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Checks and balances on submarines thrown overboard



HENRY ERGAS THE AUSTRALIAN 12:00AM October 6, 2017

Illustration: Eric Lobbecke

Faced with legitimate questions about the future submarine program, Christopher Pyne's approach has been to mimic the great name-calling scene in *Waiting for Godot*: "Ceremonious ape!", "Punctilious pig!", "Moron!", "Vermin!", "Sewer-rat!", "Curate!", "Cretin!" — culminating in Estragon's most devastating of insults to Vladimir: "Crritic!".

But with a vital component of the nation's security and more than \$50 billion of taxpayers' money at stake, the important issues raised in Insight Economics' careful and comprehensive report on the submarine program deserve better.

To say that is not to give the report a big tick. What is hard to dispute, however, is its contention that the decision-making process for the replacement of the Collins submarine has ignored the checks and balances that were introduced into defence procurement after the initial Collins fiasco.

Cumbersome as they no doubt are, those safeguards help protect the public interest in a situation whose inherent features, including the need for secrecy and confidentiality, make disastrous errors all too frequent.

From the moment those safeguards were set aside, the community had every right to demand that the government go out of its way to explain and justify the path it had decided to pursue.

That it has chosen not to is hardly to Pyne's credit. However, the mere fact that the government's response has been inadequate does not mean the Insight Economics report gets it right.

At the heart of the report's concerns are the risks involved in the April 2016 agreement with France's DCNS (now Naval Group) establishing a process in which Naval Group will partner with the Australian navy to design the Collins replacement, the Shortfin Barracuda.

Given how open-ended that process seems to be, the report notes there must be major uncertainties about the new vessel's cost and the timetable for its availability: the possibility that the design phase will result in a vessel that is unacceptably expensive cannot be dismissed out of hand. And even if the design phase succeeds, the replacement submarines may not be ready to enter service before the end of the Collins fleet's useful life.

With only one design being taken to completion, Australia consequently risks being left with little or no submarine capability just as the international outlook becomes increasingly menacing.

The report therefore recommends using a competitive process to procure six submarines of a model currently in production, either from Naval Group or from its German rival TKMS, the losing bidder in last year's tender.

To meet the navy's requirements, those submarines would be adapted to have a greater range than the off-the-shelf versions offer and to incorporate an advanced US communications suite and combat system. Additionally, a mother ship would be procured, allowing the six submarines to operate farther from Australian shores. All that, it contends, could be done for "substantially less"

than \$10bn and with little threat of significant cost overruns or delays.

Those arguments are powerful but unconvincing. The reality is that there are more unicorns on the planet than there are low-cost, low-risk programs to modify an existing submarine, and nowhere are the costs and risks greater than with changes designed to boost a submarine's range and alter its combat systems.

To make matters worse, under the report's approach, the navy would have to shift from one submarine type to another, two or even three times in 15 years.

That means an alternative option — of extending the existing Collins fleet's life as insurance against delays in the development of the Shortfin Barracuda — has much more merit than the report concedes.

The Collins' performance has improved greatly, as has the efficiency with which it is maintained; and as John Coles, the international expert who conducted the review that led to those improvements, recently said: "There appears to be no technical impediment to continue to upgrade the class to retain regional superiority." Moreover, the term of life extension would allow the navy to pursue a Collins Mark II design, injecting some competition into the current process and providing a fallback should that process fail.

Ultimately, choosing among those alternatives requires cost and capability information that is not publicly available. However, what the public really needs is confidence that the evaluation will be conducted rigorously, with a reasonable degree of transparency and with a firm emphasis on securing value for money.

Unfortunately, there are few grounds for optimism in that respect. It is, for example, troubling that the government decided to rely entirely on domestic industry for its \$90bn naval shipbuilding program just as Canada's efforts to do the same were coming completely unstuck, leaving its navy bereft of capability and reeling under a near trebling in costs. And it is no less troubling that so many questions about the April 2016 decision remain unanswered.

Did the government choose the bid that met its conditions at the lowest whole-of-life cost? If not, why not? How large was the cost premium to build the submarines in Adelaide rather than overseas? What did the economic analysis the government undertook of the costs and benefits of a domestic build show? And how will the government ensure the construction of the submarines, and of the rest of its ambitious naval shipbuilding program, is carried out efficiently?

None of those questions was addressed in the Naval Shipbuilding Plan released last May; and while that plan is useful, it avoids almost all the hard problems.

Little wonder then that the Insight Economics report attracts such attention: Australians rightly fear that Captain Kafka, cunningly disguised as Pyne, is up to his old tricks. And with little scrutiny and even less disclosure, the first they'll know about it is when they're handed the bill.

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