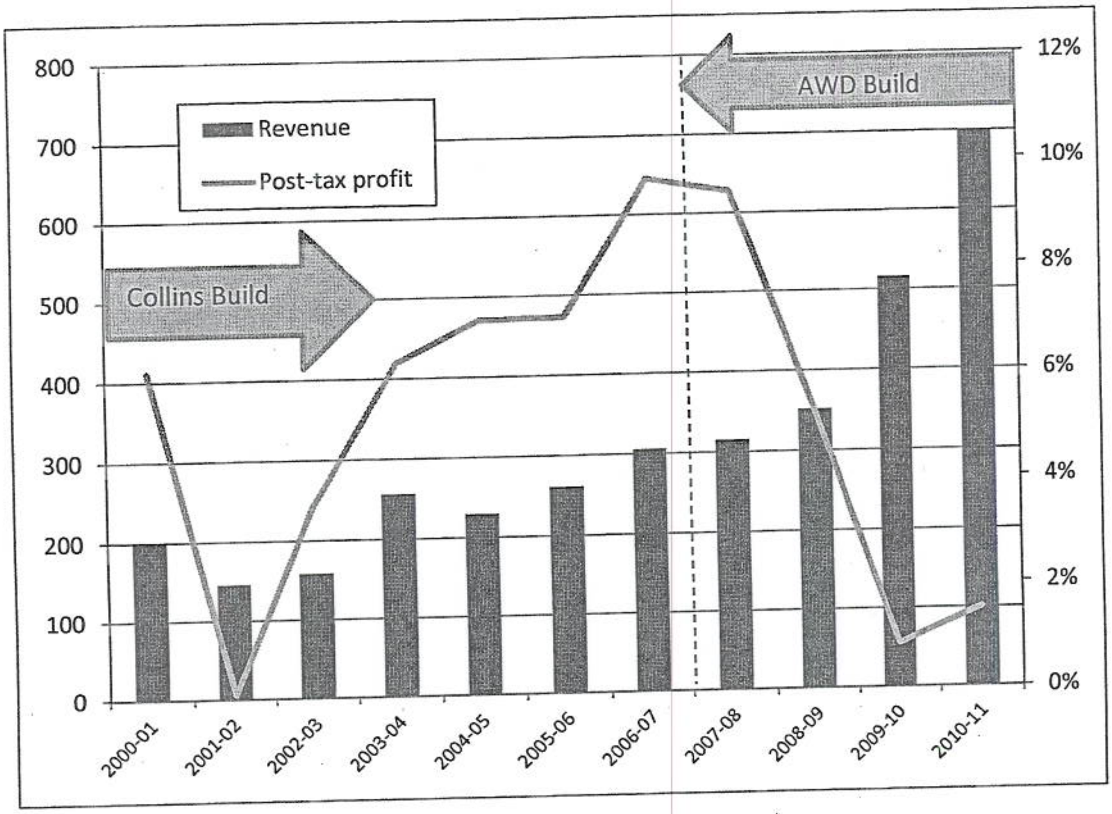
mid-2007 is clear. Note that, however, ASC's after-tax profit as a share of revenue fell from 9.7% in 2007 to 0.8% in 2010 and 1.5% in 2011. This reflects a decision to reinvest profits back into the business, including into facilities and *Deep Blue Tech*.

**Figure 7.7: ASC Key Financial Results**




*Source: ASC Pty Ltd Annual Reports*

We now turn to examine in Dickensian fashion the various activities of ASC in a little more detail before concluding with some observations about its future ownership.

### The ghost of submarines past—Collins through-life support

For reasons that we do not understand, Defence failed to have a through-life-support strategy or contract in place for the Collins class at the end of the construction program. Instead, *ASC* undertook piecemeal work as requested to maintain, repair and upgrade the fleet. In 2003, a long-term Through Life Support Agreement (TLSA) was established between Defence and ASC. Nominally a 15-year $3.5 billion agreement, the TLSA is essentially a cost-plus contract with limited options for incentives and sanctions.

Because we do not know the price paid each year to ASC to maintain the Collins, we have to rely on the reported total sustainment costs for an indication of costs. Note that total sustainment costs include many things that do not result in payments to ASC (such as fuel and government furnished equipment). In particular, sustainment of mission system items such as sonar, combat system and electronic warfare is separately provided by other suppliers through DMO. Total sustainment costs for the Collins fleet are given in Figure 7.8 beginning with the first year that data is available, 2007-08. To allow a comparison over