

12-BOAT OPTION BACK ON THE TABLE

# Subs bill falls \$5bn as nations compete

EXCLUSIVE  
CAMERON STEWART

The navy's future submarine fleet could cost taxpayers at least \$5 billion less than expected, according to secret price estimates given to Defence by the three international competitors.

The Australian understands that the confidential bids lodged with the government last month by Germany, France and Japan each offer a dramatically lower cost of building an eight-submarine fleet in Adelaide than was anticipated, in the range of \$10bn-\$12bn. It was previously expected that the project would cost about \$20bn, based on a 12-boat fleet.

Even if the government decides to restore its original promise of building 12 submarines rather than eight, the bidders estimate the construction cost will reach only about \$15bn, a little more than \$1bn a boat, amounting to a potential \$5bn saving for taxpayers.

The lower cost estimates reflect the robust competition between the three international bidders to secure the submarine deal, which will be the most lucrative defence contract in the nation's history.

The cheaper than expected estimates for building the new fleet may tempt the government to try to keep its original promise of building 12 submarines, rather than the revised figure of eight submarines with an option for four more that was in Tony Abbott's draft defence white paper before he was deposed by Malcolm Turnbull in September.

The Prime Minister and Defence Minister Marise Payne have delayed the release of the

white paper until the first quarter of next year and have left open the prospect of revising the contents of the blueprint, including the size of the submarine fleet.

The number of future submarines and shipbuilding jobs has been a hot-button issue in South Australia, where the issue contributed to the demise of Mr Abbott's prime ministership after he backed away from his election promise to build 12 submarines.

Each of the three bidders for the submarine contract — Germany's TKMS, France's DCNS and the Japanese government — has refused to disclose publicly their final estimated costs of building the new fleet.

Germany and France have been able to undercut costs more than expected because they are experienced submarine exporters with highly efficient international programs. Last year, Germany's TKMS publicly estimated that it could build a 12-boat fleet for \$20bn, but this figure has since been revised down.

Japan, which has not built a submarine overseas before, has reportedly tried to keep costs down by telling submarine builder Mitsubishi the bid should not be framed with profit as the priority. This could give Japan a cost advantage over Germany's privately owned TKMS and France's partly private DCNS, which would both be required to profit from the contract.

The Australian government wants the largest and most sophisticated conventional submarine ever built, a 4000-plus tonne boat with a US combat system and the ability to fire cruise missiles and deploy special forces.

Former prime minister Kevin Rudd decided in 2009 that he

Continued on Page 2

# Christmas crisis: bushfire strikes tourist towns



A giant smoke plume rises from the bushfire near Lorne as beachgoers at Skenes Creek enjoy Christmas Day

MITCH BEAR



NINE NETWORK

A property is destroyed near Wye River



MITCH BEAR

The Gaschnig family was evacuated from Kennett River

RACHEL BAXENDALE  
TESSA AKERMAN

Several houses were destroyed and hundreds more were under direct threat late last night as an out-of-control bushfire raged on Victoria's southwest coast, prompting the evacuation of thousands of Christmas holidaymakers from tourist towns along the Great Ocean Road.

Emergency Management Commissioner Craig Lapsley last night confirmed that four houses had been razed near Separation Creek and Wye River, and said it was likely many more properties had been lost.

"We'd suggest very strongly that we'll lose quite a lot of property in those locations," Mr Lapsley said.

At 8pm, the fire had passed through Wye River, and was moving southwest towards Kennett River.

Emergency services door-knocked residents in Separation Creek and Wye River shortly before midday to instruct them to evacuate to Apollo Bay.

Residents in nearby Kennett River and Grey River were evacuated a short time later. Lorne — one of Victoria's biggest tourist towns — was evacuated just before 5pm.

Residents in Lorne, Allenvale and Cumberland River were told their lives would be at risk if they did not leave before 7pm, as the 1750ha fire burned in rugged terrain ahead of an expected 180-degree wind change expected to send the fire towards the towns.

Lorne's year-round population of about 1500 swells to 16,000 over Christmas.

More than 150 Metropolitan Fire Brigade and Country Fire Authority firefighters spent their Christmas fighting the Surf Coast fire with 60 tankers, six water bombers and two large air tankers.

The Great Ocean Road was closed between Bell Brae and Skenes Creek, but the tourist road remained open for evacuees.

Patrick Hilditch and his wife and sons were forced to flee their Kennett River holiday house.

"We're still got Christmas presents sitting under the tree — we're hoping they're still there when we get back," Mr Hilditch said. "It's scary not knowing if your house is burning."

The blaze, which began with a lightning strike more than a week ago, was less than 7km from Lorne before the wind change last night, which was expected to bring wind gusts of up to 60km/h and a 10C

Continued on Page 4

# Palmer's Mercedes giveaway, five years on

INSIDE STORY  
SAMANTHA HUTCHINSON

It was the biggest Christmas party Townsville had seen.

Several hundred workers at the town's Yabulu nickel refinery had just arrived at the company's end-of-year knees-up when word began to spread that the business's new owner, self-proclaimed billionaire Clive Palmer, was preparing to play Santa Claus on a grand scale.

Filipino-born engineer Flormirza Cabalteja was to be one of the lucky ones. "We arrived and



WILL RUSSELL

Flormirza Cabalteja with her Mercedes-Benz

someone told us that they were giving out a Mercedes, and then suddenly Clive is up on stage handing over the keys to someone," she said of the 2010 bash. "And then he did it again and again ... and then someone told me he had called out my name."

All up, Palmer handed over 55 Mercedes-Benz cars to refinery workers in a \$10 million giveaway complete with fireworks and drumrolls; 750 employees received Fijian holidays and week-ends at the Sheraton Mirage.

Palmer had only recently bought Townsville's Yabulu nickel refinery for a song, and it had turned more than \$200m profit in its first year. Production was humming under a stiff nickel price and a progressive management that rewarded staff who suggested ideas, and the managers who followed them through.

Continued on Page 2

MORE REPORTS P2

# Push for urban-rural split of ABC

EXCLUSIVE  
SID MAHER  
NATIONAL AFFAIRS EDITOR

Coalition backbenchers have drawn up plans to split the ABC into separate urban and rural arms to maintain local news services to the bush, in the event of commercial broadcast mergers under changes to media laws.

Communications Minister Mitch Fifield has been briefed on the plan — the brainchild of Queensland Nationals senator Matt Canavan, a member of a backbench committee on broadcast reform — amid growing con-

cerns about the concentration of ABC resources in metropolitan centres, particularly its inner-city Ultimo headquarters in Sydney.

Anger among regional Coalition MPs over the ABC's commitment to rural and regional services has been fanned by the government-funded broadcaster's plans for changes to regional morning radio programming, under which local programs would be replaced by a homogenised show and fewer localised radio news bulletins.

The anger has continued despite assurances from outgoing ABC managing director Mark Scott that the revamp would not result in job losses and the estab-

lishment of an ABC regional division that controls 420 staff in 48 locations.

Driving concerns is the increasing likelihood of changes to media laws, under which metropolitan commercial television networks would merge with regional networks such as WIN, Prime and Southern Cross.

The backbench plan to split the ABC, which has support among rural Liberal MPs, has emerged as regional TV viewers learned they might be forced to watch the summer's cricket on SBS2 as Nine and WIN remain locked in negotiations on broadcasting sports rights.

Continued on Page 6

# \$120bn blow for resources giants

The nation's top 10 resources companies lost a staggering \$120 billion in market value during the year and economists are predicting more pain to come, with the global rout in commodity prices expected to force local mine closures and further production cutbacks.

BUSINESS P19



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