

# Statement of Corporate Intent 2011 – 2014

ASC Pty Ltd



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## COMPANY PROFILE

ASC exists to serve the frontline of Australia's naval defence capabilities.

Initially established in 1985, ASC was subsequently chosen in 1987 as the prime contractor for the design, manufacture and delivery of the Royal Australian Navy's (RAN) fleet of six Collins Class submarines.

At the conclusion of the Collins Class submarine build program in 2003, ASC commenced a 25-year contract with Defence Materiel Organisation (DMO) for the ongoing repair, maintenance and design upgrades of the submarines through-life.

In 2005, ASC was awarded the role of Shipbuilder for the Hobart Class Air Warfare Destroyer project. This project will see the most advanced and complex warships ever built in Australia being constructed at ASC's state-of-the-art shipbuilding facility - ASC South - located at Osborne, South Australia.

Today, ASC has evolved into Australia's largest specialised defence shipbuilding organisation, with naval design and engineering resources unparalleled within Australia's defence industry. We employ over 1,700 personnel across our three facilities in South Australia and Western Australia, including over 300 engineering and technical specialists.

After 25 years of existence, we continue to support the Royal Australian Navy (RAN) by maintaining open lines of communication with our customer, understanding our customer's expectations and priorities, continuing to implement productivity and efficiency improvements, and striving to deliver the best results for defence.

# MESSAGE FROM THE MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Last year saw a significant change in ASC's business with the amalgamation of the company's Submarine and Shipbuilding divisions.

The amalgamation has seen a considerable cost saving to our customer, while maximising our workplace efficiency.

The One Company approach adopted has been embraced by all and we have seen significant efficiency improvements throughout the group as a consequence.

## Collins Class Submarine Project

Last year's establishment of the Australian Submarine Program Office in Adelaide has seen close engagement and cooperation between DMO, the RAN and ASC and resulted in a number of positive highlights during the year.

These highlights included, among others, the on-time completion of maintenance activities on two submarines and the successful emergency docking and repairs of a submarine at ASC West. The speedy repairs of the boat resulted in minimal disruption to the remainder of the submarine program.

## Hobart Class Air Warfare Destroyer (AWD) Project

The year posed many challenges but ASC, together with its partners in the AWD Alliance, DMO and Raytheon, remained strong and good progress was made on the project.

At ASC we saw the opening of blast and paint facility, which marks a significant milestone for the project. Blast and paint work is one of the final stages of block production before the blocks are consolidated to build the warship.

Further highlights for ASC on the project included structural completion of the first sub-blocks for the first ship, HMAS *Hobart*, and commencement of block construction for the second ship, HMAS *Brisbane*.

We also welcomed the announcement by the Minister for Defence Stephen Smith earlier this year with regards to the change to the allocation of the scope of work for the project.

The AWD Alliance remains strong with experienced companies who will ensure that the project is delivered effectively and efficiently.



Steve Ludlam

Managing Director and Chief Executive Officer

# CORPORATE INTENT

## Vision

Our vision is to be Australia's leading designer, builder and maintainer of naval ships and submarines.

## Mission

Our mission is to safely build and maintain Australia's frontline naval ships and submarines to world class performance and quality standards.

## ASC Value and Behaviours

Strongly held corporate values are an important element of the strategic framework that underpins successful companies. ASC staff aspire to a set of values and exhibit corresponding behaviours which are the guiding principles that define how we conduct our business and what we stand for as a company.

## Service

- We take time to understand our customer's business and needs.
- We ensure that all interactions add value to our customer relationships.
- We are customer service-oriented.

## Safety

- We ensure our own safety and the safety of others.
- We are committed to the safe operability of the vessels we support.

## Leadership

- We champion high performance, potential and talent.
- We look for opportunities to assist each other.
- We empower our people.
- We are visible in our management.
- We celebrate our successes.

## Integrity

- We honour our commitments.
- We are open, honest and trustworthy.
- We share unity and abide by team decisions.

## Results

- We are relentless in our pursuit of excellence.
- We are exemplary in all we do.
- We do not accept complacency.
- We take responsibility for our own performance.
- We act with urgency and pace.

## Innovation

- We sponsor ideas for improvement.
- We constructively challenge for a better way.
- We embrace and lead change.
- We seek feedback.

## ASC'S BUSINESS

ASC 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 the United States, Europe and key product suppliers.

### Collins Class Submarine Maintenance Project

In our submarines business, ASC's core focus is to provide design, upgrade and maintenance services for the Collins Class submarines, and to continually improve the efficiency of these services.

Our high-level objectives include: a culture change within the project to reflect a more customer-oriented environment; improving cost and schedule performance; optimising reliability; and promoting project achievements.

### Air Warfare Destroyer Shipbuilding Project

In our shipbuilding business, ASC has commenced building the air warfare destroyers with simultaneous construction taking place in three shipyards across Australia (South Australia, New South Wales and Victoria).

As Shipbuilder for the AWD Alliance, ASC welcomed the announcement by the Minister for Defence, Stephen Smith that work will be reallocated to ensure minimal schedule disruption.

ASC's high-level objective is to meet the requirements set by the Minister and to deliver the ships to the RAN.

We also strive to implement a culture change in an effort to create a strong Alliance that is customer-oriented, productive and efficient, and providing exemplary outputs in all areas.

### Future Submarine Project

Australia's SEA 1000 Future Submarine project remains an emerging opportunity that is important to ASC's future. ASC recognises that successful delivery of our Collins Class submarine maintenance and Hobart Class destroyer construction commitments is fundamental if the company is to be considered for a role in SEA 1000.

# FINANCIAL AND NON-FINANCIAL PERFORMANCE

## Financial

The Collins Class Submarine Through-Life Support Agreement (TLSA) and the Hobart Class Air Warfare Destroyer project are the two primary sources of revenue for the 2010/11 financial year and part of 2011/12 financial year.

The following is a summary of projected financial outcomes for the financial year 2010/11 and financial year 2011/12:

ASC Group Overview	Actual 2010/11 (\$M)	Budget 2011/12 (\$M)
Revenue	696.1	801.9
EBITDA	27.0	24.2
EBIT	11.3	8.0
Profit After Tax	10.6	8.2
Total Assets	577.1	601.4
Return on Assets	1.8%	1.4%
Return on Shareholder Funds	5.0%	3.8%

DMO initiated a negotiation of the TLSA replacement contract - the In-Service-Support Contract (ISSC). The ISSC is a performance based contract.

## Non-Financial

ASC is well-positioned to support the Commonwealth by bidding for and winning future naval programs having invested in world-class facilities, coupled with our capable, experienced and dedicated workforce.

ASC continues work toward reducing its cost of business and thereby deliver value for money outcomes to the customer.

The restructure delivered significant cost savings to DMO and maximised workplace efficiency by realising operational gains.

ASC remains focused on meeting its customer's cost, schedule and quality expectations.

It is only the achievement of exemplary performance for our customer that ASC will have the best opportunity to achieve sustainable growth in its core business, and thus ensure a viable and sustainable business.

# STATEMENT OF ACCOUNTABILITY

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

The Board's role includes:

- Overseeing the Group, including control and accountability systems;
- Appointing and monitoring the performance of the Chief Executive Officer and the Company Secretary and, where appropriate, the removal of the Chief Executive Officer and the Company Secretary;
- Approving other Executive appointments, organisational changes and senior management remuneration policies and practices;
- Monitoring and reviewing senior management's performance and implementation of strategy, and ensuring appropriate resources are available;
- Providing strategic advice to management;
- Determining the strategy of the Group and monitoring the performance of objectives;
- Approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestitures, as well as financial and other reporting;
- Approving budgets and other key performance indicators, and reviewing the Group's performance against them, and to ensure that corrective action is devised and implemented as necessary;
- Reviewing and ratifying systems of risk management, internal control and legal compliance to ensure appropriate compliance frameworks and controls are in place;
- Reviewing and overseeing the implementation of the Group's code of conduct for Directors and Executives;
- Appointing Board committees and approving the composition, and any charters, of Board committees; and
- Monitoring and ensuring compliance with legal and regulatory requirements, ethical standards and policies.

# CORPORATE DIRECTORY

## Directors

**Vice Admiral Chris Ritchie AO RANR**

Chairman

**Stephen Ludlam**

Managing Director and Chief Executive Officer

**Geoffrey Phillips**

**Bruce Carter**

**David Miles AM**

**Jack O'Connell AO**

**Sally Pitkin**

**Rear Admiral USN (retired) Dugan Shipway**

## Company Secretary

**Tony Kuhlmann**

## ASC North

(registered and head office)

**694 Mersey Road North**

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## ASC West

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