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# Defence contractor Forgacs wins allies

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Forgacs chief executive Lindsay Stratton

NEWCASTLE defence contractor Forgacs has welcomed a commitment from Canberra to maintain the Australian naval shipbuilding industry.

Sections of the Abbott government are believed to agree with Productivity Commission arguments that Australia could buy its naval vessels for about 30 per cent less from overseas suppliers.

But Defence Minister David Johnston has backed the domestic industry this week, telling Fairfax Media that “we need a naval shipbuilding industry”.

If Mr Johnston gets his way, the government should soon announce new shipbuilding contracts.

But critics of the domestic industry are likely to point to a new 320-page report by the Australian National Audit Office which finds substantial problems at Forgacs and other companies involved in the \$8.5 billion air warfare destroyer program.

The audit report states the three-vessel contract had “a range of delivery issues including ... major block construction problems and substantially lower than anticipated construction productivity”.

“The design and construction issues have led to extensive, time consuming and costly rework,” the report said.

Forgacs chief executive Lindsay Stratton acknowledged the shortcomings of Forgacs and the head contractor, Australian Submarine Corporation (ASC) found in the report but said the audit office also noted that the “stop-start” nature of naval shipbuilding caused a lot of its problems.

He said Forgacs and the rest of the industry had warned the government about the loss of skills in the industry, which was now facing an even greater challenge in the form of a looming “valley of death” once the destroyers were finished in 2016.

The audit report details how Forgacs was assembling almost one-third of the 31 modules used to build each of the three ships, and that work had been transferred back and forth between Forgacs and ASC in response to various problems.

Mr Stratton said the 900-strong Forgacs workforce was about halfway through the second vessel.

Without new work being announced and won it would have to start laying people off early next year.