

AUKUS AND JOBS

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Because AUKUS is supported by both major political parties (although not the Greens), it is not so vulnerable to political instability as some other big, divisive issues. In the broader society, however, the AUKUS deal has faced far from universal acclaim. On the ‘cheer-squad’ side, the Australian Industry Group has been effusive in its support, arguing that it is a multi-generational project that has the potential to benefit millions of Australians for decades to come (Damante 2023). But the critics have raised a wide range of concerns. For example, UNSW Professor of International and Political Studies, Clinton Fernandes (2023: 23), argues that AUKUS is not an investment in Australian nation-building but in the materials, products and services that enable the warfighting capabilities of the United States (Fernandes 2023: 25).

Of course, the question of whether AUKUS reduces or increases Australia’s long-term security is fundamental. The view of *The Economist* (2023) that ‘Australia is becoming America’s military launchpad in Asia’ is hardly reassuring in this respect. Reflecting on the social as well as defence implications, the introduction to the special section on AUKUS in *Arena* (2023: 19) raised even broader concerns, arguing that:

AUKUS will deliver a new regime of the everyday in Australia. What we can call, with some caution, an Australian way of life will be recomposed by the integration of our defence with the US military, with the demands of the scientific-military-industrial complex and the aggressive posture that military preparation brings. The shift to ‘forward defence’; nuclear technologies; the reshaping of northern Australia as a US garrison; military-led economic and industrial policy: this cannot but reshape who we are and relations between us.

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The eye-wateringly expensive nature of the deal is also, quite properly, a focus of deep disquiet. The costs of the submarine component of AUKUS are estimated at \$368bn through to the 2040s; and the total cost also includes \$3bn to be transferred to the USA to help with its current domestic submarine production difficulties (Creighton 2023).

This article has a narrower focus, examining the likely impacts of the project on employment. Although less far-reaching than the strategic defence and opportunity cost aspects, the job-creation aspect warrants consideration because it is a factor that politicians emphasise to make the project politically saleable to the electorate.

Job-creation is a national consideration, of course, but it is regarded as especially important in the Port Adelaide/Osborne locality where whatever production of submarines occurs will be focussed. The area needs good quality jobs. The expectations of local people also experienced a hit from the effects of the Morrison government's contentious and abrupt cancellation of the former French submarine contract. But are the currently raised local expectations likely to be matched by secure, ongoing good quality jobs, and at what cost?

High hopes or false expectations?

Projects for defence spending tend to be accompanied by dramatic claims wrapped up in rhetoric of 'jobs, growth and regional development'. Extreme examples abound in this case. 'AUKUS alliance: New jobs potential is 'astronomical'', trumpeted *The Australian* on 16 September, 2021. Pat Conroy, Minister for Defence Industry in the Albanese government, was no less hyperbolic in his claim that: 'This is the greatest industrial undertaking ever in Australia. It will be transformative for South Australian industry' (OPM 2023).

Anthony Albanese has also said, when speaking in the UK in 2023, that 'I see this as being very similar to what the car industry provided for Australia in the post war period'. It is an awkward comparison. Although employment in the Australian car industry dropped by around 80,000 between 1973 and 1980, it still employed around 45,000 in 2015. At best, AUKUS is forecast to create around 20,000 jobs over the 25-30 years of the project, with South Australia and Western Australia as the major beneficiaries (Tillett and McIlroy 2023).

A government press release in March 2023 claimed that the jobs in South Australia arising from the AUKUS deal would be fairly evenly divided between 4,000 workers employed to design and build the infrastructure at Osborne (Port Adelaide) and a further 4,000 to 5,500 to build the actual submarines. The AMWU sees around 5,000 workers being needed to build, maintain and repair the submarines when the build is scheduled to start in the 2040s. Spread over more than a quarter of a century, this is not hugely impressive.

Furthermore, as John Quiggin (2023) pointed out, at current estimates, this works out at roughly \$18 million per job.

Then there is the inherent uncertainty about the number of submarines likely to be built and/or serviced. It is still unclear as to how many Virginia class submarines will be purchased second hand to fill the gap between the Collins class and the proposed SSN-AUKUS. The number of SSKN-AUKUS to be constructed appears to have declined from eight to five and then to three. There are issues already with the Virginia Class submarines in the US: close to 40% are reported to be out of service and undergoing repairs. The shipyards also face a growing workforce recruitment crisis. Key components have worn out well before their life expectancy and there is a spares shortage (Hardaker 2023).

The US has repeatedly raised doubts that it has enough of its own submarine-building capability to sustain its own fleet – let alone replace any operational vessels sold to Australia (Seidel 2023). An expert report from the US Congressional Research Service (CRS) questions the benefits and risks of transferring US submarine technology and naval nuclear propulsion technology to Australia for a project that envisions building as few as three AUKUS-SSN nuclear powered, attack class submarines (Hardaker 2023). Republicans argue that selling even three Virginia Class subs to Australia would unacceptably weaken the US fleet (Creighton 2023).

Furthermore, it is also unclear what impact the massive expenditure on the AUKUS initiative is going to have on current naval shipbuilding contracts in Osborne. There are already delays on the Hunter Class frigates. Seidel (2023) has also drawn attention to the fact that BAE Systems, contracted to produce both the submarines and the frigates, had been referred to the Australian National Anti-Corruption Commission (NACC) over irregularities over a contract to buy frigates from the contractor.

Hoskins (2023) reported for the BBC that the announcement of the contract confirmed the participation of BAE Systems, Rolls Royce and Babcock International. Moreover, 'Other major UK defence contractors are also getting a boost from the AUKUS deal'. However, as Seidel (2023) pointed out, Australia was nowhere to be seen in the crucial design and development phase.

A Barrow-load of jobs?

Further consideration of the job-creating potential of the AUKUS contract can also usefully take account of the experience of Barrow-in-Furness, the UK base for the AUKUS submarine operations, in northwest England. Barrow has been a major base for submarine construction in the UK, on and off, for 60 years or more. BAE Submarines, part of the major British based arms, security and aerospace multinational, has a large operation already in place and the town. Just like in South Australia, local hopes have been raised that the AUKUS contract will generate lots of local jobs.

It was when visiting Barrow in 2023, that Albanese drew the parallel with the Australian car industry, saying that it not only provided jobs and security for communities for decades, but that there were indirect spin-offs for other industries as well. At the same event in Barrow, Pat Conroy also talked about the significant opportunities in the supply chains, not only of Australia, but also the UK and the US. However, examination of the history of submarine production in Barrow and its effects on the locality raises some troubling questions.

In 2023, the *Financial Times* claimed that AUKUS would provide a jobs bonanza for both Osborne and Barrow-in-Furness (Pfeffer and Sevastopulo 2023). However, in reporting the Barrow case, the article provided the first hint that building submarines has not been an unalloyed positive for the Cumbrian town. The prospect of steady long-term investment promised a 'reprieve from the "feast or famine" cycle that has historically dogged submarine manufacturing in the UK'. The town itself has experienced long term steady population decline, mostly due to negative net migration. Barrow in 2020 was the 146th non-metropolitan district in England (of the 181 total) when ranked by the value of local production.

Furthermore, as former senior Labor politician Bob Carr has reported (Carr 2023), Barrow has struggled to deliver both the Astute and Dreadnought

class submarines before the Virginia transpires. On top of this, Carr argues, there is no precedent for building a submarine hull in one country, installing another country's technology, and then assembling in a third country that has no nuclear expertise.

Former Director of the Australian Strategic Policy Institute, Michael Shoebridge (2023), argues that, in Barrow, the nuclear subs programme provides steady employment for only a small number of people. Moreover:

While it's a lovely town, Barrow-in-Furness shows that the nuclear subs do not build a vibrant high-technology economy outside the walls of the defence industry [...] Those spin-offs the Prime Minister hopes for are not much in evidence.

In 2014, investment in the Barrow shipyard by BAE Systems - in anticipation of submarine contracts - was expected to generate thousands of jobs. Some jobs have appeared but the numbers and knock-on effects have not been earth-shattering. BAE Systems Submarines produced an extensive Social Impact report for 2020-21 covering education and skills and community investment, making reference to its support for 198 community projects as well as its COVID support activities. However, the Cumbrian Local Enterprise Partnership Report for 2022 pointed to strong islands of very innovative firms operating in competitive global sectors; but often with few links to other firms operating in the Cumbria region (CLEP 2022: 12)

Barrow-in Furness is hardly a model to seek to replicate in Australia. Immediately before the onset of COVID, Barrow's unemployment rate stood above the UK national average. The proportion of the workforce who had a degree level qualification or higher was nearly 50% below the national average. 12% had no qualifications at all. In the period 2021-22, average salary growth in the area had been negative. According to official UK NOMIS data, in 2022, the proportion of people in Barrow who were economically active was well below the national average (65.1% compared to 78.5%). The proportion of jobs in manufacturing industry (30.0%) was well above the national average (7.6%), as was the numbers in skilled trades, but the other side of the coin is that the proportion in professional occupations was below the national average. To the extent that there is any evidence of spin-offs, it is very localised.

‘Cathedral in the desert’ or Jobs for Life?

Regional development analysts use the term ‘Cathedral in the Desert’ to describe islands of advanced development that have little connection with their surrounding region (Stilwell 1989). This situation arises where the introduction of a major manufacturing enterprise has disappointingly few secondary economic benefits for the region where it is located, because of the low multiplier effect and little diffusion of innovation and skills. Submarine production in Barrow would appear to be a case in point. Setting aside the awkward question of whether it is appropriate to describe nuclear submarine production yards as ‘cathedrals’, the metaphor points to the isolation as well as the lack of reliable flow-on effects to other parts of the economy and society.

For Port Adelaide/Osborne, the lesson is that it would be wise to treat all claims regarding job growth and related local economic development with a large pinch of salt. South Australia, like the rest of the country, is facing a massive skills shortage. A 2023 report from Jobs and Skills Australia (JSA 2023) argued that Australia would need more than two million workers in the building and engineering trades by 2050 and more than 32,000 more electricians by 2030. A development focussed entirely on producing nuclear submarines to reinforce a growing Cold War is going to suck skilled workers from other vital sectors.

Given Australia’s poor record on policies to deal with climate change, and the urgent need to develop more ‘green’ manufacturing industries focussed on products like recycling lithium batteries, solar panels and wind turbine blades, we could and should be investing in Jobs for Life – in all senses of the word. As Alison Broinowski (2023: 26) concludes:

Upgrading our universities and TAFE colleges to produce graduates with the skills to do things and produce goods that Australia needs now, and to fill employment vacancies, would make more sense than training people to make lethal weapons.

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