

# Statement of Corporate Intent 2009-2012

ASC Pty Ltd



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# COMPANY PROFILE

## Corporate Objectives

ASC's focus for the 2009-2012 timeframe is to:

- Continue to build on personnel and product safety achievements;
- Strengthen the company's relationship with its customer;
- Increase the efficiency and effectiveness of delivery of Collins Class submarine availability;
- Ensure the successful implementation of the Air Warfare Destroyer project; and
- Ensure ASC is prepared and qualified to participate in Australia's Future Submarine project.

## Measurement of Success

ASC's success can be measured by:

- Our customers, the Defence Material Organisation (DMO) and the Royal Australian Navy (RAN) – ASC is measured by its supportive approach, its adherence to schedule and cost, its productivity, and continuous improvement in performance;
- Our employees – ASC is measured on the two-way commitment between employees and management, and the provision of attractive employment opportunities;
- Our shareholder – ASC is measured on acceptable and sustainable financial returns; and
- Our community – ASC is measured on its contribution to the economy, responsible corporate citizenship, reputation and contribution to the defence of Australia.

# MESSAGE FROM THE MANAGING DIRECTOR

ASC is entering a period of consolidation following the Government's announcement that it will continue the ownership of ASC for the foreseeable future, as a Government Business Enterprise.

The shareholder Minister and the Defence White Paper 2009 provide guidance for the strategic direction of the company. These inputs together with the continued build up of the AWD project, concentration on efficiency of submarine maintenance and opportunities in the future submarine project are the company's focus in the period ahead.

As the mobilisation of personnel to the AWD project continues to make good progress, emphasis is moving towards contracting and managing the many suppliers of major equipment and the construction of ship modules.

2009/10 will see the commissioning of buildings and other infrastructure at the new Osborne shipyard and the relocation of personnel to these new facilities.

ASC's Collins Class submarines business is now making headway in improving its efficiency and the value for money it has delivered. After five years of operation of the submarine Through-Life Support Agreement (TLSA) there is now sufficient data and experience available to assess the maintenance needs of the submarine fleet.

There are also a growing number of aging platform

and obsolescence issues which will need serious attention and additional resources in the coming years. Work is being done and plans are being developed, including a stable Six-Boat Schedule, which when put in place will ensure that this will not adversely impact the availability and reliability of the fleet in the years ahead. ASC's focus is on a 'Lean' based methodology to continue to improve efficiency and maintain an effective level of support to satisfy our customer's needs.

The Defence White Paper 2009 has defined the need for 12 Future Submarines and the need to begin concept definition, design and construction without delay, given the long lead times and technical challenges involved. This project is important to the future for ASC's submarine business, as it can effectively utilise the high-end design and engineering skills we have built up over many years. Accordingly ASC is preparing to compete for roles in the Future Submarine project.

## SIGNATURE

**Graeme Bulmer**

Acting Managing Director and Chief Executive Officer

# CORPORATE INTENT

## Vision

Best of class.

## Mission

ASC's vision will be achieved through:

- The delivery of safe competitive products and services;
- Delivering innovative solutions to the required quality, on time, on budget; and
- Employing qualified, trained and authorised people, approved processes and standards, and continuous improvement practices, while achieving outcomes of real growth and returns attractive to shareholders.

## ASC Values

Strongly held corporate values are an important element of the strategic framework that underpins successful companies. ASC staff identify with and are committed to the company's corporate values:

### ***Safety is paramount***

The safety of ASC employees, contractors and all who visit our facilities will never be compromised. Our commitment to quality ensures the safety of all who crew the submarines, ships and other products we work on. The tasks we undertake carry enormous responsibility and therefore safety is everyone's business at ASC.

### ***Performing through teaming and pragmatic excellence***

To perform in our complex technical and business environment, we work as a team and collaborate effectively with customers, partners and suppliers. We use our training, skills, empathy and experience in a pragmatic 'can do' manner to consistently achieve quality outcomes within schedule and budget constraints.

### ***Commitment to customer outcomes***

We are an output centric team, focused on delivery of all of our commitments – cost, schedule, technical performance and quality – to our customers. We are also committed to maintaining an outstanding working relationship with our customers.

### ***Relentless improvement and learning***

To remain competitive we continually improve all aspects of the business, even those that are already achieving world's best practice. Our commitment to improve our processes, skills and knowledge is relentless and innovation is prized. We are never too old or too good to learn and try new ideas.

## ASC'S BUSINESS

ASC Pty Ltd is a specialised Australian defence shipbuilding and repair organisation, with naval design and engineering resources capable of executing the full spectrum of design, build and through-life support work. ASC is independent of major product suppliers and has access to critical intellectual property from USA, Europe and key product suppliers.

Today, ASC continues the build-up of personnel in support of the construction phase of the Air Warfare Destroyer (AWD) project. At the same time the required shipbuilding infrastructure is nearing completion at ASC's Osborne site.

In its submarines business, the company's core focus is to provide design, upgrade and maintenance services for the Collins Class submarines, and to improve the efficiency of those services.

Australia's Future Submarine (FSM) project is an emerging opportunity important to ASC's future. The Commonwealth has formalised the FSM project in the recent Defence White Paper 2009, and the DMO will have defined its acquisition strategy by the end of 2009.

# FINANCIAL AND NON-FINANCIAL PERFORMANCE

## Financial

The Collins Class submarine through-life support work continues to be ASC's primary source of revenue.

Although not an alliance structure, the TLSA contract is relationship-based and provides financial incentives for good performance. Fair returns can be achieved when measured against industry norms.

A revenue stream from the AWD project has commenced and will continue to build up as the project develops.

ASC's dividend policy is to pay a dividend of at least 60 percent of the company's profit, after tax and abnormals. This is in line with 'Governance Arrangements for Commonwealth Government Business Enterprises, June 1997'.

The following is a summary of projected financial outcomes:

ASC Group Overview	Actual 08/09 (\$M)	Budget 09/10 (\$M)
Revenue	366.9	490.6
EBITDA (excluding Abnormal Expenditure)	27.9	22.2
EBIT	20.5	9.8
Profit after Tax	18.3	7.2
Total Assests	473.7	502.0
Return on Assests	3.9%	1.4%
Return on Shareholder funds	10%	4%

## Non-Financial

ASC continues to position itself for the long term. Significant new infrastructure in the way of buildings and facilities has been commissioned to underpin submarine through life support at Osborne and Henderson. The construction of ASC's new shipbuilding facilities at Osborne in support of the AWD project is well underway with completion anticipated in the 2009/10 period, in accordance with program requirements.

Workforce planning and management continues with ASC's submarine through-life support workforce in the process of being rebalanced towards the growing needs of the AWD project as productivity improvements are realised. In addition, the global economic downturn has improved the availability of skilled personnel to meet ASC's needs and overall, the risk associated with hiring suitable personnel is expected to abate.

A program focussed on applying Lean methods to the production environment in submarine maintenance is underway. Called *WorkSmart*, the program will initially centre on value chains in Full-Cycle Dockings including planning, work-pack development and workflow on the production shop floor. In this regard, ASC has set itself a target of improving labour efficiency by 35 percent over the five years commencing in 2009/10.

Planning for AWD construction is at an advanced stage. The approach and procedures are being reviewed by Alliance partners and by ASC's shipbuilding capability partner, Bath Iron Works.

# STATEMENT OF ACCOUNTABILITY

The Board is accountable to the shareholder for the management of ASC's business, overall strategy, governance and performance of the company.

The Board's role includes:

- Providing strategic direction to the company by working with management to establish, monitor, develop and modify ASC's strategy and performance objectives;
- Promoting strategies and significant business decisions to stakeholders;
- Approving the annual corporate plan;
- Establishing procedures for best practice corporate governance;
- Appointing and monitoring the performance of the Chief Executive Officer and approving succession plans and senior management remuneration policies and practices;
- Overseeing the establishment of appropriate compliance frameworks and controls and monitoring their operational effectiveness;
- Monitoring the integrity of internal control and reporting systems, and monitoring strategic risk management systems;
- Reviewing and approving statutory accounts and monitoring financial results;
- Approving decisions concerning the capital of the company, including capital restructures and dividend policy;
- Reporting to and complying with directions given by the shareholder; and
- Assessing its own performance and responding to its findings.

# CORPORATE DIRECTORY

## Directors

### **Chris Ritchie AO**

Vice Admiral RANR

Chairman

### **Graeme Bulmer**

Acting Managing Director

and Chief Executive Officer

### **Geoffrey Phillips**

Dr Bill Schofield AM

Mike Terlet AO

## Company Secretary

Tony Kuhlmann

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