

**ANI - ROLE IN NUCLEAR POWERED SUBMARINE PROGRAM****Subject/Issue**

Australian Naval Infrastructure Pty Ltd (ANI) is supporting the Nuclear-Powered Submarine program through the development of infrastructure and facilities.

**Key facts and figures**

- In the 2023-24 Budget, the Government provided for equity funding to ANI over five years from 2023-24, to commence enabling and design works for a submarine construction yard, as well as design of the Skills and Training Academy in South Australia.
  - The equity funding is not for publication due to commercial sensitivities.
- On 15 March 2023 the Albanese Government and the Malinauskas Government signed a Cooperation Agreement, outlining respective government commitments to supporting the construction of Australia's next-generation conventionally-armed, nuclear-powered submarines in Adelaide.
- This included a transfer of land to facilitate development of the new Nuclear Powered Submarine Construction Yard and a Skills and Training Academy campus at Osborne.
  - Defence is negotiating the details of various land transfers with the South Australian Government. Further questions on land acquisitions in Osborne should be referred to Defence.

**Key points**

- Equity funding will be provided to ANI for enabling and design works at the preferred site for the future submarine construction yard at Osborne.
  - The yard will be almost three times larger than the proposed yard for the Attack Class program.
  - Up to 4,000 workers will be employed in its design and build.
- ANI will also receive funding for the initial design of a Skills and Training Academy in Osborne.
  - The specific requirements of the Skills and Training Academy will be determined following negotiations between the Commonwealth and South Australian governments.

**ANI - ROLE IN NUCLEAR POWERED SUBMARINE PROGRAM****Background**

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 Combat System Physical Integration Facility was completed in March 2022, as it was 80 per cent complete at the time of the announcement. ASC is now leasing the office areas of the Facility.

The remainder of the site, including the partially completed Platform Land Based Test Facility, was made safe and preserved for future use, pending future Government decisions and the definition of infrastructure requirements at Osborne for the nuclear-powered submarine program.

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.

There may be opportunities to reverse a portion of this impairment through the potential re-use of Future Submarine Construction Yard assets through the Nuclear Powered Submarine program.

Where possible, assets will be salvaged, re-sold or re-purposed. Where this is not possible, ANI is required to maintain the impairment loss.

**Supporting information****Questions on Notice**

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

- In QoN 56, **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.

2022 Budget Estimates: November 2022 (Finance Portfolio)

- In QoN 56, **Osborne Naval Shipyard**, Senator the Hon. David Pocock asked ANI a series of questions about the Osborne Naval Shipyard.

**Freedom of Information (FOI) Requests**

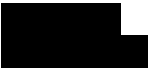
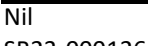
- No FOIs asked of Finance

**Recent Ministerial Comments**

- Nil

**Relevant Media Reporting**

- [Osborne shipyard to triple in size for AUKUS nuclear submarines](#), Gabriel Polychronis, The Advertiser, 20 March 2023.

**Date:** 9/10/2023  
**Cleared by (SES):** Andrew Jagers  
**Telephone No:** 02 6215 2643  
**Group/Branch:** Defence Investments Branch  
**Contact Officer:**   
**Telephone No:**   
**Consultation:** Nil  
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# ESTIMATES BRIEF – Hot Issue ANI - IMPACT OF DEFENCE STRATEGIC REVIEW

## Supplementary Budget Estimates – October 2023

### ANI - IMPACT OF DEFENCE STRATEGIC REVIEW

#### Subject/Issue

The Defence Strategic Review included findings and recommendations which may have implications for Australian Naval Infrastructure Pty Ltd (ANI) who is responsible for acquiring, holding, managing and developing the sovereign infrastructure and facilities that supports the Continuous Naval Shipbuilding program.

#### Key facts and figures

- The Government has agreed or agreed in-principle to several recommendations in the Defence Strategic Review which may have implications for ANI, including:
  - Infrastructure development should commence immediately at the Osborne shipyard and HMAS *Stirling* in Western Australia to support the nuclear-powered submarine program (Page 104) – Agreed.
  - Industry consolidation options for the Henderson shipyard should be examined as a matter of urgency (Page 104) – Agreed.
  - The Government should confirm its commitment to continuous naval shipbuilding through an updated National Naval Shipbuilding Enterprise Strategy and updated supporting Naval Shipbuilding and Sustainment Plan (Page 104) – Agreed.
  - An independent analysis of Navy's surface combatant fleet capability should be conducted in Q3 2023 to ensure its size, structure and composition complement the capabilities provided by the forthcoming conventionally-armed, nuclear powered submarines (Page 104) – Agreed.

#### Key points

##### Osborne South Status

- Osborne in South Australia is one of two principal yards supporting continuous naval shipbuilding and is a key sustainment hub for submarines.
- The independent analysis of Navy's surface combatant fleet capability must assess: the capability requirements to meet our current strategic circumstances as outlined in the Review, as well as the cost, schedule, risks and the continuous shipbuilding potential of each option.

**ANI - IMPACT OF DEFENCE STRATEGIC REVIEW**

- The outcomes of the independent analysis may inform future investment decisions in the Osborne South Shipyard. Currently approved infrastructure works will proceed as planned to continue modernisation efforts in the Osborne South Shipyard through 2023.
- ANI will work with Shareholder Ministers and Departments to respond to any recommendations from the independent analysis of surface combatant fleet capability, in the context of ANI's future Corporate Plans.
  - It would be premature to speculate about the impact of the independent analysis of surface combatant fleet capability and specific impacts to Defence programs and potential tenants of ANI owned infrastructure. Speculation as to impact on ANI at this stage is hypothetical.
- ANI has access arrangements at Osborne South in place with BAE Systems Maritime Australia for construction of the Hunter class frigates, and with Luerssen for construction of the Arafura class Offshore Patrol Vessels.

**Nuclear Powered Submarine Construction Yard**

- In the 2023-24 Budget, the Government provided for equity funding to ANI over five years from 2023-24 to commence enabling and design works for a submarine construction yard and to design the Skills and Training Academy in South Australia.
  - The equity funding is not for publication due to commercial sensitivities.
  - As the owner, developer and manager of naval shipbuilding infrastructure and related facilities on behalf of the Australian Government, ANI is best placed to deliver this critical first component of our nuclear-powered submarine acquisition.
- ANI will work closely with Defence and industry to deliver a safe, secure and highly capable submarine construction yard.
  - ANI will engage specialists to augment its workforce where required, for specific work packages.
  - The preliminary concept design will reflect best practice and lessons learnt from our UK and US partners, who have built their programs over many decades.
- ANI will work with the selected submarine builder to ensure the yard is fully-integrated, efficient and equipped with the high-tech capabilities required to produce nuclear-powered submarines.
- See SB23-000126 – ANI - Role in Nuclear Powered Submarine Program for more information.

### Large Vessel Infrastructure

- ANI continues to work with Defence, Finance and the Western Australian Government to develop options for large vessel infrastructure at Henderson.
- Questions regarding the Defence Strategic Review, and the Government's response as set out in the National Defence Statement 2023, should be referred to Defence.
- See SB23-000128 - Henderson for more information.

## Background

The Defence Strategic Review sets the agenda for ambitious, but necessary, reform to Defence's posture and structure. The Review was released on 24 April 2023, along with the Government's response – the National Defence Statement 2023.

The Review includes specific directions to Defence with immediate effect, while establishing a methodical and comprehensive process for long-term and sustainable implementation.

The strategic direction and key findings from the Review will strengthen Australia's national security and ensure our readiness for future challenges.

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.

ANI has been classified as a Public Non-financial Corporation by the Australian Bureau of Statistics and was prescribed as a Government Business Enterprise on 1 July 2017.

ANI holds shipbuilding and infrastructure assets at Osborne South Australia to support current and future shipbuilding and submarine programs.

The development of the Osborne South Shipyard commenced in August 2017. The Osborne South Shipyard was developed as a shipbuilder-agnostic shipyard for constructing surface combatants under the Continuous Naval Shipbuilding Enterprise.

## Supporting information

### Questions on Notice

2023-24 Budget Estimates: May 2024 (Finance Portfolio)

- In QoN 54, **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 Supplementary Budget Estimates: February 2023 (Finance Portfolio)

- In QoN 34, **Hunter Class Frigate Review**, Senator the Hon. Simon Birmingham, asked Defence for the terms of reference for the review of the Hunter Class Frigates.

### Freedom of Information (FOI) Requests

- Nil

### Recent Ministerial Comments

- Nil

**Relevant Media Reporting**

- [Defence Strategic Review: Australia needs new submarine base on east coast](#), Gabriel Polychronis, The Advertiser, 24 April 2023.
- [Yet another Defence review? No tanks!](#), Greg Sheridan, The Australian, 25 April 2023.
- [Two Australian shipbuild projects worth \\$50bn – including nine Hunter-class frigates – thrown into doubt after Defence Strategic Review release](#), Ben Packham and Cameron Stewart, The Australian, 26 April 2023
- [Two Australian shipbuild projects worth \\$50bn – including nine Hunter-class frigates – thrown into doubt after Defence Strategic Review release](#), Ben Packham and Cameron Stewart, The Australian, 26 April 2023.

**Date:** 3 October 2023  
**Cleared by (SES):** Sacha De Re  
**Telephone No:** 02 6215 2643  
**Group/Branch:** Defence Investments Branch  
**Contact Officer:** [REDACTED]  
**Telephone No:** [REDACTED]  
**Consultation:** Nil  
**PDR Number:** SB23-000127  
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**ANI - HENDERSON (WESTERN AUSTRALIA)****Subject/Issue**

Australian Naval Infrastructure Pty Ltd (ANI) continues to work with Defence and Finance and the Western Australian Government in developing high level options to inform future Government decisions on the Henderson shipyard, including the possibility for use by nuclear powered submarines.

**Key facts and figures**

- Henderson in Western Australia is one of two principal yards supporting Continuous Naval Shipbuilding and a key sustainment hub for surface ships and submarines.
- The previous Government announced in March 2022 that up to \$4.3 billion would be invested in a large vessel dry berth at Henderson.
- The previous Government also announced that Government-owned Australian Naval Infrastructure will oversee the design and build of this nation building infrastructure.
  - No equity funding was approved for ANI at the time of this announcement.
- ANI will be the strategic delivery partner to develop the new large ship infrastructure at Henderson, consistent with arrangements at Osborne in South Australia.
- Defence and Finance are working with ANI to develop costed capability options to bring back to Government, taking into account the Defence Strategic Review recommendations and nuclear submarine infrastructure requirements in Western Australia.
- Further questions about infrastructure investment at Henderson, WA, should be referred to Defence.

**Key points****Defence Strategic Review**

- Questions regarding the Defence Strategic Review, and the Government's response as set out in the National Defence Statement 2023, should be referred to Defence.



## Funding

- ANI has not received any equity funding for the design, development, and construction of the large vessel dry berth at Henderson, as a final investment decision has not yet been made by Government. Defence has funded a number of preliminary studies which have informed the work to date developing capability options.
- At Senate Estimates on 14 February 2023, Mr Andrew Seaton indicated that ANI had \$10 million allocated in ANI's Corporate Plan for supporting works including peer review work and environmental monitoring work.
- Questions related to funding within the Defence Integrated Investment Program should be referred to Defence.

## Background

Mr Andrew Seaton answered extensive questions from Senator Linda Reynolds at 2022/23 Supplementary Budget Estimates in February 2023.

The Defence Strategic Review (DSR) recommended that Industry consolidation options for the Henderson shipyard should be examined as a matter of urgency.

- The Government agreed to this recommendation.

The DSR further recommended active and urgent Commonwealth and State government intervention in the Henderson shipyard to remedy the significant challenges around the workforce, the layout and development of the shipyard and relationship between the infrastructure, shipbuilders, contractors and workforce providers, and that completion of a Henderson-based large vessel dry-dock is a critical enabler for the construction and sustainment of our naval vessels.

- This recommendation was not a formal recommendation that the Government explicitly agreed to in the Government Response.

## Supporting information

### Questions on Notice

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

- In QoN 54, **Contingency Planning Henderson**, Senator the Hon. David Fawcett (Liberal, South Australia) 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 (Liberal, Western Australia) asked Defence a series of questions about Henderson Shipyard.
- In QoN 91, **Henderson Shipyard**, Senator the Hon. Linda Reynolds (Liberal, Western Australia) asked Defence a series of questions about Henderson Shipyard.

2023 Supplementary Budget Estimates: February 2023 (Finance Portfolio)

- In QoN 46, **Henderson Dry Dock**, Senator the Hon. Linda Reynolds (Liberal, Western Australia) asked ANI a series of questions about the Henderson dry dock.
- In QoN 47, **ANI Corporate Plan**, Senator the Hon. Linda Reynolds (Liberal, Western Australia) asked ANI to provide a copy of the corporate plan as it relates to the Henderson large vessel dry berth project.
- In QoN 76, **Henderson large vessel dry berth**, Senator the Hon. Linda Reynolds (Liberal, Western Australia) asked ANI a series of questions about the Henderson large vessel dry berth relating to work undertaken to date and funding.

2023 Supplementary Budget Estimates: February 2023 (Defence Portfolio)

- In QoN 50, **Joint Defence and WA Government Henderson Task Force**, Senator the Hon. Linda Reynolds (Liberal, Western Australia) asked to be supplied the minutes and any information on specific action taken from the joint task force meetings.

- In QoN 51, **Henderson and AMC**, Senator the Hon. Linda Reynolds (Liberal, Western Australia) asked if there were further studies or plans on infrastructure deficiencies or updates on Henderson and the AMC.
- In QoN 52, **WA Government, Taskforce and DSR**, Senator the Hon. Linda Reynolds (Liberal, Western Australia) asked why the Joint Defence and WA Government Henderson Task Force, which is working to develop options for large vessel infrastructure at Henderson, was not included in the Defence Strategic Review.
- In QoN 53, **Infrastructure at the Australian Marine Complex Common User Facility**, Senator the Hon. Linda Reynolds (Liberal, Western Australia) asked if the Department was aware of any union activity lobbying the WA Government to upgrade infrastructure at AMC CUF.
- In QoN 60, **Henderson Dry Dock Project**, Senator the Hon. Linda Reynolds (Liberal, Western Australia) asked a series of questions about the large ship infrastructure at Henderson in relation to funding, ANI, delivery timeline, location, and a capability gap.

#### Freedom of Information (FOI) Requests

- No FOIs asked of Finance

#### Recent Ministerial Comments

- Nil

#### Relevant Media Reporting

- [Major review calls for action on Henderson dry dock project](#), Page Widely, Today News Post, 24 April 2023.
- [AUKUS: No dry dock plan for Henderson despite \\$8 billion upgrade after nuclear submarine deal](#), Kimberly Caines, The West Australian, 14 March 2023.
- [Linda Reynolds opinion: McGowan Government needs to target defence to benefit of WA](#), Linda Reynolds, The West Australian, Thu, 27 April 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.

**Date:** 19 October 2023  
**Cleared by (SES):** Andrew Jagers  
**Telephone No:** 02 6215 2643  
**Group/Branch:** Defence Investments Branch  
**Contact Officer:** [REDACTED]  
**Telephone No:** [REDACTED]  
**Consultation:** Nil  
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