Well ladies and gentlemen I am delighted to be joined this morning by the Defence Minister, the CDF, the Chief of the Navy and the Chief of the Army in order to announce a very significant acquisition decision by the Government of two major defence projects which will enormously enhance the capacity of the Royal Australian Navy. These two particular decisions have been the subject of exhaustive, and I underline that word exhaustive, examinations within the defence process. They have been subject to the most rigorous financial analysis and have also been the subject of very robust and vigorous internal debate within the Defence Department and within the Royal Australian Navy; and involving, of course, not only the Chief of the Navy but the CDF and all the other senior defence advisers to the Government. And it was also, let me say, the subject of a very extensive discussion within the National Security Committee of Cabinet yesterday. And therefore I can say as Prime Minister, and others will speak for themselves, that these two decisions have been taken with eyes wide open and by the Government in full possession of advice and all of the facts. And we are satisfied that the process has worked and that the new procedures that have been established in relation to decision making have been very effective.

Now it's no secret that the two projects involve first of all two large amphibious ships which will be delivered by Tenix and they will cost approximately $3 billion. They are a Navantia design. They will greatly enhance Australia's ability to send forces in strength when required, particularly in our own region, but not, of course, restricted to our own region and will, of course, include a capacity to send forces and men and women and materials in relation to disaster relief efforts. They will be able to land over 1,000 personnel, along with their vehicles, the new M1 Abrams tanks, artilleries and supplies and using integrated helicopters and watercraft.

Approximately one quarter of the construction will take place in Australia and that will provide about 600 jobs. The superstructure will be constructed and the majority of the fit out will be completed in Melbourne with an estimated value of about $500
million. The majority of the combat system design and integration work will take place in Adelaide and the value of that work will be up to about $100 million. So this particular acquisition will, in my view, particularly enhance our capacity to provide a flexible response to incidents in our region. I stress it’s not limited to enhancing capacity in our region, but that is, in my view and the Government’s view, a very likely requirement of any amphibious capacity over the next 10 to 20 years and unless this country does have that capacity to act flexibly and effectively within our own region, the investment would not be justified.

The second and even more significant investment, of course, in terms of money, is in Air Warfare Destroyers and the Government has decided to purchase the Navantia designed F100 and that’s been selected as the next generation Air Warfare Destroyer for the Royal Australian Navy. There will be three ships delivered under this project. They will be delivered in 2014, 2016 and 2017; the aggregate cost will be in the order of $8 billion. This does represent a massive lift in the Royal Australian Navy’s air warfare capability. These vessels will be able to perform the full spectrum of joint maritime operations including area air defence and escort duties, including, importantly, for the amphibious ships.

They will be equipped with the Aegis Combat System, which is the most capable air combat system in the world and fully interoperable with forces of the United States. Should the Government so decide at a later date, they can be equipped with the SM3 Missile to conduct ballistic missile defence. The existing design is already in service with the Spanish Navy and that has the effect of reducing costs and some of the scheduled risks. They will be assembled in Adelaide by an alliance between ASC, the Defence Materiel Organisation and Raytheon and Australian industry will provide around 55 per cent of content; and employing around 3,000 Australians across the country.

Now these two projects together involve an investment over a number of years of $11 billion. They are very significant decisions for the future combat capability of the Royal Australian Navy. They represent a very long term investment in the future defence capability of this country and the Government, after a very exhaustive examination both within defence and at a ministerial level, is satisfied that the right decisions have been taken. And I think it’s fair to say that there’s a sense of great optimism and a very positive view about the future capability of the Royal Australian Navy as a result of these two decisions.

I want to thank everybody involved in the decision making process. The Minister for his passionate and detailed presentation, the contribution of the Defence Materiel Organisation, the rigorous assessment that went on inside Defence, all of my colleagues both Ministerial, service and public service who participated in the discussion yesterday. It was one of the best discussions in which I have been involved for some time in relation to the purchase of defence equipment. They are difficult decisions, there is always debate about the competing merits and that is why you have a rigorous process and I think the new process we have has proved to be very effective and very rigorous and I am very satisfied with the decision. I am enthusiastic about the announcement.
It’s another great day for the defence forces of this country and it’s an opportunity for me to say again on behalf of the Government and the Australian people how much we admire their ongoing contribution to the welfare of this country and this decision will enhance our capability for years into the future, particularly but not only in our part of the world. I am happy to answer any questions. If they get too technical I will call this impressive phalanx of people to my right to assist me in dealing with them.

JOURNALIST:

Most people would think the navy chief would have the best idea on what to purchase. Why didn’t you listen to him?

PRIME MINISTER:

Well the navy chief participated in the discussion yesterday. Knowing him as I do, he’s a very robust individual and he’s quite capable of expressing his view in very blunt language to you as well as to other people. So if he wants to say anything during the course of this discussion he can.

JOURNALIST:

The costs seem to have been somewhat greater than the published estimates. It’s $3 billion extra. Is this a realisation that these are going to cost a whole lot more than anyone thought?

PRIME MINISTER:

Well I think it's fair to say that as time goes by the cost of most items of defence equipment do tend to grow. That seems to be a natural part of the process and we're satisfied that the costs of which we based on decision are accurate. We’re also, more importantly, we’re satisfied that we’re getting good value for me. But defence equipment is very, very expensive and thank heavens we have a budget position that enables us to afford to buy them.

JOURNALIST:

Prime Minister, could we please put the Admiral on the spot and have him explain to us…

PRIME MINISTER:

Well you can ask the Admiral a question, I’m sure he’d be happy to answer.

JOURNALIST:

Basically how he feels as a sailor, how happy he is with the ship that is coming rather than the larger American vessel?

VICE ADMIRAL SHELDFERS:
As the Prime Minister said, I’m very optimistic about the decisions that have been taken here. There is a balance, of course, and the Government looked at all the balancing features, cost, capability, schedule and technical risk. As the Prime Minister has said and as I’ve been involved throughout the process there’s been very robust debate. We are now a very well informed customer in terms of what we’re getting here. The Navy is very excited, very optimistic about both of these decisions. This will change the face of the Navy for the next 30 plus years. In 2050 we’ll be looking back on these decisions and in 2050 I’m very confident that we’ll look back and say that was the right decision at the time.

**JOURNALIST:**

You’re not annoyed that the Government didn’t listen to you?

**VICE ADMIRAL SHELDERS:**

I had every opportunity to put my case, no I’m not annoyed. It was a very robust process.

**JOURNALIST:**

Do you now personally support the decision Admiral?

**VICE ADMIRAL SHELDERS:**

Absolutely.

**JOURNALIST:**

Admiral, there was some talk that the ships may be altered slightly to perhaps carry an extra helicopter or something. Is that something that you will still be seeking to do?

**VICE ADMIRAL SHELDERS:**

That will be subject to the contract negotiations. There are some minor changes to the F100. At this stage not a change which would allow the carriage of another helicopter.

**PRIME MINISTER:**

Ok? The Minister wants to say something.

**MINISTER NELSON:**

Prime Minister, this is a great day for the Australian Defence Force and you Prime Minister have thanked the service chiefs and others for what’s being delivered here today. $11 billion in five new ships for the Royal Australian Navy which will shape our defence force and our Navy in particular for the next 40 years. But I think it’s got to be said that we thank you for putting this country in a position where we can
confidently afford to do this. We also need to recognise that this government has placed defence and security of its nation ahead of all other priorities.

It also ought to be, the point ought to be made, Max, in relation to costs, what’s happened here is that as a result of reforms which this government undertook four years ago we’re now in a position with a rigorous process before signing off on contracts of knowing exactly what we’re getting into. We are very confident in terms of capability, schedule and price in terms of what’s going to be delivered here and no Australian would forget that when in government the Labor Party gave us the Collins Class submarines with all of the problems that were not anticipated, a billion dollars of taxpayers money had to be spent over the subsequent seven or eight years getting them up to what is now world class standard. We go into these projects today with our eyes wide open. Yes, they’re technologically advanced, yes they’re on the edge but under no circumstances as a nation are we going to be risk averse. It’s very important that Australians also appreciate that these amphibious ships escorted by the three Air Warfare Destroyers in our region will ensure that we’re able to undertake the security, stabilisation, maritime border protection, peace keeping and humanitarian and disaster relief priorities which lie before our nation for the foreseeable future.

The 48 missile cells on this ship, the Aegis Combat System on the Air Warfare Destroyer, that and many other things make it fully interoperable with our key ally the United States of America and I can assure you that the Australianisation of the Spanish F100 with larger engines, with sonar buoys, a whole variety of other capabilities will well and truly deliver the capability that the Government set for itself in the White Paper and in the subsequent updates. The amphibious ships, by the way, and the Air Warfare Destroyers between them, as the Prime Minister has said, an $11 billion investment in total. That’s about $4.5 billion specifically to be spent in Australia.

It represents a bonanza for Australian contractors. More than 1000 contractors with 3,500 new jobs throughout this country will benefit from this, not only in South Australia and Victoria, but, for example, there will be between the two projects at least $300 million in work in New South Wales. There will also be at least another $350 million of work in the state of Queensland, close to $75 million work up for grabs in southern Tasmania and $300 million in the state of Western Australia. This is a very important project for our defence capability, for our economic security and the confidence that Australians, especially in South Australia and Victoria, can have in their employment opportunities for the future and I would also like to personally thank and place on record my admiration and thanks to not only Steven Gumley from the Defence Materiel Organisation, but Warren King who served this country extremely well throughout his life, particularly in Navy, but in managing this project has done an extraordinary job. The alliance contracting that we’ve undertaken with the ASC and with Raytheon has been superb and I look forward very much to getting the contracts, the signature and thank all of the others that have been involved.

JOURNALIST:

Mr Howard, can I ask you a question on something else?
PRIME MINISTER:
I’ll talk to you all later, I don’t think we should take other things here. Anything else?

JOURNALIST:
Was there any price reduction for getting two Navantia ships?

PRIME MINISTER:
No.

JOURNALIST:
And also, was there, sorry.

PRIME MINISTER:
I’ve answered the question have I?

JOURNALIST:
Prime Minister, you and the Minister talked about being confident about what we’re getting into. How much was the decision not to go for the on-paper US Air Warfare Destroyer, yet to be built, a fear of getting into too much risk with a ship that’s unproven?

PRIME MINISTER:
Well that was part of it. With these sorts of decisions they’re never overwhelmingly driven by one consideration, there’s always a series of considerations and it’s fair to say that in the end we were persuasively satisfied on what had been presented both by the Minister and in discussion with our other advisers, we were satisfied that given our best assessment of our need and given all the other considerations what we decided in relation to the Air Warfare Destroyers was the right decision. Bear in mind that when you’re talking about interoperability with, interoperability with our allies, and that is always very, very important, the significance of the Aegis Combat System should not be downplayed and the commonality of that system is hugely important according to the assessments of everybody who made a contribution to this debate. But, Tim, it’s a balance of things, there’s no one issue. I mean, obviously the fact that the alternative, I choose my words very carefully, the alternative did involve, in front of us, did involve some I suppose, imprecision and a period of further time to be satisfied that it would come up to what it was represented as being able to do, I think that was a factor but it wasn’t the only factor. I mean, the decision we’ve taken in relation to the Air Warfare Destroyers is based on a belief that the vessel we’ve chosen best meets the aggregate needs of the Royal Australian Navy in current and reasonably foreseeable future circumstances. And that I think is the right judgement to bring. I mean, obviously you have to pay some regard to cost but cost was not a principle driver. Ok, one more, yes Brendan?
JOURNALIST:

Will the Spanish destroyer need to be modified comprehensively to take the heavier missiles involved in an anti-ballistic missile system.

PRIME MINISTER:

I wouldn’t have imagined so, but I may be corrected on that. No, I’m right. Ok, thanks.

[ends]