

Destroyer terms not ironclad

Fred Brenchley

The federal government has left the way open for the \$6 billion air-warfare destroyers to be built overseas, despite an earlier commitment to their being built in Australia.

Defence Minister Robert Hill confirmed that while building them in Australia was the government's position, it was based on "preliminary cost estimates" that the three destroyers could be built here within budget.

Senator Hill's new qualification has surprised many in the shipbuilding industry, who had taken his earlier comments that the contract would specify the ships "to be built in Australia" as a definite government policy.

It means that an Australian build must survive the crucial second pass of cabinet late this year or early next year when the ship design will be selected from US, Spanish and German contenders.

It also brings the large US naval shipbuilder Northrop Grumman back into contention. Many industry observers had dismissed the Northrop Grumman bid, because it did not have an Australian shipbuilder like the other two other contenders, Tenix and Australian Submarine Corporation.

Speculation in Canberra is that Northrop Grumman has offered the government a range of options, including building the first ship in the US while shipping the two later hulls, together with their top-secret "black box" Aegis combat systems, to Australia for completion at local yards.

Another theory is that Northrop Grumman is positioning itself for a future move into the Australian naval shipbuilding industry when cabinet moves to sell ASC, an issue that is inextricably bound up with the air-warfare destroyers contract.

The newly emerging foreign-



Defence Minister Robert Hill has qualified the warship contract. Photo: JASON SOUTH

build option adds another dimension to the complex alliance tendering system for the destroyers, as well as the heavy state rivalry between Victoria and South Australia to win the shipbuilding contract.

Tenix, builder of the Anzac frigates, has submitted two tenders, one for its Williamstown dockyard in Melbourne and a second for a greenfield site at Osborne in South Australia, near the current ASC yard.

"Defence will want lifetime project costs."

A recent Allen Consulting Group report for the Victorian government warned that "momentum" was building around the Defence Department in Canberra for a South Australian option.

Allen Consulting based this on intense South Australian lobbying, as well as a belief that there would be benefits in consolidating naval shipbuilding at one site in Osborne.

With South Australia having three senior cabinet ministers in Senator Hill, Alexander Downer and Nick Minchin, it was not

surprising that Defence has asked former NSW chief justice Laurence Street to act as a "probity adviser" for the shipbuilding contract.

Defence plans to select a shipbuilder before it selects the ship designer, so the shipyard tenderers are now engaged in submitting bids based on hourly rates rather than against a firm ship design.

With US "off the shelf" prices likely to be about 15 per cent below Australian costs, local industry analysts worry that Northrop Grumman could offer a more attractive proposition that might enable Australia to equip the destroyers with cruise missiles for about the same cost as Australian-built ships without this weaponry.

However, Defence will want lifetime project costs, which favours Australian yards as it offers some control over long-term maintenance costs.

Local analysts are also concerned that cabinet's other aim is to "fatten up" ASC for sale by giving it the air-warfare destroyers contract on top of the recent \$3.5 billion Collins submarines lifetime servicing deal.

"They have done this before in selling ADI, so they have got form in this area," one analyst said.

Funding round favours biotech locals

David Crowe

The federal government will today announce another round of funding for local pharmaceutical research under a \$150 million scheme launched in last year's budget.

Industry Minister Ian Macfarlane is expected to hand out \$46.8 million to seven companies, including a group of small Australian biotech developers.

That contrasts with the first round of funding a year ago, when multinationals including Johnson & Johnson, Merck Sharp & Dohme and Eli Lilly gained \$25.4 million of

the \$87 million handed to 11 companies.

Mr Macfarlane said yesterday that the new funding represented a doubling of the amount previously available to companies spending on local medical research and development.

The second round of the Pharmaceutical Partnerships Program has favoured several Queensland companies, which are to receive \$21 million.

One of them, listed company Alchemia, said it would use its \$7.8 million grant to launch the first clinical trial early next year of an anti-cancer drug.

Alchemia chief executive Tracie Ramsdale said the funds would also help develop an anti-bacterial treatment the company was researching. "It enables us to accelerate some of those programs," she said.

Other companies include: listed company Starpharma, which gains \$5.6 million for its nanotechnology research; Alphapharm, which gains \$1.9 million for generic medicine development; CBio, offered \$6 million for anti-inflammatory drug development; and listed company Peplin, which gains \$5.6 million to devise treatments for non-melanoma skin cancer.