





The Defence Annual Report of 2000 (DAR 2000) states the annual total operating expenses (ATOE) for the F/A-18 Tactical Fighter Group as A\$782.2m (presumably in FY\_00 dollars). Using the same methodology, same discount factor and assuming no escalation of this 2000 figure over the period 2004-2015 results in a present value comparative cost of some A\$5,894.7m for the group's operations, maintenance and logistic support. Combining this figure with the comparative cost for the planned major capital projects makes the total projected cost of ownership of the Tactical Fighter Group capability some A\$8,032.4m in 2004 present value terms and the unnecessary expense figure of A\$4.5bn somewhat understated – by about A\$1.5bn.

These data and the supporting analyses have been ignored by the Department's senior leadership, despite many and varied attempts to engage with them in professional discourse and debate into Australia's air power and air superiority needs. To better understand why this is the case, I refer you to our Parliamentary Submissions entitled '*What Ails Defence, Today*' and '*Farewell to Arms, Revisited*'. For your convenience, these may be viewed on the APA on-line journal at <http://www.ausairpower.net/apa-analyses.html> and <http://www.ausairpower.net/policy.html>, respectively.

As to a way forward, the directing governance level of the Department could task the executive level of Defence to produce an expenditure profile for the F/A-18A capability along the same lines as that shown for the F-111 (see annotations in attached extract from the RAAF submission to Parliament). Alternatively or additionally, the Department be encouraged to engage with us and other Industry Groups, openly under the Team Australia ethos, to determine the most capable, most cost effective and least risky air combat capability that provides the best returns to Australia, both now and for the future.

Finally, a more rigorous approach to the analysis above would be to apply escalation factors to the DAR 2000 figure for the Tactical Fighter Group ATOE, prior to discounting back to present value.

A factor of "6% *per annum compounding*" was stated by the RAAF as the historical figure that was used in their analysis of the total cost of ownership of the F-111 capability. As demonstrated in '*Farewell to Arms Revisited*', the application of a 6% per annum compounding figure to the F/A-18 Tactical Fighter Group ATOE would underestimate the real expenditures by some degree. However, doing so results in a projected aggregate ATOE for the period of some A\$9,921.0m, making the total projected present value cost of ownership of the F/A-18 Tactical Fighter capability for the period 2004 to 2015 some A\$12,058.7m. ***In present value terms, this is almost six (6) times the RAAF calculated total cost of ownership of the F-111 for the same period – including the investment required to take the aircraft out to 2020! In actual expenditure terms, the figures take on the appearance of international dialling telephone numbers.***

If nothing else, the results of the analyses outlined above demonstrate that the military justice and administrative review systems are not the only areas where the Department could do with some assistance from outside experts. Moreover, they demonstrate the need for a much closer and independent look at the bases of the recommendations made to Government that have resulted in the current plans for Australia's air combat capability.

I hope you will agree with me that the brave, dedicated and hard working people within the ADF and the Department, the Australian taxpayer, and future generations of Australians, deserve nothing less.

A signed copy of this E-Letter is attached. In keeping with E-mail based communication protocols, an acknowledgment of receipt would be much appreciated.

Yours sincerely,  
In the interests of national security and the economy,

Peter Goon  
Australian Flight Test Services



**COMMERCIAL-IN-CONFIDENCE**

06 Jul 2005

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F-111\_Cost of  
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