The Australian Marine Industry

JULY 2014
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Introduction

New Zealand and Australia are both island nations with strong connections to the sea. The sheer geographical scale of Australia’s coastline and waterways has resulted in a myriad of commercial, defence and recreational vessels. Many of the vessels on Australian waters were built in New Zealand or have technology on-board that was developed by New Zealand companies.

Australia is a world leader and exporter in the design of large, high-speed, multi-hull aluminium vessels, as well as supplying a broad range of auxiliary marine products and services. The Australian maritime industry is large and highly innovative, employing over 22,000 people with revenues of $4 billion.

The Global Financial Crisis was a difficult period for the Australian maritime sector, and coupled with a high Australian dollar has resulted in growing volumes of marine products and services being imported to Australia. There are good opportunities for New Zealand companies that can deliver high quality and value for money products. However, to be successful in the Australian maritime market, it is essential that New Zealand companies take the time to build key relationships with those already established in the Australian industry.

The Australian maritime industry sector is open to New Zealand companies with the appropriate skill sets and determination to succeed. There are barriers to entry but they are not sufficient to prevent those with attributes attractive to Australian companies, or foreign companies resident in Australia.
Get connected to succeed

All successful business endeavours must have strong professional networks. Upon entering the Australian maritime sector it is essential that New Zealand companies strive to build a robust network of industry contacts and begin investing in long-term supply-chain related relationships.

Companies that want to enter the Australian market, or increase their presence in the market, should focus on becoming market ready to meet the requirements and expectations of doing business in the Australian environment.

Relationships in the Commercial sector are potentially easier to establish and manage than those associated with the defence sector, but it depends on the skills of those associated with the endeavour to decide the avenue that is best suited to them.
What’s driving the Australian maritime industry?

DEFENCE SECTOR

The defence maritime industry in Australia revolves around shipbuilding for the Royal Australian Navy. This includes the full range of mechanical and electronic and other supporting systems that contribute to the overall capability of the Navy.

There is some prospect that there will be an increase in the capital expenditure in defence in 2013-14; an activity that could potentially result in the establishment of multi-billion dollar shipbuilding projects. This will open numerous doors of opportunity for construction, equipment supply, and through life support of managing naval assets.

The Australian defence market is fundamentally affected by Federal Government policies and budgetary concerns. Australia is not immune to the effects of global or other economic circumstances and defence projects can sometimes be affected by seemingly illogical changes to schedule to meet broader defence budgetary constraints outside the control of the project director.

New Zealand companies doing business with defence should be prepared for business to take longer to get to contract than in the private sector and for the process of review and provision of information to be more demanding.

The benefit to New Zealand companies being involved in defence work is the general increase in quality and professional proficiency that can flow from having to perform in a high but relatively rigid standards based environment. Meeting such demands on performance has been found to add domain value to the commercial activities of those companies prepared to undertake the effort and be successful. The down side to this level of effort is the cost and time necessary to obtain and retain the necessary standards of compliance and administration. Companies considering such a venture should thoroughly assess the risks as part of their overall decision to pursue this sector.

GOVERNMENT SECTOR

(non defence)

Australian State and Federal Government boat purchases are primarily used for law enforcement, public safety and emergency services. The provision of primary public services is relatively inelastic and driven by government demand.

The value of government purchases has remained relatively stable over the past five years while the Australian industry has softened. The increasing revenue share of the government market has therefore offset the decline of the commercial market. Various state water police services purchase customised vessels directly from boat builders and commission repair services from the industry.
PRIVATE SECTOR
COMMERCIAL ACTIVITY

Demand in the Australian commercial maritime sector softened during the global financial crisis. Consequently, the commercial maritime market has declined in its share of industry revenue over the past five years.

Today the Australian commercial shipbuilding industry stands relatively secure. Australia has left the business of constructing large steel ships to the shipyards of Asia which have a clear pricing advantage. Despite the increased pricing of its exports due to high Australian dollar value, the quality of Australian-built ships is widely recognised by international buyers.

Demand for water transport terminals is predicted to increase in 2013-14. This is due to the anticipated rise in trade volumes, thus also boosting demand for both shipbuilding and repair services in the government and commercial sectors.

Unlike defence-related shipbuilding, the commercial sector has both local and international companies competing within the domain. New Zealand manufacturers seeking opportunities in the Australian commercial shipbuilding market will have to compete against Australian and international manufacturers. This can in turn open the opportunities to work with global players in other markets as well as Australia.

PRIVATE SECTOR
RECREATIONAL ACTIVITY

Australian household consumption is experiencing the fastest rate of growth in two years, which is good news for the recreational boating sector. This increase in household spending is expected to stimulate demand in the private and recreational boatbuilding and repair market.

Some areas of growth may be impeded by the industry’s deficiency of boating infrastructure such as urban marina space leading to delayed purchases of yachts and launches. Local industry operators are expected to expand production capacity at a fairly slow rate, which may be a factor that New Zealand companies consider as they look to penetrate the market and leverage their expertise for which they have already established a reputation.

Due to the appreciation of the Australian dollar against that of the US and high cost of labour, imports to Australia have become less expensive than Australian made products and services. Australian consumers have therefore shifted demand towards imports. In 2008-09, imports were at 24% of domestic demand and increased to 35% in 2013-14.

Looking ahead, the Australian dollar is expected to soften against the US dollar over the next five years, providing Australian companies an opportunity to recover. Given Australia’s high cost of labour, one would expect that New Zealand imported goods and services will continue to be competitive in the Australian market.
Where are the opportunities?

The 2013-14 revenues for boatbuilding, shipbuilding and repair services in Australia was $4 billion. The majority of revenue is from large defence projects; however there is still a significant amount of procurement in the commercial, government and recreational sector.

THE AUSTRALIAN MARINE INDUSTRY

ROYAL AUSTRALIAN NAVY

Products in this segment are highly specialised, with unique and technologically intensive processes. The majority of shipbuilding for the Royal Australian Navy occurs in Australia, as the Federal Government aims to provide domestic employment opportunities and maintain local shipbuilding capabilities.

Defence shipbuilding activities comprise the construction of military warships, supply ships and submarines; construction of defence vessels makes up 71% of Australia’s shipbuilding and repair industry. Australia currently accounts for 25% of the international market share for aluminium shipbuilding in the commercial and defence sector, and is a relatively strong defence shipbuilding customer relative to the region, as shown in the table below.

DEFENCE SPENDING 2012 IN MARITIME SOUTHEAST ASIA

![Graph showing defence spending in Maritime Southeast Asia 2012](image)

- The Royal Australian Navy is a relatively modern medium sized navy that operates warships of multiple types. The ages of these ships however, and a previous practice of parallel construction of ships and submarines, means that there is an underlying demand such that a very large replacement programme is inevitable. Significant growth in the defence segment of the market is expected over the next 10 to 50 years as the Royal Australian Navy (RAN) re-capitalises most of its warships.

Over the next decade several major naval shipbuilding projects are set to commence in Australia.

- The Future Submarine programme will be Australia’s largest ever defence project in monetary terms, with the design and build of 12 submarines in Australia expected to cost up to $40 billion with additional through-life support costs not included in this figure.

- Defence project SEA 1180 (Patrol Boat, Mine Countermeasures and Hydrographic vessel replacement) is due to begin delivering a common vessel early in the next few years. This project is subject to further definition and may be re-structured into specialised vessels.

- SEA 1351 Phase 1 (replacement of east coast Tugs) and SEA 1654 Phase 3 (Maritime Operational Support Capability - HMAS Success replacement) are due in the near future. These projects are less technically advanced in terms of their requirements than the submarine or future frigate programmes.

- SEA 5000 (Future Frigates – the ANZAC-class replacement programme) will make critical decisions in the next 5 years.

- There may also be a decision in the near future about the acquisition of a strategic sealift vessel under project JP2048 Phase 4C.

To be successful, New Zealand companies must start to position for these programmes now. This will involve building strong supply-chain relationships with key Original Equipment Manufacturers and key suppliers across the range of design, platform and systems development and support requirements.

Doing this will require New Zealand companies to engage these target customers around a clearly defined and compelling supplier “value proposition” built upon the premise of leveraging their selling points to deliver some form of competitive advantage into the Australian supply-chain. Doing business in the defence sector does take longer than in the private sector, companies should focus on building relationships with key contacts to fully understand the process and demands of procurement in the defence sector.

Companies to build relationships with:

- Defence Materiel Organisation
- Air Warfare Destroyer Alliance
- Aluminium Boats Australia
- ASC
- Austal
- Babcock
- BAE
- Birdon
- Forgacs
- Incat Tasmania
- Mermaid Marine Australia
- Strategic Marine
- Serco Systems
- Thales
- ThyssenKrupp Marine Systems Australia.

THE COMMERCIAL SECTOR

About 17% of all shipbuilding and repair services in Australia are driven by the commercial market. This cost-competitive market covers the design, building, repair and maintenance of barges, cargo and container ships, commercial fishing, ferry boats, tourist vessels, and a wide variety of special purpose vessels.

Australian ship builders are developing innovative business models to meet the strong demand from countries such as China, Singapore, Thailand, Hong Kong and Yemen. Austal and Incat Tasmania are key demonstrators of the ‘quality over price’ notion as they continue to export around the world, and are therefore good targets for New Zealand companies to aim to supply.

There are significant interdependencies and overlap between the defence and commercial segments for some aspects of the industry; such as cabinet making and the fitting out of ship accommodation and galley compartments as well as safety equipment of all kinds, communications, navigation equipment, refrigeration and so on.

Imports of commercial ships such as operational support vessels and tugs are expected to increase by 4% over the next five years through to 2018-19. The predicted blossoming of opportunities is good news for New Zealand suppliers; however companies need to be aware of increasing competition as demand increases. To take advantage of these opportunities it is essential that New Zealand companies nurture supply chain relationships as demand increases.
Companies to build relationships with and trade shows to consider:

- Aluminium Boats Australia
- Austal
- Babcock
- BAE
- Birdon
- Forgacs
- Incat Tasmania
- Mermaid Marine Australia
- Strategic Marine.

PRIVATE AND RECREATIONAL SECTOR - BOATBUILDING AND REPAIR

This popular consumer sector has experienced soft demand growth over the past five years. The sector is made up of a wide range of small vessels, including: runabouts, dinghies, yachts, catamarans, launches, cruisers, ski boats. The diagram below illustrates the market spread of revenue in the boatbuilding and repair sector.

The outlook for growth is positive and is largely dependent on continued growth in household spending, which has been growing at its fastest rate in 2 years and may result in opportunities for New Zealand boat builders to enter the market.

With the potential swell of demand, New Zealand suppliers in this sector should be aware of increasing competition from new players in the market. Marine equipment retailers may look to purchase more equipment to meet this growth in consumer demand, this enhances opportunities for New Zealand suppliers to expand their sales and export growth.

As with other maritime sub-sectors, New Zealand suppliers should endeavour to building relationships with key contacts in the Australian market. Attending regional boat shows are a good opportunity to better understand the market, view the competition, and meet potential distribution partners.

Companies to build relationships with and trade shows to consider:

- Aluminium Boats Australia
- Incat Tasmania
- Various marine retailers and distributors
- Sydney Boat Show
- Brisbane Boat Show
- Sanctuary Cove Boat Show.
THE AUSTRALIAN MARINE INDUSTRY

COMMERCIAL AND DEFENCE
REPAIR & MAINTENANCE

While there are financially attractive opportunities in the construction of ships and boats for commercial and defence applications, the in-service support, repair and maintenance of those assets throughout their operating lives provides for a long term and profitable income stream for those able to find a place in the support and supply chain.

The Australian repair and maintenance segment has remained stable over the years due to numerous vessels (industry revenue and commercial ships) that require maintenance services.

There is significant growth anticipated in the defence sector. Future growth is of course dependant on the preferred procurement strategy implemented and the associated funding being approved as well as the speed with which the government will make decisions.

THE OIL AND GAS SECTOR

Large oil and gas exploration projects are driving significant maritime-related opportunities across the Australian market, with much of this work occurring in Western Australia, Queensland and the Northern Territory.

Projects such as the Chevron led, “Wheatstone” and “Gorgon” with an estimated combined value of $30 billion and the Woodside led “Browse” and “Pluto” projects with an estimated combined value of $45 billion, are driving the need for a range of maritime-related support capabilities and infrastructure which include the maintenance, repair, overhaul and conversion of the array of vessels which support the offshore oil and gas basins during exploration, development and production.

Current examples of this include, the Tideway and Jan de Nul Joint Venture Company “TWDN” looking for a company which can provide a working vessel to transport the Yokohama fenders from the Joseph Plateau to the bulk carrier (short distance, fenders can stay in the water and be pulled towards the bulk carrier) and assist installing it on the bulk carrier on the required positions. It is also looking for a company which can provide a qualified crew boat to do transfers from Dampier port to the transhipment location, which is likely to be a sheltered area between Malus Island and Whittaker Island.

Most offshore activities in this market segment require the services of support vessels of a variety of sizes and configurations, which further contributes to an overall increase in demand in the market.

Companies to build relationships with:
- Aluminium Boats Australia
- Austal
- Babcock
- BAE
- Forgacs
- Incat Tasmania
- Mermaid Marine Australia
- Strategic Marine.
Industry factors

COMPETITION AND BARRIERS TO ENTRY

Defence Sector

The challenge lies in the defence industry having historically had high barriers to entry for contractors which primarily include high start-up costs, such as property, plant and equipment. There are moderate to high levels of competition in the industry and high levels of market share concentration. As such, it is key for New Zealand companies to:

1. Research, Identify and assess opportunities and avenues to secure work in Australian Defence.
2. Engage with Australian Defence industry networks, advisors and established subject-matter experts to develop a robust growth strategy for this sector. Once this is in place, New Zealand companies will then need to rely on sound Business Winning skills to enable them to compete for contracts on the basis of their reputations, technical capabilities and value proposition.

Defence prime contracts are usually awarded to companies with proven track records. These are often multinational shipbuilding entities, from which ship designs and intellectual properties are purchased, with stipulations that require the company’s participation in the construction process. Those companies which act as defence primes are required to develop industry engagement plans to ensure that SME’s (including New Zealand companies) are provided with opportunities to participate. There is no barrier to New Zealand companies participating in Australian Defence programmes.

Private Sector Commercial

In the more price-conscious commercial sector, strong competition from Asian shipbuilders with large economies of scale make it extremely difficult for new players to compete as the gap in productivity will be too great.

Technological change also occurs regularly in both the defence and commercial sectors and is highly advanced. Generally, only established industry players have the resources and the expertise to both initiate and keep up with rapid technological change. This does not prevent companies with the appropriate skills and knowledge forming relationships with the larger companies.

Stringent regulations on the licensing of manufacturers can be a barrier to entry. Licences to supply products to Federal Government funded projects are rarely issued to foreign firms, while domestic firms need to demonstrate a high level of corporate governance. New Zealand companies may be able to form relationships with Australian suppliers to overcome barriers in this area.

Entry is more achievable in the auxiliary and parts manufacturing segment, but new participants would need to satisfy the requirements of major players that outsource these activities. Opportunities for niche market operators do exist but specialisation and aggressive marketing for export orders is essential. A careful assessment of risks and benefits would be an essential precursor in any of these opportunities.

REGULATIONS AND COMPLIANCE

There are no specific regulations affecting the industry but full compliance with the requisite certification and regulatory environment is required.

The new Australian Maritime Safety Authority oversees the National Standard for Commercial Vessels (NSCV), which is progressively replacing the Uniform Shipping Laws Code. The NSCV involves stringent requirements regarding the construction of boats that industry operators are required to abide by such as requirements regarding stability, fire safety and watertight and weather-tight integrity. With the various pieces of legislation affecting boat builders, regulation in the industry is considered moderate.
To a significant extent, policy in the overall industry is informed by the plans and needs of the RAN, with fleet size and specifications a key determinant of the behaviour of companies in the Australian shipbuilding industry. Both the 2009 and 2013 defence white papers outlined the shipbuilding requirements of the RAN, including the ongoing Air Warfare Destroyer project and the prospective construction of the twelve Collins Class replacement submarines.

IMPACT OF CHANGING TECHNOLOGY

Shipbuilders, their suppliers and sub-contractors use technology in every aspect of their work. Ongoing defence sector technology improvements are made to all facets of ships and submarines, as navies require leading edge military technology.

Research and development and engineering staff engage in application engineering for specific customer orders and development of new products and product features, with newer ships continually enhanced through innovative designs and construction techniques.

Although technology can be interpreted narrowly this is not the case in the maritime industry where almost every technology will have an application in some form.

The challenge for all parties is to match up those with a technical requirement with those who are able to provide options for solutions from the full spectrum of industry, not just the maritime sector.

In the commercial passenger ship sector, shipbuilders are incorporating new technologies to ensure the safety and comfort of passengers and crew. Australian shipbuilders are noted for offering technological innovation and provide an avenue for New Zealand companies for market entrance or expansion.

Several large foreign companies have been operating in the Australian maritime industry sector and are able to access markets that cannot yet be accessed by Australian manufacturers. This may possibly also provide more opportunities for New Zealand businesses to win work in the Australian market. New Zealand expertise in composites, fibreglass and carbon fibre construction skills may be of clear relevance to the Australian market.

REVENUE VOLATILITY

Industry revenue volatility in the maritime industry sector was high over the past five years. The high volatility is attributed to the large but isolated projects that the industry works on, primarily for the RAN. This results in large balloon payments during particular years, but prevents a steady, regular revenue stream.

The main source of revenue volatility in both the defence and non-defence sector over the past five years was the commencement of the Air Warfare Destroyer and large landing ships projects in 2009-10.

The multi-billion dollar projects spurred manufacturers to ramp up activities with significant revenue jumps resulting, particularly in 2009-10 when real revenue jumped 32.1%. With the industry generally excluded and shielded from the freight shipbuilding market due to lacking the efficiency of Asian shipbuilders, Australian companies were able to avoid further volatility resulting from the devastating industry downturn in the aftermath of the global financial crisis.

Generally, the influence of overseas economic and currency performance is particularly influential on boatbuilding imports and exports.
Boats are high value purchases that are completely discretionary, unlike property or motor vehicles. Consumers are less willing to purchase new boats in times of low consumer sentiment.

Year-on-year revenue volatility is the result of consumers clustering their purchases during years of strong consumer sentiment, when finances are sound and economic outlooks are positive. Export markets also tend to group purchases within years when the Australian dollar weakens.

Cost of Steel and Aluminium.

In 2013-14, the domestic price of iron and steel is anticipated to rise. As steel is the major raw material in shipbuilding, cost on of construction will rise and thus threaten the profit margin of shipbuilders. Construction of non-defence vessels is more likely in Asia, but their support and maintenance is still likely to be undertaken in Australia. Aluminium prices are factored in to the business models adopted by Australian companies who construct large ferries for export.

The importance of the offshore resources sector and its ability to largely operate inside the Australian regulatory framework to established commercial standards means that it is unlikely to be affected by government policies in the short term.

In the defence sector, the cost of warships has steadily increased as technologies have themselves evolved. The net effect is fewer but more expensive ships. Building ships in partnership with other countries such as was done with New Zealand with the ANZAC Class of ships is an economically sound step if each customer has compatible requirements.

The construction phase of both the Air Warfare Destroyer project and the Landing Ship project are due to finish by the end of 2014 and there is a gap between the end of these projects and the start-up of ship construction projects to replace the Collins and ANZACs.

The Australian Defence and shipbuilding industry will go into further decline if new orders are not placed in the not too distant future. Australia, like other countries, has learned the cost of allowing workforce skillsets to be diluted through not matching supply to demand. However, defence is not expected to be given preferential treatment and the stated government position that it will not acquire ships just to protect job. The Australian warship industry is not subsidised.

The political landscape in Australia is in a period of transition and it is difficult to assess with accuracy how the policies of the new Federal Government (September 2013) will play out. In particular the motor vehicle manufacturing industry in Australia has collapsed after decades of protection, and the full scale of the economic implications have yet to be articulated. Political pressure in Victoria particularly, but South Australia as well is inevitable.
Industry Associations in Australia

Australian industry has formed a number of associations to promote business and collaboration between their members. New Zealand companies could leverage established Australian Industry Associations such as the:

- Australian Maritime Safety Authority
- AIMEX
- Australian Industry and Defence Network (AIDN)
- South Australian Defence Teaming Centre (DTC)
- Australian Industry Group (AIG)
- Defence Council
- mydefencelink.com.au

Collectively these associations provide an excellent opportunity for New Zealand companies to build their profile and knowledge of the Australian maritime market, network and relationships, which will assist companies in improving their positioning on future new business opportunities.
The following are the major companies involved in the defence and commercial sectors in large vessels and are provided as an indication of where New Zealand companies may wish to consider developing a working relationship with. In the defence sector, the Defence Materiel Organisation (DMO) has an office to provide general guidance to those wanting to deal with that organisation.

The number of minor firms in the industry has declined over the past five years. This is attributable to the significant revenue decline in 2008-09 as previous projects concluded and small businesses exited the market after this decline, while major players were able to push through it.

### Air Warfare Destroyer Alliance

The AWD Alliance is a government/industry partnership formed in 2005 to oversee the design, development and construction of the three Air Warfare Destroyers under SEA 4000. It is not a shipbuilding company in its own right however.

The major partners in the Alliance, based at the Techport facility in South Australia, are the Defence Materiel Organisation (project management and delivery), ASC (shipbuilder) and Raytheon Australia (Combat Systems Engineer). The wider team includes the RAN, the Defence Science & Technology Organisation (DSTO), Navantia, Bath Iron Works, Lockheed Martin, US Navy, BAE Systems Australia and Forgacs. This project is the subject of a major enquiry into its progress and management of costs.

### ASC Pty Ltd

ASC is wholly owned by the Commonwealth Government and comments periodically circulate about intentions to privatise.

A forthcoming review of defence acquisition as well as the pending submarine project may lead to changes in the ownership arrangement. Over the past five years, ASC has increased its revenue year on year at a compound annual rate of around 20% to climb from $352.0 million in 2008-09 to an estimated $915.7 million in 2013-14. This can be attributed to its role as prime contractor for ongoing Collins Class through life support and the beginning of construction of the Hobart Class AWDs. Growth is expected to slow as the projects evolve their life cycle.

### Aluminium Boats Australia

Brisbane based, Aluminium Boats Australia (ABA) was founded in 1999 and currently employs 100 people with an estimated turnover of over $20 million. ABA is a builder of aluminium, composite and steel high-performance light craft that specialises in ferries and leisure craft. It also provides service and maintenance support and engineering solutions in all aspects of the industry for commercial and private owners. ABA manufactures most of the components used itself from raw materials. It partners with suppliers for items such as fittings, seating, carpeting, gearboxes and engines. While rental is ABA's primary outlay, equipment and staff training are its main capital investments.
Austal

Based at Henderson in Western Australia and with shipbuilding facilities in the United States, Austal began operations in 1988, specialising in the construction of aluminium vessels.

Austal designed and built 14 Armidale-class patrol boats for the RAN between 2005 and 2008 and continues to support them in association with Defence Maritime Services (DMS), primarily from its Darwin service centre. Austal has built patrol boats for Kuwait, Malta, Trinidad & Tobago and Yemen and most recently became prime contractor for the design, construction and in-service support of the new Australian Customs and Border Protection Service Cape Class patrol boat. Eight 58 metre vessels will be built in Henderson for delivery between 2013 and 2015 and includes an eight year service support contact, encompassing a full range of intermediate and depot level maintenance activities.

The company has enjoyed success in the US, where, with General Dynamics, it is building a competing design for the US Navy’s Littoral Combat Ship (LCS) programme. It is also building the 103-metre Joint High Speed Vessel (JHSV), the first of seven of which was christened in November 2013.

A substantial spike in both company-wide and Australian operations revenue occurred from 2011-12 through 2012-13. Company-wide sales revenue increased from $653.0 million to $902.8 million, with the share of revenue originating from Australia actually rising from 2011-12 through 2012-13 as revenue grew from $63.7 million to $88 million. Revenue is forecast to rise to $92.8 million in 2013-14 as the Cape Class patrol boat project continues. Profit margins have remained weak over the past five years however, with Austal’s Australian division returning to profitability in 2012-13 after posting losses in the previous two years.

Babcock

Babcock is a leading International Engineering Services Organisation with global revenues of over £3.2 billion in 2013 and an order book of circa £12 billion. Babcock is a world leader in cost effective asset management and sustainment of critical and complex fixed and mobile assets. The company operates in some of the most highly regulated markets around the world including Nuclear, Transport, Energy and Defence.

The Surface Ships Business Unit provides asset management services for the through life sustainment of commercial and naval maritime assets. Babcock is seeking to expand its presence in Australia, where it currently employs 343 people and generates revenues of $67 million.

BAE Systems Australia

BAE Systems Australia Holdings Limited (BAE) designs, integrates and maintains military systems for the Australian Defence Force. The company is one of the largest defence and aerospace companies in the world, delivering a full range of products and services for air, land and naval forces. Domestically, the company employs approximately 5,000 workers across the entirety of its business divisions, with major shipyards in Williamstown, Victoria and Henderson, Western Australia.

Overall company revenue for the calendar year 2013 was reported at $1.4 billion, of which an estimated $600 million can be attributed to Maritime industry operations. Shipbuilding revenue grew strongly in line with overall company revenue in the aftermath of the Tenix Defence acquisition, growing from an estimated $269.8 million in 2008 to $566.1 million in 2010. Revenue fluctuated from 2010 through 2013 as the company encountered construction difficulties in 2011 and 2012.
Despite the increase in revenue, profit margins have declined, with the company encountering losses in 2009 and 2011 as it dealt with substantial depreciation costs. BAE Systems Australia is taking a strong interest in the future submarine project.

**Birdon**

A family-owned business, Birdon is a diversified marine engineering group with four main divisions: Marine, Defence, Dredging and Environmental Services. The company generates revenues of around $15 million per annum and maintains a slipway and maritime facility at Port Macquarie in New South Wales, which includes a modern shipbuilding facility.

The company has carried out half-life refits of several of the Pacific class patrol boats, originally built in Australia by (then) Australian Shipbuilding Industries between 1987 and 1997. It also recently won a US$259 million (AUD$285 million) to supply the United States Army with up to 374 specialised boats, which will undoubtedly drive an increase in revenues in the coming years.

**Forgacs**

Founded in 1962, Forgacs is a privately owned shipbuilding, ship repair and heavy engineering company. With estimated sales of $158 million in 2013, it is headquartered in Newcastle, New South Wales, and employs approximately 1,000 people. Its shipbuilding business began through a string of shipyard acquisitions between 1987 and 1999. The Company provides commercial ship repair services and shipbuilding for military and civil applications.

Currently, Forgacs is involved with the Hobart Class AWD programme for the RAN for which it manufactures blocks for the ships which are freighted to Adelaide. Forgacs is highly dependent upon this programme for future viability in its current form.

**Incat Tasmania**

Incat is an Australian company that builds high-speed wave-piercing catamarans deployed in commercial and military services around the globe. Incat’s shipyard is on Prince of Wales Bay at Derwent Park, Tasmania, with the company employing 191 staff across its operations as at June 2012. Revenue of $54.1 million is forecast for 2013-14 as the company continues to recover from a slump in 2010-11. Incat provided a catamaran ferry under lease to the RAN for operations in East Timor in 1999 and the ship was returned after the operation.

**Lockheed Martin Australia Pty Ltd**

Headquartered in the Canberra suburb of Kingston, and employs over 750 people across all of the Australian states and territories. Principal employment locations are in Canberra, Melbourne and Adelaide. Turnover in 2012 exceeded AUD$200 million. Over 200 additional persons are employed by the Corporation in New Zealand.

The core areas of focus for Lockheed Martin are Aerospace and defence, information technology, space, and emerging technologies. New Zealand Ministry of Defence recently announced the signing of a contract with Lockheed Martin Canada for the upgrade of the Royal New Zealand Navy’s two ANZAC Class frigates at a signing ceremony in Wellington, April 2014.
Mermaid Marine Australia Limited (MMA)

Headquartered in Fremantle, Western Australia, MMA is Australia’s largest marine services provider to the offshore oil and gas industry. The company generates the majority of its income from the Navigation, Towage and Services to Water Transport in Australia industry, generating total revenues of $450 million, from its three lines of business in Vessel Operations (operation of crewed vessel charters), Supply Base (operation of base facilities) and Slipway (provision of various repair and maintenance services).

The company has a fleet of 22 vessels operating out of Australia and 6 out of its Singapore office. Its supply bases are located in Dampier and Broome. Major clients include Apache Energy, BHP Billiton Petroleum, Chevron, Origin Energy, Santos, Vermillion and Woodside Energy.

Strategic Marine

Also based in Henderson in Western Australia is Strategic Marine, who have established themselves as a major manufacture of aluminium-hulled vessels and now expanded into the construction of steel ships.

Employing over 1,000 staff, its 16,400 square metre facility within the Australian Marine Complex has produced over 140 patrol boats since 2001 and has altogether built over 260 for Australian, Nigerian, Singaporean, Malaysian and Kuwaiti government agencies. Strategic Marine was also responsible for the fit out of the 99-metre floating dry dock at the Maritime Complex and expanded its footprint into Asia and beyond.

Serco Systems

Employing 400 staff with an annual turnover of $225 million in 2013, Serco Systems’ maritime arm, DMS Maritime Pty Ltd, is one of Australia’s largest maritime service operators, with facilities in major naval ports around the country and a support network that extends a wide range of engineering and technical services across Asia Pacific.

These include integrated management of through-life support covering vessel design, build, modification, engineering and maintenance; marine systems support; port services; maritime training; and specialist services such as under-sea exploration and recovery.

With facilities in every major Australian naval port, a far-reaching technical support network of subcontractors, and the global expertise of Serco to draw on, DMS Maritime meets the demands of diverse maritime projects throughout Australasia and beyond.
Thales Australia

Thales Australia is a major provider of advanced aerospace, defence, transportation and security technology. Thales employs approximately 3,300 workers in Australia with its main operations in the shipbuilding and repair services industry primarily revolving around high-technology initiatives and its operation of the RAN’s major refit, repair and maintenance facilities at Garden Island in Sydney. Parent company Thales Group is a French multinational company (which is partially owned by the French Government) that competes in the same industries as its Australian subsidiary.

Shipbuilding and repair revenue for Thales Australia has grown strongly over the past five years, from an estimated $306.8 million in 2008 to $428.6 million in 2013, but it is questionable if this can be maintained as the RAN changes its overall mix of ships and Thales has to compete against new entrants in the Australian market such as Babcock.

ThyssenKrupp Marine Systems Australia (TKMS)

TKMS Australia acquired Australian Marine Technologies (AMT) in 2013 to establish a more significant presence in Australia. The company has aspirations to participate in the Collins replacement project (SEA1000) and future shipbuilding projects for the RAN.

Originally established in 1987 to support Blohm and Voss in developing the ANZAC ships from their MEKO 200 origins, AMT provided full configuration management on the first two and has used the experience gained to design a range of configuration changes since. The New Zealand relationship established by AMT as part of the original ANZAC project may be of interest to New Zealand industry.
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