Less than the sum of our parts?

Gregor Ferguson | Sydney

This year’s defence budget is instructive: it highlights the huge difference between the Defence and Industry views of the business environment in which they cohabit. Those differences ensure Australia’s defence community adds up all too often to less than the sum of its parts.

There’s no doubt the Government is under financial stress; returning unspent capital acquisition funds to ease the pressure is an understandable step. But arguing the money hasn’t been spent because industry isn’t delivering is a gross oversimplification which has annoyed industry and triggered some quiet finger-pointing on both sides of the Defence-Industry divide.

Defence’s stop-start, project-based acquisition cycle institutionalises inefficiencies which prevent the domestic industry from maintaining individual and corporate skills. These need to be created each time a company ramps up for a new project and while this ramp-up is occurring there’s huge potential for delays, errors and technical difficulties.

This is an underlying structural factor behind the news late last month that construction difficulties with hull blocks for the Navy’s Air Warfare Destroyers had resulted in a 12-month project delay and a major re-shuffle of the block construction program.

It’s a sad irony that while everybody had been worrying about the development and integration of the AWD’s combat system, the project’s first major stumbling block should turn out to be the relatively low technology platform construction program.

The yard at the centre of this issue, Williamstown, has built no less than 12 frigates and two Offshore Patrol Vessels over the past 20 years. The frigates, in particular, were among the best-made of their classes in the world. The AWD is a proven, modern design that is already in service with a parent navy and built in a well-understood way. What’s gone wrong?

A key issue is the loss of critical technical and supervisory skills at Williamstown following the completion of the Anzac and RNZFP rotator projects. The workforce has had to be reconstituted, and is still creeping up the learning curve – and we’ll probably see this same cycle repeat itself once the current AWD and LHD programs are completed.

Furthermore, neither Navantia nor the AWD Alliance members have recent experience in technology transfer; a set of drawings doesn’t convey the subtle expertise and ‘know-how’ built up by well-practised experts in their trade.

The skills, experience and domain knowledge required to deliver successful defence projects are broad and deep - Defence and Industry can only ‘learn by doing’, but seem likely to get fewer chances in the medium-term future.

As Mark Thomson points out in this edition, the flow of First Pass approvals has slowed to a trickle: this is an internal defence issue which can’t be blamed on industry. The rate of project approvals is a worrying indicator of a reduced capital acquisition workload for Australia’s defence industry and the foreign prime contractors in future.

All that said, it’s been ADM’s very great pleasure in the past to acknowledge and praise the work of people who deliver complex, often very risky, defence projects successfully. The Huanclass minehunter project stands out, as does the Anzac frigate as both were delivered on schedule and on budget with the platforms and equipment working as the customer hoped.

We’ve just seen another illustration of this on Project Sea 1448 Ph.2B – the Anzac frigate Anti-Ship Missile Defence (ASMD) project.

On 8 May the project passed its most important milestone when an ESSM was launched successfully from the upgraded HMSAS Perth at an air target over Jervis Bay. The ship has been fitted out with an upgraded combat system supplied by Saab Systems in Adelaide and the new CEAFAR and CEA MOUNT radars designed and built in Canberra by CEA Technologies. These were installed atop a new main mast designed and built by BAE Systems, and the project was run by the DMO.

Project Sea 1448 Ph.2B appears a model of how to construct and manage a complex, high-risk developmental project. It emerges against the recent run of play, first because it was developmentally and highly risky, which something Defence has tended to avoid; and secondly, the DMO adopted a project strategy which managed and mitigated risk at each step and ensured that realistic capability, performance and schedule goals were set, and met.

Why is this project so important? Notwithstanding the difficulties on the MOTS Air Warfare Destroyer program, in ADM’s opinion the Anzac ASMD proves it is reasonable to contemplate developmental projects based on Australian-created technology and IP; that a world-leading product can be created at an affordable and reasonable cost and with within a realistic and achievable schedule.

ADM is delighted to be able to offer its sincere congratulations to the Defence, DMO and industry people who have made the Anzac ASMD happen - Well Done.

(ADM Editor Katherine Ziesing is currently on maternity leave.)