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Proof Committee Hansard

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COMMITTEE

Estimates

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CHAIR: Can we just interrupt for a moment now, if you can, Senator Conroy. Senator Whish-Wilson, I will go to you.

Senator WHISH-WILSON: I have a few questions about that Joint Strike Fighter AIR 6,000 program. What is your understanding behind the reasoning of the Canadian government's decision last night?

Air Chief Marshal Binskin: You would have to put that question to the Canadian government.

Senator WHISH-WILSON: Is there any impact on our procurement from their decision to withdraw from the program?

Air Chief Marshal Binskin: I think, again, that was a policy statement from the incoming Prime Minister. I have not seen a definitive statement that that has now happened. I do not think the Chief of Air Force is in a position to answer that. We will get KSG to talk about that but I do not think so.

Mr Richardson: It will not impact on us.

Air Chief Marshal Binskin: Not with the numbers of air craft that are being produced. To give you an example, there are currently 150 F35s flying today, mainly in the US because the Italian air craft just flew in Italy.

So about 150 are already flying. By the time Canada would have been proposed to come in in a couple of years time there would have been upwards of 300-odd, 350 aeroplanes. So I am not sure whether there would be an impact or not in the time line you are talking about. Another customer could jump in and take those slots.

Senator WHISH-WILSON: Could you clarify which other countries are involved in the Joint Strike Fighter program apart from the US?

Air Marshal Davies: If I could add to that, the production line still looks like, for the world, around 3,000 Joint Strike Fighters total. In my understanding of earlier thoughts for Canada, comments are around 65 aeroplanes—in that order. Canada completed a couple of years ago an extension for their Classic Hornets, which they are planning on having until the mid-twenties or thereabouts. So there is still a time piece to come yet in when Canada would have or could have entered the Joint Strike Fighter program in terms of buying. I will get that other for you in a second.

Senator WHISH-WILSON: I will start the list: the US, Australia, Canada, Norway, UK, Turkey, Italy, Netherlands, Japan, there are a couple of FMS customers they do not talk about, Republic of Korea.

Senator Payne: And Israel.

Senator WHISH-WILSON: I can take them on notice.

Air Marshal Davies: My understanding is there are nine partners in the F35 program: USA, UK, Italy, Netherlands, Norway, Denmark, Canada, Turkey and Australia. There are three foreign military sale nations: Japan, South Korea and Israel. My notes here say Canada and Denmark are expected to make down-select decisions in the next 12 to 18 months.

Senator WHISH-WILSON: Could I ask if possible for an updated estimate on the total cost of acquiring 72 Joint Strike Fighters that we are aware of.

Air Chief Marshal Binskin: We can provide that for you, Senator.

Senator WHISH-WILSON: Could you tell us what you have budgeted for?

Air Vice Marshal Deeble: The current budget for the JSF program, including the infrastructure elements, is \$17 million. That includes recent updates to exchange rate.

Senator WHISH-WILSON: Seventeen billion or million?

Air Vice Marshal Deeble: Seventeen billion, sorry. That includes the purchase of 72 aircraft. The first aircraft were purchased in LRIP 6. The value of that was \$126.7 million for those first two aircraft. Over the life of the production, which will go out to 2023, we are expecting the average cost of our aircraft to be \$90 million each.

Senator WHISH-WILSON: Has that come down from earlier estimates, as a matter of interest?

Air Vice Marshal Deeble: We are currently on a learning curve. There are number of factors that impact on the cost of the aircraft. They include a learning curve. As you get more aircraft through that production line, you get greater understanding of how the efficiencies can be gained. There is also an aspect associated with volume. Over the next three years, we anticipate that we will move from about four aircraft up to eight aircraft being manufactured a month. We are at the point of increasing production.

Senator WHISH-WILSON: My next question was the time frame for delivery. You are saying four aircraft in the next—

Air Vice Marshal Deeble: The first two aircraft were purchased under LRIP 6, and they were delivered in 2014. The next aircraft that we will receive will be Low-Rate Initial Production 10. That will be in 2018. Eight aircraft will be purchased at that point in time. The following year, in LRIP 11, we will purchase another eight aircraft. Following that, on an annual basis, we will be purchasing 15 aircraft each year out to 2023, where we will purchase the last nine aircraft to take us to a total of 72 aircraft.

Senator WHISH-WILSON: In terms of that learning curve in relation to the economics of the procurement, have there been any issues around the actual operational capabilities of the aircraft? Are they fully functional?

Air Vice Marshal Deeble: The aircraft is still undertaking some development, and it is in flight-test process. We have seen the Block 2B software being delivered for the US Marine Corps, and the US Marine Corps declared their initial operational capability this year in August. The testing of the software associated with our final requirement of Block 3F for declaration of IOC is on track. It is in the test process. This is the difficult part of what we are undertaking at the moment. We are in a fix-fly process, so we fly the aircraft. It is quite complex now generating the number of aircraft and the assets required to test the aircraft. We are looking at four JSFs working in concert. You have to generate the ground threat and you have to generate the assets to be able to then exercise the aircraft appropriately, but it is on track. This is a very complex program, however. There will always be issues that you will strike. It will continue that way. I envisage that we will be working through these issues through the next couple of years. We are looking at taking delivery of our aircraft in Australia. The first two aircraft return to Australia in 2018. That will probably come with a 3i software load. Hopefully, we will then achieve a 3F software load as early as we possibly can after those aircraft arrive. That will be the basis of declaring initial operational capability in 2020.