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Warships plan tagged with a sinking feeling

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P. 13

The bureaucrats say it will cost 30 per cent more — that's an extra billion dollars — to build each of the navy's new amphibious ships in Australia. If so, I hope when John Howard and his colleagues consider the issue in cabinet next week, they have the sense to buy them overseas. I also hope they don't decide anything before they have asked some tough questions about how and why the cost of the new ships has blown out so much. Because there is a lot more at stake here than jobs in Australian shipyards.

The high price tag on these ships — designed to carry among other things amphibious vehicles — is a big warning signal to the Government. It is on the threshold of committing to the most ambitious naval shipbuilding program in Australia's peacetime history. Besides as much as \$3 billion on these ships — which at more than 24,000 tonnes each would be the navy's biggest ships ever — ministers also plan to spend up to \$8 billion on three new air warfare destroyers.

If, as the Defence Minister is hinting, the price of building these ships in Australia has blown out because shipbuilders here have higher costs than overseas rivals, what does that mean for the much more expensive and more complex air warfare destroyers?

Defence suggests that building the amphibious ships here would cost 30 per cent more than building overseas. Will we find ourselves paying the same kind of premium — or more — as a result of the Government's decision to build the destroyers in Australia, too? I bet we will. But ministers have so far not asked the question. They need to do so now, before they sign contracts.

Ministers should also look again at what we are buying in the new amphibious ships. The original proposal was for today's 8000-tonne amphibious ships to be replaced with 12,000-tonne vessels — a big increase in size and capability. But the navy and army have persuaded ministers they need 24,000-tonne replacements instead.

The bigger ships have some advantages, but cost more as well — and the difference is proving to be much bigger than what the navy and army told ministers. So the Government needs to rethink whether the advantages of these bigger, more expensive ships outweigh the costs. They should not just take Defence's word for it. The military and civilian bureaucracy is not very good at balancing ambitions against strategic and fiscal reality. The fiscal reality is that every \$1 billion extra spent on these ships will be \$1 billion less to spend on some other capability, or \$1 billion more on the defence budget on top of the increases of recent years.

Repeatedly over the past five years Defence has persuaded ministers to pay more for bigger and better equipment — tanks, helicopters, destroyers and amphibious

ships — without considering how these choices affect the bottom line. As a result, the capital investment program is in deep long-term trouble.

The strategic reality is that these big amphibious ships do not make military sense. They are designed for mounting the kind of assaults our army is simply too small to sustain. If we want more punch on land, we need more soldiers — not bigger ships.

For the navy, the issue is different. Fitted with a ski-jump launching ramp, the amphibious ships could operate the carrier version of the Joint Strike Fighter. They are, in fact, aircraft carriers. Fitting them out for this role may be part of the reason for the costs going up. It would not stop there: we'd need to buy aircraft, and make a huge investment in the training and support needed to re-establish this costly capability.

Are ministers sure they want to do all this? Are they willing to pay for it? Are they sure there are no higher defence priorities? They need to make up their minds about these questions before worrying about where the ships are built. But when they get to that question, they should be very sceptical of arguments from defence industry advocates to justify spending more to build ships here.

One line is that we save money by building them here because the Government collects the workers' income tax. I'm no economist but that sounds suss to me. The other line is that unless the ships are built here we won't be able to maintain them. Really? If we can maintain combat aircraft built overseas, why can't we maintain ships built overseas? The answer is that of course we can.

If, despite everything, these ships are built, and especially if we pay a billion extra to build them in Australia, it will be a triumph of politics over strategy. Such triumphs are usually short-lived.

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