
Sent: Sunday, 28 September 2008 12:38
To: White Paper
Subject: WWW Submission: 8. Defence Industry [SEC=UNCLASSIFIED]

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Submission: There is a profoundly important relationship between the costs of acquisition of Defence materiel and the affordability over the full life of the materiel concerned. In commercial parlance this is the cost of ownership.

The up-front cost of acquisition is aggregated to the running costs over the life of the asset and the disposal costs at the end of life. These costs may be treated to discounted cash flow analysis to reflect the time-value of money, quite apart from normal inflationary adjustments.

Either way the full cost is important in a business case that is approved by the board of an investing organisation.

Somehow this same approach is given scant attention in Defence materiel. There have been interminable discussions of through-life costs and life-cycle costs and so on and they are discussed at length at the time of investment decisions, but to this day they have never been given the full weight of a selection criterion for new acquisitions.

Why is this so? There may be many reasons but among them is the feeling that the life of the asset is not entirely determined at the time of the investment decision.

Technology and geopolitics may change the equation dramatically in the future - or on the other hand they may not! Thus there is uncertainty in the mix and some form of best and worst case or other probabilistic overlay may be appropriate.

Nevertheless the cost of ownership principle does have utility and should be applied more rigorously to capability development and material acquisition

Among many other effects of such a rigorous approach would be the greater inclusion of local industry in material sourcing. This would have a positive effect on cost of ownership for several reasons, including local repair and enhancement to meet emerging needs; insulation from currency risk and export controls; and the increase of the technology base of Australia.

I agree to my submission being published on the Defence website

I agree to my submission being quoted in the Community Consultation Report