

**F-111 plea:
Hornets
can't handle
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Department of Defence images

**'Sinews' stretched
'Thousand
cuts' hack
Aust future
capabilities**

CANBERRA – The government-funded Australian Strategic Policy Institute has pleaded with the Defence Department not to put procurement on hold while it sweats out the new Defence Capability Plan. The DCP is not due before the end of the year.

ASPI recalls the hiatus before the last White Paper (which ASPI director Hugh White substantially wrote) when all Defence procurement ground to a halt. It says this vacuum, in part, can be blamed for the slow delivery of capability, which is one

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Solomons progress: (Above) Malaita leader Jimmy Rasta, wearing wrap around sun glasses and 7.62 calibre belt for his MAG 58 machine gun with members of his Eagles force, handed in their weapons at a ceremony. (At left): No, not torture. At the Guadalcanal American Memorial in Honiara, Sergeant Greg Pritchard, Pipes and Drums 2RAR, plays for Stephen Zaku, a veteran scout who aided US Marines during the Battle of Guadalcanal.

Painting QF black – an Impulse?

SYDNEY – *It could be our nasty, paranoid mind but the sudden rash of media reports of rude Qantas staff, slipping in-flight standards and industrial problems seems, somehow, coordinated. The trigger was CEO Geoff Dixon announcing a study for a no-frills domestic airline running on a low-cost base.*

His trigger in turn was the lifting of Virgin Blue's market share over 30 per cent on some routes. Some time ago Dixon named this figure as his "line in the sand".

Not that the complaints aren't credible. There is an attitude in Qantas, unfortunately among both

flight and ground staff who are in contact with the public, of vast superiority. Occasionally it breaks out and bruises the customers.

Obviously, the airline won't tolerate it and will stamp it out. But unions don't seem to have grasped that the airline industry has changed dramatically in the past couple of years and the good times have ceased to roll. An sett staff did n't – and look what happened to them.

(Hands up every one who was offended that the travelling public

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of the faults its latest paper criticises and the rush of approvals, after the White Paper, probably contributed to problems in management.

The paper, *Sinews of War: The Defence Budget in 2003 and how we got there*, critically analysing the Defence budget, says the increases this year take care of operational expenses. But it doubts whether enough is being allocated to take care of future equipment needs.

White in the past has used the “train crash” metaphor to illustrate the way big-ticket procurements have been allowed to run to gether because of lack of investment in past years. To this now, he adds the term “death by a thousand cuts”.

The paper’s summary reads: “Government’s Defence Capability Plan (DCP) looks decidedly shaky: \$210 million worth of spending has been deferred over the last two years and another \$642 million ‘rescheduled’ from the next four.

“Defence underspent the funds available for investment by about \$200 million for two years in a row.

“... this is not (yet) a whole sale scaling back. However, if left unchecked, it could even totally mean a death by a thousand cuts for the Government’s plans for the future ADF.

“... some capability gaps will



emerge as equipment planned for in the White Paper arrives late.”

But it’s not merely the fault of the government: “The reduction in planned capital investment does not reflect a reduced commitment to defence spending by the Government. In fact, all indications are that the money is available – if only Defence can provide an assurance that it will be spent.

“Unfortunately, . . . escalating costs mean that we can’t afford the capabilities sought with the funds set aside and the changing strategic environment has sparked a debate on the force structure priorities that underpin it.

“Thus, as it stands, the DCP is undeliverable, unaffordable and uncertain. Accordingly, the Government has promised a review of the

DCP due in October this year. . .

“If the issues with the DCP were not enough, Defence has had major problems with managing its budget over the last two budget years. . . in 2001-02 \$777 million accumulated in the bank and administrative overheads grew to unsustainable levels while the Services went short of money for logistics. This reflects lax budget discipline and a failure to allocate funds to priorities.

“This year’s budget shows encouraging signs that greater fiscal discipline is in place. . . But it will be some time before these initiatives take effect and they may be something less than a complete solution.”

Sinews sets out three imperatives:

- Deliver new capabilities on time
- Improve the understanding of the cost of capability; establish financial discipline and “enable and demand accountability”.
- Sort out the DCP and the strategic policy that underpins it. The review of the DCP needs to do far more than just juggle the current set of projects into a new package. To be credible the review must provide an achievable program of capital investment underpinned by a clear statement of our strategic and force structure priorities. This needs to be accompanied by a renewed funding commitment.

Qantas, from Page 1

was illegitimately milked, as if by right, to fund benefits which the failed air line could not!)

Media reports have seized on Dixon’s announcement that Qantas would study a low-cost carrier as if it were an accepted fact. Apparently it is still tentative.

Dixon’s announcement should send a shiver through Virgin Blue which, as it expands on to “thin” routes, must be seeing its own costs rise. It could also head off potential rivals such as Singapore Airlines.

Qantas already has an in-house model for an operation, the failed

Impulse. Impulse was truly a virtual air line.

It farmed out its maintenance and its baggage handling. We never got to the bottom of how its flight staff were employed but in indications are they were working through a labour-hire operation.

Impulse’s passenger handling was even slicker than Virgin’s.

If Qantas takes the plunge, it could dust off the shelved Impulse (which held an Airline Operator’s Certificate—achievement of which led to a costly delay for Virgin Blue) and also build on the highly successful Australian Airlines experience. CEO Denis Adams and his

team have leaped through those start-up hoops.

We flew Impulse on several occasions and were impressed with the seating comfort of its Boeing 717s, now flying in Qantas colours, particularly if you could get a berth in one of the two-seat rows of the five abreast cabin. With its range, comfort and flexibility, the 717 has turned out to be an under-estimated aeroplane.

We have nothing but admiration for what Virgin Blue has done and we are impressed with its professionalism and spirit. But the fun may go out of it if Qantas launches a new rival. – John Stackhouse

CANBERRA – DSTO and Tenix, the largest Australian-owned Defence contractor, have signed a strategic industry alliance to formalise a 15-year relationship of turning concepts and R&D into commerce.

The three-year agreement was signed by DSTO Chief Defence Scientist Dr Ian Chessell and Tenix Defence CEO Robert Salteri during National Science Week.

The alliance will create greater collaboration in Australian Defence research and moves the two organisations into a more strategic partnership.

Tenix will continue to investigate the market potential of products and services originally

Tenix, DSTO in commercial link

developed for defence industries, and in doing so, become responsible for realising the commercial potential for these technologies.

Chessell said that the alliance will ensure DSTO and Tenix can enhance programs in naval warfare, landmine detection and counter-terrorism.

“By teaming with an Australian owned company to commercialise defence technologies and concepts, the intellectual capital and other economic benefits derived from DSTO programmes will stay in Australia.

“Last year alone, Tenix helped to deliver close to \$250,000 in roy-

alties to the Federal Government from turning technologies and DSTO concepts into commerce,” Chessell said.

“We hope to see many more exciting projects originate from the alliance with DSTO, as we have in the past with initiatives such as JORN, the Laser Airborne Depth Sounder, Datagate and enhancements to the ANZAC Class frigates,” Salteri said.

“The alliance will allow Tenix and DSTO to align their resources and expertise and share information more effectively to maximise opportunities of strategic significance to Defence.”

Ferra wins JSF machining work

BRISBANE – Lightweight metal machining specialist Ferra Engineering is the sixth Australian company to win work on the global Joint Strike Fighter project.

Lockheed Martin and Northrop Grumman selected Ferra as a preferred supplier to the JSF project. As a result, tier-one subcontractor Marvin Engineering has selected Ferra as a sole source supplier for the manufacture and assembly of alternative mission equipment weapon adaptors during the decade-long system development and demonstration and low rate initial production phases of the JSF program.

Ferra Engineering employs 110 at its facility in Brisbane and is one of Australia's leading manufacturers of light metal components for the telecommunications/ electronics, defence/aerospace and automotive industry sectors.

It also has a presence in the US.

Marvin Engineering is one of the biggest precision-machining firms in the US, specialising in the engineering design and manufacture of aerospace components including, pylons, adaptors, bulkheads, and other structural components.

Marvin and Lockheed Martin executives today signed a US\$20 million Memorandum of Understanding with Ferra Engineering for the AME adaptor work.

Ferra has the potential to secure additional work during the full production phase valued between US\$77-\$177 million.

Metal Storm tests 40mm system

BRISBANE – Metal Storm says it has successfully completed “another important stage in its product development program in preparation for planned firing demonstrations in Australia and the US”.

The company successfully conducted a live-fire test of a “rapid-reload multi-shot cartridge” for its 40mm pod system and 40mm projectiles using an “electronic inductive ignition system”, which eliminates in-barrel contacts.

The 40mm multi-shot cartridge provides a simple means for rapid reload of both single-barrel shoulder fired weapons and larger multi-bar-

rel Metal Storm pod systems.

The inductive ignition equips Metal Storm with a choice of firing systems, including a hard wired electronic system and a shielded inductive system. Inductive ignition is also resistant to moisture or foreign matter in the barrels.

Metal Storm's director of science and innovation, Mike O'Dwyer, said the tests will be refined and the systems will then be included in his ongoing multi-barrel pod development.

“The tested cartridges are built to load four 40mm grenade rounds in each and this may later be increased to five or six 40mm rounds,” O'Dwyer said.

“We have recently demonstrated our 16-barrel 40mm grenade pod, and stacked ‘explosive’ flash-bangs.

“Metal Storm's electronic inductive ignition system can be developed to communicate with intelligent projectiles, providing target updates to each projectile, in the barrel during flight.

“These developments [will] secure our technology as the ‘smart’ delivery system for ‘intelligent’ projectiles. This enhances our ability to fire either lethal or less-than-lethal munitions from the one multi-barrel system and switch from one to the other in just a fraction of a second.”

Why RAAF must have the F-111s

By Dr Carlo Kopp
MELBOURNE – The move to get rid of the F-111s echoes the mantra that “no threat will exist to Australia for the next 10-15 years”. In effect, this argument bets the farm on the near region remaining stable, cohesive and aligned with Australia – a remarkable conclusion given what we observe on television daily.

Australia will run a serious risk if it retires the F-111 without a credible replacement capability.

The central issue, aside from the militant, Islamic terrorism movement, is the proliferation of advanced Russian missile and fighter technology.

These are considerations distinct from the “bread and butter” issue of providing diggers on the ground with sustainable precision heavy fire support in any Timor-like regional contingency or any larger operation to root out terrorists in the region – a theme repeatedly raised by Cabinet last year.

Storm clouds over the force horizon



The Su-37's Cobra routine at the Moscow International Air Show

Spearheading the threat to Australia's regional position are the superb, 750-nautical mile radius Sukhoi Su-30 Flanker fighters, Russia's equivalent to the Boeing F-15E/K models. With buddy re fu

elling, it is capable of crossing the sea-air gap.

The Su-30s now being sold in Asia are like the advanced Su-35+ and Su-37 fighters, most using 2D thrust vectoring, canards, phased array radars and Western avionics.

Equipped with second generation variants of the Vympel R-27/AA-10 Alamo, R-73/AA-11 Archer, R-77/AA-12 Adder/AMRAAM-ski air-air missiles Su-30s outperform the F/A-18 family fighters across

the board. They are a genuine challenge for the both F-15 and the new JSF.

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Global Hawk OK for airspace

SAN DIEGO – As Northrop Grumman's Global Hawk UAV enters first phase commercial production, the FAA has granted a Certificate of Authorisation to USAF to fly the RQ-4 Global Hawk in national airspace. The certificate is the first US COA granted for an unmanned air system.

The high altitude, long endurance Global Hawk has been flying in restricted airspace during take-off and landing before quickly ascending

to altitudes high above commercial air traffic. The COA paves the way for it to support homeland defence missions in national airspace.

Virgin gets its very own 737

BRISBANE – Virgin Blue Airlines has taken delivery of its first owned aircraft, a US\$62 million Boeing 737-800 delivered from Seattle.

The aircraft arrived in Australia after a brief stop-over in New Zealand

where it received its winglets.

Virgin will buy another nine aircraft over the next 12 months.

Virgin Blue secured the financing through the Royal Bank of Scotland, with support from the US Import/Export Bank.

Chief Executive Brett Godfrey said the financed purchase “balances our fleet of leased and owned aircraft”.

Virgin Blue's existing fleet is leased through various lessors, including Boullion, CIT, GECAS, ILFC and Tombo. The arrival of the first owned aircraft takes the fleet to 32.



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(Contd) Why RAAF must have the F-111s

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The Sukhois can be used as bombers, armed with stand off weapons equivalent to the AGM-142 – such as the Raduga Kh-59M, TV guided bombs like the GNPP KAB-500/1500Kr, Harpoon clone anti-ship missiles like the Zvezda Kh-35U, and the unique Zvezda Kh-31 Krypton long-range, ramjet anti-radiation missiles. It can also carry the massive, supersonic, sea-skimming Raduga Kh-41 Moskit/Sunburn and MBRPA Kh-61 Yakhont anti-shiping missiles.

Thus Su-30s can provide robust precision strike, defence suppression and sea control.

China is building up a force of

350 – possibly up to 500 Sukhois – rivaling the USAF F-15 fleet. India has ordered almost 200.

Closer to home, Malaysia has ordered 18 Su-30MKMs and Indonesia four Su-30KIs, a lead-in batch for a planned TNI-AU fighter fleet of about 50 Sukhois.

Russian sources claim Jakarta also is shopping for the S-300PMU/SA-10E/SA-20 Grumble surface-to-air missile system – an issue in its own right.

The acquisition of advanced weapons by marginally stable nations like Indonesia should be of genuine concern; even more so, the staggering numbers being purchased by China.

Threat requires both capability and intent. Historically Australia

has had the technical edge and capability has been lacking. This is all changing now.

Given that the F-111 is the only ADF asset capable of outranging the Sukhoi fighter and has the terrain-following radar to evade advanced SAMs, prudent strategic planning requires keeping the F-111s in service for as long as possible as insurance against political instability in a neighbourhood arming with top-tier weapons.

To base long term force structuring decisions on the premise that the instability in the near region will soon subside is simply not rational. The argument that broader PacRim strategic circumstances do not justify retaining the F-111 is also not rational.

Taipei makes sub payment

TAIPEI – Taiwan has kickstarted its plan to acquire eight conventional submarines from the United States with US\$3 million and will make another \$7.5 payment shortly. The US originally wanted Taiwan to make a \$333 million advance.

The hefty down-payment demanded drew complaints from Taipei, prompting reports that the plan could be killed or Taiwan could opt for second-hand submarines from the international market.

In October Washington will brief Taipei on the available submarines.

The US Navy has briefed four US companies that have the capability to bid as prime contractors, although only Northrop Grumman and General Dynamics are expected to bid.

But the United States has not built conventional submarines for more than 40 years and designing an entirely new one would be prohibitively expensive without foreign participation.

Taiwan navy's submarine fleet consists of two 50-year-old Guppy-class diesel-electric boats, which are both in very poor condition, and two Dutch Hai-Lung-class boats commissioned in 1987/88.

Fiji rebel a wanted man

SUVA – Fijian Lieutenant Colonel Filippo Tarakinikini is facing the prospect of extradition from New York to face desertion charges. A Court of Appeal overturned a High Court ruling that Tarakinikini had

resigned his post.

During George Speight's 2000 coup that brought down Prime Minister Mahendra Chaudhry, Tarakinikini was martial law spokesman.

He lost his post later in 2000 amidst vague allegations that he was involved in the coup and a military mutiny in November 2000.

He took up a post with the United Nations Peacekeeping Office in New York but last year military commander Commodore Voreqe Bainimarama ordered him home to face further investigation.

Tarakinikini instead resigned and refused to come home and last year won court action saying his resignation was legal.

The military appealed and in a ruling the Court of Appeal quashed the lower court ruling and effectively declared Tarakinikini absent without leave.



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WASHINGTON – The Pentagon has deployed a new type of naval strike force intended to project fire-power and manpower globally.

Five Navy ships, led by the amphibious assault ship USS Peleliu, set sail from San Diego and are to be joined by two more vessels from Hawaii, including the attack submarine USS Greeneville, for an eight-month mission.

The seven ships of Expeditionary Strike Group One carry about 2200 Marines and 2800 sailors. Peleliu carries helicopters and Harriers. The other ships may have more than 200 satellite-guided Tomahawk cruise missiles.

The Pentagon plans to deploy another Expeditionary Strike Group in the Pacific and one in the Atlantic

Anchors away for punchy US fleet

in the next year.

Until now the Navy has deployed three-ship Amphibious Ready Groups, such as the one now carrying Marines off the coast of Liberia, or bigger aircraft carrier battle groups.

An Expeditionary Strike Group adds four ships – a cruiser, destroyer, frigate and submarine – to the older formation to provide “a dramatic improvement in capability”, a Navy spokesman briefed.

“Its enhanced capabilities include extensive land-attack cruise missiles, surface-fire support, undersea warfare capabilities and the ability to project power ashore via Tomahawks and aircraft,” he said.

An Expeditionary Strike Group, with its increased punch, should be able to put Marines ashore in hostile conditions that may have deterred the smaller, less-capable ARG.

The spokesman said the seven ships are on “a West Pacific deployment” but would not identify their destination.

The creation of the ESG is part of Defense Secretary Donald Rumsfeld’s “transformation” of the US military from one built with the Cold War in mind into one better able to tackle 21st century threats, said Lieutenant Commander Danny Hernandez, a Navy spokesman at the Pentagon.

Russian governor dies in crash

VLADIVOSTOK – The governor of Russia’s Far Eastern Sakhalin Island and 19 others died in a helicopter crash. Searchers found the wreck of the Mi-8 helicopter on a remote hillside after a three-day search, hampered by bad weather.

Controllers lost track of the chopper flying from the Kamchatka peninsula to an island in the Kuriles chain north of Japan.

The body of Sakhalin governor Igor Farkhutdinov was identified.

Farkhutdinov negotiated production sharing deals with some of the world’s biggest oil firms, which have pledged billions of dollars in the offshore sector of Sakhalin, one of Russia’s youngest oil provinces.

The wreck was found some 115 km south of Petropavlovsk-Kamchatsky, the city on the Kamchatka peninsula from which the helicopter departed.

There were 20 people aboard the governor’s helicopter. Prosecutors have launched an investigation into alleged irregularities concerning the flight.

Moscow air show pulls the crowds

MOSCOW – French and Italian fighters drew a giant red and blue heart in the sky to welcome an estimated 100,000 visitors to the first public day of the Moscow International Air Show.

Organisers expected up to 600,000 visitors during the three days the air show is open to the public. Fifty aircraft will be on display at the Zhukovsky air field outside Moscow, including an American B-52 bomber and F-15 fighter.

In the closed sessions, the Urals Optical and Mechanical Plant concluded a contract with a Malaysian firm to supply maintenance services on the optical and electronic equipment of MiG-29 fighters, while the US Nexel Enterprises and the Russian Systems company agreed to develop a system to defend civil aircraft from missile attacks.

Contracts with German and Indian companies were also signed.

The air show is held every second summer. This year, some 500 participants from the US, France, Britain, China and Chile took part.

Russia’s plane firms to merge

MOSCOW – Russia’s main aircraft constructors will merge into a single company within two years as the aviation industry restructures, Russian Space Agency chief Yuri Koptev said.

“We will create six holding companies in 2004-2005: the engine industry, avionics, armaments for aircraft and some major aeronautical constructors,” Koptev said.

Speaking at the annual Russian airshow, Koptev said Russia should “create a main holding company encompassing Ilyushin, Tupolev, Sukhoi and MiG” – four of Russia’s top aircraft constructors.

Koptev said a working group by December will draw up a plan for merging the aircraft constructors.

The state sold off 40 per cent of its shares in the aviation sector in successive privatisations following the collapse of the Soviet Union.

But he still wants competition to be maintained. “We must not become hostages to a single company that would dictate its prices and technical specifications,” he said.

Putin grumbles over readiness

MOSCOW—Russian President Vladimir Putin is unhappy with the combat readiness of the country's armed forces, Defence Minister Sergei Ivanov disclosed.

Ivanov acknowledged that there had been progress "in some areas" but more needs to be done.

"We will do all we can to see that ships going to sea are no longer a reason for celebration but a regular occurrence," he said.

Ivanov hailed the naval exercises now taking place off Russia's Pacific coast which he noted were

unprecedented in their scale.

"Exercises on such a scale have not been held in our country for the past 15 years. They involve 11 Russian ministries and agencies," he said.

As to the 75 warships, over 20 aircraft and 30,000 soldiers and experts are taking part in the exercises that began Monday.

South Korean and Japanese ships and planes are also taking part in the exercises, and attaches

from the United States, Canada and China have been invited.

Russia's armed forces are still hampered by strategies, methods and structures inherited from the Soviet era and has suffered from severe financial difficulties since the collapse of the Soviet Union.

The 1.1 million-strong conscription-based army in particular is working towards the creation of a professional corps that should comprise some 136,000 troops by 2007.

US bidders eye MTU

STUTTGART—Daimler Chrysler AG says it is talking to five investors about the sale of its MTU aero-engine business MTU as government opposition to a foreign take over threatened to delay a deal.

The car-maker expects to raise €1.5 billion from the sale of MTU, a defence supplier that the government wants to stay in German hands.

DaimlerChrysler spokesman Hartmut Schick said the company wants a "European solution" that the German government would find that acceptable.

MTU is in several engine alliances with Rolls-Royce.

The government has grown increasingly concerned about defence technology falling into foreign hands after the world's leading maker of non-nuclear submarines, HDW, was sold to the US investor One Equity last year.

MTU Aero Engines is also a member of the consortium chosen to build engines for Europe's new A300M military transport.

US private equity firms Kohlberg Kravis & Roberts (KKR), the Carlyle Group, the Blackstone Group and British buyout firm Doughty Hanson have put in bids.

Schick said Daimler also had to talk to MTU partner Pratt & Whitney before entering detailed negotiations with bidders.

Daimler might be willing to keep a minority stake in MTU for a few years as part of a European deal along the lines of the merger that created EADS, Europe's largest aerospace firm and owner of plane maker Airbus.

MTU employs more than 7000 people in plants in Munich, Hannover and Brandenburg state.

as a highly efficient aircraft that will use composites.

The three Japanese makers, along with Italy's Alenia Aeronautica and US's Vought Aircraft Industries, are candidates to work on the 7E7 airframe.

Last month, *Nihon Keizai Shimbun* reported that Mitsubishi Heavy would design and make the main wings for the new airliner.

Mitsubishi already makes fuselage panels for the B767.

Japan seeks 7E7 work

TOKYO—The Japanese government is likely to designate Boeing's new 7E7 "Dreamliner" as a national project. Japan's big three heavy machinery makers—Mitsubishi, Kawasaki and Fuji—are lobbying to get state subsidies and low-interest loans.

Boeing's 777 and 767 planes were both designated national projects.

The makers and the industry body, Japan Aircraft Development Corp, have requested that the government earmark funds to support the project in next year's budget.

The 200-250-seat 7E7 is touted

Montreal airport honours Trudeau

MONTREAL—Canada will rename Montreal's airport after former Prime Minister Pierre Trudeau. Transport Minister David Collenette said the new name will take effect on September 9. The proposal was approved by Trudeau's two sons.

Trudeau, PM from 1968-79, who died from cancer three years ago at 80, supported a unified Canada and helped in still a role for Quebec and its Francophone culture.

Prime Minister Chretien, who is from Quebec and served under Trudeau, said most Quebecers would welcome the change. Chretien, about to retire, is said to be looking for his own national monument.