

**Senate Foreign Affairs, Defence & Trade References Committee**

**Response to Question on Notice - 11 August 2011 committee hearing**

**Mr Graham Priestnall, National President of the Australian Industry and Defence Network**

Senator Ludlam, following my appearance at the Inquiry on 11 Aug 11, I undertook to find specific evidence of where overseas military-of-the-shelf (MOTS) capital acquisition purchases have resulted in the Commonwealth paying more to purchase and sustain capability (a platform or system), than if the capital acquisition had been purchased from and maintained by an Australian based company. My research has not identified any quantitative evidence to show definitively that an overseas MOTS purchase has cost the Commonwealth more to sustain throughout the full life-cycle of the capability compared to a domestically sourced and maintained alternative.

However, I believe that the deficiency in quantitative evidence is primarily due to the lack of records/information comparing overseas MOTS and domestically produced capability throughout its full life-cycle. Usually, once a capability option had been selected by Government the costings of the unsuccessful alternatives options are no longer tracked by Project Offices. Since the MOTS benchmarking requirement was announced in the 2009 Defence White Paper: Force 2030, the costings of the alternative capability proposals usually include the acquisition costs and a limited (three to five years) sustainment cost. I am unsure if the Department of Defence continues to track actual sustainment costs against scheduled costs for the competing capability solutions but if they do, this information is not available to AIDN.

A further consideration in regard to the cost of MOTS purchases is the ability of Australia to freely and cost effectively modify or update a capability - an example being the friend or foe software codes in F/A18 that Australia had great difficulty in getting access to. Such limitations can be of critical significance in a combat situation where the attitude of the supplier nation may be in doubt.

Best Regards,

Graham Priestnall  
President, AIDN National