

# Factsheet: ASC Structural Separation

## What structural changes are being made to the ASC Group of Companies?

- The Government will separate ASC into three individual companies to support the key capabilities of shipbuilding, submarine sustainment, and infrastructure.
- This will streamline ASC's current corporate structure, which consists of five subsidiaries that variously look after the construction of the Air Warfare Destroyers, sustainment of the Collins Class submarine fleet, employment of shipbuilding and submarine sustainment workforces and holding/leasing assets and infrastructure.
- Work will begin immediately to separate ASC into the three new companies, with the separation expected to be completed in 2017.

## Why is the Government separating the company?

- Reform of ASC will be a significant part of the reform of Australia's naval shipbuilding industry, in line with the RAND principles.
- The separation of ASC will deliver a more flexible approach to managing the investment required in shipbuilding infrastructure to support the Government's historic continuous shipbuilding program.
- ASC has been operating separate submarine and shipbuilding businesses, each with their own management team, the structural changes announced builds on the separation to date and allows each business to focus on its core function.

## How will the structural changes affect ASC's current programs?

- ASC's role in current programs (Collins Class sustainment and construction of the Air Warfare Destroyers) will continue as planned.
- The structural separation will take into account ASC's current commitments so as not to compromise these important programs.

## What impact will the structural changes have on the ASC workforce?

- These changes will not impact ASC employees' terms and conditions and will provide the right structure for the growth of the workforce as a result of major infrastructure investment and the construction of Offshore Patrol Vessels, Future Frigates and Future Submarines.

## What is the future role for ASC?

- ASC will continue to have an important role in Collins-class submarines sustainment and the delivery of the Air Warfare Destroyers.
- No decisions have yet been made regarding the build strategy and potential build partners for the Future Frigates and Offshore Patrol Vessel programs. These are subject to continuing Competitive Evaluation Processes.

## Will the Government privatise ASC?

- The Government has no plans to privatise these three new companies.
- The Prime Minister has clearly stated that the fundamental assets of ASC will remain under Commonwealth ownership. This will be critical to the success of the continuous build program at Osborne to support multiple build programs at the site concurrently.

## Was ASC consulted?

- ASC provided assistance and valuable input to the Strategic Review and will play a vital role in implementing the structural changes.

### **What will the Government be negotiating with the South Australia Government? What are the timeframes?**

- The Government will enter into discussions with the South Australian Government on the future of the Common User Facility at Techport to ensure a cohesive approach in support of future naval projects.
- The timeframes of these negotiations will be informed by discussions between the Commonwealth and the South Australian Government in due course.

### **What will be the future corporate structure of ASC?**

- The precise nature of the corporate structures and governance arrangements will become clearer in the coming months and have regard to future decisions regarding the shipbuilding industry models and infrastructure requirements.
- In the interim, the current Board of ASC will continue across the separated entities, under the leadership of the ASC Chair, Mr Bruce Carter.

### **What did the ASC Strategic Review consider?**

- The ASC Strategic Review considered ASC's mandate, corporate strategies and capital structures in the context of the naval shipbuilding sector.
- It took into account the Government's objectives for the naval shipbuilding industry and ASC's current commitments for submarine sustainment and construction of the Air Warfare Destroyers.
- The ASC Strategic Review provides commercial input into the policy considerations being developed as part of the Enterprise Level Naval Shipbuilding Plan.

### **Why was the ASC Strategic Review conducted?**

- The Government is committed to ensuring that the assets it manages on behalf of all Australians are periodically reviewed so that their mandate, corporate strategies and capital structures can continue to support broader Government policy objectives.
- The ASC Strategic Review sought to identify the best possible corporate, capital and governance arrangements to help maximise the future success of ASC and the Australian naval shipbuilding industry.

### **Who conducted the Strategic Review?**

- The Department of Finance undertook the Strategic Review in consultation with the Department of Defence. Following a competitive procurement process Deloitte Touche Tohmatsu was appointed as the Business and Accounting Adviser and Herbert Smith Freehills as the Legal Adviser.