence.
- Any requisite regulatory approvals needed (such as Foreign Investment Review Board) will consider the merits of the proposal.

Cleared by: Sacha De Re, Assistant Secretary Defence Investments Branch
Last Updated: 27 October 2024

Attachment A

16 OCTOBER 2024

Joint media release | Prime Minister | Deputy Prime Minister | Minister for Defence Industry | Premier of Western Australia | Western Australia Minister for Defence Industry

New Defence Precinct at Henderson to deliver continuous naval shipbuilding and nuclear-powered submarine maintenance

The Albanese Government will establish a consolidated Commonwealth-owned Defence Precinct at Western Australia's Henderson shipyard to underpin tens of billions of dollars of investment in defence capabilities in the West over the next two decades and support in the order of 10,000 well-paid, high-skilled local jobs.

The establishment of a consolidated Defence Precinct at Henderson is the critical next step in delivering continuous naval shipbuilding in Western Australia. This builds on the Albanese Government's announcement last year of a strategic partnership between Defence and Austal Limited at Henderson. It also represents a major milestone on the AUKUS pathway as Australia develops the capability to safely and securely own, operate and sustain conventionally-armed, nuclear-powered submarines.

The Defence Precinct will support the build of new landing craft for the Australian Army and new general purpose frigates for the Navy announced by the Albanese Government, with requisite large vessel infrastructure to form part of the Precinct. These capabilities are vital to transforming our Defence Force's ability to meet Australia's complex strategic circumstances.

The Albanese Government has also determined that the Defence Precinct at Henderson will be the home of depot-level maintenance and contingency docking for Australia's future conventionally-armed, nuclear-powered submarines. These vital maintenance capabilities will be established at Henderson in accordance with domestic processes and regulatory requirements, and consistent with Australia's international obligations to maintaining the highest standards for nuclear safety, security and safeguards.

Contingency and depot-level maintenance alone will create around 3,000 jobs in Western Australia. This is in addition to the thousands of jobs that will be supported through construction of the Defence Precinct, delivery of continuous naval shipbuilding in the West, and the establishment and operation of Submarine Rotational Force-West at HMAS *Stirling*.

Coupled with the \$8 billion the Albanese Government has already committed to expand HMAS *Stirling*, these investments and capability programs in Western Australia will be worth tens of billions of dollars over the next two decades.

Cooperation Agreement

To deliver this ambitious long-term program, the Albanese and Cook Governments have today signed a Cooperation Agreement, which provides a foundation for collaboration to deliver the Defence Precinct and related activities. This will include:

Developing a dedicated joint forum to deliver the skilled workforce required to deliver and sustain critical Defence capabilities.

Establishing the necessary infrastructure, including common user facilities, to support industry across the Defence Precinct at Henderson.

Ensuring effective engagement across Federal, State and Local governments and communities.

The Albanese Government will make an initial investment of \$127 million over three years to progress planning, consultations, preliminary design and feasibility studies as well as enabling works for the Defence Precinct at Henderson. This work will inform future decisions on delivery options and models for the Defence Precinct at Henderson.

The Albanese Government is committed to working with the Cook Government to deliver the infrastructure, industry, workforce and training for a defence future made in Western Australia.

A copy of the agreement will be available here: Cooperation agreement between the Commonwealth of Australia and the State of Western Australia to deliver and sustain Australia's future Defence capabilities
I Defence Ministers

Quotes attributable to Prime Minister, Anthony Albanese: ^

"The Albanese Government's commitment to the Defence Precinct at Henderson is a game changer for WA industry - it will create thousands of jobs for West Australians and underpin billions of dollars of investment in defence capability in the West.

"Henderson already plays a critical role in the delivery and sustainment of Australian Defence Force capabilities and this will see the important role of WA industry grow further."

Quotes attributable to Deputy Prime Minister, Richard Marles:

"The Albanese Government's commitments represent the most consequential defence investment in Western Australia in nearly four decades, since the commissioning of HMAS Stirling in 1978 and its expanded role as Australia's Indian Ocean fleet

base under the 1987 two-oceans navy policy.

"The Defence Precinct at Henderson will optimise Australia's shipbuilding and sustainment industry while supporting continuous naval shipbuilding in Western Australia and Australia's nuclear-powered submarine pathway.

"The Albanese Government is committed to investing in the growth of a productive and resilient defence industry and workforce to keep our nation safe and deliver a future made in Australia - which is exactly what the Defence Precinct will deliver."

Quotes attributable to Minister for Defence Industry and Capability Delivery, Pat Conroy:

"Successful consolidation of the Henderson precinct will secure decades of continuous shipbuilding in Western Australia, providing generational benefits for locals who play a vital role in keeping Australia safe.

"This investment by the Albanese Government will not only create thousands of high-skilled and well paid jobs in Western Australia but also ensures a future made in Australia."

Quotes attributable to WA Premier, Roger Cook:

"This is a momentous announcement for Western Australia - one that will set up our State for an exciting future and puts us at the centre of the nation's defence capability.

"The new Defence Precinct at Henderson will deliver tens of billions of dollars in investment and thousands of local jobs.

"This massive investment delivers on my Government's mission to develop and diversify our State's economy by providing another economic pathway for our State for decades to follow.

"It is a win-win for Western Australia and the nation."

Quotes attributable to WA Minister for Defence Industry, Paul Papalia:

"The investment of tens of billions of dollars will turn Western Australia into a defence powerhouse."

"The Defence Precinct at Henderson will be the home of depot-level maintenance for nuclear-powered submarines as part of AUKUS. It will also be the maintenance hub for Australia's nuclear submarines."

"This historic agreement will result in generations of jobs and diversify the economy like never before."

Attachment B

16 OCTOBER 2024

Joint Statement | Deputy Prime Minister Minister for Defence | Minister for Defence Industry

Cooperation agreement between the Commonwealth of Australia and the State of Western Australia to deliver and sustain Australia's future Defence capabilities

INTRODUCTION

This Cooperation Agreement (CA) is made between the Commonwealth of Australia (the Commonwealth), as represented by the Deputy Prime Minister and Minister for Defence, and the State of Western Australia (the State), as represented by the Premier of Western Australia.

This CA sets out the respective commitments of the Commonwealth and the State (the Parties) to provide for the delivery and

sustainment of Australia's future defence capabilities and the realisation of enduring continuous naval shipbuilding in Western Australia.

BACKGROUND

Western Australia is making a critical contribution to Australian defence capability, plays a vital strategic role in Australia's national defence, and is positioning itself as a global leader in the defence industry.

Western Australia is fundamental to Australia's naval shipbuilding and submarine capabilities, including the successful implementation of the AUKUS nuclear-powered submarine pathway and continuous naval shipbuilding.

The announcement by the Commonwealth, in coordination with the United Kingdom (UK) and the United States (US), of the

optimal pathway for Australia's acquisition of conventionally armed, nuclear-powered submarines is historic.

Western Australia will continue to be the operational home of Australia's submarine force, including Australia's future conventionally armed, nuclear-powered submarines.

In close cooperation with the State, the Commonwealth intends to deliver and support key naval capabilities and conduct requisite maintenance - including contingency and depot-level maintenance - for Australia's future conventionally armed, nuclear-powered submarines in Western Australia as part of its commitment to continuous naval shipbuilding.

The delivery of these priorities in Western Australia will make an important contribution to powering and diversifying Western Australia's economy and create transformational opportunities for local businesses and workers.

Realising continuous naval shipbuilding and the successful delivery and sustainment of critical defence capabilities in Western Australia requires sustained collaboration, coordination and partnership between the Parties.

State and Commonwealth cooperation and coordination on infrastructure planning and programs has the potential to enhance efficiencies and create opportunities to achieve mutually-beneficial outcomes and wider benefits for industry, communities and government.

Work between the Parties to realise the benefits from these generational investments has already commenced:

The Commonwealth Government has already committed to invest up to \$8 billion in infrastructure to enable Submarine Rotational Force-West from 2027 and to operate Australia's own Virginia class conventionally armed, nuclear-powered submarines from the early 2030s, creating around 3,000 direct jobs, in addition to investments in the State's industrial base and workers.

Western Australia will be home to the rotational presence of UK and US conventionally armed, nuclear-powered submarines from as early as 2027, creating an additional 500 direct jobs between 2027 and 2032.

The Commonwealth will deliver contingency and depot-level maintenance of Australia's future conventionally armed, nuclear-powered submarines in Western Australia, supporting around 3,000 jobs.

The Commonwealth has committed to continuous naval shipbuilding in Western Australia, including construction of Army landing craft, general purpose frigates and other vessels.

Western Australian education institutions are playing a key role in the development of skilling programs to support workforce growth.

The Commonwealth and State have commenced identifying areas for potential cooperation, collaboration and coordination across Defence and Westport programs to achieve mutually-beneficial outcomes.

PURPOSE

The purpose of this CA is to set out how the Parties propose to work together to support the delivery of Australia's naval shipbuilding and submarine capabilities, as well as enabling activities, in Western Australia.

This CA is not intended to set out each Party's obligations to specific funding and delivery arrangements that underpin its initiatives. These will be the subject of future agreements between the Parties.

PRINCIPLES

As part of the CA, the Parties undertake to work together and be guided by the following principles:

Engage in good faith negotiations and make best efforts to reach mutually-beneficial outcomes in a timely manner.

Progress the outcomes necessary to support the delivery and sustainment of critical defence capabilities in Western Australia, including Australia's future naval and submarine capabilities.

Ensure that activities and initiatives progressed to achieve these outcomes are aligned with and not detrimental to the State's delivery of essential services, infrastructure that supports local industry, or the viability of other priority projects such as Westport.

Minimise disruption to local industry, business, workforce and community alike in the delivery of the initiatives under this CA.

Maximise opportunities to cooperate, collaborate and coordinate on the planning, implementation and delivery of enabling programs, infrastructure and works to support the efficient and mutually-beneficial delivery of State and Commonwealth priorities.

INITIATIVES

Under the auspices of this CA, and consistent with its principles and shared commitments, the Parties undertake to work together to realise the following mutually-beneficial initiatives in an efficient, effective, economical and ethical manner:

Establishment of a Commonwealth Defence Precinct (the Defence Precinct), with associated capabilities and infrastructure, at the Australian Marine Complex in Henderson to support Australia's naval shipbuilding and submarine requirements.

Delivery of contingency and depot-level maintenance capabilities for Australia's conventionally armed, nuclear-powered submarines at the Defence Precinct, including necessary infrastructure, in accordance with domestic processes and regulatory requirements.

Establishment of a dedicated Commonwealth-State group to coordinate and collaborate on initiatives to support the development and skilling of the workforce required for the delivery and sustainment of critical defence capabilities in Western Australia.

Establishment of new State-owned Common User Facilities, infrastructure and capabilities that can support current and future non-defence industries, activities, and projects, having regard to whole-of-life benefits across these programs.

Identification of opportunities for the Commonwealth to acquire land, seabed, assets, and capabilities necessary for the establishment of the Defence Precinct on terms that achieve value for money outcomes for both of the Parties, including through opportunities to exchange land, assets and/or infrastructure.

Minimisation of disruption to, and impost on, commercial users of the Australian Marine Complex during the establishment of, and transition to, the Defence Precinct.

Shared identification of options for coordinated and collaborative delivery of works that are directly required to support the mutually-beneficial initiatives in this CA such as environmental modelling and dredging works.

Collaboration, coordination and timely information sharing between the Parties on the planning and delivery of enabling works and infrastructure development projects on the Western Trade Coast and within Cockburn Sound to achieve mutually-beneficial outcomes.

Exploration of shared approaches to broader enablers to the successful delivery of the priorities in this CA, across areas such as infrastructure, transport, utilities, materials supply, workforce, industry development, accommodation supply, and education and training.

Effective engagement with local and State-wide communities to build and enhance social licence with respect to Western Australia's key role in Australia's nuclear-powered submarine program.

Effective engagement with the community, including Traditional Owners, to share information with respect to the broader suite of proposed land and sea works across the Western Trade Coast to enable Commonwealth and State priorities.

I. Close coordination on, and support for, the Commonwealth's effective implementation of the highest nuclear safety standards and protocols for Australia's nuclear-powered submarine program.

RESPONSIBILITIES

The Parties have identified the following responsibilities to guide their good-faith negotiations and realisation of the mutually- beneficial initiatives outlined in this CA:

The Commonwealth intends to:

Develop and operate the Defence Precinct at the Australian Marine Complex to support the successful implementation of the AUKUS nuclear-powered submarine pathway and continuous naval shipbuilding in Western Australia.

Deliver contingency and depot-level maintenance of Australia's future conventionally armed, nuclear-powered submarines in Western Australia at the Defence Precinct, in accordance with domestic processes and regulatory requirements.

Support the uplift of industry and workforce development in Western Australia that is critical to defence capability, including the naval shipbuilding and submarine sustainment workforces.

Coordinate with the State on the delivery of new Common User Facilities, infrastructure, and capabilities that are mutually agreed to support current and future State and industry requirements.

Make fair and reasonable contributions to the planning and delivering of enabling works and infrastructure at the Defence Precinct to support the delivery of continuous naval shipbuilding and maintenance of Australia's future conventionally armed, nuclear-powered submarines in Western Australia.

Acquire land, seabed, assets, and capabilities necessary for the establishment of the Defence Precinct on terms that achieve value for money outcomes for both of the Parties, including through opportunities to exchange land, assets, and/or infrastructure.

Collaborate and coordinate on the scheduling of projects with the State to ensure the efficient, timely, cost-effective and minimally disruptive delivery of State and Commonwealth infrastructure development projects and works, including the Defence Precinct, new Common User Facilities, and Westport.

Support the delivery of works in a fair, equitable and appropriate manner that directly and cumulatively achieves the realisation of the Parties' priorities.

Collaborate, coordinate and share information with the State regarding the broader planning and delivery of enabling works and infrastructure development projects on the Western Trade Coast and within Cockburn Sound to support mutually-beneficial outcomes.

Work with the State to identify broader enablers across areas such as infrastructure, transport, utilities, materials supply, workforce, industry development, accommodation supply, education, and training required to support the successful delivery of Commonwealth priorities.

Lead the provision of housing for Australian Defence Force personnel and visiting defence personnel from the US and the UK in support of national security priorities, including the preparation and operation of Submarine Rotational Force-West at HMAS Stirling from 2027.

I. Lead community engagement efforts with respect to Australia's nuclear-powered submarine program, and Western Australia's critical role in its delivery.

Coordinate efforts to communicate information and engage the community, including Traditional Owners, with respect to the broader planning and delivery of land and sea works across the Western Trade Coast to enable Commonwealth programs, Westport, and other priority projects.

Implement the highest nuclear safety standards and protocols in close coordination and communication with the State.

The State intends to:

Exchange relevant State-owned land, seabed, assets and capabilities necessary for the establishment of the Defence Precinct on terms that achieve value for money outcomes for both of the Parties to enable the realisation of the Defence Precinct.

Lead the planning and delivery of new State-owned Common User Facilities, infrastructure, and capabilities that can support current and future non-defence industries, activities and projects.

Collaborate with the Commonwealth through a new Commonwealth-State group to identify opportunities to align the State's education and skilling initiatives with the workforce requirements for the delivery of critical defence capability in Western Australia, including nuclear-powered submarines and continuous naval shipbuilding.

Assist the uplift of industry and workforce development in Western Australia that is critical to defence capability, including the naval shipbuilding and submarine sustainment workforces.

Support the delivery of works in a fair, equitable and appropriate manner that directly and cumulatively achieves the realisation of the Parties' priorities.

Cooperate, collaborate and coordinate on project timeframes with the Commonwealth to ensure the efficient, timely, and minimally disruptive delivery of State and Commonwealth infrastructure development projects and works, including the Defence Precinct, new Common User Facilities,

and Westport.

Collaborate with the Commonwealth to identify broader enablers supporting Commonwealth priorities in Western Australia across areas such as infrastructure, transport, utilities, materials supply, workforce, industry development, accommodation supply, and education and training.

Facilitate relevant State approvals associated with the establishment of the Defence Precinct, the implementation of the AUKUS nuclear-powered submarine pathway, and enabling infrastructure, activities and initiatives in Western Australia.

Support the Commonwealth in its efforts to engage the community with respect to Western Australia's critical role in the AUKUS nuclear-powered submarine pathway.

Coordinate efforts to communicate information and engage the community, including Traditional Owners, with respect to the broader planning and delivery of land and sea works across the Western Trade Coast to enable Commonwealth programs, Westport, and other priority projects.

Support and coordinate with the Commonwealth on its implementation of the highest nuclear safety standards and protocols.

NEXT STEPS

The Parties acknowledge the historic opportunities presented by the realisation of the mutually-beneficial initiatives contained in this CA and undertake to progress and implement the initiatives in an expeditious manner.

The Parties commit to tasking relevant officials to progress the activities outlined in this CA as expeditiously as possible, in consultation with relevant private sector, academic and union stakeholders.

The Parties commit to negotiating the scope of, and their respective responsibilities for, the mutually-beneficial initiatives outlined in this CA in good faith and as soon as practicable, with a view to commencing delivery of initiatives by 1 July 2025.

Attachment C

15 OCTOBER 2024

Andrew Tillett Foreign affairs, defence correspondent

Sunk cost: how the AUKUS bill keeps rising for taxpayers

Taxpayers are facing a bill of up to \$20 billion to expand Perth's shipyard as part of getting it ready to host nuclear-powered submarines and build new warships, in what looms as one of the federal government's most expensive infrastructure projects.

The AUKUS-related price tag dwarfs the cost of the troubled Snowy Hydro 2.0 [<https://www.afr.com/link/follow-20180101-p5k4fp>], which has blown out to \$12 billion, and is almost four times the \$5.3 billion cost of Western Sydney Airport.

Defence Minister Richard Marles will outline plans for Perth's shipyard as part of AUKUS.

Defence Minister Richard Marles will on Wednesday outline how the government plans to consolidate and upgrade shipbuilding operations at the Henderson shipyard south of Perth.

The shipyard is just one piece of the expensive AUKUS infrastructure puzzle, with untold billions also required for the expansion of Adelaide's shipyard, where nuclear-powered submarines will be built, and the eventual establishment of an east coast submarine base. The government has been coy on disclosing granular details of individual parts of AUKUS, a pact involving the US and UK sharing naval nuclear propulsion technology with Australia.

"We are in this rather perverse situation where the government chucks out a figure of \$268 billion to \$368 billion over decades as the total cost of AUKUS [<https://www.afr.com/link/follow-20180101-p5jrmw>], which is so enormous so that every other number looks trivial," said former Defence Department official Marcus Hellyer.

"But all of the infrastructure costs for shipyards and facilities are really starting to add up. These are all extremely high costs but if you want these capabilities [of nuclear-powered submarines] you have to pay these costs."

Perth's shipyard is also earmarked for construction of smaller warships under the government's continuous naval shipbuilding strategy, which will be underpinned by a \$10 billion fleet of new general purpose frigates.

The 2023 Defence Strategic Review warned about the ongoing viability of the shipyard and the hundreds of jobs it supports unless the government consolidated the various operations instead of spreading work among multiple shipbuilders.

Submarines docked at HMAS Stirling on Garden Island, about 45km south of Perth. Trevor Collens

Shipbuilders Cvmec and Austal already build ships for the navy and Border Force. British giant BAE Systems performs maintenance on Australia's ageing Anzac frigates, while the government owned ASC conducts mid-cycle maintenance on Collins class submarines.

With nuclear-powered submarines to be based in Perth from 2027 as part of the AUKUS agreement, the government is scrambling to upgrade berthing and maintenance facilities in WA.

Already committed is \$8 billion to expand HMAS Stirling naval base, located at Garden Island near Rockingham, south of Perth.

The government commissioned US project management firm Bechtel to assess the facilities required at Henderson.

One source said the company had come up with options costing between \$12 billion and \$20 billion.

Another source said the \$20 billion reflected the cost of building two dry docks or ship lifts, a new sea wall, taking over CIVMEC's large shed, building secure offices and workshops, high-tech fences to create a security zone and restructuring of existing tenancies and possibly an extra floating dock. Some businesses would be evicted.

Extra dry docks are a priority. They allow submarines and warships to be worked on out of the water, while also taking pressure off the nation's only other dry dock in Sydney, which is heavily in demand.

To defray some of the burden for taxpayers, the government is considering public- private partnership, a third source said.

One piece of industry consolidation is underway, with Australian-listed Civmec buying out its German partner Luerssen to complete construction of the navy's new patrol boats at Henderson.

Luerssen has been looking to exit Australia after this year's navy review halved the number of patrol boats on order from 12 to six.

Civmec notified the ASX on Tuesday evening it had entered a non-binding heads of agreement to acquire the Luerssen Australia subsidiary and transfer the workforce

- a transaction expected to run into hundreds of millions of dollars.

"For us it immediately elevates us in terms of shipbuilding pedigree and gives us a ship design capability," said Mark Clay, Civmec general manager.

Australian Naval Infrastructure Pty Ltd

Overview

Australian Naval Infrastructure Pty Ltd (ANI) was established in March 2017 to support the Commonwealth's continuous naval shipbuilding program.

Company information

ANI owns major shipbuilding infrastructure assets in Osborne, South Australia, which are leased to ASC, Luerssen and BAE Systems Maritime Australia in support of the Collins Class sustainment, Offshore Patrol Vessel and Hunter Class Frigate programs.

The Osborne South Shipyard for the Hunter Class Frigates completed greenfield works in December 2020 to support the commencement of prototyping of the Hunter class, within the forecast project cost of \$560 million. Modernisation of existing infrastructure is taking place progressively through 2024.

The North Yard is used to maintain the Collins Class submarines, supporting the Full Cycle Docking of the Collins at Osborne, as well as Life of Type Extension of all six submarines, with the first scheduled from 2026.

Following the initial AUKUS announcement on 16 September 2021, ANI put on hold work on the Attack Class Submarine Construction Yard, having spent \$470 million.

In 2024-25 Budget, the Government provided equity funding to ANI for additional enabling and early works, maturing design across the Nuclear-Powered Submarine Construction Yard (NPSCY) and the Skills and Training Academy (STA) in South Australia. This adds to equity provided in the 2023-24 Budget.

Key strategic issues

- Submarine Construction Yard requirements** – The Australian Submarine Agency (ASA) continues to work with ANI and ANI's contracted design teams on the detailed planning and design underpinning a fit for purpose NPSCY.
- Delivery planning** – ANI will finalise a delivery plan detailing how best to divide the scope into packages to take through to detailed design, final design and eventually through to construction. ^{s47}
- Board and company expertise** – the Government's decision to select ANI to deliver the NPSCY requires ANI's Board and the company itself to expand its skills and experience base, particularly in delivering mega projects and nuclear-licensed sites. Shareholder Ministers have been provided with names to support Board renewal.

Key risks

Nuclear-Powered Submarine Construction Yard



Layout of Nuclear-Powered Construction Yard (Areas 1, 2 and 3) and Skills and Training Academy at Osborne, South Australia.

ANI Government-agreed equity profile (\$m)

s47

Financials (\$m)

Forecast not public

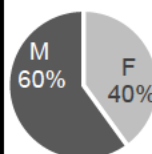
	FY22 (A)	FY23 (A)	FY24 (A)
Revenue	41.9	49.6	92.6
NPAT	-273.2*	10.7*	12.6*

Arrows indicate trend against previous year. *NPAT in FY22 is a result of the non-use of assets and significant impairment of infrastructure following the termination of the Attack class program. *NPAT in FY23 is derived from accounting treatments as opposed to operational activities, as its tax benefits for the year exceeded its losses from its continuing operations for the year. *NPAT for FY24 is due to ANI needing to recognise land transfers as income at fair value.

Source: FY22, FY23 and FY24 (A) - Annual Report / FY25(F) - FY28(F) - Corporate Plan

ANI board composition – Max: 7, Quorum: 3

Name	State	Gender	Commencement	End Date	Terms
Chair - Currently vacant					
Mr Andrew Seaton (CEO/Managing Director)	SA	Male	06/04/2020	05/04/2028	2
Mr Peter Iancov	WA	Male	26/06/2020	25/06/2025	3
Ms Andrea Sutton	WA	Female	26/09/2023	25/09/2026	1
Mr Jim Whalley	SA	Male	26/06/2020	25/06/2025	3
Ms Janice van Reyk	QLD	Female	14/08/2020	13/02/2025	3
Vacant					



The ANI board currently has 40 per cent female representation and 60 per cent male representation. Existing and upcoming vacancies are being filled, with skills to include mega projects/infrastructure and navy/defence experience.

AUSTRALIAN NAVAL INFRASTRUCTURE PTY LTD (ANI) PROFILE

OVERVIEW:

Portfolio	Finance
Chair	Vacant
CEO/MD	Mr Andrew Seaton
GBE type	Commonwealth Company/ Public Non-Financial Corporation

Financial Summary:

(\$m)	Annual Report				
	2019-20 ¹	2020-21 ²	2021-22 ³	2022-23 ⁴	2023-24 ⁵
Total Revenue	19.1	32.5	41.9	47.8	90.5
Total Expenditure	(42.6)	(42.8)	(393.5)	(73.5)	(74.8)
Net Profit After Tax	(18.1)	(5.3)	(273.2)	10.7	12.6
Property, Plant & Equipment	1,146.6	1,411.3	1,365.8	1,473.1	1,719.2
Share Capital	1,188.4	1,395.8	1,617.8	1,617.8	1,698.0
Net Assets	1,182.2	1,425.8	1,439.6	1,537.3	1,715.6

1. AR 2019-2020, page 36.

2. AR 2020-2021, page 36.

3. AR 2021-2022, page 42.

4. AR 2022-2023, page 40-41.

5. AR 2023-2024, page 46-47.

Historical Equity and Dividends Paid:

(\$m)	2019-20	2020-21	2021-22	2022-23	2023-24
Equity Injections	320.8	207.4	222.0	0.0 ¹	80.2
Dividends Declared²	0.0	0.0	0.0	0.0	0.0
Dividends Paid	0.0	0.0	0.0	0.0	0.0

1. Further to its announcement in March 2023 that ANI will be the Commonwealth's partner to deliver the future Nuclear Powered Submarine Yard, the Government has agreed to provide equity to ANI in two successive Budgets from 2023-24.

2. ANI is not expected to make any dividend payments until it is free cashflow positive. ANI is expected to earn a commercial rate of return via leasing arrangements with shipbuilders.

Equity Commitments:

- Since Government established ANI in March 2017, it has committed equity to develop and construct critical infrastructure in Osborne, South Australia.

Timing	Purpose of equity to ANI
2017-18 Budget	Support shipbuilding infrastructure - part of the Naval Shipbuilding Plan. Government announced investment of \$535 million in surface ship/combatant infrastructure to enable commencing constructing Future Frigates in 2020.
2018-19 Budget	To develop infrastructure at Osborne. Not for publication due to commercial sensitivities.
2018-19 MYEFO	For further works at Osborne. Not for publication due to commercial sensitivities.
2019-20 Budget	To undertake Early Works and design of Main Works in the Future Submarine Construction Yard. Not for publication due to commercial sensitivities.
2020-21 Budget	For further infrastructure works at the Future Submarine Construction Yard and to undertake planning for future infrastructure works at Osborne. Not for publication due to commercial sensitivities.
2023-24 Budget	Equity over five years from 2023-24 to commence early construction and design works for a submarine construction yard and to design the Skills and Training Academy, in South Australia. Not public due to commercial sensitivities.
2024-25 Budget	Equity over four years to allow continued and additional priority enabling works at Osborne, South Australia - maturing design across the Nuclear-Powered Submarine Construction Yard and the Skills and Training Academy, construction of Production Demonstration Facilities, and procurement of long-lead equipment items.

- The future infrastructure needed is being determined by the Australian Submarine Agency and the Sovereign Shipbuilding Partners (ASC Pty Ltd and BAE Systems), with support from ANI and ANI's contracted design teams.

- Budget measures do not disclose equity amounts - not for publication due to commercial sensitivities.

Board of Directors:

	NAME	BOARD POSITION	COMMENCED ON BOARD	TERM ENDS
1	Vacant	Chair		
2	Peter Iancov	Non-Executive Director	26/06/17 [#]	25/06/25
3	Jim Whalley	Non-Executive Director	26/06/17	25/06/25
4	Andrea Sutton	Non-Executive Director	26/09/23	25/09/26
5	Janice Van Reyk	Non-Executive Director	14/08/17	13/02/25
6	Andrew Seaton	Managing Director and CEO	06/04/20	05/04/28
7	Vacant	Non-Executive Director		

Mr Iancov was appointed as members of the interim ANI Board on 13/03/2017. The substantive Board was established on 26/06/17.

Board Remuneration:

Chair	\$131,820 (+ Tier One Travelling Allowance)
Directors	\$65,910 (+ Tier One Travelling Allowance)
Additional Committee Remuneration	A member (other than the Chair) who is also appointed to an Audit Committee is entitled to: (a) For the Chair - \$18,070 per year (b) For a member - \$9,040 per year

In accordance with Remuneration Tribunal (Remuneration and Allowances of Holders of Part-time Public Office) Determination 2024

Board Gender Balance:

NUMBER OF DIRECTORS	MALE (#)	FEMALE (#)	Male to Female (%)
5	3	2	60 / 40

Board does meet gender diversity target.

2023-24 Annual Report tabling:

The Annual Report was tabled 24 October 2024.

Statement of Corporate Intent (SCI) publication:

Published on website 31 August 2024.

Executive Remuneration:

The table is senior executive remuneration, as in ANI's 2023-24 Annual Report (page 36). Total remuneration for senior executives in 2023-24 increased 23.9 per cent (\$523,636) from 2022-23. Total short-term incentives paid increased by 43.4 per cent (\$111,672) from 2022-23 - noting that two senior executives were not eligible to receive a bonus in 2022-23.

ANI has not expressed a view in their 2023-24 Annual Report regarding the recently released guidance: *'Performance Bonus Guidance – principles governing bonus use in Commonwealth entities and companies'*. Finance is aware that ANI is considering making a submission to the Remuneration Tribunal to increase the Band for the Principal Executive Office and increase remuneration for the Board.

Remuneration Tribunal has Chief Executive Officer as **Band D** classification under the Principal Executive Office determination.

Name	Position title	Short-term benefits (\$)			Post-employment benefits (\$)	Other long-term benefits (\$)		Termination benefits (\$)	Total remuneration (\$)
		Base salary	Bonuses/ Short Term Incentives	Other benefits and allowance	Superannuation contributions	Long service leave	Other long-term benefits		
A Seaton	Managing Director and Chief Executive Officer	609,301	104,034	-	27,481	27,812	-	-	768,628
P Bates	Chief Operating Officer	365,545	64,400	-	44,660	11,097	-	-	485,702
J Mortimer	Director Major Projects	457,708	79,200	-	13,699	6,653	-	-	557,260
A Fraser	Chief Financial Officer	366,980	60,720	-	19,232	15,361	-	-	462,293
S McLennan	General Counsel and Company Secretary	349,127	60,720	-	28,004	14,286	-	-	452,137
Total	2023-24	2,148,661	369,074	-	133,076	75,209	-	-	2,726,020
	2022-23	1,748,215	257,402	4,000	140,600	52,167	-	-	2,202,384

Cleared by: Sacha De Re, Assistant Secretary
Last Updated: 27 October 2024

ESTIMATES BRIEF – Hot Issue

ASC - SUBMARINES

Supplementary Budget Estimates – November 2024

ASC - WORKFORCE, COLLINS CLASS AND NUCLEAR POWERED SUBMARINE PROGRAM

Subject/Issue

ASC is Australia's sovereign submarine company and has significant roles across conventional and nuclear-powered platforms.

Key facts and figures

- 22 March 2024 – The Government announced ASC Pty Ltd (ASC) and BAE Systems will jointly build Australia's SSN-AUKUS. ASC will also sustain Australia's nuclear-powered submarines, commencing with the Virginia class, followed by the SSN-AUKUS.
- ASC will continue to deliver sustainment and capability for Collins class.
- Australia's transition to conventionally armed, nuclear-powered submarines will be underpinned by the ongoing availability of Collins.
- Continuing to operate and sustain Collins class will maintain essential skills and workforces and will build the future workforce for building, operating and sustaining SSN-AUKUS.
- The 2024 National Defence Strategy and Integrated Investment Plan (released 17 April 2024) announced a \$4-5 billion investment in the Collins class for the Life-Of-Type Extension project, upgrades to its sonar suite and ongoing sustainment, including cooperative capability assurance programs with the United States (US).

Key points

ASC's role as in Nuclear-Powered Submarine Programs

If asked about ASC as a Sovereign Submarine Sustainment Partner

- The Government has selected ASC Pty Ltd to sustain its nuclear-powered submarines, commencing with the Virginia class and followed by the SSN-AUKUS.
- ASC regularly engages with the Australian Submarine Agency including as an Australian Sovereign Submarine build Partner.
- ASC has made significant contributions to quarterly working and steering groups, in support of all phases of Virginia class submarine sustainment in Australia.

ASC – SUBMARINES

- ASC will continue to leverage its experience and expertise in these engagements to support the sustainment of visiting United States Virginia class submarines, as well as United Kingdom Astute class submarines, as it did during the visit of HMS *Astute* in 2021.
- ASC has signed a mobilisation agreement with Defence related to preparations for Submarine Rotational Force West and VCS sustainment.
 - On 22 June 2024, the Government announced that around 30 skilled ASC workers have been deployed to Pearl Harbor Naval Shipyard in the US, to participate in training in the maintenance of Virginia class nuclear-powered submarines alongside US counterparts.
 - At 30 September 2024, ASC has 41 assignees deployed to Pearl Harbor Naval Shipyard in Hawaii.
 -
 - ASC is working in close consultation with Defence and the Australian Submarine Agency including for further deployments into Pearl Harbor Naval Shipyard.
- In August 2024, ASC also supported the US Navy Submarine Tender-assisted Maintenance Period (STMP) requirements for the USS *Hawaii* while at HMAS Stirling, WA.
- On 2 September 2024, the Government announced the new Graduate, Apprenticeship and Traineeship initiative (GAT Program) that will allow ASC to recruit around 200 additional entry-level personnel over the next two years across high priority jobs, predominantly in WA, in fabrication and machining, engineering and project management, and supply chain and operations qualifications.
- Building on ASC's current role and capability in sustaining Australia's Collins class submarines, this approach will enable a coherent workforce and capability pathway in the lead up to Australia acquiring its first Virginia class submarine from the US in the early 2030s.

If asked about ASC as a Sovereign Submarine Build Partner

- The Government has selected ASC and BAE Systems to jointly build Australia's SSN-AUKUS submarines in Osborne, South Australia.
- ASC and BAE Systems will initially form a collaborative arrangement, which will lead to the establishing of a long-term incorporated joint venture within Australia.

ASC – SUBMARINES

- Since 22 March 2024, ASC and BAE Systems have been working together collaboratively to mobilise the SSN-AUKUS build program as the Australian Shipbuilder.
- While the parties work through these complex commercial matters, interim services arrangements have been established to enable ASC and BAE Systems to commence work.
- The parties are on track to enter into a more fulsome shipbuilder mobilisation contract before the end of 2024.
-

If pressed about when a joint venture will be established

- The joint venture between ASC and BAE Systems will establish a substantive, sovereign Australian entity to deliver the build of Australia's SSN-AUKUS fleet.
- ASC is working with BAE Systems and the Australian Submarine Agency to establish the joint venture to meet SSN-AUKUS program milestones.
- There are a number of complex program, legal, commercial and structural steps to be undertaken.
- Establishing these arrangements cannot be done in haste; we must approach this work methodically.
- The status of negotiations is commercially sensitive and it would be premature to discuss the contracting arrangements in detail as further negotiations are ongoing.
- Work to establish the joint venture is ongoing. While the necessary corporate and commercial processes are undertaken, ASC and BAE Systems will continue to collaborate to mobilise the build program as separate entities working in partnership.

If pressed about selection of the Sovereign Submarine Partners

- The process related to the selection of Sovereign Submarine Partners should be directed to the Australian Submarine Agency.

If asked about Australia's \$4.7 billion investment to support the UK industry to undertake design work and expand the production of nuclear reactors.

- The decision to invest in British industry is a matter for the Australian Submarine Agency.
- ASC will work with the UK industry as required to fulfill its mandate across the NPS program.

Collins class performance

ASC – SUBMARINES

- The Collins Class submarines have been specifically designed to meet Australian requirements.
- ASC is focussed on ensuring that Navy retains an enduring, potent and agile submarine capability through ongoing sustainment and Life-of-Type Extension of the Collins class, and in the transition to a nuclear-powered submarine fleet.
- Of the six Collins class submarines, one submarine is working towards Full Cycle Docking completion at Osborne, South Australia, another submarine is scheduled to commence its Full Cycle Docking at Osborne, and a third submarine is undergoing an Intermediate Docking in Western Australia.
- ASC maintains the submarine fleet under contractual arrangements with Defence which include agreed targets for the availability of submarines for Navy. Details regarding the location and status of particular submarines is classified and should be referred to Defence.
- On 28 June 2024, ASC finalised negotiations with Defence for a new Performance Period 5 (PP5) sustainment contract. The initial phase of PP5 covers four years from 1 July 2024 and valued at \$2.2 billion.
- Further questions on operational and contractual matters and availability should be referred to Defence.

If asked about delays to Collins class sustainment cycle and availability

- The Government does not comment on submarine operations and availability.
- Defence assesses availability of the Collins Class fleet as a whole over time; to account for short-term changes as submarines enter and exit maintenance periods.
- Defence is continuing to balance Collins Class availability, reliability and lethality within available resources, without compromising safety.
- As noted in previous estimates, there remains emergent pressure on sustainment activities and dockings and ASC is working closely with Defence and Navy to mitigate impact on submarine availability.
- The Government's plans will ensure the Collins Class submarines continue to provide a potent strike and deterrence capability.
- Further detail and information regarding the status and duration of submarine dockings should be referred to Defence.

If asked when the Minister for Finance was informed about delays to Collins sustainment

ASC – SUBMARINES

- Information relating to Collins performance is formally provided to the Commonwealth through regular performance updates and as necessary the Minister is informed of emerging performance issues from the Department, other relevant Ministers or from ASC directly.
- ASC continues to closely engage with Defence, as a customer, on any potential delays to schedule and keeps the Minister for Finance, as the Shareholder Minister, informed through regular performance reports.

Collins class Life-Of-Type Extension

- The Collins Class submarine Life-of-Type Extension supports continuity of Australia's submarine capability and creates options that best support Australia's transition to a multi-class submarine force.
- The life extension of the Collins Class submarines will involve a combination of ongoing sustainment, selected capability enhancements and a Life-of-Type Extension project.
- The Life-of-Type Extension project is scoped to remediate a number of the highest technical risks to successful life extension.
- The scope approved for the Life-of-Type Extension project is for the design and acquisition of long-lead items to enable installation during the Life-of-Type Extension Full Cycle Dockings, and the conduct of the first Life-of-Type Extension Full Cycle Docking in HMAS *Farncomb*, commencing in mid-2026.
- ASC has completed the Systems Design Review and commenced the Detailed Design phase and has entered into First of Class procurement contracts for major long-lead procurement equipment items.
- There will be ongoing requirements as the LOTE project is further developed and then implemented. Further questions on Collins capability and upgrades should be referred to Defence.
- 25 October 2023 – the Government announced an independent assurance activity into the service life extension of the Collins class fleet, led by Ms Gloria Valdez, a former member of the Naval Shipbuilding Expert Advisory Panel.
- The assurance activity has concluded and the Government is carefully considering the advice of the report.
- Further questions on Government decisions on LOTE should be directed to Defence.

If asked whether ASC is able to carry out LOTE in addition to its new role as Sovereign Sustainment and Build Partner

ASC – SUBMARINES

- ASC has been selected for these new tasks because of its long and unique history and expertise in Australia’s submarine enterprise.
- ASC is focussed on undertaking LOTE and ongoing platform sustainment to ensure Collins continues to provide a potent strike and deterrence capability as we transition to conventionally armed, nuclear-powered submarines.
- At the same time, ASC is commencing the work to be ready for the Virginia class submarines sustainment and in the longer term, the build of the SSN-AUKUS submarines.
- Defence and ASC are closely managing early Virginia class sustainment workforce growth and skills development to manage risk to the Collins class submarine capability and to ensure synergies between Collins and Virginia sustainment needs are optimised.

If asked whether the Government is still committed to undertaking LOTE for all six Collins class submarines

- The Government’s intention remains to extend the life of all six Collins Class submarines, commencing with HMAS *Farncomb* in mid-2026.
- The Government has made the necessary decisions to provide certainty to industry for the Life-of-Type Extension.
- The detailed plans for the transition from Collins to Nuclear Powered Submarines from the early 2030s will be developed in coming years by Defence and the Australian Submarine Agency.
- Further questions on LOTE should be directed to Defence.

If asked about whether the National Defence Strategy cuts \$1 billion from the Collins class program

- In the 2024 Integrated Investment Program, the Government committed \$4-5 billion over the next decade to the Collins Class submarine program, including the Life-of-Type Extension project, upgrades to the Collins Class sonar suite and cooperative capability assurance programs with the United States. The Government will also continue to invest in ongoing sustainment throughout the Class’ extended service life.
- Further questions on Collins class program funding and the National Defence Strategy should be directed to Defence.

Industrial Relations

South Australia

- ASC is negotiating with South Australian employee and union representatives for a new Enterprise Agreement.

ASC – SUBMARINES

- Following several months of bargaining and involvement of the Fair Work Commission, a part of ASC's SA employees commenced Protected Industrial Action on 6 May 2024.
- ASC continues to negotiate with employee representatives in good faith in order to reach an outcome that is affordable and sustainable. ASC advised that ongoing Protected Industrial Action will have no impact on its bargaining position.
- These negotiations have been supported by an independent mediator, Dr Iain Ross AO, and Finance is advised that parties have engaged positively in this process.
- Further questions on the status of negotiations should be directed to ASC.

If asked what impact the ongoing industrial action will have on Collins class submarine availability

- As with all enterprise agreement negotiations, the Government expects ASC and union and employee representatives to conduct these negotiations in good faith.
- ASC is working with Defence, which is ASC's customer, to mitigate the impacts of protected industrial action.
- The Government is interested in minimising the impact of ongoing industrial action and supports ASC actions to resolve the outstanding enterprise bargaining negotiations with its workforce.
- Further detail and information regarding submarine availability should be referred to Defence.

If asked about the pay difference between South Australian and Western Australian ASC employees

- ASC, like all national companies that operate in multiple locations, will transfer workforce knowledge as required to support operational requirements.
- The industrial sector in WA is fundamentally different to South Australia which results in understandably different labour market outcomes. ASC's need for workers with the required skills is subject to this competitive demand.

Western Australia

- ASC's Enterprise Agreement for its WA production workforce expired in August 2024.
- On 3 and 4 October 2024, the AMWU and CEPU applied to the Fair Work Commission for protected action ballot orders.

ASC – SUBMARINES

- On 24 and 25 October 2024, eligible WA employees commenced protected industrial action at Henderson, WA.
- ASC will continue to negotiate with the employees in good faith, consistent with the approach undertaken with the SA employees.
- ASC is working with Defence, which is ASC's customer, to mitigate the impacts of protected industrial action.
- The Government is interested in minimising the impact of ongoing industrial action and supports ASC actions to resolve the outstanding enterprise bargaining negotiations with its workforce.

ASC executive

If asked about ASC's CEO Stuart Whiley's decision to step down and the role of the Shareholder Minister in the appointment of a new CEO

- On 13 September 2024, the Chair of the ASC Board, Mr Bruce Carter AO, has announced that Mr Whiley has decided not to renew his contract.
- The ASC Board, through Mr Carter, has appointed an executive search firm, Korn Ferry, to undertake the recruitment of Mr Whiley's replacement. Finance and Defence as key stakeholders will be consulted as part of the selection process and as a significant appointment under the Cabinet Handbook, the selection will be considered by Government.
- ASC advised that Mr Whiley remains committed to continuing to lead ASC until the company is ready to transition to a new managing director and CEO, at an appropriate time in 2025.
- Further questions on CEO recruitment should be directed to ASC.

If asked about ASC senior executive remuneration and corresponding pay increases in 2023-24

- As ASC is transitioning into a nuclear-capable, multi-platform organisation, ASC has redesigned its operating model and restructured its executive leadership team to a C-suite-model executive committee (ExCo) model.
- The remuneration of ASC's senior executive roles was independently benchmarked against reference market data to ensure that remuneration packages are aligned to market expectations and approved by the ASC Board.
- Further questions on ASC's senior executive remuneration should be directed to ASC.

Background

Collins class LOTE

Program/topic	Key facts
Contractual Arrangements for Collins LOTE	<p><i>If asked about the status of contractual arrangements and value?</i></p> <p>Defence has contracted ASC to provide planning and design scope (system and detailed design) for the Collins LOTE.</p> <p>ASC will continue to complete FCD for Collins in South Australia and, in mid-2026, the life-of-type extension of the first Collins class submarine, HMAS <i>Farncomb</i>, will commence.</p> <ul style="list-style-type: none"> The planned LOTE will extend the operating life of each existing Collins class Submarine by 10 years, preceded by a FCD of nominally two years. Collins LOTE project work will include updates to key equipment on the submarine. <p>Details on the cost and timeframes for the program should be directed to Defence.</p>
LOTE workforce	<p>As at 30 September 2024 ASC's LOTE workforce was 255 FTE.</p> <p>LOTE workforce is measured as FTE, not head count noting that many employees work a fraction of their time on LOTE and are also included in the broader Collins class Submarine Workforce head count.</p>

Detailed statistics on ASC's workforce are provided below as at 30 September 2024

ASC Total Workforce	Headcount
South Australia	s47G
Permanent ¹	
Labour Hire ²	
Casuals ³	
Total - South Australia	
Western Australia	
Permanent	
Labour Hire	
Casuals	
Total – Western Australia	
Overseas	
Total Permanent Workforce	
Total Labour Hire and Casuals	
Total Workforce	

¹ Permanent = direct ASC employment contract, including permanent and part time.

² Labour Hire = employed through a labour hire company such as Workpac, Manpower, Chandler McLeod

³ Casuals = employed via ASC or a labour hire company

Workforce Headcount by Program

Submarine Workforce	
South Australia Permanent	s47G
Western Australia Permanent	
Total Permanent Workforce	
Submarine Labour Hire	
Total Collins Workforce	

OPV Program Workforce	
ASC Pty Ltd Employees ³	s47G
<i>BAE Systems Maritime Australia</i>	
<i>Other (non-ASC)</i>	
Total	

³ For the OPV program, where Leursen Australia are the head contractor, only ASC P/L employees are included in ASC workforce totals reported above. ASC also engages subcontracting companies for certain projects eg. OPV, but this labour is not tracked on a head count basis.

Workforce FTE - LOTE

Life of Type Extension Program Workforce	FTE⁴
Total FTE workforce	255

⁴ LOTE workforce provided by FTE rather than headcount, as many employees work a fraction of their time on LOTE.

ASC Enterprise Agreements as at 30 September 2024:

Agreement	Coverage (approx.)	Expiry	Unions
ASC Pty Ltd Enterprise Agreement 2021	~350 SA Warehouse and Trade employees	26 March 2024 (under negotiation)	AMWU, AWU & ETU
AMWU / ASC Pty Ltd Enterprise Agreement Production Team Leads ASC North 2021	~20 SA Operations Team Lead employees	13 October 2024	AMWU
ASC Pty Ltd (Western Australia) Enterprise Agreement 2021	~250 WA Trade employees	11 August 2024 (under negotiation)	AMWU & ETU
ASC Pty Ltd (Western Australia) Team Leads Enterprise Agreement 2022	~20 WA Team Lead employees	3 July 2026	AMWU & ETU
ASC Pty Ltd (Western Australia) Submarine Safety and Certification Group	~20 WA SCG employees	1 July 2026	AMWU & ETU

ASC – SUBMARINES

Enterprise Agreement 2023 (New)			
ASC Pty Ltd (Western Australia) Trade Planning Enterprise Agreement 2023 (New)	~10 WA Trade Planning employees	22 April 2028	AMWU & ETU

- Australian Manufacturing Workers Union (AMWU)
- Electrical Trade Union (ETU) is the largest of three divisions in the Communications, Electrical and Plumbing Union (CEPU)
- Australian Workers’ Union (AWU)

Supporting information

Questions on Notice

2024-25 Budget Estimates: 29-31 May 2024 (Finance Portfolio)

- In QoN 36, **Delays in Sheean - discussions with Minister**, Senator the Hon. Simon Birmingham asked the Minister about when she was briefed on delays to maintenance of submarines. Answer tabled on 25 July 2024.
- In QoN 45, **Budget for works at Henderson**, Senator the Hon. Linda Reynolds asked Finance about the budget works for Henderson. Answer tabled on 25 July 2024.
- In QoN 69, **Budget for works at Henderson**, Senator the Hon. Linda Reynolds asked Finance about the budget works for Henderson. Answer tabled on 25 July 2024.
- In QoN 82, **Date Farncomb came into Henderson**, Senator the Hon. David Shoebridge asked ASC when HMAS *Farncomb* went into maintenance. Answer tabled on 25 July 2024.
- In QoN 83, **Submarines out of water**, Senator the Hon. Simon Birmingham asked ASC when the last time there were two submarines out for maintenance at Osborne. Answer tabled on 25 July 2024.
- In QoN 84, **Advice to Navy - Delays in Sheean**, Senator the Hon. Simon Birmingham asked ASC when the last time there were two submarines out for maintenance at Osborne. Answer tabled on 25 July 2024.
- In QoN 85, **Contract costs - Delays in Sheean**, Senator the Hon. Simon Birmingham asked ASC what the cost of a Full-Cycle Docking is. Answer tabled on 25 July 2024.
- In QoN 86, **Pay difference - Adelaide and Perth Workers**, Senator the Hon. David Shoebridge asked ASC to provide the average wage differential between workers in Perth and Adelaide across a number of trades and skillsets. Answer tabled on 25 July 2024.
- In QoN 87, **Life of Type Extension - Contracted scope of work**, Senator the Hon. David Shoebridge asked ASC about the cost to conduct the Life of Type Extension work. Answer tabled on 25 July 2024.
- In QoN 88, **Report from US Navy Deputy Assistant**, Senator the Hon. David Shoebridge asked ASC if it had received the report from the US Navy Deputy Assistant Gloria Valdez. Answer tabled on 25 July 2024.
- In QoN 89, **Life of Type Extension - Contracted scope of work budget increase**, Senator the Hon. Simon Birmingham asked ASC why the price for the Life of Type Extension increased from \$498 million to \$526 million. Answer tabled on 25 July 2024.
- In QoN 90, **Final contracting for LOTE program**, Senator the Hon. Simon Birmingham asked ASC when they will achieve final contracting with Defence for the LOTE program. Answer tabled on 25 July 2024.

ASC – SUBMARINES

- In QoN 91, **LOTE costs provided to Defence**, Senator the Hon. Simon Birmingham asked ASC what costs the company has provided to Defence for pricing of LOTE. Answer tabled on 25 July 2024.
- In QoN 92, **Identification of issues with Sheean**, Senator the Hon. Linda Reynolds asked ASC for the docking schedule of the submarines. Answer tabled on 25 July 2024.
- In QoN 93, **Dechaineux intermediate docking**, Senator the Hon. Linda Reynolds asked ASC about the duration of the docking for HMAS *Dechaineux*. Answer tabled on 25 July 2024.
- In QoN 94, **Docking cycle for each boat**, Senator the Hon. Linda Reynolds requested the full schedule for each of the boats from ASC. Answer tabled on 25 July 2024.
- In QoN 95, **Next docking of each boat**, Senator the Hon. David Shoebridge asked ASC when the next submarine was coming in for maintenance. Answer tabled on 25 July 2024.
- In QoN 96, **AUKUS and SSN builds**, Senator the Hon. Linda Reynolds asked ASC about the detail of their contract with BAE. Answer tabled on 25 July 2024.
- In QoN 97, **Virginia Class Submarines**, Senator the Hon. Linda Reynolds asked ASC for details on what tasks ASC will be required to do under the AUKUS agreement. Answer tabled on 25 July 2024.
- In QoN 98, **Workforce workup plan**, Senator the Hon. Linda Reynolds asked ASC for a workforce workup plan for the next two and a half years. Answer tabled on 25 July 2024.
- In QoN 99, **Cost due to industrial action**, Senator the Hon. Jane Hume asked ASC about the cost of delays due to industrial action. Answer tabled on 25 July 2024.
- In QoN 101, **Meetings with Bechtel, HII and Babcock**, Senator the Hon. Linda Reynolds asked if the Minister had met with Bechtel, HII or Babcock. Answer tabled on 25 July 2024.
- In QoN 104, **Submarine Build Partner**, Senator the Hon. Louise Pratt asked ASC about the cost of delays due to industrial action. Answer tabled on 25 July 2024.
- In QoN 112, **ASC - Government relations, Remuneration, Board members, Industry memberships**, Senator the Hon. Jane Hume requested information from the ASC on remuneration for the Board and senior management of ASC. Answer tabled on 25 July 2024.
- In QoN 116, **ASC - Bechtel**, Senator the Hon. Linda Reynolds asked ASC about its involvement in the review of the Henderson Shipyard. Answer tabled on 25 July 2024.

2023-24 Additional Estimates: 12-13 February 2024 (Finance Portfolio)

- In QoN 34, **Early Careers Program Numbers**, Senator the Hon. Louise Pratt requested from ASC the number of apprentices in Western Australia and South Australia. Answer tabled on 4 April 2024.
- In QoN 35, **Enterprise Target**, Senator the Hon. Simon Birmingham requested the enterprise target from ASC. Answer tabled on 4 April 2024.
- In QoN 36, **LOTE implementation**, Senator Birmingham asked ASC about the timeframe in which Defence is required to respond to ASC on detailed design review documentation. Answer tabled on 4 April 2024.
- In QoN 37, **SAAB Kockums**, Senator the Hon. Jane Hume asked ASC for the value of the work awarded to Saab and the tasks and contracts involved. Answer tabled on 4 April 2024.

ASC – SUBMARINES

- In QoN 38, **LOTE Budget – Saab Kockums**, Senator Hume asked ASC what was the percentage of the overall LOTE budget that has gone to Saab Kockums. Answer tabled on 4 April 2024.
- In QoN 39, **Net Assets – ASC Shipbuilding**, Senator the Hon. David Shoebridge asked the Department of Finance for the value of ASC Shipbuilding's net asset position at time of transfer. Answer tabled on 4 April 2024.
- In QoN 40, **Funding – ASC Shipbuilding**, Senator Shoebridge asked the Department of Finance if any internal funding from ASC to ASC Shipbuilding occurred, or if any external funding was provided from the Commonwealth to ASC Shipbuilding in 2016, 2017, or 2018. Answer tabled on 4 April 2024.
- In QoN 41, **ASC Payment – OPV Program**, Senator Shoebridge asked ASC how much it was paid for the OPV program to date. Answer tabled on 4 April 2024.
- In QoN 42, **Application to Remuneration Tribunal**, Senator Shoebridge asked the Department of Finance for the correspondence between the ASC Chair and the Remuneration Tribunal on executive remuneration. Answer tabled on 4 April 2024.
- In QoN 43, **Corporate Salaries**, Senator Shoebridge asked the Department of Finance if Mr Whiley was the highest paid corporate person or entity in all of South Australia. Answer tabled on 4 April 2024.
- In QoN 44, **Movement of Former Naval Group Staff**, Senator Shoebridge requested details from ASC on former Naval Group staff, specifically the commencement date of the last member. Answer tabled on 4 April 2024.
- In QoN 45, **Funding – Sovereign Shipbuilding Talent Pool**, Senator Shoebridge requested details from ASC on how much funding ASC was receiving for the program, how many workers were receiving funding, and how many workers have permanent allocations of work. Answer tabled on 4 April 2024.
- In QoN 46, **Income – LOTE**, Senator Shoebridge asked ASC what the income this year from Defence for LOTE was. Answer tabled on 4 April 2024.
- In QoN 47, **Global LOTE Examples**, Senator Shoebridge asked ASC for any comparable global examples to ASC's proposal for the Collins class. Answer tabled on 4 April 2024.
- In QoN 48, **Cannibalisation of materials**, Senator Hume asked ASC if there had been any instances of cannibalisation from 14 June 2023 onwards. Answer tabled on 4 April 2024.
- In QoN 49, **Enterprise Bargaining Agreements**, Senator Hume asked ASC how many employees were covered under the ASC Pty Ltd Enterprise Agreement 2021. Answer tabled on 4 April 2024.
- In QoN 50, **Different Enterprise Bargaining Agreements**, Senator Hume asked ASC for details on all EBAs specifically, their expiry dates and the number of employees covered by each. Answer tabled on 4 April 2024.
- In QoN 124, **Remuneration, Boards and GBEs**, Senator Hume requested information from the Department of Finance on remuneration for the Board and senior management of ASC. Answer tabled on 4 April 2024.

Freedom of Information (FOI) Requests

- Nil

Recent Ministerial Comments

- Media release: [Further boost to Australia's nuclear-powered submarine workforce | Defence Ministers](#) (2 September 2024):

ASC – SUBMARINES

Quotes attributable to Deputy Prime Minister Richard Marles:

“Today’s announcement is another important step in growing the workforce to be equipped with the skills and training we need to acquire Australia’s nuclear-powered submarines.

Quotes attributable to Minister for Defence Industry and Capability Delivery Pat Conroy:

“This is a further boost to the development of ASC’s sustainment workforce and follows the first cohort of workers departing for training at Pearl Harbour Naval Shipyard in July.

“Australian industry is integral not only to Australia’s nuclear-powered submarine program, but also to supporting the future building, sustainment and maintenance of the submarines of our AUKUS partners.

- Media release: [Albanese Government investment in Collins class submarines sustainment to support more than 1600 jobs | Defence Ministers](#) (27 July 2024)

Quotes attributable to Minister for Defence Industry, Pat Conroy:

“The Albanese Government is investing in Australian industry to maintain our sovereign capability in sustaining one of the most capable conventionally-powered submarines in the world.

“This is a vote in confidence in the more than 1,600 highly skilled workers across South Australia and Western Australia who have been instrumental in maintaining this critical capability.

“This new contract further ensures these workers have certainty in Australia’s national naval shipbuilding and sustainment enterprise, and helps to grow the workforce required to build and sustain Australia’s future nuclear-powered submarines.”

Quotes attributable to Minister for Finance, Katy Gallagher:

“ASC is Australia’s sovereign submarine sustainment partner and platform system integrator with experience in submarine build, testing, commissioning and certification, including physical integration of US combat systems.

“Using its unrivalled knowledge of Australian submarine operating conditions, with an existing workforce and supply chain and leading-edge technology with ongoing research and development, ASC will deliver safe, high-quality sustainment services to the Royal Australian Navy.”

- Media release: [First group of Australian submarine workers depart for Pearl Harbor AUKUS training | Defence Ministers](#) (22 June 2024):

Quotes attributable to Deputy Prime Minister, the Hon Richard Marles MP:

“This is another exciting step when it comes to developing the workforce we need for the AUKUS program which presents a once-in-a-lifetime opportunity for

ASC – SUBMARINES

Australians to take advantage of unique and exciting education, training and career development programs, both here and overseas.

"These highly skilled workers already have decades of combined submarine experience having sustained our Collins class submarines and now have the opportunity to be upskilled by our US counterparts in sustaining nuclear-powered submarines.

- Defence Media Release: [AUKUS Defence Ministers' Joint Statement](#). 9 April 2024:

"AUKUS partners note the significant milestone for trilateral submarine cooperation provided by the important industry announcements of March 22, 2024, including Australia's selection of ASC Pty Ltd and BAE Systems to build its SSN-AUKUS submarines, and its selection of ASC as Australia's nuclear-powered submarine sustainment partner".

- Defence Media Release: [AUKUS build and sustainment partners announced](#), 22 March 2024:

"The Government has selected ASC Pty Ltd and BAE Systems to build Australia's SSN-AUKUS submarines. These world-leading companies will work closely together to establish the foundations of the complex project and will initially form a collaborative arrangement, which will lead to the establishment of a long-term incorporated Joint Venture within Australia".

Relevant Media Reporting

- [US, Australia complete Pillar 1 AUKUS submarine maintenance milestone \(janes.com\)](#) 25 September 2024
- [On third anniversary of AUKUS, leaders laud progress but much remains to be done | PS News](#) 24 September 2024
- [U.S., Partners Mark Third Year of AUKUS Partnership > U.S. Department of Defense > Defense Department News](#) 17 September 2024
- <https://www.defenceconnect.com.au/industry/14746-managing-director-stuart-whiley-to-step-down-from-asc-leadership/> (13 September 2024)
- [ASC MD and CEO to retire - Australian Defence Magazine](#)
- [Arrival of USS Hawaii \(SSN 776\) for first AUKUS Nuclear-Powered Submarine Maintenance Activity in Australia | Defence](#) (22 August 2024)
- <https://www.themandarin.com.au/246983-union-launches-torpedos-against-australian-submarine-corporation-chief/> (24 May 2024)
- <https://www.afr.com/politics/federal/fwc-government-face-pressure-to-step-in-over-submarines-pay-stoush-20240506-p5fp74> (6 May 2024)
- [Ongoing protected industrial action - ASC](#) (7 August 2024)
- [ASC response to protected industrial action by AMWU and ETU - ASC](#) (21 June 2024)
- [ASC response to AMWU regarding industrial action - ASC](#) (23 May 2024)
- [Industrial action at ASC, Osborne SA - ASC](#) (6 May 2024)

ASC – SUBMARINES

Date sent to MO: 28/10/2024
Cleared by (SES): Sacha De Re
Telephone No: (02) 6215 2643
Division/Branch: Commercial Group / Commercial Investments Division / Defence Investments
Branch
Contact Officer: s22
Telephone No: [REDACTED]
Consultation: ASC, Department of Defence, Australian Submarine Agency
PDR Number: SB24-000161

Additional Information Factsheet

FACT SHEET

Remuneration for ASC Managing Director/Chief Executive Officer

The Remuneration Tribunal agreed the Total Remuneration Reference Rate for the office of Managing Director and Chief Executive Officer of ASC Pty Ltd be increased from 31 October 2022.

OVERVIEW:

- 8 September 2022 – The ASC Chair requested that the Remuneration Tribunal (Tribunal) review the Total Remuneration Reference Rate (the Reference Rate) for the office of Managing Director and Chief Executive Officer (MD/CEO) of ASC Pty Ltd (ASC). Submissions relate to a position rather than an individual.
- 22 December 2022 – The Tribunal agreed the Reference Rate for MD/CEO be increased to \$812,308 per annum, with the performance pay component increased to 30 per cent, totalling a maximum achievable remuneration of \$1,108,800. This took effect from 31 October 2022.
- The Tribunal considered the functions and responsibilities of the office, the evolution of the role and government announcements increasing the scope and technical complexity of the role, and the Reference Rate compared to similar positions in other relevant organisations.

OTHER KEY POINTS:

- The Remuneration Tribunal is an independent statutory body with authority over the remuneration of key commonwealth offices, including the principal executive offices of Government Business Enterprises such as ASC.
- The Finance Minister's office sent a letter supporting that the Tribunal consider the request, which was received by the Tribunal on 24 September 2022.

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- Consistent with the APSC's Performance Bonus Guidance for Commonwealth entities and companies, released on 13 August 2021, ASC is expected to act in line with community expectations and exercise rigour and restraint in the use of performance bonus payments.

- Performance bonuses are not used to increase remuneration packages and are genuinely at risk. These are rewarded for high levels of performance and achievements greater than the inherent expectations of the position.
- ASC operates in a commercial market, where the use of performance bonuses is appropriate.

CEO/MD REMUNERATION COMPARISON[^]

\$	2020-21	2021-22	2022-23	2022-23 ¹	2023-24
Base Salary	659,980	650,083	806,301	892,718	949,111
Short Term Incentive	133,000	133,367	230,289	230,289	252,809
Other Benefits and Allowance	-	-	-	-	-
Superannuation Contributions	27,500	27,500	27,500	27,500	27,500
Long Service Leave (accrual)	16,000	15,983	20,635	89,241	38,189
Other Long Term Benefits	-	-	-	-	-
Termination Benefits	-	-	-	-	-
Total Remuneration	833,980	826,933	1,084,725	1,239,748	1,267,609

[^]Sourced from ASC Annual Reports – Executive Remuneration Reporting Table.

¹ This column represents a revised reporting method, made by ASC in the 2023-24 Annual Report which highlights that in 2022-23 Mr Whiley’s base salary increased. The increase in Base Salary was a result of an increase in Mr Whiley’s underlying rate per hour, which resulted in an increase in the value of his historical annual leave balance (which is included in Base Salary). This also led to an increase in long service leave calculations.

How much has Mr Whiley’s total potential remuneration increased since FY22/23?

- \$1,239,748 (FY22/23 Annual Report 2024) to \$1,267,609 (FY23/24 Annual Report 2024)
 - $(1,267,609 - 1,239,748) / (1,239,748) \times 100 = 2.2\%$

How much has Mr Whiley’s total potential remuneration increased since FY21/22?

- \$826,933 (FY21/22 Annual Report 2022) to \$1,267,609 (FY23/24 Annual Report 2024)
 - $(1,267,609 - 826,933) / (826,933) \times 100 = 53.3\%$

Why has Mr Whiley’s total potential remuneration increased 53% in two years?

- Mr Whiley’s remuneration package is independently determined by the Remuneration Tribunal, an independent authority established under the *Remuneration Tribunal Act 1973*.

RELEVANT QONS:

- In Additional Estimates 2023-24 QoN 42, Application to Remuneration Tribunal, Senator the Hon. David Shoebridge requested Finance table the correspondence from ASC to the Finance Ministers Office, requesting a referral to the Remuneration Tribunal.

Finance responded:

“The Remuneration Tribunal is the independent statutory body that handles the remuneration of key commonwealth offices, and all determinations are made independently of Government. Submissions made to the Remuneration Tribunal contain confidential information and further inquiries about the documentation and the considerations of the Tribunal are best directed to it.”

- In Additional Estimates 2023-24 QoN 43, Corporate salaries, Senator the Hon. David Shoebridge asked if ASC CEO Mr Stuart Whiley is the highest paid corporate person—entity—in all of South Australia.

Finance responded:

“Department of Finance does not hold information regarding the remuneration of corporate persons or entities in South Australia in order to confirm the question raised.

Mr Whiley’s remuneration package is independently determined by the Commonwealth’s Remuneration Tribunal, an independent authority established under the Remuneration Tribunal Act 1973.”

Cleared by: Richard Windeyer, Deputy Secretary
Last Updated: 29 October 2024

Additional Information Factsheet

FACT SHEET

ASC Enterprise Bargaining Agreement – update

Unions and employee representatives representing some of the South Australian employees and ASC are negotiating a new Enterprise Bargaining Agreement, supported by an independent mediator, Dr Iain Ross AO.

OVERVIEW:

- On 6 May 2024 after several months of bargaining including the involvement of the Fair Work Commission some of ASC's SA employees commenced Protected Industrial Action.
- After employees rejected several ASC offers and weeks of protected industrial action, Dr Iain Ross AO commenced as independent mediator on Wednesday 25 September 2024.
- Both ASC and workforce representatives support Dr Ross' mediation.

If asked who identified Dr Iain Ross AO was mediating the negotiations

- The Government is interested in minimising the impact of ongoing industrial action and supports ASC actions to resolve the outstanding enterprise bargaining negotiations with the workforce in South Australia.
- Dr Ross is a highly respected former President of the Fair Work Commission, with extensive experience in industrial relations matters and his expertise were sought to support productive discussions between parties.

If asked how Dr Ross was engaged and how much he was paid

- The Government recognised Dr Ross' longstanding expertise in complex industrial relations matters, particularly in his previous role as the President of the Fair Work Commission.
- Mediation is the natural next step in protracted negotiations to assist parties to resolve outstanding matters.
- Dr Ross offered his services to undertake a day of mediation. ASC handled expenses associated with organising the day and Dr Ross' travel.

Cleared by: David Webster, First Assistant Secretary

Last Updated: 11 October 2024



ASC Pty Ltd

Overview

ASC Pty Ltd (ASC) was established in 1985 to build and maintain ships and submarines solely for the Royal Australian Navy (RAN). In 2000, ASC became a fully Government owned company. ASC sustains the six Collins class submarines for the RAN. ASC also provides support to Luerssen Australia for the hull construction of the RAN's first two Offshore Patrol Vessels being built at the Osborne Naval Shipyard in South Australia. In March 2024, the Government announced ASC and BAE Systems will jointly build Australia's SSN-AUKUS. ASC will also sustain Australia's nuclear-powered submarines, commencing with the Virginia class (VCS), followed by the SSN-AUKUS.

Company information

ASC's facilities in SA utilise the Government owned infrastructure leased from Australian Naval Infrastructure. Two-year Full Cycle Docking maintenance activities for the Collins class submarines are undertaken at ASC North, located at Osborne. ASC's WA facilities at Henderson are located on land owned by the WA and Australian Government and used for shorter maintenance dockings, in-service support of the Collins class submarines fleet, SSN and submariner training.

Key strategic issues

- Life of Type Extension program Maintaining availability and capability of Collins as the fleet ages, through the successful planning and delivery of the program.
- Nuclear-Powered Submarine program Building capability to sustain Australia's future VCS and build SSN-AUKUS with BAE.
- Develop submarine capability and workforce to support Australia's multi-platform submarine fleet.
- Maintaining strong relationships with key partners including the RAN, Defence, ASA, BAE and other US and UK entities.

Key risks

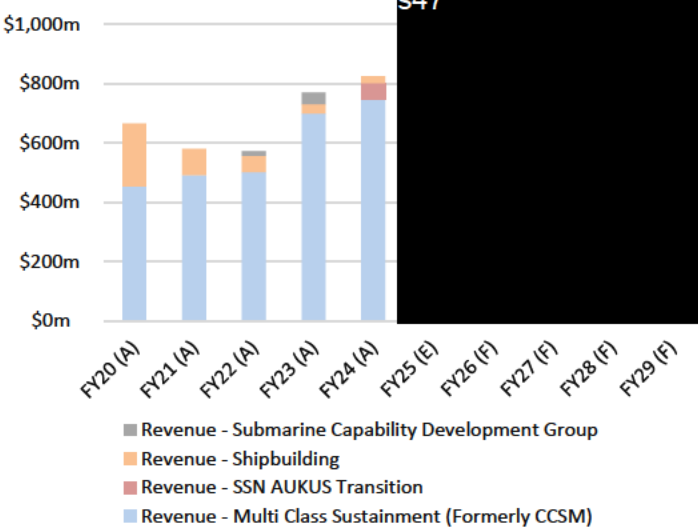
s47

Coverage of ASC services

As at 30 September 2024, ASC employed approximately 2,200 permanent staff. Over 1,500 permanent staff operate out of SA, working on Collins sustainment (Full Cycle Dockings) and supporting the OPV build. In WA, ASC employs just under 700 permanent staff, working on Collins sustainment (Mid Cycle Dockings and other minor works).



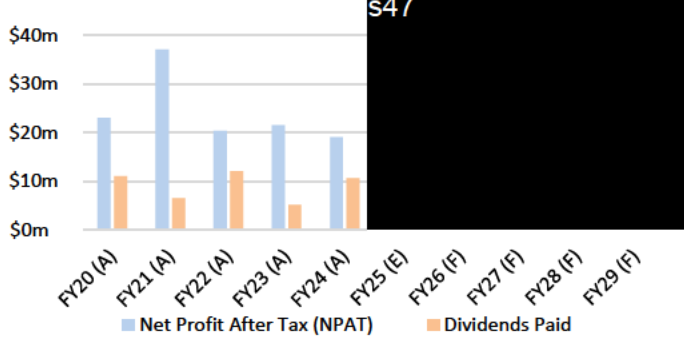
Revenue breakdown (\$m)



In late 2018, ASC Shipbuilding was transferred to BAE Systems Australia. In 2024 ASC shifted to a new Organisation Delivery Model. This refocused Submarine Capability Development Group (SCDG) on Nuclear Submarine Build Pathway and the Collins Business Stream on Multi Class Sustainment.

Source: FY1 (A) – FY24 (A) – Annual Reports / FY25 (E) – FY29 (F) – Corporate Plan

Net profit after tax and dividends paid (\$m)

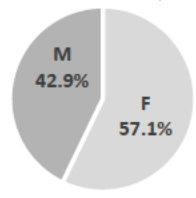


Source: FY19 (A) – FY24 (A) – Annual Reports / FY25 (E) – FY28 (F) – Corporate Plan

ASC board

Board composition – Max: 9, Quorum: 3

Name	State	Gender	Commencement	End Date	Terms
Mr Bruce Carter (Chair)	SA	Male	01/01/2010 (NED) 01/10/2012 (Chair)	31/12/2025	6
Mr Stuart Whiley (CEO & MD)	SA	Male	12/02/2018	31/12/2025	3
Mr Geoffrey Rohrsheim (Deputy Chair)	SA	Male	15/03/2019 (NED) 18/03/2022 (Deputy Chair)	14/03/2025	2
Dr Rosalind Dubs	NSW	Female	01/05/2013	31/12/2024	4
Ms Loretta Reynolds	SA	Female	09/02/2016	08/02/2025	3
Dr Janis Cocking	VIC	Female	24/01/2023	23/01/2026	1
Ms Alice Williams	VIC	Female	18/04/2023	17/04/2026	1
Vacant					
Vacant					



The ASC board meets the gender diversity target.

ASC PTY LTD (ASC) PROFILE

OVERVIEW:

Portfolio	Finance
Chair	Mr Bruce Carter AO
CEO/MD	Mr Stuart Whiley
GBE type	Commonwealth Company/Public Non-Financial Corporation

Financial Summary[^]:

(\$m)	Annual Results				
	2019-20	2020-21	2021-22	2022-23	2023-24
Total Revenue	674.1 ¹	588.0 ³	575.2 ⁵	761.9 ⁷	835.6 ⁹
Total Expenditure	643.6 ²	536.2 ⁴	546.6 ⁶	736.6 ⁸	815.6 ¹⁰
Net Profit After Tax	22.6 ¹	36.7 ³	20.3 ⁵	21.5 ⁷	19.0 ¹⁰
Net Assets	146.3 ¹	176.7 ³	185.1 ⁵	201.3 ⁷	209.5 ¹¹
Return on Equity (%)	15.4 ¹	20.8 ³	11.0 ⁵	10.7 ⁷	9.1 ⁹

[^] 'Interest Income' not included in revenue or expenditure (2022-23: \$5.9m, 2023-24: \$7.9m).

- | | | |
|-----------------------------------|-------------------------|-------------------------|
| 1. Annual Report 2019-20, page 3. | 5. AR 2021-22, page 6. | 9. AR 2023-24, page 59 |
| 2. AR 2019-20, page 44. | 6. AR 2021-22, page 54. | 10. AR 2023-24, page 71 |
| 3. AR 2020-21, page 6. | 7. AR 2022-23, page 6. | 11. AR 2023-24, page 72 |
| 4. AR 2020-21, page 50. | 8. AR 2022-23, page 52. | |

Historical Equity and Dividends Paid:

(\$m)	2019-20	2020-21	2021-22	2022-23	2023-24
Equity Injections	11.0 ²	11.0 ³	11.0 ⁴	0.0	0.0
Dividend Declared¹	Not published	Not published	Not published	Not published	Not published
Dividends Paid	10.6 ²	6.5 ³	12.2 ⁴	5.1 ⁵	10.6 ⁶

- ASC publicly reports on 'Final' Dividend declared only – not the full year dividend.
- AR 2019-20, page 47.
5. AR 2020-21, page 54.
6. AR 2021-22, page 58.
- AR 2022-23, page 55.
- AR 2023-24, page 59

Equity Commitments:

- \$65 million total equity:
 - \$10 million historical and \$55 million in 2017-18 Budget.
 - 2017-18 Budget – \$55.0 million of staged equity over five years to 2021-22 to strengthen ASC's balance sheet following the transfer of assets from ASC to ANI.

ASC's Roles:

- ASC has been selected as the Australian Government's Sovereign Submarine Partner to sustain and jointly build the nation's nuclear-powered submarines. This includes:
 - supporting the rotational presence of US and UK nuclear-powered submarines
 - sustaining the nation's nuclear-powered submarines in Australia, including support to visiting US and UK submarines (as required), Australia's sovereign Virginia Class submarines, and Australia's SSN-AUKUS submarines
 - constructing the SSN-AUKUS submarines through an incorporated joint venture with BAE Systems.
- Built and now sustains the Collins class submarine fleet for the Royal Australian Navy (RAN).
- Tasked to design and implement the Life-of-Type-Extension (LOTE) program to extend the service life of the Collins class well into the 2040s.
 - LOTE also requires and promotes continuity of Australia's specialist submarine industrial base.
- Supports Luerksen Australia for the hull construction of the RAN's first two Offshore Patrol Vessels being built in Osborne, South Australia.
- Through its subsidiary at the time, ASC Shipbuilding, built the three Hobart Class Air Warfare Destroyers currently in service for the RAN.

Board of Directors:

	NAME	BOARD POSITION	COMMENCED ON BOARD	TERM ENDS
1	Bruce Carter AO	Chair	01/10/2012 [#]	31/12/2025
2	Geoffrey Rohrsheim	Deputy Chair	18/03/2022 [^]	14/03/2025
3	Stuart Whiley	CEO/ Managing Director	12/02/2018	31/12/2025
4	Loretta Reynolds	Non-Executive Director	09/02/2016	08/02/2025
5	Dr Rosalind Dubs	Non-Executive Director	01/05/2013	31/12/2024
6	Dr Janis Cocking PSM, FTSE	Non-Executive Director	24/01/2023	23/01/2026
7	Alice Williams	Non-Executive Director	18/04/2023	17/04/2026
8	VACANT	Non-Executive Director	-	-
9	VACANT	Non-Executive Director	-	-

[#] Appointed NED 01/01/2010 and appointed Chair on 01/10/2012.

[^] Appointed NED 15/03/2019 and appointed Deputy Chair 18/03/2022

Board Remuneration:

Chair	\$183,930 per annum (+ Tier One Travelling Allowance)
Deputy Chair	\$137,950 per annum (+ Tier One Travelling Allowance)
Directors	\$85,870 per annum (+ Tier One Travelling Allowance)
Additional Committee Remuneration	<p>A member (other than the Chair or Deputy Chair) who is also appointed to an Audit Committee is entitled to additional fees as follows:</p> <p>(a) For the Chair - \$18,070 per year</p> <p>(b) For a member - \$9,040 per year</p> <p>A member (other than the Chair or Deputy Chair) who is also appointed to the Business Assurance and Security Committee is entitled to additional fees as follows:</p> <p>(a) For the Chair - \$17,350 per year</p> <p>(b) For a member - \$8,690 per year</p>

In accordance with the *Remuneration Tribunal (Remuneration and Allowances for Holders of Part-time Public Office) Determination 2024 Compilation No. 1* (date of effect 25 August 2024).

Board Gender Balance:

NUMBER OF DIRECTORS	MALE (#)	FEMALE (#)	Male to Female (%)
7	3	4	43 / 57

Does meet the gender diversity target. There are two vacancies on the Board.

2023-24 Annual Report tabling:

Tabled 29 October 2024.

Statement of Corporate Intent (SCI) publication:

Published on website by 31 August 2024.

Ministerial Statement of Expectations:

Published July 2024.

Executive Remuneration:

The table below notes 2023-24 senior executive remuneration, as disclosed in the 2023-24 Annual Report (p. 57).

Total remuneration paid to Executives in 2023-24 of \$4,383,500 increase of 33.6% from 2022-23 (\$3,282,267). Increase due to the restructure of ASC's executive leadership team to a C-suite-model executive committee (ExCo).

Remuneration Tribunal has Chief Executive Officer and Managing Director as **Band E** classification under the Principal Executive Office determination.

Name	Position title	Short-term benefits (\$)			Post-employment benefits (\$)	Other long-term benefits (\$)		Termination benefits (\$)	Total remuneration (\$)
		Base salary ¹	Short Term Incentive	Other benefits and allowance	Superannuation contributions ²	Long service leave ³	Other long-term benefits		
Current Senior Executives									
S Whiley	Managing Director and CEO	949,111	252,809	-	27,500	38,189	-	-	1,267,609
P Gay	Chief Operating Officer – MCS	574,841	91,123	-	27,500	49,786	91,531	-	834,781
C Hamilton	Chief Operating Officer-SSN-AUKUS Transition	508,246	89,020	-	27,500	45,176	89,420	-	759,362
A Menadue	Chief Financial and Commercial Officer	603,100	103,193	-	27,500	52,811	103,655	-	890,259
J. Horne	Chief People and Workforce Development Officer	134,885	25,273	7,260	6,913	3,530	25,386	-	203,247
R. Livesey	Chief Strategy and Transformation Officer	131,410	22,392	-	6,913	3,407	22,492	-	186,614
A. Walsh	Chief Nuclear and Capability Officer	161,923	29,506	-	16,630	3,931	29,638	-	241,628
Total	2023-24	3,063,516	613,316	7,260	140,456	196,830	362,122	-	4,383,500
	2022-23	2,289,186	481,495	-	110,000	149,248	252,338	-	3,282,267

1. Annual leave is required to be presented as a component of base salary. The amounts disclosed for annual leave are determined in accordance with AASB standard AASB 119. Employee Benefits and reflect the movement in individuals' annual-leave-provision balances. The comparative 2022-23 disclosure of annual leave within base salary has been updated from \$107,305 to \$254,642, to align with the current-year presentation and provide greater transparency.
2. ASC's policy is to pay superannuation guarantee on all applicable ordinary-time earnings (e.g. salary, at-risk components, allowances) based on the superannuation guarantee rate at the time of payment. Where the superannuation concessional cap (2023-24: \$27,500) would be exceeded, senior executives may request that the superannuation be converted to a cash payment. Where this has occurred, the amount converted to cash payment is included in base salary.

3. The amounts disclosed for long-service leave are determined in accordance with AASB 119 Employee Benefits and reflect the movement in individuals' long-service leave balances. The comparative 2022-23 disclosure of long-service leave has been updated from \$52,366 to \$149,248, to align with the current-year presentation and provide greater transparency.

Cleared by: Sacha De Re, Assistant Secretary, Defence Investments Branch
Last Updated: 27 October 2024

Valuation of Finance Portfolio Entities

This factsheet includes extracts from the Department of Finance's Annual Report for 2022-23 and Annual Report for 2023-24 pertaining to the valuation of Finance portfolio entities: ASC, ANI and s22

2022-23 Annual Report ([page 166](#))

Notes to and forming part of the financial statements

D. Operating Resources

D3.2 Fair value information by financial asset class

The following table sets out the fair value, valuation techniques and inputs used for Administered financial instruments. The techniques used to value financial instruments have not changed during the year.

Financial instruments have been valued using inputs under the following fair value hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that Finance can access at measurement date
- Level 2: observable inputs that are derived from prices in active markets
- Level 3: inputs that are not observable and involve significant judgement.

	Level	Inputs used	Valuation technique	30 June 2023 \$'000	30 June 2022 \$'000
Financial assets					
State and territory government loans	2	N/A	Income approach	128,209	144,107
Investments in CECs	3	NET	Cost approach	1,596,781	1,501,140
Investments in CECs	3	WACC	Income approach	403,458	387,818

2023-24 Annual Report ([page 163](#))

Notes to and forming part of the financial statements

D. Operating Resources

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- Level 3: inputs that are not observable and involve significant judgement.

	Level	Inputs used	Valuation technique	30 June 2024 \$'000	30 June 2023 \$'000
Financial assets					
Investments in entities and companies	3	NET	Cost approach	1,774,182	1,596,781
Investments in entities and companies	3	WACC	Income approach	746,759	403,458

s22

- **Australian Naval Infrastructure Pty Ltd (ANI)** is a Commonwealth Company that is prescribed as a GBE. ANI's primary objective is to support the Commonwealth's continuous naval shipbuilding program through acquiring, holding, managing and developing critical infrastructure and related facilities used in connection with this program. ANI redeveloped the Osborne South Shipyard, and established access arrangements with naval shipbuilding prime contractors as infrastructure was completed. ANI will support the nuclear-powered submarine program through the development of infrastructure and facilities in Osborne. The value of ANI has been measured using net assets reported in its financial statements. A change in the net assets would result in an equal change in reported fair value.
- **ASC Pty Ltd (ASC)** is a Commonwealth Company that is prescribed as a GBE. The Government has selected ASC and BAE Systems to build Australia's SSN-AUKUS. ASC and BAE Systems will initially form a collaborative arrangement, which will lead to the establishment of a long-term incorporated Joint Venture within Australia to deliver Australia's SSN-AUKUS submarines. The Government has also selected ASC for the sustainment of nuclear-powered submarines, commencing with the Virginia class and followed by the SSN-AUKUS. ASC continues to sustain and is responsible for the ongoing sustainment and Life of Type Extension of the Collins Class submarine fleet and provides submariner-training services to the Royal Australian Navy. ASC is also sub-contracted to provide services to Luerksen Australia to build the first two Arafura Class Offshore Patrol Vessels. ASC manages the Sovereign Shipbuilding Talent Pool, which is re-deploying the existing shipbuilding workforce throughout current and new shipbuilding programs, while building the nuclear-powered submarine skills to support the nuclear-powered submarine program. The value of ASC has been measured using the estimated future cash flows of the company sourced from the 2024-29 Corporate Plan, discounted using a weighted average cost of capital (WACC). The WACC is calculated using inputs derived from either professional judgement or observable historical market data of comparable entities.

- **ASC Shipbuilding Sovereign Share and ASC Shipbuilding Call Option:** In December 2018, ASC Shipbuilding (which was a wholly owned subsidiary of ASC) was transferred by the Commonwealth to BAE Systems Australia Limited (BAE Systems) to support delivery of the Hunter Class Frigate program and develop sovereign naval shipbuilding capability that will be capable of independently designing, developing and leading the construction of complex, large naval warships. The Commonwealth retains a sovereign share in ASC Shipbuilding that provides a number of protective rights, whilst ensuring that BAE Systems is fully responsible and accountable for the delivery of the frigates. The Commonwealth also has a call option to re-purchase the ordinary shares in ASC Shipbuilding from BAE Systems at the end of the contract for a nominal amount. Together, the sovereign share and call option ensure the retention in Australia of intellectual property, a highly skilled workforce and the associated equipment at the end of the program. For accounting purposes, the sovereign share and call option are recognised at nil fair value.

Cleared by: Sacha De Re, Assistant Secretary Defence Investments Branch

Last Updated: 27 October 2024