



COUNTRY UPDATE – AUSTRALIA

The AUKUS partnership: what it means for the engineering, construction and manufacturing industries in Australia, the UK and the US

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Introduction

In September 2021, Australia, the United Kingdom, and the United States announced the AUKUS pact, a security partnership with the objective of supporting a stable, secure, and prosperous Indo-Pacific region.¹ On 13 March 2023, at a summit held in San Diego, Australian Prime Minister Anthony Albanese, Prime Minister of the United Kingdom Rishi Sunak, and President of the United States Joe Biden unveiled details of a plan for Australia to acquire nuclear-powered submarines (SSNs)² from the early 2030s.³

The AUKUS pact has geopolitical significance, including in respect of the strategic advantages it may offer Australia's navy in the Indo-Pacific region, particularly in the South China Sea and Taiwan Strait. Questions have also been raised in relation to whether Australia's decision to build and house

nuclear-powered submarines gives rise to a potential contravention of international non-proliferation laws. Furthermore, AUKUS leaves in its wake diplomatic tensions between Australia and France, which followed Australia's decision to cease discussions with France in relation to a submarine programme prior to AUKUS.

These geopolitical considerations aside, AUKUS is lauded in terms of the projected unprecedented developments that may come from it in the engineering, construction and manufacturing industries in Australia, as well as in the UK and the US.

The impact on industries in Australia

The first initiative of AUKUS, 'Pillar 1', is a trilateral endeavour to support Australia in acquiring conventionally-armed SSNs.⁴ It is a necessity as part of this endeavour that Australia's submarine infrastructure receives significant upgrading, requiring a complex, multi-decade undertaking with significant and unprecedented developments in manufacturing, construction, infrastructure and technology across the country. 'Pillar 2' of the AUKUS plan is focused on enhancing joint capabilities and interoperability among partner nations, with a particular focus on undersea capabilities, quantum technologies, artificial intelligence (AI) and autonomy, as well as cyber capabilities. Initial trials relating to AI and autonomy, and how these technologies can be transformed into military capabilities, including matters such as AI-powered drone swarms and target identification capabilities, were under way as of April 2023.⁵ To give a sense of its scale, current projected costings are in the ballpark of AUD368bn between now and the mid-2050s, with Australia looking at an expenditure of around AUD9bn over the next four years.⁶

Australia's decision to acquire SSNs has given rise to enormous expectations for its construction and manufacturing industries. It will be a 'whole-of-nation undertaking'.⁷ From 2027, the UK and US plan to establish a rotational presence of one of the UK's 'Astute'-class submarines, and up to four US 'Virginia'-class submarines, at HMAS Stirling near Perth, Western Australia, with Australia looking to procure three Virginia submarines from the US in the early 2030s.⁸

Under the multi-phase project, Australia will therefore be required to update key infrastructure substantially in order to reach the capabilities required to dock, build, launch and maintain partner submarines, and to develop and construct the SSNs themselves, with a particular focus on upgrading existing infrastructure at shipyards in Osborne, South Australia, and at HMAS Stirling naval yard in Perth, Western Australia. The wharf at HMAS Stirling will require upgrading, new infrastructure will be built including warehousing and sustainment facilities, and maintenance training and logistical capacity will require expanding. Australian Naval Infrastructure (ANI), the Australian Government's nation-building commitment, will lead the shipyard construction in Osborne which is planned to be expanded to almost three times the total size of the yard, with an extra 45 hectares envisaged.⁹ As part of this, the Australian Government has already secured land north of the existing shipyard, where the future SSN submarines will be constructed. New submarine construction infrastructure will be built at the Osborne shipbuilding precinct, including site identification and design, civil works and prototype facilities. The first Australian-built SSN is currently expected to be delivered in the early 2040s.

It follows such projections that Australia will see substantial growth in its construction, manufacturing and technology markets. Opportunities for new jobs, industries, and expertise in construction, engineering, science, technology, and cyber are projected to be created. The Australian Government estimates the nuclear submarine programme will give rise to approximately 20,000 new jobs across Australia over the next 30 years, with AUD6bn invested in Australian industry and workforce.¹⁰ A new shipbuilding training academy is set to be established at the shipyard to carry out training of hundreds of graduates in various trades annually. Overall, AUKUS is projected to boost Australia's economy substantially, including by bringing an influx of trades and professions to Australia's submarine shipyards, and significant investment inflows into Australia's domestic industries. The commitment from the Australian Government is projected as requiring funding up to 0.15 per cent of GDP per year, averaged over the programme's life.¹¹

While the AUKUS partnership seems sure to benefit Australian infrastructure and industrial capacity, there is trepidation as to whether the three nations, but in particular Australia, have overextended themselves. One of the main concerns is the lengthy timeframes inherent in the pact, with the first Adelaide-built SSN not projected to hit the water for 20 or so years. This is assuming progress is timely and consistent, which, given the complexities involved with expanding the necessary infrastructure and the construction of SSNs themselves, may not be guaranteed. There are also concerns that it will not be possible to source sufficient skilled labour required to construct the SSNs and the infrastructure required for them, when the time comes. There are further concerns that the substantial infrastructure

upgrades in Adelaide may take place at the same time as other governmental projects, including for example, the AUD15.4bn North-South Corridor upgrade and an AUD3.2bn hospital. Therefore, while AUKUS is set to provide opportunities for construction and related industries in Australia, the concern is that it is far too expansive an initiative.

The United Kingdom and the United States

The first generation of SSNs are to be built to designs produced in the UK. SSNs earmarked to be built in the UK will be done so with the involvement of several contractors, including BAE Systems at Barrow-in-Furness, and Rolls-Royce in Derby.¹² In Barrow-in-Furness, BAE Systems is to recruit for 11,000 to 17,000 jobs, while Roll-Royce is to invest in the next generation of reactors. To sustain this enterprise, an additional £5bn will be provided to the Ministry of Defence over the next two years to modernise operations, including the engineering and construction of new and necessary infrastructure, and financing new equipment.¹³

The US is expected to invest an additional US\$2.4bn over the years 2023-2027 in the submarine industry to increase construction capacity, including by way of supplier and workforce development, development and expansion of shipyard infrastructure, and strategic outsourcing to other shipyards.¹⁴ There are several construction yards earmarked for development, including the General Dynamics Electric Boat submarine construction yard in Connecticut, HII's Newport News Shipbuilding in Virginia, and Austal USA's Alabama shipyard. The US also intends to provide US\$2.2bn to its SSN maintenance budget over the years 2024-2028.¹⁵ These investments are expected to support and create thousands of high-skill jobs in the

US, for instance, the General Dynamics Electric Boat shipyard is set to hire an additional 5,700 workers in 2023.

Conclusion

The AUKUS partnership is a major undertaking and a milestone in the history of defence cooperation between Australia, the UK and the US. It is expected to bring substantial economic and employment benefits to the construction industries in each partner nation, however, there are challenges to overcome and domestic concerns. The next few years will tell how the respective governments respond to these challenges and actively seek to progress the enormous infrastructure projects ahead.

Notes

- 1 UK Prime Minister's Office, 'UK, US and Australia launch new security partnership', *News story*, 15 September 2021, <https://www.gov.uk/government/news/uk-us-and-australia-launch-new-security-partnership> accessed 22 July 2023.
- 2 'SSN' is the hull classification used by the US Navy to designate nuclear-powered general purpose attack submarines.
- 3 Prime Minister of Australia, 'AUKUS Nuclear-Powered Submarine Pathway', *Media Release*, 14 March 2023, <https://www.pm.gov.au/media/aukus-nuclear-powered-submarine-pathway> and 'The AUKUS Nuclear-Powered Submarine Pathway: A Partnership for the Future', *Public Report*, <https://www.asa.gov.au/aukus> accessed 22 July 2023.
- 4 'Joint Leaders Statement on AUKUS', The White House, 13 March 2023, <https://www.whitehouse.gov/briefing-room/statements-releases/2023/03/13/joint-leaders-statement-on-aukus-2> accessed 22 July 2023.
- 5 Press release 'World first as UK hosts inaugural AUKUS AI and autonomy trial', UK Ministry of Defence, 26 May 2023, <https://www.gov.uk/government/news/world-first-as-uk-hosts-inaugural>

- aokus-ai-and-autonomy-trial accessed 22 July 2023.
- 6 Prime Minister of Australia, Media Release, see n 3, above.
- 7 *Ibid.*; ‘Fact Sheet: Trilateral Australia-UK-US Partnership on Nuclear-Powered Submarines’, The White House, 13 March 2023, <https://www.whitehouse.gov/briefing-room/statements-releases/2023/03/13/fact-sheet-trilateral-australia-uk-us-partnership-on-nuclear-powered-submarines> accessed 23 July 2023.
- 8 White House Fact Sheet, see n 7, above.
- 9 Gabriel Polychronis ‘Osborne shipyard to triple in size for AUKUS nuclear submarines’, *The Adviser*, 20 March 2023, <https://www.adelaidenow.com.au/news/south-australia/osborne-shipyard-to-triple-in-size-for-aokus-nuclear-submarines/news-story/b6b26728893a55116bec267a59633f56> accessed 23 July 2023.
- 10 Prime Minister of Australia, Media Release, see n 3, above.
- 11 Prime Minister of Australia, Public Report ‘The AUKUS Nuclear-Powered Submarine Pathway: A Partnership for the Future’, p 50.
- 12 Press release ‘British-led design chosen for AUKUS submarine project’, UK Prime Minister, 13 March 2023, <https://www.gov.uk/government/news/british-led-design-chosen-for-aokus-submarine-project> accessed 23 July 2023.
- 13 *Ibid.*
- 14 White House Fact Sheet, see n 7, above.
- 15 *Ibid.*

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