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French submarine contract a boon for advanced manufacturing



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by Tony Boyd

The decision to [spend \\$50 billion building the next generation of submarines](#) for the Australian Navy in Adelaide is the best of both worlds for the local advanced manufacturing sector.

Firstly, it is clear from engagement between local suppliers and the French contractor, DCNS, over the past 12 months that there will be significant technology transfer from France to Australia during the development and construction phases for the new subs.

DCNS is contracted to supply 12 submarines called the Shortfin Barracuda Block 1A which will be the recipient of France's most sensitive and protected submarine technology.

Technology transfer is one reason why DCNS has won so many significant defence contracts in the Asian region. It supplies defence equipment to Singapore, Malaysia and Indonesia.

The second reason why the French choice is good news for local advanced manufacturers is that [companies in the supply chain will be lifting their capabilities](#) to a global defence industry benchmark.

The government said the Future Submarine project was the largest and most complex defence acquisition Australia had ever undertaken.

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This is not akin to a contract with a foreign car manufacturer which involves making something that is no different to anywhere else in the world.

The submarine contract presents opportunities for former suppliers to the car industry to step up their capabilities.

The key statistics in the announcement by Prime Minister Malcolm Turnbull related to job creation. About 1100 jobs will be created in the construction phase in Adelaide and a further 1700 Australian jobs through the supply chain.

A model for the long-term benefits of local involvement in defence contracts is Marand, which is a supplier to the F-35A joint strike fighter project.

Marand was originally established to provide design and development services to the car manufacturing industry in Victoria.

Now, less than half a per cent of its work is for car makers. Chief executive Rohan Stocker says his firm has leveraged the F-35A project to become an exporter of advanced manufacturing equipment.

Stocker is also chairman of the submarines arm of the Victorian Defence Alliance. This group has engaged extensively with DCNS over the past year to ensure it understands the submarine manufacturing requirements and the capabilities that will be essential for participation in the project.

Since Marand's involvement in the joint strike fighter project in 2002, it has supplied about 650 man years of work and accounted for about half of the \$550 million in expenditure.

Stocker says that local suppliers connected to the car manufacturing supply chain had difficulty planning with certainty. He says defence contracts have a very long ramp up period but there is much more certainty about work flows and therefore future cash flows.

Tony Frencham, a member of the Australian Advanced Manufacturing Council and local managing director of Dow Australia and New Zealand, says the defence department's long-term planning for procurement has been impressive.

He says the long-term planning that has been mapped out by the Defence Department for a number of different projects should assist local suppliers to not only engage with the supply chain but build the expertise to achieve exports.

Andrew Stevens, who is chairman of the Advanced Manufacturing Growth Centre, says the French submarine contract should assist local suppliers to become involved in global supply chains.

John Pollaers, chairman of the Australian Advanced Manufacturing Council: said: "Today's decision to focus the construction of Australia's future submarines around transitioning and re-tooling Australian industry is a welcome one."

"The Government must however maximise the transition benefits for Australia's manufacturing industries. This project is part of the most significant Government procurement program for a generation and must be maximised to retool our industrial capacity and transfer technologies to Australians and our companies.

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refit our companies for intensifying 21st century global competition," Mr Pollaers said.

The submarine project selection process was overseen by an independent expert advisory panel, chaired by former Secretary of the United States Navy, Professor Donald Winter. It was peer reviewed by Vice-Admiral Paul Sullivan USN (retired) and Rear Admiral Thomas Eccles USN (retired).

AMP board moves

When a chairman retires suddenly because of "a change in my circumstances" it is bound to encourage all sorts of speculation and deflect from an appropriate assessment of their legacy.

The sudden retirement of Simon McKeon as chairman of AMP with the above reason has invited all sorts of speculation about why he is leaving with such a rush.

He will retire at the end of the annual meeting in May. The departure is so swift that a director, John Palmer, has had to step in as interim chairman until a permanent appointment is made.

The speculation about why McKeon is leaving with such alacrity is understandable given that the AMP board was so professional in its handling of the succession from Peter Mason to McKeon in March 2013.

Another reason why the market would be perplexed is that AMP's corporate communications has been exceptional over the past 15 years under the guiding hand of Matthew Percival.

Percival was the steady rock as AMP went through a roller coaster ride that included a disastrous takeover of GIO Insurance, an explosive period under American CEO George Trumbull, a near death experience in the United Kingdom and dramatic rescue under CEO Andrew Mohl.

It is Percival's consummate skill in handling difficult issues which adds to the mystery about McKeon. If the company's best position is "a change in circumstances" then every other possible option in terms of communication strategy must be much worse.

McKeon has been a high quality chairman. He projected a fresh and vibrant image for the company and thus helped to shake off the entrenched view in some quarters that it remained bureaucratic and slow moving.

AMP's performance has improved during McKeon's short tenure as chairman. Under chief executive Craig Meller, the company has begun to capitalise on its valuable relationships in Asia.

The board room succession planning process at AMP will have been thrown out by McKeon's sudden retirement but it won't get in the way of a welcome renewal put in place by the departing chairman.

Trevor Matthews, who is a former chief executive of Aviva UK, Friends Provident and Standard Life, would be the obvious candidate to replace McKeon

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