



COMMONWEALTH OF AUSTRALIA

Proof Committee Hansard

SENATE

FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION
COMMITTEE

Estimates

(Public)

WEDNESDAY, 21 OCTOBER 2015

CANBERRA

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SENATE

FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION COMMITTEE

Wednesday, 21 October 2015

Members in attendance: Senators Back, Carol Brown, Conroy, Dastyari, Fawcett, Gallacher, Lambie, Lindgren, Ludlam, Ian Macdonald, McEwen, Moore, Peris, Rhiannon, Ronaldson, Smith, Wang, Whish-Wilson, Xenophon.

DEFENCE PORTFOLIO**In Attendance**

Senator Payne, Minister for Defence

Executive

Mr Dennis Richardson AO, Secretary

Air Chief Marshal Mark Binskin, AC, Chief of the Defence Force

Outcome 1—The protection and advancement of Australia's national interests through the provision of military capabilities and promotion of security and stability.

Program 1.1: Office of the Secretary and Chief of the Defence Force

Mr Dennis Richardson AO, Secretary

Air Chief Marshal Mark Binskin, AC, Chief of the Defence Force

Mr Mark Cunliffe, Head Defence Legal

Mr Adrian D'Amico, Defence General Counsel

Air Commodore Chris Hanna, Director General ADF Legal Service

Mr Geoffrey Brown, OAM, First Assistant Secretary Audit and Fraud Control

Mr Geoff Earley, AM, Inspector General Australian Defence Force

Mr Michael Callan, Assistant Secretary Fraud Control

Mr Peter Baxter, Deputy Secretary Strategic Policy

Program 1.2: Navy Capabilities

Vice Admiral Tim Barrett, AO CSC RAN, Chief of Navy

Program 1.3: Army Capabilities

Lieutenant General Angus Campbell DSC, AM, Chief of Army

Program 1.4: Air Force Capabilities

Air Marshal Leo Davies, AO, CSC, Chief of Air Force

Air Vice Marshal Warren McDonald, AM, CSC, Deputy Chief of Air Force

Program 1.5: Joint Operations Command

Major General John Frewen, AM, Head Military Strategic Commitments

Program 1.6: Intelligence Capabilities

Mr Steve Meekin AM, Deputy Secretary Intelligence and Security

Mr Frank Colley AM CSC, First Assistant Secretary Security and Vetting Services

Program 1.7: Vice-Chief of the Defence Force

Vice Admiral Ray Griggs, AO, CSC, Vice Chief of the Defence Force,

Rear Admiral Clint Thomas, AM, CSC, Commander Joint Logistics

Rear Admiral Robyn Walker, AM, Commander Joint Health

Program 1.8: Associate Secretary—Defence Executive Support

Mr Shannon Frazer, Acting First Assistant Secretary Governance and Reform

Program 1.9: Associate Secretary—Estate and Infrastructure

Ms Philippa Crome, First Assistant Secretary Ministerial and Executive Coordination and Communication

Mr Michael Healy, Acting First Assistant Secretary Estate Services

Mr Brett Cox, Acting First Assistant Secretary Infrastructure

Ms Alison Clifton, Assistant Secretary Environment and Engineering

Dr Ian R Gardner, MBBS, MPH, FAFOEM, Principal Medical Adviser, Department of Veterans' Affairs

Dr Matthew Klein, Senior Medical Adviser, Occupational & Environmental Medicine

Program 1.10: Associate Secretary—Chief Information Officer

Dr Peter Lawrence, Chief Information Officer

Program 1.11: Associate Secretary– Defence People

Ms Rebecca Skinner, Deputy Secretary Defence People
Mr Richard Oliver, First Assistant Secretary People Services
Air Vice Marshal Tony Needham, AM, Head People Capability
Air Commodore Henrik Ehlers, AM, Director General Cultural Reviews and Response
Ms Justine Greig, Acting Head People Policy and Culture

Program 1.12: Defence Science and Technology

Dr Alex Zelinsky, Chief Defence Scientist

Program 1.13: Capability Development

Air Vice Marshal Mel Hupfeld, AO, DSC, Acting Chief Capability Development

Program 1.14: Chief Finance Officer

Mr Phillip Prior, Chief Finance Officer

Program 1.15: Defence Force Superannuation Benefits

Ms Rebecca Skinner, Deputy Secretary Defence People
Mr Richard Oliver, First Assistant Secretary People Services
Mr Phillip Prior, Chief Finance Officer

Program 1.16: Defence Force Superannuation Nominal Interest

Ms Rebecca Skinner, Deputy Secretary Defence People
Mr Richard Oliver, First Assistant Secretary People Services
Mr Phillip Prior, Chief Finance Officer

Program 1.17: Housing Assistance

Mr Michael Healy, Acting First Assistant Secretary Estate Services

Program 1.18: Other administered**Outcome 2—The advancement of Australia's strategic interests through the conduct of military operations and other tasks as directed by Government.****Program 2.1: Operations contributing to the security of the immediate neighbourhood**

Air Chief Marshal Mark Binskin, AC, Chief of the Defence Force
Vice Admiral Ray Griggs, AO, CSC, Vice Chief of the Defence Force
Vice Admiral Tim Barrett, AO, CSC, RAN, Chief of Navy
Lieutenant General Angus Campbell DSC, AM, Chief of Army
Air Marshal Leo Davies, AO, CSC, Chief of Air Force
Air Vice Marshal Warren McDonald, AM, CSC, Deputy Chief of Air Force
Major General John Frewen, AM, Head Military Strategic Commitments

Program 2.2: Operations supporting wider interests

Air Chief Marshal Mark Binskin, AC, Chief of the Defence Force
Vice Admiral Ray Griggs, AO, CSC, Vice Chief of the Defence Force
Vice Admiral Tim Barrett, AO CSC RAN, Chief of Navy
Lieutenant General Angus Campbell, DSC, AM, Chief of Army
Air Marshal Leo Davies, AO, CSC, Chief of Air Force
Air Vice Marshal Warren McDonald, AM, CSC, Deputy Chief of Air Force
Major General John Frewen, AM, Head Military Strategic Commitments

Outcome 3—Support to the Australian community and civilian authorities as requested by Government.**Program 3.1: Defence contribution to national support tasks in Australia**

Air Chief Marshal Mark Binskin, AC, Chief of the Defence Force
Vice Admiral Ray Griggs, AO, CSC, Vice Chief of the Defence Force
Vice Admiral Tim Barrett, AO, CSC, RAN, Chief of Navy

Lieutenant General Angus Campbell, DSC, AM, Chief of Army
Air Marshal Leo Davies, AO, CSC, Chief of Air Force
Air Vice Marshal Warren McDonald, AM, CSC, Deputy Chief of Air Force
Major General John Frewen, AM, Head Military Strategic Commitments

Capability, Acquisition and Sustainment Group

Outcome 1—Contributing to the preparedness of the Australian Defence Organisation through acquisition and through-life support of military equipment and supplies.

Mr Kim Gillis, Deputy Secretary Capability Acquisition and Sustainment Group
Air Vice Marshal Mel Hupfeld, AO, DSC, Acting Chief Capability Development
Air Vice Marshal Chris Deeble, AM, CSC, Program Manager Joint Strike Fighter
Rear Admiral Greg Sammut, CSC, RAN, Head Future Submarine Program
Rear Admiral Mark Purcell, RAN, Head Maritime Systems
Major General Paul McLachlan, AM, CSC, Head Land Systems
Mr Peter Croser, Acting Program Manager Air Warfare Destroyer
Mr Adam Culley, Acting Chief Finance Officer, Capability Acquisition and Sustainment Group
Rear Admiral Tony Dalton, Acting General Manager Submarines and Head Helicopters, Tactical Unmanned Aerial Systems and Guided Weapons Division
Air Vice Marshal Leigh Gordon, AM, CSM, Head Aerospace Systems
Mr Steve Wearn, Acting General Manager Commercial
Mr Ivan Zlabur, Acting Head Electronic Systems

Defence Housing Australia

Outcome 1: To contribute to Defence outcomes by providing total housing services that meet Defence operational and client needs through a strong customer service and business focus.

Mr Peter Howman, Managing Director
Ms Madeline Dermatossian, Chief Operating Officer
Mr Jon Brocklehurst, Chief Financial Officer
Mr Brett Jorgensen, General Manager Property and Tenancy Services
Mr James Wallace, Regional Manager Development
Mr Ross Jordan, Company Secretary
Mr Jeremy Logan, Executive Officer
Mr John Dietz, General Manager, Property Provisioning Group

Department of Veterans' Affairs

Mr Simon Lewis, PSM, Secretary
Mr Shane Carmody, Chief Operating Officer
Mr Craig Orme, AM, CSC, Deputy President

Corporate and general matters

Mr Simon Lewis, PSM, Secretary
Mr Shane Carmody, Chief Operating Officer
Mr Craig Orme, AM, CSC, Deputy President
Major General Mark Kelly, AO, DSC, Repatriation Commissioner
Dr Ian Gardner, Principal Medical Adviser
Dr Loretta Poerio, Acting National Manager, Veterans and Veterans Families Counselling Service
Ms Carolyn Spiers, Assistant Secretary/Principal Legal Advisor, Legal Services, Assurance and Deregulation Branch
Ms Lisa Foreman, First Assistant Secretary, Rehabilitation and Support Division
Mr Neil Bayles, Assistant Secretary, Rehabilitation, Case Escalation and MRCA Review

Mr Mark Harrigan, Assistant Secretary, Policy Support Branch

Mr Richard Magor, Assistant Secretary, Income Support and Grants Branch

Mr John Sadeik, Assistant Secretary, Program Support Branch

Ms Sue Campion, First Assistant Secretary, Health and Community Services Division

Major General Dave Chalmers, AO, CSC, First Assistant Secretary, Commemorations and War Graves Division

Mr Alex Gerrick, Assistant Secretary, Business Reform and Defence Relations Branch

Mr Scott Weston, Acting Assistant Secretary, Anzac Centenary and Communications Branch

Mr Tim Evans, Assistant Secretary, Commemorations Branch

Mr Chris Appleton, Director, Office of Australian War Graves

Ms Narelle Dotta, First Assistant Secretary, Corporate Division

Mr Graeme Rochow, Assistant Secretary/Chief Finance Officer, Resources Branch

Mrs Robyn Kemp, Assistant Secretary, Parliamentary and Governance Branch

Mr Shane McLeod, Assistant Secretary/Chief Information Officer, ICT Solutions Branch

Mr Roger Winzenberg, Assistant Secretary, People Services Branch

Outcome 1—Maintain and enhance the financial wellbeing and self-sufficiency of eligible persons and their dependants through access to income support, compensation, and other support services, including advice and information about entitlements

Program 1.1—Veterans' income support and allowances

Program 1.2: Veterans' disability support

Program 1.3: Assistance to Defence widow/ers and dependants

Program 1.4: Assistance and other compensation for veterans and dependants

Program 1.5: Veterans' Children Education Scheme

Program 1.6: Military Rehabilitation and Compensation Acts—income support and compensation

Program 1.7: Adjustments to the Military Rehabilitation and Compensation Acts liability provisions—income support and compensation

Mr Simon Lewis, PSM, Secretary

Mr Shane Carmody, Chief Operating Officer

Mr Craig Orme, AM CSC, Deputy President

Ms Lisa Foreman, First Assistant Secretary, Rehabilitation and Support Division

Mr Mark Harrigan, Assistant Secretary, Policy Support Branch

Mr Richard Magor, Assistant Secretary, Income Support and Grants Branch

Mr Neil Bayles, Assistant Secretary, Rehabilitation, Case Escalation and MRCA Review

Mr John Sadeik, Assistant Secretary, Program Support Branch

Ms Sue Campion, First Assistant Secretary, Health and Community Services Division

Mr John Fely, Assistant Secretary, Procurement and Contract Management Branch

Ms Sandy Bell, Assistant Secretary, Service Access Branch

Mr Alex Gerrick, Assistant Secretary, Business Reform and Defence Relations Branch

Ms Carolyn Spiers, Assistant Secretary/Principal Legal Adviser, Legal Services, Assurance and Deregulation Branch

Outcome 2—Maintain and enhance the physical wellbeing and quality of life of eligible persons and their dependents through health and other care services that promote early intervention, prevention and treatment, including advice and information about health service entitlements

Program 2.1—General medical consultations and services

Program 2.2: Veterans' hospital services

Program 2.3: Veterans' pharmaceutical benefits

Program 2.4: Veterans' community care and support

Program 2.5: Veterans' counselling and other health services

Program 2.6: Military Rehabilitation and Compensation Acts—health and other care services

Program 2.7: Adjustment to the Military Rehabilitation and Compensation Acts liability provisions—health other care services

Mr Simon Lewis, PSM, Secretary

Mr Shane Carmody, Chief Operating Officer

Mr Craig Orme, AM, CSC, Deputy President

Major General Mark Kelly, AO, DSC, Repatriation Commissioner

Dr Ian Gardner, Principal Medical Adviser

Dr Loretta Poerio, Acting National Manager, Veterans and Veterans Families Counselling Service

Ms Sue Campion, First Assistant Secretary, Health and Community Services Division

Dr Stephanie Hodson, Psychology Adviser

Ms Veronica Hancock, Assistant Secretary, Mental and Social Health Branch

Ms Letitia Hope, Assistant Secretary, Program Management Branch

Mr John Fely, Assistant Secretary, Procurement and Contract Management Branch

Ms Sandy Bell, Assistant Secretary, Service Access Branch

Ms Lisa Foreman, First Assistant Secretary, Rehabilitation and Support Division

Mr Richard Magor, Assistant Secretary, Income Support and Grants Branch

Mr John Sadeik, Assistant Secretary, Program Support Branch

Ms Carolyn Spiers, Assistant Secretary/Principal Legal Adviser, Legal Services, Assurance and Deregulation Branch

Outcome 3—Acknowledgement and commemoration of those who served Australia and its allies in wars, conflicts and peace operations through promoting recognition of service and sacrifice, preservation of Australia's wartime heritage, and official commemorations

Program Branch 3.1—War graves and commemorations

Program 3.2: Gallipoli related activities

Mr Simon Lewis, PSM, Secretary

Mr Shane Carmody, Chief Operating Officer

Mr Craig Orme, AM CSC, Deputy President

Major General Mark Kelly, AO, DSC, Repatriation Commissioner

Major General Dave Chalmers, AO, CSC, First Assistant Secretary, Commemorations and War Graves Division

Mr Tim Evans, Assistant Secretary, Commemorations Branch

Mr Scott Weston, Acting Assistant Secretary, Anzac Centenary and Communications Branch

Mr Chris Appleton, Director, Office of Australian War Graves

Ms Carolyn Spiers, Assistant Secretary/Principal Legal Adviser, Legal Services, Assurance and Deregulation Branch

Australian War Memorial

Outcome 1—Australians remembering, interpreting and understanding the Australian experience of war and its enduring impact through maintaining and developing the national memorial, its collection and exhibition of historical material, commemorative ceremonies and research

Program 1.1: Commemorative ceremonies

Program 1.2: National memorial and grounds

Program 1.3: National collection

Program 1.4: Exhibitions

Program 1.5: Interpretive services

Program 1.6: Promotion and community services

Program 1.7: Research and information dissemination

Program 1.8: Visitor services

Dr Brendan Nelson, Director

Ms Rhonda Adler, Assistant Director, Corporate Services

Ms Anne Bennie, Assistant Director, Public Programs

Mr Tim Sullivan, Assistant Director, National Collection

Ms Leanne Patterson, Chief Finance Officer

Ms Frances Henderson, Head, Human Resources

Major General Brian Dawson (Ret'd), Head, Collection Services

Committee met at 09:00

CHAIR (Senator Back): Welcome. I declare open this hearing of the Senate Foreign Affairs, Defence and Trade Legislation Committee. The committee has fixed Friday, 4 December 2015 as the date for the return of answers to questions taken on notice. The committee requests that senators provide their written questions on notice to the secretariat by the close of business Friday, 30 October 2015. The committee's proceedings today will begin with its examination of the Department of Defence until 6.00 pm, followed by Defence Housing Australia until 6.30 pm and then the Department of Veterans' Affairs from 7.30 pm until 11.00 pm.

Under standing order 26, the committee must take all evidence in public session. This includes answers to questions on notice. I remind all witnesses that in giving evidence to the committee they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee, and such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence to a committee.

The Senate, by resolution in 1999, endorsed the following test of relevance for questions at estimates hearings:

Any questions going to the operations or financial positions of the departments and agencies which are seeking funds in the estimates are relevant questions for the purpose of estimates hearings.

I remind officers that the Senate has resolved that there are no areas in connection with the expenditure of public funds where any person has a discretion to withhold details or explanations from the parliament or its committees unless the parliament has expressly provided otherwise.

The Senate has resolved also that an officer of a department of the Commonwealth shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. This resolution prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted.

I particularly draw the attention of witnesses to an order of the Senate of 13 May 2009 specifying the process by which a claim of public interest immunity should be raised. Witnesses are specifically reminded that a statement that information or a document is confidential, or consists of advice to government, is not a statement that meets the requirements of the 2009 order. Instead, witnesses are required to provide some specific indication of the harm to the public interest that could result from the disclosure of the information or the document. I incorporate the relevant extract of the order in *Hansard*:

The extract read as follows—

Public interest immunity claims

That the Senate—

(a) notes that ministers and officers have continued to refuse to provide information to Senate committees without properly raising claims of public interest immunity as required by past resolutions of the Senate;

(b) reaffirms the principles of past resolutions of the Senate by this order, to provide ministers and officers with guidance as to the proper process for raising public interest immunity claims and to consolidate those past resolutions of the Senate;

(c) orders that the following operate as an order of continuing effect:

(1) If:

(a) a Senate committee, or a senator in the course of proceedings of a committee, requests information or a document from a Commonwealth department or agency; and

(b) an officer of the department or agency to whom the request is directed believes that it may not be in the public interest to disclose the information or document to the committee, the officer shall state to the committee the ground on which the officer believes that it may not be in the public interest to disclose the information or document to the committee, and specify the harm to the public interest that could result from the disclosure of the information or document.

(2) If, after receiving the officer's statement under paragraph (1), the committee or the senator requests the officer to refer the question of the disclosure of the information or document to a responsible minister, the officer shall refer that question to the minister.

(3) If a minister, on a reference by an officer under paragraph (2), concludes that it would not be in the public interest to disclose the information or document to the committee, the minister shall provide to the committee a statement of the ground for that conclusion, specifying the harm to the public interest that could result from the disclosure of the information or document.

(4) A minister, in a statement under paragraph (3), shall indicate whether the harm to the public interest that could result from the disclosure of the information or document to the committee could result only from the publication of the information or document by the committee, or could result, equally or in part, from the disclosure of the information or document to the committee as in camera evidence.

(5) If, after considering a statement by a minister provided under paragraph (3), the committee concludes that the statement does not sufficiently justify the withholding of the information or document from the committee, the committee shall report the matter to the Senate.

(6) A decision by a committee not to report a matter to the Senate under paragraph (5) does not prevent a senator from raising the matter in the Senate in accordance with other procedures of the Senate.

(7) A statement that information or a document is not published, or is confidential, or consists of advice to, or internal deliberations of, government, in the absence of specification of the harm to the public interest that could result from the disclosure of the information or document, is not a statement that meets the requirements of paragraph (1) or (4).

(8) If a minister concludes that a statement under paragraph (3) should more appropriately be made by the head of an agency, by reason of the independence of that agency from ministerial direction or control, the minister shall inform the committee of that conclusion and the reason for that conclusion, and shall refer the matter to the head of the agency, who shall then be required to provide a statement in accordance with paragraph (3).

(d) requires the Procedure Committee to review the operation of this order and report to the Senate by 20 August 2009.

(13 May 2009 J.1941)

(Extract, Senate Standing Orders, pp 124-125)

I welcome Senator the Hon. Marise Payne, the Minister for Defence, and I congratulate her on assuming the portfolio.

Senator Payne: Thank you.

CHAIR: I also welcome Air Chief Marshal Mark Binskin, AC, Chief of the Defence Force; Mr Dennis Richardson, AO, secretary; and officers of the Department of Defence. Minister, do you wish to make an opening statement?

Senator Payne: No, thank you very much.

CHAIR: CDF, I invite you now to make an opening statement and I advise colleagues that the CDF will be a little delayed in presenting a written copy of the opening statement, as there are some amendments to be made.

Air Chief Marshal Binskin: Good morning and thank you for the opportunity to make an opening statement. I would like to use this time to provide you with a brief update on our major operations around the globe.

Recent events in Afghanistan highlight the ongoing dangers facing Australian Defence Force personnel deployed on Operation Highroad. Despite the shift from combat operations to a train, advise and assist role, our people continue to operate in a very difficult, complex and dangerous environment. Over the past month, a number of US, UK, French and Afghan personnel were killed in two aircraft accidents, and the Taliban staged a high-profile assault on the city of Kunduz in northern Afghanistan.

I understand the Taliban offensive in Kunduz may have raised questions about the timing of Australia's draw-down from the 205 Afghan Corps Coalition Advisory Team. First, let me say that the decision to end our training and advisory mission in Kandahar is part of the broader NATO led draw-down from a regional to a Kabul based presence. The Afghan National Army 205th Corps is now conducting full independent operations, making it one of the first Afghan army corps to operate without coalition mentors in immediate support. However, this does not mean the end of NATO's relationship with the 205th Corps. Advisory support will continue on a weekly rather than a daily basis, and a small number of ADF personnel will remain in Kandahar as part of our embedded personnel of the US-led Train Advise Assist Command - South. While a small number of ADF personnel will remain in Kandahar, the majority of people deployed on Operation HIGHROAD will continue to be based in Kabul, providing training, advice and assistance to the Afghan National Army Officer Academy and general command police special units, along with staff who are embedded in NATO Resolute Support Headquarters.

Last week, I met with my new US counterpart, General Joe Dunford, in Boston. Among a range of issues that we discussed was the future of our respective nations' contribution in Afghanistan beyond the end of NATO's current Resolute Support mission in 2016. As you would be aware, President Obama has announced his intention to readjust the planned draw-down of American troops, retaining the current number of around 9,800 throughout much of next year and then drawing down to around 5,500 personnel in counter-terrorism and training roles in 2017. Australia has committed to the current train, advise and assist mission through to the end of next year. Our advice to government regarding any potential Australian contribution beyond that date will be made with full consideration of the US and NATO decisions.

General Dunford and I also discussed coalition operations against Daesh in Iraq, including the recent extension of Australian air operations in Syria. As part of the multinational force, our strike missions play an important part in the ongoing effort to disrupt and degrade the Daesh terrorist network. Since the last estimates hearing, Russia has entered the battle space in Syria. In a strictly operational sense, Russia's military actions add another layer of complexity to operations in Syria. Our focus remains on ensuring the safety of our aircrew in coalition operations to counter Daesh, and we support the newly established air safety procedures between Russian and coalition forces. Preventing miscalculation and ensuring the safety of our ADF personnel is paramount. We are continually assessing the operational threat environment. The Australian Air Task Group is well briefed on all potential threats. Our aircraft and planners incorporate this information into their mission preparations, which are designed to minimise those threats. The Air Task Group is also equipped with highly sophisticated modern aircraft. Our aircrew are well trained to respond to any contingency.

The assessment from commanders on the ground is that Daesh no longer possesses the operational initiation initiative that it held over Iraqi forces when the coalition commenced air strikes just over 12 months ago. In June last year, Daesh had a perceived level of invulnerability. Baghdad International Airport was at risk of being taken, and there was a real concern that the city of Baghdad itself, or parts of it, would fall. The Yazidis had fled and were stranded without food or shelter on Mount Sinjar. The Turkmen were besieged in the town of Amirli. Today, Daesh fighters are reluctant to show themselves. While there are occasional setbacks, with the coalition support the Iraqi security forces have greater control over the pace of the operation, not Daesh. It is still a difficult fight, but the Iraqis are enacting their own tactical plan on their terms and their time lines. Thirty per cent of the territory held by Daesh after of those initial assaults has been retaken by Iraqi or Kurd forces.

Although Australian forces are not directly engaged in independent combat operations, our training and support missions are helping the Iraqis achieve significant operational objectives. The Australian trained and supported Iraqi counter-terrorism service remains actively involved in operations around the city of the Ramadi, using skills acquired and refined during advise and assist training to recapture University of Anbar. This complex but significant objective demonstrates the Iraqi security forces' growing capability. Iraq's military leaders assess that personnel who have completed coalition-led training programs perform at a higher standard with greater skill, confidence and resilience. Since the advise and assist mission formally commenced last November, the Australian Special Operations Task Group has qualified over 800 Iraqi counter terrorism service personnel in advance combat tactics and casualty care, as well as dealing with explosive hazards.

The combined Australian and New Zealand capacity mission, known as Task Group Taji, has now trained more than 2,100 regular Iraqi soldiers, including 200 non-commissioned officers who graduated last month from a junior leaders course. It has been a demanding mission for the first Task Group Taji rotation, which will return home in the coming weeks. They prepared to hand over knowing that, collectively, Australia's training and advisory missions are improving the capability and resilience of the Iraqi forces, who are ultimately responsible for defeating Daesh.

With regard to Operation Manitou, we continue to achieve outstanding results. This year alone, successive Royal Australian Navy ships assigned to the combined maritime forces in the Middle East have seized almost two tonnes of heroin, worth more than half a billion dollars on the open market. This important work removes illicit drugs from our streets and, in doing so, strips money from the terrorist networks and criminal operations in the region. It has also provided an important and highly valued contribution to an international coalition of 30 partner nations and other agencies, such as the United Nations, NATO and the European Union, whilst fostering important relations through the Middle East and Indian Ocean region.

Outside the Middle East region, the ADF's largest commitment is to domestic border protection under Operation Resolute. The newly established Australian Border Force has not changed our contribution to the whole-of-government approach to border protection or altered our interaction with other agencies engaged in such operations. On average, 600 ADF personnel are assigned to Operation Resolute, with five to six minor war vessels, an AP3C Orion aircraft and, when required, one major fleet unit that is available to support maritime patrol operations as well as security elements, which are normally up to about 100 people.

In addition, the Navy is currently manning two additional Cape class patrol boats on loan from the Australian Border Force. The Navy assumed operation of Cape Byron in July and Cape Nelson earlier this month. The Armidale fleet achieved 91 per cent availability for tasking over the past financial year and the temporary transfer of those two Cape class vessels will allow deep maintenance on two ships concurrently over the next 18 months. Both Cape class vessels are expected to return to Border Force at the end of next year.

The ADF contribution to border protection operations is complemented by a number of periodic maritime surveillance operations conducted in association with our regional neighbours to promote and maintain regional stability. This is achieved primarily through Operation Gateway in South-East Asia and Operation Solania in support of the Pacific island nations in the region, as well as coordinated patrols with Indonesia and maritime deployments in the region. The ADF also stands ready to assist with short-notice deployments on humanitarian and disaster relief operations, both regionally and domestically. In that sense, the recent Sea Series of exercises off the northern Queensland coast were planned to ensure that the Amphibious Ready Element is certified and ready for the upcoming disaster season. This year, our response capability includes HMAS *Choules* and, for the first time, HMAS *Canberra*, which is fully manned and certified and now stands ready to assist should the need arise.

In summary, on any given day we have approximately 2,500 Australian Defence Force personnel deployed on operations here in Australia and around the world. Our people are held in high regard and when I meet with our friends and allies they are quick to compliment the outstanding talent and skill of the women and men who serve in the ADF, as well as their genuine desire to help. The fact that others recognise what I already know makes me very proud to command the ADF. Thank you.

CHAIR: Thank you, CDF.

Mr Richardson: Excuse me, Mr Chair, I would like—

CHAIR: Sorry, Mr Richardson.

Mr Richardson: Thank you. Just by way of introduction, I want simply to say that we continue to work on the implementation of the First Principles Review That involves far-reaching changes to all structures and processes within Defence, including the capability development process. Over the last three years the number of public servants in Defence has reduced by over 4,000. We are currently going through a VR process for SES and executive level officers, which will lead to further restructuring. I expect that we will start to stabilise the workforce in terms of absolute numbers by around the middle of next year. However, beyond that we will continue to have a big task in terms of reskilling some parts of the organisation.

Finally, I would simply note that Defence public servants continue their hard and valuable work across the full range of Defence activities with their ADF colleagues, including in intelligence, procurement and sustainment, psychological services, ICT, personnel, policy, estate management and infrastructure development. Thank you.

CHAIR: Thank you, Mr Richardson. I wonder if you would be kind enough to table your opening statement, if that is possible? No? Very well, we will get it off *Hansard*.

Senator CONROY: I join the chair in congratulating Senator Payne on her appointment as Minister for Defence.

Senator Payne: Thank you.

Senator CONROY: I just wanted to tease out some of the issues that CDF mentioned a little earlier. With Operation Okra, you will recall on 25 May this year the US Secretary of Defence, Ash Carter said:

... we have an issue with the will of the Iraqis to fight ISIL and defend themselves.

When I asked about this at the last round of estimates on 1 June, Vice Admiral Griggs said the performance of the Iraqi security forces was 'variable'. He said:

We just need some measured assessments about this.

What is your current assessment of the Iraqi security forces? I know you mentioned a couple of instances in your opening statement.

Air Chief Marshal Binskin: The context of the Iraqi domestic political situation is, I think, well known and well reported. That complexity plays out across operations in Iraq. If I go to your specific question about the Iraqi security forces—I think we discussed this a couple of weeks ago, just some initial feedback—their response has been pleasing. It really has. The commander of the first group we trained was keen to develop leadership training. As you know, their forces do not have senior non-commissioned officers, or NCOs, but they have realised that is where they need to grow their capability. Through the leadership training we were giving, which was formal, we had some of their more junior leaders coming to us and asking for informal out-of-hours leadership training—because they saw that was important. We saw the skills developing in that area.

We have seen skills developing through the junior leadership course we ran. Testimony to that was that there were 202 people on that course who went off for a couple of weeks leave in the middle—it was a normal leave period. That is when you wonder how many you are going to get back, but we got 202 back. So they were keen to do that training. Now we are doing another lot of that and we are also continuing with the next couple of groups coming through.

The performance on operations of those who have been through that process in any of the four BPC training bases in Iraq is above that of the other Iraqi security forces who have not been through it. You therefore see them at the forefront of the fighting. So both the Counter Terrorism Service, or CTS, where we have been doing the AA mission, and the regular Iraqi security forces, where we have been doing the Building Partner Capacity, end up at the forefront of the fights. They are performing quite well.

Whenever we talk to the senior Iraqi commanders—not just me, but whenever people are talking to them—they always comment very positively on the performance of the forces that have been through these programs. That being said, it is a challenge to get formed units off the front line back and to be able to go through this while they are actually fighting a war. So the process of doing that tends to be a bit clunky. But once they are on the base and are doing the training, the willingness of them to learn and perform is good.

Senator CONROY: Given what you have just said, you get an absolute sense there is an improvement in the will of the Iraqi forces to take the fight up to Daesh?

Air Chief Marshal Binskin: There is an improvement, but it is going to take a long time. It is not going to happen overnight, because it is going to take time to not only give them the skills but also give them the confidence through success—to then continue to build on their skills and grow the force. Again the ultimate military part of the strategy here is to help them develop the wherewithal to push Daesh back, destroy them and resecure their borders. That is the overall aim.

Senator CONROY: Has there been any progress in recapturing areas from Daesh, including Ramadi?

Air Chief Marshal Binskin: Ramadi is a hard battle; it is a complex battle space. There is slow movement to take Ramadi back. The biggest issue they run into, whether it is the CTS or the regular Iraqi security forces, is not just the complex terrain of buildings and underground aqueducts and tunnels and things but the improvised explosive device threat. Daesh have had many months to be able to set a lot of booby traps and IEDs and therefore it is a stepped take-back. They have to take their time as they go through.

What we have seen is the slow progression in Ramadi, and not without cost to the Iraqi security forces, and I would like to give my condolences to the families of those that have been lost in retaking Ramadi, because it is a hard fight. You may have seen reports in the last couple of days that Iraqi security forces have had success around Baiji oil refinery, which is up to the north—Baiji town and Baiji oil refinery. There are two major fronts running at the moment—the Anbar front and then that front as it leads up towards Mosul. There has been success up there in the last couple of days.

Senator CONROY: In remarks during a press conference after the G7 summit on 8 June, President Obama said, 'We want to get more Iraqi security forces trained, fresh, well equipped and focused.' He went on to say, 'We're reviewing a range of plans for how we might do that, essentially accelerating the number of Iraqi forces that are properly trained and equipped and have a focused strategy and good leadership.' The US Defense Secretary, Ash Carter, has since said, 'The strategy is the right one, but its execution can and will be strengthened,

especially on the ground.' Has there been any substantive change to the strategy that the US-led coalition is implementing in Iraq?

Air Chief Marshal Binskin: No, I do not believe there has been any change to that strategy. There have been a growing number of Sunni tribesman trained—we do not do that—in Anbar province, but the basic military strategy is progressing.

Senator CONROY: Have we made any change to strengthen our contribution to the execution of the strategy?

Air Chief Marshal Binskin: Have we made any changes?

Senator CONROY: Are we doing more, faster, or are we just sticking to a program that you think is working pretty well?

Air Chief Marshal Binskin: One thing I would say is that the first team that went in have learnt a lot in their rotation and they have changed a bit in the way they do business. I can get Chief of Army to talk a little bit more tactical if we need to. Then those lessons will be rolled into the next rotation that go through. The only adjustment we have seen in our force posture there is in the AA mission with our is SOTG, where we have reduced the numbers down to about 80. With a lot of the basic training we were doing with the CTS when we initially went in, we were the only forces other than the US that were there doing it. But over time there have been a few other nations that have put their special forces in as well, and they are doing that training. So they have the same effect. Now we are focused on mentoring the operational units that are at the front line in giving them the best support that we can, helping them plan, helping them integrate air, and indirect fires and all that. So we are re-focused, more on getting that operational effect rather than the basic training role.

Senator CONROY: Beyond air operations in Syria—I will come back to that—has Australia been approached by either the US or the Iraqi government to increase its contribution to operations in Iraq?

Air Chief Marshal Binskin: No.

Senator CONROY: We discussed this at the previous round of estimates, but I would be interested in an update on the distribution of the Daesh forces. Have there been any notable changes to their tactics or their methods of operation?

Air Chief Marshal Binskin: The noticeable change that we saw since June-July last year is they have gone to ground. So they do still move around, but they have to move around a lot more cautiously and they have to be more and more wary about their visible footprint. You will see it in the open reporting—if they become visible they get targeted. That makes their life much more difficult; it makes our life much more difficult in targeting them from the air as well. But there have been some notable successes. We do see more and more coordination in our air and in the Iraqi security forces in any battles that are fighting Daesh, and that does affect their ability to respond. But I would not say that, since the last estimates, I have seen much more in their change.

Senator CONROY: Are you continuing to see a large increase in Daesh's use of large vehicle-borne improvised explosive devices?

Air Chief Marshal Binskin: Yes, the continued use. That is their primary fighting method. It is normally large vehicle improvised explosive devices and then followed by troops and smaller suicide IED bombers.

Senator CONROY: Would you say there is any substantive change in the threat posed to the ADF or coalition forces?

Air Chief Marshal Binskin: No, I would not say that there is any change in the threat. But we do review our force protection measures for our forces. The one area in which we have increased our force protection—and it has been an emerging threat that has been reported—is the use of use of some limited chemical weapons, chlorine weapons and sulfur mustard, by Daesh. We have not seen a lot of that around the battlefield, but we are always wary of those sorts of threats. So we have adjusted our force posture to be able to adapt to that sort of threat as well.

Senator CONROY: We have not been in the direct firing line, so to speak, of that at this stage?

Air Chief Marshal Binskin: Not of those, no. But we have the relevant personal protection.

Senator CONROY: The protection is ready?

Air Chief Marshal Binskin: Yes.

Senator CONROY: Fantastic. In recent weeks Russia has commenced operations in Syria in support of the Assad regime. What is your assessment of Russia's objectives in Syria? And, Minister, please feel free to jump in. I know you have just been involved talks around this.

Air Chief Marshal Binskin: Without talking for the Russian government, what we have seen is some targeting against Daesh but we see the majority of the targeting against rebel forces more around the Aleppo area and that major western area.

Senator CONROY: Does the information that you have support Russia's contention that it is targeting Daesh, or is Russia's focus on other anti-Assad groups?

Air Chief Marshal Binskin: Again, the same as the last answer, what we see with the targeting is that it is more towards the forces that are more on the western side. ISIL are mixed in with that, but if you look at the ISIL heartland of the caliphate across Al-Raqqah we see some strikes in those areas but not a lot.

Senator CONROY: Media reports indicate that Russia has deployed its suite of anti-aircraft capabilities such as the Pantsir-S1 air defence system, the S300 surface to air missiles and the Krasukha 4 jamming capability. Given Daesh has no air force, what is your assessment of Russia's intentions in deploying these capabilities in Syria?

Air Chief Marshal Binskin: My assessment would be that it is only for self-protection for any potential contingency down the track and winding that in as part of their normal force protection. But I would not have any idea what their thinking is around it other than that.

Senator CONROY: Minister, do you have anything that you can share with us on that? The Russians have deployed some fairly substantive air defences against an opposition that has not air force. Any thoughts you can share with us?

Senator Payne: I would not add to anything the CDF said.

Senator CONROY: Russia's interventions in Syria seem to seriously complicate our own air operations by the US-led coalition, including yourself, and I understand that there has been some breakthrough very recently. What measures have been put in place by the ADF to avoid a possible incident with Russian forces?

Air Chief Marshal Binskin: The MOU that has just been signed on safety, in how deconfliction will occur and basically rules of the road, is in place. Even before that, through the Combined Air and Space Operations Centre in the Middle East we coordinate all the coalition air operations. They have deconfliction plans in place. Whenever aircraft are operating in Syria they are always operating with airborne early control AWAKS aircraft and supporting aircraft. The aim is to maintain situational awareness over the airspace of Iraq so you do not get into a position where you might end up with conflict. It does not mean that aircraft might not come to a similar piece of airspace occasionally, but we are looking to deconflict wherever we need to.

Senator CONROY: You mentioned 'the rules of the road'. Could you put that up in layman's terms? What does that mean up there in the battle space?

Air Chief Marshal Binskin: That is a layman's term. It really is just: don't make aggressive moves, stay away, don't point at other aircraft—those sorts of things. And conventions for communications—for example, how you would communicate if someone speaks Russian but not English and someone speaks English but not Russian and how to work around that to deconflict. There are all those sorts of measures in place. The one thing I would say is the fact that the Russians are doing very little over in the ISIL-Daesh heartland makes the deconfliction issue for Australian aircraft that much easier.

Senator CONROY: Have there been any instances yet where coalition or Australian aircraft have ended up in, as you said, the same rough airspace?

Air Chief Marshal Binskin: I think there have been a couple of instances where coalition aircraft have been in similar parts of airspace.

Senator CONROY: But not Australian at this point.

Air Chief Marshal Binskin: Not that I know of.

CHAIR: Senator Ronaldson.

Senator RONALDSON: Congratulations to the new minister. Can I say to you, CDF, that I completely and utterly endorse your comments earlier about the enormous pride you have in leading this group of men and women. You should be extremely proud of them. Could I ask you about the Hawkei protective vehicle project. It seems to me there are two components of this: firstly, as a protection of ADF personnel; there is an operation mobility aspect and, secondly, a skills enhancement part of it, particularly in regional and rural Australia, and there are of course the ongoing employment opportunities. Could you please walk me through, for a start, the operational advantages of the Hawkei—the protection that it provides and any new technology that will be pioneered? I understand the communications management system will be developed by Thales. So if you could go through those aspects for me and then we will progressively go through those matters.

Air Chief Marshal Binskin: We have got the experts here. I would like to say up-front, just to set the scene: we see the Hawkei as a very successful project so far, and we are looking forward to bringing this into operation into the future. I think it is a good news story. I will hand over to the experts to handle the question.

Lt Gen. Campbell: The Hawkei is a very impressive vehicle which has the capacity to have protected armour applied to it very quickly and simply. It can, depending on the threat environment you are operating in, quickly upgrade its ballistic protection capabilities. It has been designed with recent threats in mind, both of small arms and also of improvised explosive devices. That means it considers issues such as the height off the ground, the shape of the vehicle hull, the composition of its armour and the manner in which you can apply or remove armour as might be required. It has also been designed from the ground up to see an integrated information system as a component of the vehicle's architecture, so it will connect to the network that Army and Defence are building, and it offers the opportunity for a hub or a node in command and control, very good situation awareness of not just the local area but a much wider view of the battle space because of that information connectivity. It comes in a number of fitted options that allow for whether it is a four- to six-person vehicle, whether it might be specialised in surveillance fit-out, or simply a troop-carrying local vehicle small-team operations—that sort of thing. So it is very versatile and modular, an intelligently designed system for a networked force. That is how I would describe it.

Senator RONALDSON: I take it from that that it has excellent mobility in both high-risk and non-high-risk operations, is that correct?

Lt Gen. Campbell: That is correct.

Senator RONALDSON: Can I move on to the second aspect. The CDF said this is indeed very good news, and it is clearly very good news for Thales in Bendigo, and, therefore, for the Bendigo region. What is the number of vehicles that it is anticipated will be built? What is the cost of the contract?

Lt Gen. Campbell: I will hand over to my colleagues from the CASG.

Major Gen. McLachlan: We are looking at acquiring 1,100 of the protected mobility vehicle, the Hawkeis, and 1,058 trailers at that particular point in time. That is going to equate to the continuation of at least 178 jobs on the current Bushmaster production line at Bendigo. It is in the order of about \$1.3 billion in acquisition. We have a start-off support contract. One of the most important things we have been able to do with this one is work with the existing Bushmaster contract and get the taxpayer a really good result in through-life support for both of these vehicle platforms. So that is working well for us. As I said, there are 170 jobs in the production of these vehicles, with the first one coming off the production line in about 2017.

Senator RONALDSON: What are you doing to ensure the retention of the skills base at Thales? Clearly there is a gap, and clearly we need to retain those skills. So what is being done to address that?

Major Gen. McLachlan: There has been a pretty careful synchronisation of the remaining vehicles under production period 5 for Bushmaster. We have constructed the contract so that there is a limited gap between the end of the Bushmaster production and the start of the Hawkei production. This allows Thales to make the necessary infrastructure changes within the factory and to develop the necessary skills changeover within their workforce. That has been done in conjunction with Thales during the contract negotiations.

Senator RONALDSON: Do you see this as an investment by the government and Defence in the skills and knowledge base of the defence industry in this country?

Major Gen. McLachlan: Obviously our primary result is about getting the best capability for Australian soldiers. I think this has been a real win-win and I am certain that Thales would be quite comfortable with supporting that particular argument.

Senator RONALDSON: If I can provide a bit of commentary before I go on to my next question. Clearly, for regional and rural Victoria, these types of investment are absolutely pivotal not only for skill retention but clearly there is the opportunity for those who live in these areas to remain and to upgrade their skills and invest back into their community. So this is a very important project. I understand also that not only will there be retention of jobs, and additional jobs, at Thales in Bendigo, but are there any downstream supplier job opportunities, particularly, in Geelong?

Major Gen. McLachlan: I will have to take that on notice to talk about Geelong. I am aware that there is a very comprehensive supply chain. I know Thales have worked particularly hard to maintain the above-50-per-cent manufactured and supported in Australia requirement, which is a fundamental aspect of the contract. I know, for instance, that the subcontractors that are making the steel subassemblies are Australian. I know that Thales is using BlueScope Steel for that. So, once again, we are committed within the contract, and we have contractual

arrangements that mean that absolutely no less than 50 per cent of the contract price has to be manufactured and supported in Australia.

Senator RONALDSON: Congratulations, Minister. It is obviously somewhat galling for a Ballarat boy to be promoting a project in Bendigo, but can I pass on my personal thanks to the government for progressing this contract. I think, for those who live outside regional and rural Australia it might be lost to a certain extent as to how important these sorts of projects are. I know they are not lost on you. I thank you and congratulate you.

CHAIR: Thanks, Senator Ronaldson. Senator Lambie?

Senator LAMBIE: I have questions, yes, thanks. I have some questions for you Air Chief Marshal. How long have we done in the Middle East now? It is, what, 13 years?

Air Chief Marshal Binskin: The Middle East as a whole?

Senator LAMBIE: Yes.

Air Chief Marshal Binskin: I think we first went in to Afghanistan in October 2001—so, 15 years.

Mr Richardson: We have been there since 1947.

Senator LAMBIE: But, as the secretary says, we have been there since 1947, on and off. I think we have liberated Damascus twice in the last 100 years. We tend to always be in the Middle East, but the current operation has been about 15 years.

Senator LAMBIE: How is that progression going? Right now terrorism has become endemic. It is so much worse than what it was 15 years ago. We have refugees fleeing left, right and centre. I guess my question is: what is your plan of attack for the future?

Air Chief Marshal Binskin: My answer first up is that this is bigger than just a military contribution. This is a whole-of-government contribution. I can talk specifically about the military part of it. For the military part of it, we have looked in Afghanistan to take what was ungoverned space and, from a military context, provide skills and grow the Afghan National Security Forces to be able to secure their own borders and, therefore, allow the mechanism of government to set up and run the country.

From a military perspective, this year is the first year that the Afghan National and Security Forces have done this pretty much all on their own. And there have been some hard fights going on. They still step up to the mark and they still step up to fight Taliban. So we have seen a bunch of improvements, a lot of improvement, in their defence and security forces over the time. There is still time to go. It is not something you can walk away from today and go: 'Yep. That's done. They'll be good.'

We are seeing challenges now with the Taliban—not a resurgence, but the Taliban are refocusing some tactics. We do see Islamic State Khorasan stepping in; although, that tends to end up Taliban and them fighting each other because there is a fundamental difference in their views, but that increases the complexity. We still see challenges over on the eastern border. But the aim is to continue to support the Afghan forces as they continue to develop their capabilities. While their front-line capabilities have been developed over time, their logistics are still coming on and their ability to do air support—all those enabling capabilities—are yet to be fully matured.

Senator LAMBIE: So that is our vision? That is our vision for our part in the Middle East—to support that?

Air Chief Marshal Binskin: I can answer the military part of this, not the whole-of-government part. We can look at where we started in Afghanistan and compare it with where things are at the moment. Back in 2001 when all this started, unemployment was at 50 per cent; it is now 35 per cent. Access to clean water was 22 per cent; now it is 65 per cent. So, as security builds up, functions of state can build behind them. Internet users in 2001—they did not even know what it was: zero. Now there are one-million-plus internet users. Cell phone subscribers: 25,000 in 2001, and currently there are 18 million and growing. Roadways: there was only 18,000 kilometres; now there is only 42,000 kilometres, but that is still a growth. Life expectancy when we first stepped in in 2001 was 43; now it is 60.5.

If you look at the polls that are running—and they are not Defence polls; there are numerous polls around the place—the government of the republic of Afghanistan enjoys 80 per cent popular support. Over 80 per cent of the Afghans believe their lives are improving and the Afghan National Army consistently ranks as the most respected institution in the country with approval ratings greater than 85 per cent. In contrast, only 12½ per cent of men and 1½ per cent of women polled a desire to return to the Taliban state. We are seeing improvements across the board. So I can talk in that small part of this which is the military contribution. What we are doing is allowing the mechanism of state to come behind and grow and be able to grow the country. But it is not over by a long shot, by any means.

Senator LAMBIE: Minister, has our government had any contact with Russia? Have we been involved in talks with what is going on in the Middle East with Russia?

Senator Payne: Not that I am able to comment on, no.

Senator LAMBIE: Do you have any intentions of going into talks with Russia?

Senator Payne: Not that I intend to comment on here, no.

Senator LAMBIE: What is your vision for the future now that Russia has come into play?

Senator Payne: I am not sure if you were here for all of it when the CDF made some observations in his opening statement in relation to current activities in Iraq and Syria, and also in response to some questions from Senator Conroy. We have consistently said that, as Russia choose to be engaged in the conflict and the fight against ISIS in Iraq and Syria, we very much want to see them targeting the same targets that we are targeting which are the ISIS targets, the Daesh targets. We thank and acknowledge the United States for their work with Russia to ensure the safety of those operating in the air in that space in Syria at the moment. That has been a very important step for all partners in this process.

Senator LAMBIE: Yes, I understand that. When do you intend to open up and speak to Russia one-on-one without going through the US? Are you going to facilitate something in that area? Is the government going to jump in and contact the Russian government and have talks with them? We do not need to hide this. We are all fighting ISIS. I am simply asking what your intentions are for the future?

Senator Payne: I can hear your question, Senator.

Mr Richardson: We do not need to. The reason being the coalition operates, particularly in the airspace, as a coalition. And on behalf of the coalition, the United States has entered into discussions with the Russians in respect of air safety.

Senator LAMBIE: You are talking about airspace, that is great. I am talking about troops on the ground. Has anyone bothered to open up the discussion?

Mr Richardson: No. We do not have troops on the ground in Syria.

Senator LAMBIE: I know we do not have troops on the ground. Are you going to open it up for discussion? Obviously, there are rumours out there that that is the only way you are going to win the war? Why haven't you opened up the discussions? Is it because we don't have the courage? We are not going to lead in this area?

Mr Richardson: No. There would be no basis whatsoever to open up discussions with the Russians about troops on the ground.

Senator LAMBIE: Why is that?

Mr Richardson: Because the coalition has a policy of not putting troops on the ground; first point. The second point is our focus is on training the Iraqis so that they can take the fight up to Daesh.

Senator LAMBIE: Do you not find it embarrassing that—

Mr Richardson: The question of troops on the ground in Syria does not arise.

Senator LAMBIE: Do you not find it embarrassing that the US and Australia have probably not done the job they should have done in the Middle East and that Russia have now had to move in over the top of us?

Mr Richardson: I do not think that is a correct characterisation. When the coalition was invited into Iraq last year, we were very clear in saying, and the coalition was very clear in saying, that this would be a three-to five-year enterprise in terms of training the Iraqis. The Russians have gone into Syria, overwhelmingly, to protect Assad. My own judgement is that—

Senator LAMBIE: Yes, that is your judgement. But we are not speaking to them.

Mr Richardson: I am paid to have judgements. My judgement is that the Russians were concerned about Assad's survivability and that is why they intervened in the way they did.

Senator LAMBIE: My better judgement would say we should be speaking to the Russians one-on-one to find out exactly what is going on and getting that information firsthand and having some sort of alliance with them instead of going through a coalition of people.

Mr Richardson: We will not be having an alliance with the Russians in the Middle East.

Senator LAMBIE: I did not know you were calling the shots now, Mr Richardson.

Mr Richardson: It would be a bizarre notion.

Senator LAMBIE: I just thought we were all taking out ISIS; that was the whole point. So, once again, we are shirt-fronting Russia.

Mr Richardson: No, we are not.

Senator LAMBIE: That is exactly what you are doing.

Mr Richardson: No, we are not. The Russians are not solely targeting ISIL. Our objective is to degrade and, ultimately, defeat ISIL. Russia's objective is somewhat different. There is some overlap in respect of ISIL, but Russia are targeting a range of other groups that we do not.

Senator LAMBIE: Can you tell me how many troops we have on the ground or how many American troops are on the ground in Iraq and Afghanistan?

Mr Richardson: In Afghanistan, at the moment, the Americans have around 9,000. In Iraq, they have around 3½ thousand. However, their mission in Afghanistan and Iraq is different. In Iraq, their mission is primarily training with the exception of the air operations. In Afghanistan, it is not only training; it is also a mix of other ground activity.

Senator LAMBIE: So we have a token force of Americans in Iraq at about 3,000. Could you please explain why we are risking Australian lives there when there is a token force and that is all we have there?

Mr Richardson: No. It is around 3½ thousand on the ground providing training. That does not include those involved in the air operations or those supporting the air operations. It does not involve those on the ground in an intelligence capacity. It is the US Forces on the ground training in the Iraqis which has been a focus of the American effort from the beginning.

Senator LAMBIE: Since we have made very little headway when it comes to training Iraqi forces, why are we still over there?

Air Chief Marshal Binskin: I dispute that, Senator.

Senator Payne: Yes, I think you might have missed the CDF's contribution on this issue. But I am happy for the CDF to restate that.

Air Chief Marshal Binskin: I can. We spent the first 20 minutes on that.

CHAIR: Perhaps Senator Lambie might pick up your opening statement from the *Hansard* and if the senator has further questions in that area, you might be kind enough to answer them.

Air Chief Marshal Binskin: I am happy to discuss it, yes.

Senator LAMBIE: We found out through an Australian coroner's investigation that vital information was withheld from troops on the ground about green on blue attacks. Are you ashamed of that and what have you done to ensure the risk of green on blue attack is reduced?

Air Chief Marshal Binskin: You need to give me the context.

Senator LAMBIE: The green on blue attack where we lost three soldiers.

Air Chief Marshal Binskin: Yes.

Senator LAMBIE: What actions have you taken to prevent that in the future?

Air Chief Marshal Binskin: I can get you the detailed information and I can take that on notice. We did an initial response to that and an investigation, and included all the findings of that in our lessons learned, as we normally do, to look to improve the systems that we have in place. I will dig in and get the details, but the Queensland coroner has just looked at this and made a number of recommendations as well. I have formally given that to the service chiefs and commander joint operations to assess what we have done and then also what the coroner had recommended. I do not believe there is a large disparity in that, by the way. You may remember early on that there was mention that we did not act on intelligence. There had been no intelligence that Hekmatullah was a specific threat in that patrol base. There were some issues with the flow-down of some of the force protection measures that the coroner brought out, but I believe that that had all been taken into account after that through our own investigation into it. But that is all on open record from the coroner.

Senator CONROY: In late September there were widespread media reports that Iraq had reached a deal to share intelligence with Russia, Iran and Syria. Was Defence aware of Iraq's intentions to share intelligence with Russia, Iran and Syria prior to that announcement?

Air Chief Marshal Binskin: I do not believe that we had full information on that, but they are not sharing coalition intelligence; they are sharing their own intelligence, as I understand it.

Senator CONROY: How do you ensure that they are able to separate out information that they receive from the coalition?

Air Chief Marshal Binskin: I do not believe they are receiving any intelligence direct. It will be through the command and control centres that are set up with the coalition in Baghdad.

Senator CONROY: You have got no concerns then about the intelligence-sharing arrangement with Russia?

Air Chief Marshal Binskin: I do not believe that any intelligence that we do not want to have shared would be shared.

Senator CONROY: Could you just explain the process—I think you briefly mentioned it then—whereby the coalition shares intelligence with Iraq.

Air Chief Marshal Binskin: As I understand it—and I will take this on notice for the specifics—the joint coalition headquarters in Baghdad are set up and cooperating closely not just with the coalition but with the Iraqi security forces, so they will use our generated intelligence to help shape the Iraqi operations. I would not believe that sensitive raw product would be passed across those lines. It would be used to help coordinate their activities and what our responses might be in support of their operations.

Senator CONROY: I note that the Obama administration recently announced it was abandoning a \$500 million program to train friendly forces in Syria and has instead started airdropping weapon supplies to anti-Daesh forces. Does Defence assess that this change in approach will have a meaningful impact on the situation on the ground in Syria?

Air Chief Marshal Binskin: I am not sure. We are not a part of that operation, and it would be one that only time will tell.

Senator CONROY: Are you concerned that you could be encountering weapons and weapons systems that are dropped by the Americans that are captured by rival forces and end up shooting back at you?

Air Chief Marshal Binskin: That is always a threat but, where those drops are occurring, they are not dropping surface-to-air weapons because there are no ISIL surface-to-air threats. It is more things like antitank weapons, small arms, radios and communication. That being said, there are some benefits from the ability for them to coordinate better with coalition forces. Again, we are not a part of that operation.

Senator CONROY: The whole reason we are in Syria is to diminish and degrade their interference in Iraq—

Air Chief Marshal Binskin: Yes, so we are in there in a collective self-defence of Iraq so that is why the areas that we are operating in specifically targeting Daesh are to counter their operations where they move across the border. They do not even see the border. They move across the border into Iraq to support their Iraq operations.

Senator CONROY: That is my concern: the failure of the American training program, the dropping of arms and that those arms could, as part of Daesh movements, end up inside Iraq against the ground forces, not necessarily the surface-to-air issue. They could actually be used.

Air Chief Marshal Binskin: That is always a risk, and I know the US take that into account in their planning of what they may or may not drop, and also where they drop. They are also dropping right onto the front lines.

Senator CONROY: On October 17, Cameron Stewart of *The Weekend Australian* published an article entitled 'Aussies could join French-led naval task force.' The article suggests that France has invited Australia to send a frigate as part of US-led Task Force 50, which France takes command of in December. Is the article correct that France has invited Australia to participate in Task Force 50?

Air Chief Marshal Binskin: France has contacted us and asked us if we want to participate, but we need to remember that we actually do have a ship in the gulf performing meaningful duties at the moment. I mentioned the drug haul that they have done. We will take the invitation, we will assess it and see whether it gives any beneficial outcomes to the operations that are there. But there have been no decisions at the moment.

Senator CONROY: When did Australia receive the invitation and what were we asked to contribute?

Air Chief Marshal Binskin: I think what you saw in the media. It was earlier this year—a couple of months ago. There was a naval-to-naval discussion along the lines of, 'If we were to, would you consider?' Is that about right?

Vice Adm. Barrett: I will confirm CDF's statement. I had a formal letter from the chief of the French navy. We meet, or we converse, on a fairly regular basis. He made a request, given that we operate in that region. It was passed through our Joint Operations Command and is under consideration, as CDF has said.

Senator CONROY: Just for the sake of those who have not followed it all ongoing, what is Task Force 50's remit? What does Task Force 50 do at the moment?

Vice Adm. Barrett: It is part of the combined maritime force that operates within the area of the Middle East in general. It will rotate its leadership over a period of time in much the same way that we do through Combined Task Force 150. It gives the opportunity for all coalition partners to lead what is the combined force in that area.

Senator CONROY: Is it a very different role to the role that we are currently playing with our frigate?

Vice Adm. Barrett: It is a different role from what we are doing, yes. Our role, particularly, is centred around what is known as the 'smack track', which is off the west coast of Africa. It is not unusual for us; we have done a similar role in the past, and we have on occasion in different parts of the world embedded one of our ships in the task force of another country. It is an event that we are well practiced at.

Senator CONROY: Minister, it is only consideration—is the government favourably disposed or is it unlikely to join?

Air Chief Marshal Binskin: We have not provided advice to government on the consideration yet.

Mr Richardson : It has not yet been fully discussed within Defence.

Senator CONROY: It is just that the Vice Admiral indicated that it was a few months ago that we received the invitation.

Vice Adm. Barrett: That is right. That is correct.

Senator CONROY: What would the legal basis for our involvement be if we were to get involved?

Mr Richardson : That is purely hypothetical.

Senator CONROY: We have had a request; it is not hypothetical.

Mr Richardson : We have a request but, firstly, we have not yet fully explored it within Defence. Secondly, we have not yet been to the minister and government. Therefore, I do not really have a view on that at the moment.

Senator CONROY: Is Task Force 50 directly engaged in the conflict in Syria, or is its role restricted to the collective self-defence of Iraq?

Mr Richardson : I am not sure what Task Force 50—

Air Chief Marshal Binskin: Task Force 50 would be under another UN mandate. We would have to take all that on notice.

Senator CONROY: Thank you. I know you wrote the statement cover for some of this area, but as I said, I would just like to tease out a few more details. I would appreciate an update on RAAF operations in Iraq and Syria. How many times have RAAF Hornets flown into Iraqi airspace? Has the rate of effort changed since last estimates? And, on average, how many missions are we flying daily or weekly? That was for Iraqi airspace—

Air Chief Marshal Binskin: I will just get the latest statistics for you, which I do not have on this sheet. Do you want to go for it?

Air Marshal Davies: Effectively, our rate of effort for the fighters, the tankers and the E7 has not changed since we began operations last year.

Senator CONROY: On average how many missions—weekly?

Air Marshal Davies: It varies but we are flying a rate that is not just a standard rate. It is through the air operations centre requirement for support, so the derivation of targets and the flow within the coalition determines the rate of effort we fly. But I could categorise that as saying we do have aircraft flying every day. Sometimes that is: fly the Wedgetail Monday, not fly Tuesday, fly Wednesday and then the following week it could be fly Monday, Tuesday and Wednesday but it does vary. It is a fairly steady rate and has remained that way since we arrived.

Air Chief Marshal Binskin: From the numbers that are there: the E7 has flown around 150 missions; the KC-30 tanker, about 430 missions; the F/A-18F Super Hornet, about 210 missions; and the classic Hornets F/A-18A, about 250 missions.

Senator CONROY: Was that 250?

Air Chief Marshal Binskin: Thereabouts. I have not given you the specifics but that is the roundabout number. A mission is not one aeroplane; it could be two or four or more. If you look at the weapons release, somewhere around 530 weapons were released. The tankers offloaded 35 million pounds of fuel. It is a significant contribution from a small force. The team is doing a really good job.

Senator CONROY: I was last week at a NATO conference in Oslo and people still have no understanding of the significant role that your forces play. It was quite comical. They look and say: 'Australia? What are you doing here?' I go: 'Actually we are with you in Syria, Iraq, Afghanistan and we have the second-highest number of sorties being flown in Iraq in Syria at the moment.' They just stare at me with no comprehension of the key role that we are playing.

Senator LAMBIE: How much does one of these missiles cost from start to finish to actually drop?

Air Chief Marshal Binskin: We have not employed a missile yet but a guided munition, a bomb, from start to finish is not a figure you could calculate. I can give you the cost of each weapon but, because it would depend on whether you were just talking about the single aircraft getting airborne and dropping on that mission or all the support assets go into that—all the salaries that go into that such as the men and women who prepare the aircraft, prepare the weapon and then fly the aircraft—it would be difficult number to come up with other than just what the cost of each weapon is.

Senator LAMBIE: So do have a cost figure for that, Minister? And what it has cost us so far to do this?

Senator Payne: We will see if we can give you the operations cost.

Air Chief Marshal Binskin: I can give you the cost of the operation so far. Operation OKRA, for fiscal year 2014-15, for all the people, the aircraft and operations is \$159.4 million. That estimate for the next year is \$390 million.

Senator LAMBIE: Is there any way I would be able to get an estimate from 2001 on how much it has cost so far in the Middle East in the last 15 years? Would I be able to get that please, Minister?

Air Chief Marshal Binskin: We can take that on notice.

Senator LAMBIE: That would be great, thank you.

Senator CONROY: Could we get an update on similar questions around how many Hornets have flown into Syrian airspace, how many missions you are flying daily or weekly and has there been a reduction in cooperations in Syria as a result of Russia's intervention?

Air Chief Marshal Binskin: The answer to the last question is no; there has not been a reduction. I would not want to openly talk about the number of missions that go across the border. It has not been a lot. But what taking away the restriction allowed us to do was it allowed the air component commander to move forces where they need to.

Senator CONROY: On how many occasions since the last estimates hearings have our pilots fired their weapons as part of Operation OKRA?

Air Chief Marshal Binskin: I will have to take that on notice to give you the exact weapons since the estimates. I have only given you the total figure.

Senator CONROY: Of these, on how many occasions have our personnel been successful in hitting their targets and achieving their mission goals? I think you could take that on notice.

Air Chief Marshal Binskin: That will be a classified figure but it is in the high 90 per cents.

Senator CONROY: Have any of our RAAF assets been fired upon while undertaking operations in the Middle East since last estimates? I think you mentioned Afghanistan. I am not sure that defines as Middle East.

Air Chief Marshal Binskin: If we work in Iraq and Syria, not knowingly; but that does not mean that someone has not pointed a gun up and shot.

Senator CONROY: You have mentioned a couple of points around the next couple of questions. How many Wedgetail sorties been flown in support of Operation OKRA?

Air Chief Marshal Binskin: It is actually 149 but I will give you the round number of 150.

Senator CONROY: I think you gave an indication of how much fuel has changed hands, so to speak.

Air Chief Marshal Binskin: It is 35 million pounds.

Senator CONROY: So how many missions is that? How many refuellings?

Air Chief Marshal Binskin: It is 430.

Senator CONROY: I would like to turn now to Australia's Special Forces contributions in Iraq. I note that in a ministerial statement to parliament on 16 September 2015 Defence Minister Andrews announced a reduction in Australia's Special Operations Task Group contribution from around 200 personnel to around 80. What was behind our decision to reduce our Special Forces presence?

Air Chief Marshal Binskin: I alluded to this to first up. As you know, we continually review what we are doing over there. We do not just do it and then sit on it. We continually review our contribution. In this particular case when we first went in, besides the US, we were the only other nation working with the counter-terrorism service in Iraq. The initial team of just under 200 spread themselves around mentoring the operational side of the counter-terrorism service. On other operations they helped them plan, conduct—from the headquarters not from the field—operations, helped them integrate the air, the indirect fire support and then helped them adapt on the run as the operation unfolded, plus joint terminal attack controller support, plus embeds in their headquarters system at the higher level—again, trying to mentor across the spectrum.

In addition to that, we were doing a lot of their basic counter-terrorism service training as they were coming in. It is not quite that basic but was more of the hands-on early training. So in reshaping the force, we looked at the fact that since we had been there other nations had come in to Baghdad in particular and had picked up some of those training roles. So when we looked at increasing the number of forces that we had in Iraq, as we increased the number for the BPC, we looked at the current situation with the AA mission and the sustainability side of it and what was meaningful in the contribution. We reshaped that force to contribute where their best effect is, which is helping the ISOF brigade that we have been working with, to get their best effect. That is what we focused on as well as still having joint attack controllers and still having some headquarters embeds in the command and control centre.

Senator CONROY: So our reduction was not based around a request from either the Iraqi or the US governments?

Air Chief Marshal Binskin: No, it was based on our assessment of the whole thing. We talk to the Iraqis. We did not do that without them knowing that we were doing it.

Senator LAMBIE: With the Special Forces, what is the average amount of tours they have completed since 2001?

Air Chief Marshal Binskin: Individually, Special Forces, I would have to check for you. I can give you the numbers on numbers of rotations.

Senator LAMBIE: I understand the rotations. I want to know separately the personnel and how many rotations those personnel have done on average and what is the highest amount?

Air Chief Marshal Binskin: Not just Special Forces but I can give you the figure across the board.

Senator LAMBIE: No, I actually want the Special Forces figure.

Air Chief Marshal Binskin: If I give you the whole figure, it will help you understand where the Special Forces sit. Are you after the cumulative time in warlike operations? Would that be the figure?

Senator LAMBIE: Yes.

Air Chief Marshal Binskin: People who have spent one year or less is 41,233—that is, 81.7 per cent; people who have spent between one and two years is down to 8,424—that is 16.7 per cent; between two and three years, 755 people—1.5 per cent; and more than three years, 59—0.1 per cent. That is the total force. I will have a look at the Special Forces particularly and take that on notice. But that just gives you the general idea that they are very small numbers once you start talking over two years cumulative.

Senator LAMBIE: I understand that. I am quite concerned that the Special Forces have done their fair share in the Middle East and they are exhausted. That is what they are telling me so I am just trying to bring to the government's attention that if we need to up the manning in that area for the future then we need to start looking at that.

Air Chief Marshal Binskin: If I look at the Special Forces in Afghanistan, the majority of the Special Forces have been out of there now for some time. We are looking at a small group of, as I said, about 80, who are currently in Iraq doing the AA mission and that is a sustainable force.

Senator LAMBIE: But since 2001, the SAS have done a substantial amount of time in that war zone.

Air Chief Marshal Binskin: They have done a fantastic job.

Senator LAMBIE: They have done a fantastic job but they have also done a substantial amount of time.

Air Chief Marshal Binskin: So any consideration we have for the forces going in, one of the major considerations is the sustainability and the pressure it puts on our people and our families.

Senator LAMBIE: Will I be able to see the figures on that?

Air Chief Marshal Binskin: We will get those to you.

Senator CONROY: Have we been asked to train Sunni PMUs—popular mobilisation units?

Air Chief Marshal Binskin: We are not training the PMF. It is Iraqi security forces. They are permanent forces and some of the groups are in that but we are not training any of the PMF.

Senator CONROY: No, this is a Sunni element rather than—

Air Chief Marshal Binskin: There have been discussions but, no, we are not doing that and we will not. That is not the focus of the forces.

Senator CONROY: So they are not considered a part of the Iraqi army that we are formally engaged with?

Air Chief Marshal Binskin: We are training formed units that come through, numbered Iraqi units.

Senator CONROY: I would like to discuss Australia's contribution to the Building Partner Capacity mission. Has there been any change in the size of Australia's contribution to this mission?

Air Chief Marshal Binskin: No.

Senator CONROY: I recall that the first rotation deployed at the end of April. Has the second deployment now rotated in?

Air Chief Marshal Binskin: As I said in the opening statement, they are due to do their relief in place so they will change out in the next month.

Senator CONROY: What has been the feedback from the first rotation?

Air Chief Marshal Binskin: It has been good. In fact I will get the Chief of Army to give you a little bit of feedback. He had been over there talking to his forces.

Senator CONROY: I was asking if you had any feedback from the first rotation on the Building Partner Capacity mission?

Lt Gen. Campbell: I had the opportunity to visit a couple of months ago to look at what they were doing and to talk across the force and also with some of our partner countries who are working with us. It was very positive. They had a real sense of purpose and of value in contribution, with the sense that they were seeing a clear improvement in the capacity and the capability of those that they were working with and that, while it is a modest contribution, it is making a difference and it is the kind of difference that is necessary to see a strengthening of the force. Across the board, from the most junior soldier to the senior leadership, they were very enthusiastic about it.

Senator CONROY: I think you mentioned a total earlier. Could I just get on the record again how many Iraqi forces are we training at the moment?

Air Chief Marshal Binskin: As of 18 October, we have trained at the BPC over 2,400 regular Iraqi army personnel in the four months of the operations that we have had. Across the coalition there are 14,600 Iraqi personnel who have completed BPC training. That is across those four sites that we are talking about.

Senator CONROY: Have we got a common training module if you like? I have heard debate in the past about six weeks versus eight weeks versus whatever weeks. What are we doing and is it common with everybody else?

Air Chief Marshal Binskin: It attempts to be common timing, but operational imperatives that the Iraqi security forces have means that sometimes they are cut a bit shorter because they need to head out on operation. What we are seeing is the Iraqi leadership looking to have a plan of where they will cycle them back through. We might see the 76th brigade, for example, once but we may see them again at some stage when they get pulled out of the front line to get more work with them. So they are still developing that plan as they look at it from an operational perspective.

Senator CONROY: We have just got a copy of your opening statement.

Air Chief Marshal Binskin: Sorry about that.

Senator CONROY: It is okay. I think you again mentioned what pretty much sounded like a 100 per cent success rate in terms of people coming back—

Air Chief Marshal Binskin: No, that was the junior leadership course I talked about. They went off on leave for a week and a bit and, indicative of their want to learn, 202 went on leave and 202 came back to do the course, and that is a significant indicator.

Senator CONROY: Of the 2,400 that have completed the training what is the success rate? Did we start training 3,000 and get 2,400?

Air Chief Marshal Binskin: I would have to look at it because the numbers vary in their brigades. They are not like what we would call a brigade; the numbers go up and down. I will not give you the success rate on each individual course—I do not have it. But I do know that on that junior leadership course, for example, not all of

them passed. There were standards that were upheld throughout that course and if they did not meet the standard the Iraqis themselves took them off the course. That is also significant in the way that they are approaching it.

Senator CONROY: This one is a bit more of an opinion rather than a factual issue. Throughout there has been a lot of criticism—the Americans have been very open about it. Do you think that the Iraqi forces are improving sufficiently and at a sufficient pace to degrade and defeat Daesh in the foreseeable future? I think we have all talked about two years and anything up to five years. Do you have anything firmer based on what you are seeing as that successful retraining?

Air Chief Marshal Binskin: I would think the training—it is still a three-to-five-year mission. We have seen two to five, three to five—that time frame has not changed from the initial assessment. But Daesh has a bit of a say in this as well. The question will be how long Daesh can sustain—every time they stick their head up they get a bomb on it. We are seeing indications that Daesh's morale is taking a hit. We know that their leadership morale is down because they are being targeted. In fact there is reporting that Prakash, I think, has gone off air. So you can see that they are concerned that if they have a profile or the Daesh forces themselves come out into the open they are going to be targeted. So that in itself has got to have an impact on their morale and their will to fight. While we are talking about a number of years here to train the Iraqi security forces, the other side of that is that this is a number of years of continuing to pound Daesh when we see them as well. One thing I have not mentioned, because we have been focusing on where we are doing our operations, is the success of the Peshmerga and the Kurds around the north. With air support they have been quite successful in cutting lines of communication for Daesh and taking the fight to Daesh.

Senator CONROY: It is generally reported that Peshmerga created a line and they are staying within the line, but you are indicating they are actually coming across and assisting more directly.

Air Chief Marshal Binskin: There is definitely cooperation in that plan. They were the ones that secured Sinjar for the Yazidis and have moved down to interdict that line of communication that comes across from Syria into Mosul. Around the Kirkuk and Erbil areas they have pushed west to give themselves a lot more buffer. They are very strong fighters and have been quite successful in what they are doing.

CHAIR: Minister, I think last week you signed a joint statement on Defence cooperation with the US Secretary of Defense, Mr Carter?

Senator Payne: I did.

CHAIR: Would you be good enough to inform the committee what the implications are for our Defence Force?

Senator Payne: As part of the bilateral engagement during AUSMIN and the AUSMIN process itself, we did sign a joint statement which essentially underpins the defence cooperation between our two countries. As part of that, we have reinforced our very strong agreement to pursue enhanced naval cooperation. That will include additional combined training and exercises between our two navies. The capacity for combined activities and interoperability is very important to both of us. Both Secretary Carter and I reinforced that as part of that discussion and process. To further that interoperability, we also spent some time discussing shared new capabilities. We have a significant acquisition program in front of us in Australia at the moment that will only see that enhanced. It is our view that the closer and earlier the discussions with the United States as part of that process, the more effective our interoperability can be.

We also looked at ways to both maintain and enhance our cooperation in the intelligence-sharing space. We have some very challenging 21st century domains—space, for one, and cyber, for another. We talked at some length about the pace at which these things change and move. I must say, Secretary Carter's background as a physicist places him in the box seat in some of these discussions. We are both confirmed in our view that Australia and the United States need to be at the leading edge of capability together in regard to both of those. I would say as an aside that particularly Secretary Richardson and I were able to engage in a number of other bilateral meetings while we were in Washington in particular, which furthered that understanding and cooperation as well.

Secretary Carter and I also pursued some of the questions around our capacity for innovation, particularly in science and technology. I am very proud of the work that we are able to do, particularly through the Defence Science and Technology Group here, and contributions to that from across the services and further through the Public Service. I emphasised with the secretary that our Prime Minister in fact has innovation, creativity and a need for agility and flexibility in that regard at the very front of his agenda. In the defence space, the importance of science and technology in this decade and in this century cannot be overestimated. It is very important for us to focus on that.

Secretary Carter also has a strong history with regard to engagement and interest in the Asia region. We looked in detail at ways in which we are able to enhance our work together to strengthen our relationships in and across the region. The focus of the US in their rebalance and their continuing activity presents enormous opportunities for both Australia and the United States to work together, and with our key regional partners, in support of sustaining a strong US presence in the Asia-Pacific. As I indicated at the time and have reinforced subsequently, we are very supportive of that US rebalance and welcome that engagement.

You will know from the earlier discussions, and particularly from the observations of the CDF, that we are committed to pursuing our shared interests in addressing the further challenges that face us more broadly around the globe, and the Middle East in particular. We have discussed that here this morning. Some of the observations the CDF made, particularly around the strength of the development of the Afghan National Defence and Security Forces, are very significant. There is, of course, continuing work to be done, but they have made great strides and great progress in that. We have been very much part of that.

I regard the engagement with Secretary Carter and Secretary Kerry through the AUSMIN process as the first step in a new relationship between Secretary Carter and me. We were both attending our first AUSMIN talks, and I think we established a very good rapport and engagement and look forward to building on that.

CHAIR: Others have expressed the same concern this morning, and I wonder whether this came up in your discussions with Secretary Carter: I have had feedback myself that, when the activities of the coalition forces are spoken about in the United States, other countries than Australia seem to be mentioned. We almost specifically are not mentioned for our contribution. The CDF has raised it. Did this come up at all in your discussions with Secretary Carter?

Senator Payne: To the contrary, our discussions were very much focused on the Australian contribution and the significance, both currently and historically, of that contribution. The strength of the coalition comes from the fact that the United States are particularly and acutely aware of the strength of that contribution, and that was reinforced, not understated.

CHAIR: Thank you. We will stop for morning tea, after which Senator Xenophon will be asking questions.

Proceedings suspended from 10:30 to 10:45

CHAIR: We will now resume.

Senator XENOPHON: I would like to ask a few questions of the CDF and also the Chief of Navy. Minister, I had a discussion in the Senate last week, in your absence, with Senator Brandis, who did a sterling job as the acting minister—

Senator Payne: As he would.

Senator XENOPHON: as he would—where I put to him the following:

Since 2009, we have seen a North Korean submarine sink a South Korean navy ship, Japan and China have faced off over disputed islands, China has declared an air defence identification zone over the East China Sea and China has had a naval stand-off with Vietnam over oil-drilling rights; there is an ongoing impending tension between China and the United States over land reclamation in the South China Sea. It appears from AUSMIN talks this week in the United States that we may need to increase our naval patrols in the region—

And I note, Minister, the very good piece by Peter Hartcher, the international editor of *The Sydney Morning Herald*, headed 'US dips toe in troubled waters', in yesterday's *Sydney Morning Herald*.

Senator Payne: I think you and he are competing for printing space, aren't you?

Senator XENOPHON: I do not get that many op-eds. He is paid for them. I am just a mere amateur with op-eds.

Senator Payne: You are not an amateur at anything.

Senator XENOPHON: I asked Senator Brandis if he agreed that the strategic situation to our north is worsening or, at the very least, tense. Acting Minister Brandis replied with what I took to be an agreement and advised, *inter alia*:

Looking out over the period to 2035, it is fair to acknowledge that we will face a more uncertain regional and global security environment. ... We are also seeing power relationships in the Indo-Pacific become more complex as global strategic weight continues to shift to the region.

He also referred to the 'growing complexity in the region'. Could I ask the CDF and also the Chief of Navy: what is your perspective on that? Do you fundamentally agree with what the Acting Minister for Defence said?

Air Chief Marshal Binskin: There is no doubt it is a far more complex security environment up there, and there are security issues. I would say to you, though: it is more than Navy. You are talking 'maritime' and referring to that as a Navy issue. It is not.

Senator XENOPHON: No, it is not.

Air Chief Marshal Binskin: It is actually across the broader spectrum of what we do.

Senator XENOPHON: Perhaps if I could express it more eloquently: it includes the Navy. The Navy has a key role.

Air Chief Marshal Binskin: As do the other services. I will give you an example of what we do around the South China Sea and the region up there at the moment. For about the last 30 years we have run what we call Gateway patrols, with P3 aircraft doing maritime patrols around the region. Over the years we have had a lot of transits and presence with naval vessels up there as well. That is what I was trying to get at.

Senator XENOPHON: Vice Admiral Barrett, would you broadly agree with what the Acting Defence Minister said last week—that we are in a region of increasing complexity that pose strategic challenges for Australia?

Vice Adm. Barrett: We are. I agree.

Senator XENOPHON: I presume that the acting minister's views, which you effectively agreed with, are important strategic inputs to the pending Defence white paper?

Vice Adm. Barrett: Yes.

Senator XENOPHON: Noting that the situation has become more uncertain and complex since the 2009 and 2013 Defence white papers, which both determined we needed 12 submarines, is it safe to assume that the 2015 Defence white paper will have at least 12 submarines as the requisite submarine number in it?

Air Chief Marshal Binskin: This is a white paper issue. It is being considered by government at the moment. What I would say, without being specific—because we want government to have the time to consider all of this—is that we would consider that the environment is more complex now than what it was back in 2009 or 2013 when the white papers came out—if that helps.

Senator XENOPHON: It does. I am looking at the 2010 strategic framework document, which refers to the five-year cycle, the Force Structure Review and the white paper, which you no doubt are both familiar with. Noting that the Defence white paper is pending, I presume the Force Structure Review is complete?

Air Chief Marshal Binskin: The Force Structure Review is complete, and it recommends what I consider to be a very balanced force for the future as a part of the white paper.

Senator XENOPHON: Sure.

Air Chief Marshal Binskin: I will not go into specifics—although you would have seen some of the recommendations that have already made in announcements in the maritime space.

Senator XENOPHON: What does the most recent draft of that strategic framework document say about the number of submarines we ought to have?

Air Chief Marshal Binskin: Again, I do not want to go into specifics, because government has not finalised its consideration of it.

Senator XENOPHON: But it is not classified, is it?

Air Chief Marshal Binskin: The white paper?

Senator XENOPHON: No; the number of submarines.

Air Chief Marshal Binskin: The force—and we are talking about the whole force—that is currently being considered by government is classified, yes.

Senator XENOPHON: But the number of submarines we need cannot be classified, in a sense.

Air Chief Marshal Binskin: The Force Structure Review is a classified document. But elements have been announced by government. It is not up to me to announce the government's—

Senator XENOPHON: So it is not really classified. It is a matter for government to announce.

Air Chief Marshal Binskin: It is currently classified, as it is being considered by government. When they have considered the full force, there will be a—

Senator XENOPHON: It is classified by virtue of its consideration by government. I am just trying to understand the nature of the classification.

Air Chief Marshal Binskin: The white paper itself is classified; the Force Structure Review is classified. Government will finalise consideration of that, and then there will be an unclassified document that will be released.

Senator XENOPHON: So it is classified, pending assessment by government?

Air Chief Marshal Binskin: Yes. I am not trying to hide anything.

Senator XENOPHON: But eventually that Force Structure Review is something that will see the light of day, presumably, once the announcement is made.

Air Chief Marshal Binskin: Yes.

Senator XENOPHON: That is fine. Can we just go to the issue of submarine numbers and Defence planning guidance and the quarterly strategic review. The strategic planning framework of 2010 document suggests that between white papers you have both Defence planning guidance documents and quarterly strategic reviews to provide 'mid-course corrections' to the enduring plans. Is that correct?

Air Chief Marshal Binskin: Yes.

Senator XENOPHON: Noting the 2013 Defence white paper suggested we should have 12 submarines, have there been any midcourse corrections on submarine numbers in any of the defence planning guidance or quarterly strategic reviews, which presumably are not classified?

Air Chief Marshal Binskin: The quarterly strategic reviews do not get into the detail of numbers like that.

Vice Adm. Barrett: No.

Air Chief Marshal Binskin: The quarterly strategic reviews are not looking at specific pieces of equipment; they are looking at the strategic environment and the context that will then inform the force structure deliberations—and preparedness, by the way, because they work in the shorter term as well as the longer term.

Senator XENOPHON: Can you advise this committee whether there have been any midcourse corrections in the context of submarine numbers from the two previous Defence white papers of 2009 and 2013.

Air Chief Marshal Binskin: Again, all I can comment on there is: the security environment has become more complex than what it was in 2009 and 2013, but specific numbers and specific bits of equipment from the Force Structure Review are currently classified and being considered by government.

Senator XENOPHON: Right.

Air Chief Marshal Binskin: I am not trying to hide anything from you.

Senator XENOPHON: I appreciate that. But you understand what I am trying to establish.

Air Chief Marshal Binskin: But work with me, and I will give you the view as we go through.

Senator XENOPHON: Sure. The 2009 Defence white paper, at paragraph 8.40, says:

... the Government takes the view that our future strategic circumstances necessitate a substantially expanded submarine fleet of 12 boats in order to sustain a force at sea large enough in a crisis or conflict to be able to defend our approaches (including at considerable distance from Australia, if necessary), protect and support other ADF assets ...

It seemed quite a measured and reasonable statement. What you have both said to me is that things have got a bit more complicated in the region since 2009.

Air Chief Marshal Binskin: That would be my assessment.

Senator XENOPHON: So the text from the 2009 Defence white paper seems to be pretty clear as a rationale. The rationale is still the same, is it not, but with a more complex environment since then?

Air Chief Marshal Binskin: Yes.

Senator XENOPHON: It would not be unreasonable to assume that there would be an ongoing need for at least 12 submarines, based on the rationale of the 2009 and 2013 Defence white papers?

Air Chief Marshal Binskin: Again, you are asking me to be more specific. It would not be unreasonable to assume that the fully costed force structure that we are looking at for the integrated investment plan will take into account the environment and recommend to government the total force that is required to be able to operate in that area.

Senator XENOPHON: Can the minister advise when we are likely to see the Defence white paper. What time frame are you looking at, Minister?

Senator Payne: The paper, and the additional material with it, is being considered by government, as you would expect with a new Prime Minister in place.

Senator XENOPHON: And a new Minister for Defence, for that matter.

Senator Payne: Indeed—and other new members of the National Security Committee. We intend to do that in a considered fashion, not in a rushed fashion. I think that approach is consistent with the importance of the material. We will be releasing it in due course. I am not going to be more specific than that at this stage.

Senator LAMBIE: So no time line?

Senator Payne: Not at this stage. As I said, the Prime Minister, members of the National Security Council and I are considering the material that has been prepared and we will be releasing it in due course after due consideration.

Senator XENOPHON: I want to go to the issue—and I will be guided either by the chair or by you, Minister—of the proposed sale of the port of Darwin, or the 99-year lease of the port of Darwin, to a Chinese company. This morning on the radio, on the Leon Byner program on FIVEaa in Adelaide, Neil James from the Australian Defence Association and Peter Jennings from the Australian Strategic Policy Institute, were very critical of that. They expressed serious concerns. They are two very credible commentators in the defence and strategic space, and they indicated their serious concerns about the port of Darwin being under the control of a foreign entity. I know it has to go to the Foreign Investment Review Board. My question to Defence and to you, Minister, is: given that this is a matter that is subject to Foreign Investment Review Board approval, will Defence have any role in making a submission?

Senator Payne: In the first instance, it is my understanding that it is not subject to Foreign Investment Review Board review or approval. I have indicated to the chair that I—

Senator XENOPHON: Forgive me for interrupting, but why is that?

Senator Payne: It does not qualify under the guidelines. I indicated to the chair that I would be out of the room from 11 am until 11.30. Minister Cash will be in the chair. If there are questions that need specific response or follow-up from me, I will be happy to come back to them when I return. But Mr Richardson has some matters he wishes to comment on in relation to Darwin.

Senator XENOPHON: I note that Fremantle port is also being sold—or is subject to a sale—as well. I am also interested in whether there are any security concerns about that.

Mr Richardson: With Darwin, Defence does not have any security concerns about the sale of the port to Chinese interests. I note that it is a commercial port; it is not a naval base. The Northern Territory government first broached the possibility of the privatisation of the port in early 2014. Against that background, we entered into negotiations with the Northern Territory government for a deed of licence for the port—essentially it is a deed which guarantees a certain number of free days of access a year and also guarantees other arrangements are in place.

Senator XENOPHON: So it does have a strategic role?

Mr Richardson: Our interest in a commercial port is access to the port and its facilities. The deed of licence, which we signed in May of this year, provided us with the access to the port of Darwin that we wanted. When we were subsequently advised that the sale was to Chinese interests, we examined the possible security implications. Within Defence, that involved the three services. It involved the Australian Signals Directorate, the Defence security agency and the strategic policy area of Defence. No part of Defence had a concern from a security perspective in respect of the sale. The Navy's interest was overwhelmingly the question of access, not the question of ownership, given that it is a commercial port, not a navy base.

Senator XENOPHON: I will leave it at that. In fairness to Mr James and Mr Jennings I am furiously trying to get a transcript or transcribing what was said this morning on radio 5AA. I might put to you some of their specific concerns a bit later. That might be the fairest way to go.

Senator GALLACHER: Mr Richardson, do you tick off on the infrastructure spend on the barge facility that Defence is paying for in the port of Darwin this year?

Mr Richardson: Yes. That was done.

Senator GALLACHER: Was that \$18 million or \$20 million?

Mr Richardson: Yes. About \$16-18 million.

Senator GALLACHER: That is for 12 days of access per year—is that the agreement?

Mr Richardson: I will hand over to the Chief of Navy on that one.

Vice Adm. Barrett: That is outside the lease agreement. The hardened barge facility is still going through the Public Works Committee. It has been through that.

Senator GALLACHER: It has not been sold?

Vice Adm. Barrett: That is correct. It is at the stage of the Public Works Committee. It is not part of the lease arrangement that we are discussing here. It is separate.

Senator GALLACHER: So it is outside the Port of Darwin?

Vice Adm. Barrett: It is outside the area that the Port of Darwin is managing with this lease arrangement.

Senator GALLACHER: So that is a stand-alone investment—it is not complicated by this sale?

Vice Adm. Barrett: Correct.

Senator LAMBIE: I want to follow up Senator Xenophon's question about the port. I would like to know why it says in a previous defence white paper that the Chinese are a threat to Australia, yet we are now leasing or considering leasing and in future selling our ports to them. I do not understand how this is comfortable.

Mr Richardson: The question about China's broader strategic posture in the region and what they might own or lease in Australia and the security implications of that are really quite separate.

Senator LAMBIE: Is that really the best answer you have for me, Mr Richardson? In the white paper it says that they are a threat, but now we are leasing ports out to them.

Mr Richardson: I do not think the white paper used the word 'threat', Senator. You are referring to the 2009 white paper, which had particular wording in it which was not repeated in the 2013 white paper. In neither white paper was the word 'threat' used. It talked about the strategic posture in respect of China.

Senator LAMBIE: If the Chinese, once they take over the lease of the port, wanted to close that port down and let nobody in, what—

Mr Richardson: It would be illegal. Quite apart from that, we have some overriding powers under the Defence Act. So that is not a possibility.

Senator LAMBIE: So the Defence Act comes into play there. Could you provide that information to me, please? I would be very grateful to look at that.

Mr Richardson: Sure. In extremis, The Defence Act can come into play, but also the owner of the lease does not have the authority to simply close down a port for any reason at all. Obviously they could close a port in respect of certain specified circumstances, but they do not have the right to close down a port simply because they feel like it.

Senator LAMBIE: Can you provide that information on the specifics of how they can do that? Thank you.

Senator CONROY: I note that Australia contributes to the building partner capacity mission as part of Task Group Taji, a joint task group with New Zealand. I draw your attention to an article by Dennis Shanahan in *The Australian* on 10 October entitled, 'Kiwis limit mission to fight Islamic State in Iraq'. Mr Shanahan reports that New Zealand has decided that it will not extend its 145-troop contribution to Task Group Taji beyond its initial two-year mandate. That is finishing in May 2017. Are you able to confirm that New Zealand has already decided that it will not extend its contribution to Task Group Taji? If so, did New Zealand officials provide a reason?

Air Chief Marshal Binskin: That had always been the premise of the New Zealand participation.

Senator CONROY: They were always withdrawing?

Air Chief Marshal Binskin: Not withdrawing; they were always at a fixed two-year term, as I understand it.

Mr Richardson: It was announced as a two-year term.

Senator CONROY: So the reporting by Dennis Shanahan was a little over the top?

Mr Richardson: To talk about 'withdrawal', when it was initially announced as a two-year commitment, is a touch odd.

Senator CONROY: What roles are the New Zealand personnel in the task group fulfilling?

Air Chief Marshal Binskin: There are various roles throughout the task group. It is not as if there are discrete part of the organisation. They are throughout the task group. The question of what other party may come in to take that place is a factor that we need to take into account as we review our participation at the two-year point as well.

Senator CONROY: Obviously you would plan for it if they were not going to be there. We might have hoped we could have convinced them to stay. What impact is it going to have on the role that the task group is playing? Are we going to replace the numbers?

Air Chief Marshal Binskin: We would look at what the options were to replace the numbers. We have not even got to this point yet in our discussion. Our preference would be for another partner to come in, to work with another nation that we trust to come in; or we would adjust the training effort commensurate with the size of the force that is in location.

Senator CONROY: If you are able to do that without spooking any horses in other countries we might partner with?

Air Chief Marshal Binskin: No, we have not got there yet.

Senator CONROY: Are there any other changes to the force make-up plan for Operation OKRA at this time?

Air Chief Marshal Binskin: No.

Senator CONROY: I might move into Operation HIGHROAD. I appreciate that you have already referred to it. Can I get an update? I note Senator Payne's media release on 2 October announcing the end of Australia's contribution to the 205 Coalition Advisory Team in Kandahar. In light of this reduction in our presence, how many personnel do we have in Afghanistan now and what assets to we have deployed?

Air Chief Marshal Binskin: We had started with 400 as a part of HIGHROAD. The plan was to adjust that force commensurate with the NATO drawdown between the start of it and the end of 2016. This was one of those step-downs that we had planned, so from 1 January next year the force will be sitting around 250, predominantly around Kabul, as I said, although a small team in Kandahar is doing weekly engagement with the 205th Corps.

Senator CONROY: Since our last estimates hearing the Taliban have taken the northern city of Kunduz, although the city now seems to be mostly under government control again.

Air Chief Marshal Binskin: That is correct.

Senator CONROY: I have read reports that the definition of 'under government control' is that government forces are basically in control of their own compound and little else. I am interested in your perspective. It is one thing to say, 'The flag is still up, so we are in control of the city.' But if there is not freedom of movement, if they are pretty much confined—and I am told this is the case—in a number of cities where the government claim control but there is no significant ability to move freely and the ability to move around the main road in Afghanistan is now highly compromised and government forces rarely use it, I am interested in your thoughts and observations on those issues.

Air Chief Marshal Binskin: As we were saying before when discussing Afghanistan, there has been a lot of progress there, but for the first year the Afghan National Defence and Security Forces are doing this on their own. As I said, they are not afraid to step up to the mark, but some of the enablers are not there at the moment. That is why we need to continue to invest in our support for them.

In Kunduz itself that was a complex attack by a large number of Taliban that had massed. It was an inside out attack—they infiltrated and attacked, as I understand it. I will have to find out for you the actual area in Kunduz that is secured at the moment. I will get the team to have a look at it. There is no doubt that the majority of Taliban have now been moved out. Some isolated pockets of resistance are the focus of the ANDSF operations, but for all intents and purposes that force has moved out. In fact, they retreated once the Afghan forces came into the fight. We are seeing this in a number of places around Afghanistan. You hear reports of police checkpoints being overrun; then ANDSF go back out and retake them.

The size of the force is large, but the size of the country as large as well. If you look around the major population centres, they are relatively secure. I say 'relatively', but you are right—some of these cities in the outer areas are a concern. Kunduz was a concern because it was up in that northern area, but if you look at where it sits generally within Afghanistan, it is an area that traditionally has said some issues, up in that north-eastern area.

I think it gives us an indication of why, first of all, President Obama has changed the position of the US to maintain at 9,800 until the end of next year, then go down to 5,500 and give the Afghan National Defence and Security Forces the chance to continue to grow in their capabilities and maintain the security of Afghanistan so that, as we talked about, those structures can build up behind that level of security. It is also why the international community should not cut and run with finance to support Afghanistan either. That is still important. It is one of the major lessons that we took out of what happened with the Soviets when they pulled out after their 10-year period in. There are a lot of lessons we can take out of what happened then. There are lessons we can take out of Iraq in that earlier transition. I think we need to take those into account when we look at what the post-2016 footprint will be in Afghanistan from a coalition point of view.

Senator CONROY: You mentioned President Obama's announcement last week to maintain the 9,800 and maintain 5,500 through to 2017. At the time President Obama said, 'Afghan forces are not as strong as they need to be.'

Air Chief Marshal Binskin: I would agree with that. If you look at the areas of logistics, intelligence and air support, the more complex areas have not grown. In the basic combat force there are some corps that are not as good as you would like them to be; there are other corps like the 205th Corps who are proving themselves to be quite adapted at being able to fight. But it is the sustainment behind them; it is the leadership that we need to help grow as well. You are starting to see those aspects developing now, but they will take time to develop. There is no doubt in their confidence in being able to take the fight to the Taliban.

Senator CONROY: Earlier, on 8 October, General John Campbell, the head of the NATO Resolute Support Mission in Afghanistan, told a US congressional hearing that Afghanistan was at a crucial juncture. He went on to say:

If we think that this is going to be cleared up in a couple of years, we're fooling ourselves.

Would you agree with that assessment?

Air Chief Marshal Binskin: Yes. I think that statement and that position helped General Dunford in his discussions, as the new chairman of the joint chiefs, with President Obama. There is no doubt, as I said here before, that we need to take the lessons of what we have seen and what we are currently seeing and translate that to Afghanistan now. That is exactly what the US are doing with this announcement on the numbers. It is a critical juncture and we need to make sure that we continue to support them to get over that line to be a self-supporting defence and security force.

Senator CONROY: I have a group of questions that are more for the minister than for the CDF.

Senator LAMBIE: Senator Macdonald, do you have questions in relation to this because mine have to do with defence abuse and the suicides that are going on? Do you want to go before me?

Senator IAN MACDONALD: Thank you, Senator Lambie. My questions relate to the opening statement.

CHAIR: We will go to you, Senator Macdonald.

Senator IAN MACDONALD: Thank you Chair and Senator Lambie. Chief, thank you very much for your comprehensive report. I want to go to the last couple of paragraphs relating to the LHDs. The *Canberra* is now fully seaworthy and all trials are finished?

Air Chief Marshal Binskin: She has been seaworthy for quite a long time, in fact. She is now capable, she is now certified and the amphibious response element is now certified as well. So they are ready for humanitarian and disaster relief operations.

Senator IAN MACDONALD: Fine and I think I said last estimates that the defence committee was hosted on board *Canberra* a couple of months ago and very impressive it was. The maritime trials off Townsville and Cowley Beach all went well? Nothing exceptional came out of those?

Vice Adm. Barrett: The trials went very well. They were the culmination of a number of exercises conducted over the year to build that level of capability. That culmination was eight weeks of exercises off Cowley Beach. I may be speaking on behalf of Chief of Army as well, but in some cases we exceeded our expectations in what could be done. Over the 12 months we have been doing this, we have achieved about 1,250 deck landings with aircraft owned by Army and Navy. We have moved more people and more stores over the beach in what I would contend we have managed to do with our previous vessels in the last five years at least all without one ship over that period of time.

Senator IAN MACDONALD: And the integration between the three services all on a relatively small platform went well and without any—

Vice Adm. Barrett: You may say 'relatively small'—the largest ship the Navy has ever operated, 27,000 tonnes. The answer to that simply is yes. If you went on board during that exercise you would see over 1,000 people on board, over 600 Army and over 300 Navy and I think about 50 Air Force. For those who are permanent members of the ship's company, both Army, Navy and Air Force, they wear one uniform but they have different rank slides to show which service they are in and it came across very clearly, I think, to CDF and to the new minister when they visited that this was truly a joint capability that was being exercised and when it hosted the embarked forces for the Chief of Army, it came together very smoothly. As Chief of Navy, I have been very pleased with the way we have managed to prove this capability to this point.

Lt Gen. Campbell: I am also extremely pleased with both the value to the land force but, most importantly, the very very clear integrated experience of a joint capability. It is extremely impressive and on that ship through the series of these trials there have been a lot of very enthusiastic people doing a great job.

Senator IAN MACDONALD: Neither of you have told me anything I would not have expected but congratulations. I understand it is probably the first time for a long time that the three services have been in such close contact for a long period of time and sometimes inter-service rivalry below decks after hours can become somewhere, but it all went well, I am pleased to hear. You have a contract with the Townsville port for 45 days a year. Is there any expectation that that might not be sufficient?

Vice Adm. Barrett: Not at this stage, Senator. That deed of licence was based on our anticipated exercise and routine needs. As you may be aware, within the deed there is a possibility that we may be able to gain more days, those not used by the state government and, indeed, there has been that consideration this year. But I would also suggest, as we discussed earlier around Darwin, that if there were a defence need that required us to get access then I would expect that the Defence Act would be evoked, empowered, for us to do that. Within what we need at the moment from berth 10 to meet our training needs and our regular certification needs, it is the right amount of days that is given to us.

Senator IAN MACDONALD: Has the ship entered the port of Cairns to visit Australia's second largest east coast naval base at HMAS *Cairns*?

Vice Adm. Barrett: No, it has not yet.

Senator IAN MACDONALD: Is it intended to do that at some time in the future?

Vice Adm. Barrett: I am not aware of that happening on the program, but I will check. I hesitate there because there are some issues with her ability in that area of Cairns, given the swinging circle that she would be turning in to get alongside.

Senator IAN MACDONALD: I think, Admiral, you and I were on the wharf at Cairns when we talked about this several years ago.

Vice Adm. Barrett: We were. Those elements of the turning circle remain.

Senator IAN MACDONALD: That is the nature of my inquiry, of course.

Vice Adm. Barrett: In answer to your question, I am not aware that it is currently programmed, but I will check that.

Senator IAN MACDONALD: Perhaps this question might be not for you but for the minister. Bearing in mind that HMAS *Cairns* is Australia's second largest east coast naval base, what I am guessing is that there might be some difficulty in taking Australia's capital ships into Australia's second largest east coast naval base. Is any work underway between the Australian government and the Queensland government to ensure that capital ships of the Australian Navy can actually visit and operate from Australia's second largest east coast naval base?

Vice Adm. Barrett: I will make two points. Firstly, the fact that we contributed to berth 10, in Townsville, where a majority of those elements that will embark in *Canberra* and *Adelaide* reside, gives me a level of comfort that we can get access to those areas where we will be able to meet that requirement. For a ship of that size to be in Cairns would not be a usual event and would not be a regular occurrence for any particular operational need, but I know we are discussing at the moment our future requirements for Cairns. Within that, I cannot tell you right now, but I will investigate to ensure we are confirming those arrangements about the port dredging, because I know there are some issues about whether Cairns is still being considered by the state government—

Senator IAN MACDONALD: Yes.

Vice Adm. Barrett: as one of those ports that it would continue to dredge at expense. But I will ensure that that is considered in those future requirements from Navy—in the consideration of those requirements.

Senator IAN MACDONALD: I would appreciate that very much. I do not want to wrongly accuse the department here, but I thought that at the last estimates I asked in a question on notice for a list of the support facilities at Garden Island that necessitated all of the capital ships of the Australian Navy to be based in that southern port, well out of the way of where they will ever be used for either humanitarian or defence purposes. I am not sure if that question has been answered.

Vice Adm. Barrett: You did, and I believe I have a copy of that here. I remember seeing it. What was responded to was a list of contracted maintenance—

Senator IAN MACDONALD: Yes.

Vice Adm. Barrett: sources within the Sydney area. It may have come from CASG, or the former DMO, as it was then, but we can confirm that.

Senator IAN MACDONALD: Do you have a date on that? I have obviously missed that. My procedures in my office are not as good as—

Vice Adm. Barrett: If you will allow me to look through, I will give that whilst other questions are being asked.

Senator IAN MACDONALD: Okay. That is just about all I have on the opening statement at this stage. I will have some other questions later.

Senator LAMBIE: I just want to ask about the question about deployment and how much. I believe, Air Chief Marshal, that you were going to give me a figure on that at some stage: from 2001, what it has cost us in the Middle East.

Air Chief Marshal Binskin: That is a question on notice, yes.

Senator LAMBIE: Thank you. I have a question for the minister, which I believe I asked in the last estimates and still have not received an answer to, as to why in 2012 Saudi Arabia, Kuwait and the United Arab Emirates made a surplus of over \$300 billion yet we have not approached them to pay for our participation in this war.

Mr Richardson: They make other financial contributions to countries in the region which are in greater financial need than us.

Senator LAMBIE: Could you provide me with those facts and figures, please, Mr Richardson.

Mr Richardson: Yes, to the extent we can.

Senator LAMBIE: Could you also inform me how many refugees they are taking, especially Saudi Arabia—the refugees that are now being displaced all over Europe.

Mr Richardson: I am not aware of Saudi Arabia taking any refugees. However—

Senator LAMBIE: Why not? Do you know why they are not taking any refugees?

Mr Richardson: I cannot speak for the Saudi government. I said I am not aware of any. There are, of course, a number of countries in the region that have enormous numbers of displaced people. For instance, Jordan has up to a million displaced people. Turkey has well over a million displaced people. So countries in the region carry an enormous burden in that respect.

Senator LAMBIE: But, to your knowledge, Saudi Arabia are not taking any of these displaced people.

Mr Richardson: I am not aware, but I would need to take that on notice to give you an accurate answer.

Senator LAMBIE: That would be good. In the meantime, our pensioners are actually paying for our deployment overseas, pretty much. I want to touch on Defence abuse. First of all, I would like to talk to somebody about the dental nurse who planned to blow up HMAS *Cairns*, and I want to ask questions as to why she claims that she was raped and that she had actually reported this to the Australian Defence Force and the New South Wales police—not that you can speak for the New South Wales police. If there was a recorded police report while she was in the Australian Defence Force, what has been done about that police report?

Air Chief Marshal Binskin: I will just get Personnel.

Mr Richardson: I do not think we are aware. I do not know whether we are aware of the case.

Ms Skinner: Sorry, I am not aware of that case. I will need to take that on notice and have a look for details around that.

Senator LAMBIE: That would be great. Thank you. I have another question as well, about the 22 men accused of rape that still remained in the Australian Defence Force. Could I please have a copy of all the police reports and the interviews with those men that were conducted within the military.

Air Chief Marshal Binskin: Sorry, can you say that slowly, please.

Senator LAMBIE: The 22 men accused of rape that are still serving. I was wondering if I would be able to obtain the ADFIS and police reports that were done on those men, because surely they would have been interviewed.

Air Chief Marshal Binskin: I do not believe you can get them, because of a privacy issue, but leave it with me.

Senator LAMBIE: So all those 22 men have been interviewed through ADFIS?

Air Chief Marshal Binskin: Again, you need to give me the context of your question, please.

Senator LAMBIE: The 22 men accused from the DART that are still serving.

Air Chief Marshal Binskin: It is actually 23.

Senator LAMBIE: Twenty-three. Have all of those been questioned through ADFIS?

Air Chief Marshal Binskin: I can take you through those 23 if you like—where we are at with that. If I start with the starting point of those 23, the first point is that I take the allegations against them very seriously, because they are serious allegations. But the starting point is that the DART had those referred to them. They looked at it and found that there was not evidence to be able to present them to the civil police. So, based on the lack of evidence to put them into civil criminal prosecution, they forwarded those 23 cases back to us. The second part of the context—and it was in the last DART report—was that they acknowledged that the difficulties facing us in taking action are the same difficulties that the civil police have in taking action with that, and they also acknowledged the fact that some of these are quite old cases.

With that context, of those 23 alleged abusers, we have four cases currently subject to formal administrative inquiry processes with the chiefs. There are seven cases currently under consideration by ADFIS. One was referred to civilian police at the time who determined there was insufficient evidence to proceed, and administrative action was taken at the time. One case is awaiting civilian police advice—i.e. that has come to us, ADFIS have looked at it and they have gone to the civil police for advice on that. One was actioned at the time of the initial assault. It resulted in a conviction for indecent assault, not rape, and a subsequent administrative action was taken against that person. In one case, the alleged perpetrator was misidentified of those 23—hence, you are probably right that there are 22—where the person whom Defence thinks may be implicated is no longer serving. We talk about the 23 simply to stay standard with the DART report. Three cases determined no further action in accordance with the complainant's wishes—the complainant did not want to take it any further. Without their consent, there is insufficient evidence to be able to take action against them. In one case, there was no further action because the complainant did not want to be identified to Defence.

Senator LAMBIE: So what has happened to the rest of the alleged victims?

Air Chief Marshal Binskin: The alleged victims?

Senator LAMBIE: Yes, the alleged victims. So three of the alleged victims, or four, have been spoken to but not—

Air Chief Marshal Binskin: Do you mean alleged perpetrators?

Senator LAMBIE: Perpetrators, sorry.

Air Chief Marshal Binskin: Currently, four cases are the subject of a formal administrative process. There would be insufficient evidence to take them down a criminal path. That is why they were handed back to us—because there was not enough for the civil police. The administrative inquiry process will look on balance of probabilities rather than plausibility. There are seven cases currently under consideration by ADFIS still.

Senator LAMBIE: Obviously, I have been contacted by outside sources—external service organisations. One of them has had 11 people on her books this year who have come forward in reference to sexual assault or sexual abuse in our Defence Force. Those 11 people cannot do anything because Veterans' Affairs is not accepting anything. Nobody has bothered to do anything in that area to allow them to put claims forward. And, obviously, the DART is now closed.

Air Chief Marshal Binskin: The DART was not a claims process for such. Although they did do reparation payments, I would not have considered the DART as being a claims process. DART was all about taking action, of which there are a number of options that were available to DART. When they handed some to us, there were a number of options available to us. But I would not consider it a claims organisation.

Senator LAMBIE: I would have considered it a deterrent from—

Air Chief Marshal Binskin: I would consider it the same—a deterrent.

Senator LAMBIE: What has been brought to my attention is that this is still ongoing in Defence. There is no doubt about that. I still find it disturbing that you cannot look at the DLA Piper volume 2 and put the pieces together. Is it that Defence will still not show you those volumes—those 33 volumes?

Air Chief Marshal Binskin: It is not Defence.

Senator LAMBIE: Sorry, the DART will not show Defence those volumes.

Air Chief Marshal Binskin: It is protected under privacy. I can quote you the part that protects that. That is why I do not get access to it. The way it was collected by DLA Piper guaranteed privacy to those people that brought that information forward.

Senator LAMBIE: That is correct, but they make exemptions to that. That is why I was allowed to look at that. I think it would be in the best interest of the military to be able to view those documents—and from where you are as well—so that you can get the pieces together.

Air Chief Marshal Binskin: DLA Piper was forwarded to the DART. The DART went through those. All of those referrals come through me. So I see that.

Senator LAMBIE: The DART is now closed. So if there is any abuse that is going on, that goes back into the military's hands. Any complaints that you want to make, you now make back into the military.

Air Chief Marshal Binskin: No you do not. You do not have to. There are a number of ways for the complaints to be made. It could be in the military side. It could be through the command system. In fact, I have had people who have done it through the command system. They feel quite comfortable through that. It can be done through SeMPRO, it can be done through ADFIS or you can go through the Inspector-General of the ADF or through the Ombudsman. You can go to the civil police or you can go to the Human Rights Commission. In fact I have had referrals come to me through pretty much all of those except the Ombudsman. So there are other mechanisms at the moment for people who feel they have been abused but it has not been actioned properly to be able to get that addressed.

Senator LAMBIE: Do you think that is getting through to people? It is now only just getting through to people in 2015 that we actually had DART operating. People are only just catching up.

Air Chief Marshal Binskin: I understand that, but it is not as if that has been hidden. You would only have had to pick up a newspaper over the last couple of years to understand that the DART had been operating. There have been methods by which people could address issues that they may have had.

Senator LAMBIE: I believe—and I need the defence minister to hear this—that people were getting used to the DART. They were actually starting to trust the system and they were coming forward. That has now stopped. I am simply asking Defence whether they can look at an independent body and give this back to DART and leave the DART open, please, so that we can finally get to the bottom of this, as a deterrent.

Air Chief Marshal Binskin: The DART is not Defence. Although it has Defence in its name, it is part of the Attorney-General's Department. But I think you would be putting the minister on a spot right now, as she has just taken over the portfolio, in asking her to give you an answer in consideration—without putting words in her mouth. I do not think she would be in a position to understand what has happened up to here to be able to—

Senator LAMBIE: I understand that, but what I want her to understand is that I do not want it back in the hands of Defence. When it comes to abuse, I want that reporting done on the outside.

Air Chief Marshal Binskin: Senator, I take offence at the way you are saying that. I am sorry.

Senator LAMBIE: I apologise if you take offence, but it is still going on, Air Chief Marshal.

Air Chief Marshal Binskin: There are ways and means of being able to address it. If you have accusations that I do not have, if by the end of the week you can give them to me, please, then I can address them. But it does not help if it is happening outside the system. When I sit here I have got numbers of people approaching me. If you have got them, let us have the chance to do something about it.

CHAIR: I think that is probably a good offer, and I am sure Senator Lambie will take it up. We will go to Senator Conroy.

Senator CONROY: Minister, we were discussing a little earlier President Obama's announcement in and around Afghanistan. In the wake of President Obama's announcement, the US Secretary of Defense, Ash Carter, was asked about partner contributions in Afghanistan and said:

I have already initiated consultations with key allies to secure their continued support for this mission.

Prime Minister Turnbull is quoted in the media as saying:

We will work very closely with the United States, we'll consider the decision they've taken. It recognises the reality of the security situation in the field and we'll obviously be consulting closely with our American allies on that.

Can you confirm for the committee whether or not the United States has approached Australia seeking our continued support for the mission?

Senator Payne: I can confirm that Afghanistan was of course a matter discussed both in the bilateral engagement and in the AUSMIN talks in Boston in Washington recently, yes.

Senator CONROY: So it was raised with you?

Senator Payne: The President made his announcement post those particular discussions, but integral to the conversation between the secretaries, the foreign minister and me was the subject of Afghanistan, obviously.

Senator CONROY: In the event that Australia were to extend its support, would you expect our contribution to remain roughly the same as it currently is in terms of size, location and roles?

Senator Payne: I think that is a matter for the government to consider in conjunction with the ADF in due course. CDF has mentioned our commitment to the end of 2016 already this morning. As the US engagement unfolds and as the situation in Afghanistan continues and we monitor that over the period to that point in 2016, we will consider what is required and what Australia's contribution might be.

Senator CONROY: We did look at some of these quotes earlier while you were in another meeting. President Obama said, 'Afghan forces are not as strong as they need to be.' General John Campbell, head of the NATO force said, 'If we think this is going to be cleared up in a couple of years, we're fooling ourselves.' They seem to be very strong messages about the need to remain for longer than we all had initially hoped. What is your view on the situation in Afghanistan?

Senator Payne: I think I said in response to a question from Senator Back earlier that both Secretary Carter and I had commented on the progress that the Afghan National Defence and Security Forces had made, but indicated that there was still obviously work to do in that regard. Preparing an organisation for the sorts of demands that are placed on it currently in Afghanistan is not simple—complex in terms of both military activity and the environment in which they work. We are very cognisant of that. We have put a great deal of time and effort in terms of Australia's contribution into that process, and we remain committed to doing so.

Senator CONROY: Given the recent developments on the ground in Afghanistan as well as the comments by a range of key allies, how long do you expect Australian forces will remain in Afghanistan?

Senator Payne: I do not think it is in anyone's interest for people to guess at time lines. I really do not. What I have said is that we will very methodically consider the needs for our involvement and the nature of our engagement as 2016 progresses, as we come to the end of the period we are already committed to, and we will engage with our partners—the United States and other partners—in doing that.

Senator CONROY: Do you agree with President Obama's assessment that the troops are not as strong as they could be?

Senator Payne: I think I have said that twice.

Senator CONROY: If you agree, that would tend to lead observers to the view that you would also agree that there is a need to remain a little bit longer than we otherwise were intending.

Senator Payne: I do not think that any of us are disputing the undertaking of the United States in this regard. In fact, we acknowledge that the United States have considered this very seriously. Obviously, they have progressed from a different position, in fact, to the one most recently announced by the President, and we will continue to work with them very closely in terms of what is required on the ground from the coalition and its partners in Afghanistan.

Senator CONROY: At budget estimates—back in June, I think it was—I asked about the situation in Uruzgan province and reports that three districts in the province had fallen to the Taliban. At the time Mr Richardson said:

The advice I have is Uruzgan province is one of a number of remote areas of Afghanistan that is continually contested by the Taliban-led insurgency. However, Afghan security forces continue to respond effectively by taking back ground lost temporarily to the Taliban. Defence does not assess that any districts in Uruzgan province have fallen to the Taliban. Outlying districts within Uruzgan province traditionally come under pressure from the Taliban during the fighting season due to their distance from the key population centres.

I draw your attention to an article in *The New York Times* by Rod Nordland and Joseph Goldstein on 11 October entitled 'Afghan Taliban's reach its widest since 2001, UN says'. The article states:

The Taliban insurgency has spread through more of Afghanistan than at any point since 2001, according to data compiled by the United Nations as well as interviews with numerous local officials in areas under threat.

The article goes on to note:

In all, 27 of Afghanistan's 34 provinces had some districts where the threat level was rated high or extreme.

In Uruzgan Province, in southern Afghanistan, four of its five districts were rated under extreme or high threat, with only the capital, Tarinkot, classified as under "substantial" threat. Many local officials predicted that the province might soon become the first to entirely fall to the Taliban.

A lot has happened in three months, Mr Richardson.

Mr Richardson: I stand by the advice we gave in June or so. I have not seen the report to which you refer in *The New York Times*. I note that it is reporting threat levels assessed by the UN. I have not seen that. We would need to look at that if you want any comment on it.

Senator CONROY: It is in your annual report. It must be available somewhere in the bowels of DFAT. It seems to paint a very different picture to—

Mr Richardson: Sure. I am not—

Senator CONROY: I am not saying you have painted an incorrect picture; I am just saying that in-depth consultations across Afghanistan have revealed a much more serious situation. We have already discussed the fall of a major town, which we have pushed back now and almost retaken. So it seems that the situation in Afghanistan is much more serious than at times when we have previously discussed it. I am seeking your thoughts on that.

Mr Richardson: Your question in the middle of the year was specifically about a report that three districts had fallen to the Taliban. What you are quoting out of the *New York Times* is reported threat levels and also reports of Taliban activity. There is no question that Taliban activity does exist across quite a number of provinces in Afghanistan. I am not aware of actual threat levels as assessed by the UN. But if you want us to give some comment on it I am very happy to take it on notice.

Senator CONROY: We are here till six o'clock tonight. I am sure we have access to dig out a UN report. You might have heard me mention earlier—I am not sure whether you were in the room, Minister—that on-the-ground reports in newspaper articles suggest that the range of major towns in Afghanistan where the government officially flies the flag above its compound is not an accurate reflection but that the government forces are confined within their own compound safely but do not have freedom of movement in the cities that they allegedly are in control of, and that the major ring road, which we have had some part in constructing, is now almost unsafe for government forces to use and government forces have stopped using it. These are just reports in newspapers, so I am hoping that you can give us some clarity on it. But it is just that the picture in Afghanistan seems to have deteriorated substantially since the last time we talked about it. I am looking for an update on whether it is accurate that the government are trapped in compounds in reality as opposed to, 'Yes, we control that town.' And how seriously do you view what the UN and the President of the United States—what is your considered view on the true state of Afghanistan at the moment?

Mr Richardson: As the CDF has said, Afghan security forces have certainly been under pressure in the fighting season. There has been a significantly reduced coalition presence. The Afghan security forces have performed in some areas well. In other areas they have been under pressure. They do not have the same logistical and other support that they have had previously. I think President Obama's comments about Afghanistan in making his announcement about a continued presence beyond the end of next year gave a pretty accurate picture of Afghanistan and the need for continued support beyond the end of next year. But the Australian government has not made any decision in respect of what presence we will have beyond the end of 2016. That will be considered in due course.

Senator CONROY: I appreciate that. I am surprised that Defence and Foreign Affairs are not aware of a UN assessment, if it exists—I am only going on a newspaper report.

Mr Richardson: Defence may be. I am personally not and I would separate the two out.

Senator CONROY: Is there anyone here who has any information or knowledge on Afghanistan? Can you get anyone from the department to come after lunch to discuss Afghanistan?

Mr Richardson: I will see, but Defence is a big place. I would not claim to know what everyone else knows in Defence.

Senator CONROY: You made that clear at the last estimates where you said there is nobody in the room that can help you with Afghanistan

Mr Richardson: That is right.

Senator CONROY: I was just hoping somebody might be made available—

Mr Richardson: Not in answer to that specific question, Senator.

Senator CONROY: Just to give us an assessment of where we are in Afghanistan. The Australian public has strongly supported our presence in Afghanistan so knowledge of the facts on the ground would just be helpful for the public, for the Senate and for the parliament, given the choices we are faced with and the information that appears to be available through the US appearances before their Senate committees—the statements are fairly forthright. I would hope that we can get a forthright assessment for the parliament through this process so we are

able to have a genuine discussion about the situation in Afghanistan. In a discussion about Afghanistan, it would be good to have the facts on the ground. I am asking for a confirmation of: does Defence agree with the UN's assessment that four districts of Uruzgan are now under extreme high threat from the Taliban?

Mr Richardson: I have not seen the UN's assessment so I am not able to comment on it.

Senator CONROY: That is why I am asking for somebody to be made available during the course of the day to—this is the exact same answer I got four months ago: there wasn't anyone available to assist with that. It just seems an odd situation where we are not able to get any information out of the Department of Defence where we have deployed troops.

Mr Richardson: You are wanting a considered assessment in respect of a report that I have not yet seen. Whether others have seen it I don't know. If others have seen it and if they have a considered judgement in respect of it, then we will be able to comment. But if they haven't seen it and have not yet assessed it, then I am not going to do it on the run.

Senator CONROY: Let me unhook the UN from our discussion: what is Defence's assessment of the likelihood that Uruzgan might fall in its entirety to the Taliban?

Mr Richardson: I would need to seek some advice on that.

Senator CONROY: Would that advice be available during the course of the day?

Mr Richardson: In respect of that broader question, I think we should be able to help you.

Senator CONROY: Australian forces only left the province at the end of 2013 after eight years of sustained and extraordinary effort. Why is the security situation degraded so quickly in the province?

Mr Richardson: For a start, we were in a particular part of the province. We were not in the totality of—when I say we were not in the totality of it, I stand to be corrected by people who know more than I do, but I do not think we were operating to the same extent right across the province. The intensity of our operations, I think, varied in different parts of the province.

Senator CONROY: Mr Richardson, did you accompany the minister to the talks in Boston?

Mr Richardson: Yes, I did.

Senator CONROY: You have both involved, Minister, in discussions. You have indicated Afghanistan came up in the discussions. Arising from the information that you received in the discussions around Afghanistan, Minister, what is your assessment of the likelihood that Uruzgan might fall in its entirety to the Taliban?

Senator Payne: I am not going to make that sort of assessment here in the estimates committee.

Senator CONROY: You have just had a firsthand briefing from our colleagues, allies and friends.

Mr Richardson: Senator, we did not discuss Uruzgan province in that sort of detail.

Senator Payne: We discussed Afghanistan, broadly speaking, and I said that, Senator.

Air Chief Marshal Binskin: For Uruzgan, we do not have forces in there anymore but we work through the embassy in Kabul and monitor the security situation. They work with the Afghan government and UNAMA to keep an eye on the situation there. The assessment at the moment is that none of the areas in Uruzgan is under threat of falling, but, as we were talking about before, those outposted police stations or checkpoints come under pressure. They will get overrun and then the security forces will go out there and reclaim them. That traditionally happens over the fighting period anyway around Uruzgan, but at the moment there is no specific indicator that it would fall.

Senator CONROY: I appreciate that, but we have on the record that our US ally has asked us to consider extending our position in Afghanistan. I am asking the three people who I am confident know more about the situation in Afghanistan, particularly after your recent series of meetings, than anybody else. In particular, I am asking them about reports that the UN believes 27 of Afghanistan's 34 provinces had some districts that have a threat level that is rated as high or extreme. I ask about this because Australia has contributed so much there.

Air Chief Marshal Binskin: I have been honest with you with the answering. I agreed with General Campbell in his assessment when he spoke to the congress and, as I said to you, that was with General Dunford, and that advice went to President Obama. The discussions about our participation in any future force only started a week ago, so we currently have to look at what that participation may be—not just with the US; we are currently in there with NATO, and NATO are developing that plan. We will develop that plan and be able to provide advice to the government. Afghanistan is not a place I would go to as a tourist—it is a dangerous environment, and we acknowledge that—but it has made significant gains over the last few years. What we do not want to do is to have it go backwards. That is really where we are coming from.

Senator CONROY: I appreciate the point you have made, but is it that we have not made a decision? I am not pressing you on whether we have made a decision, but, for the Senate, for senators, for the parliament and for the people of Australia, to agree to commit to an extension, I am just looking for a frank assessment. Is it as bad—

Air Chief Marshal Binskin: That frank assessment would be a part of that advice.

Senator CONROY: Is it as bad as the UN are indicating?

Air Chief Marshal Binskin: I would need to read that. We have not seen that report.

Senator CONROY: I appreciate that you have not seen it, but I would have thought we have been provided with some good intelligence from both your meeting last week and from ongoing intelligence.

Mr Richardson: We have given you an assessment of where we see Afghanistan at the moment. The CDF outlined some very detailed metrics before morning tea. I have stated that I agree with the broad judgements made by President Obama in his announcement and, in respect to the UN, we can do no more than repeat that we have not seen that report. We are not prepared to comment on a report that we have not seen.

Senator CONROY: From the information that you do have, in your observation is it correct that, in some cities where the Afghani government claim control, their forces are actually pretty much contained within their own compounds—that they do not have freedom of movement of the city? Is that something that, from the information that you do have, you would agree or disagree with?

Air Chief Marshal Binskin: I do not have that specific information, but I can tell you I have no doubt that there are some towns over towards the border to the east where they would be in their compounds and they would consider it a dangerous situation. I am not disagreeing with you, but I do not have specific towns in mind where that is the case.

Senator CONROY: I have a couple of questions on a few of our other operations. On matter 2, I note that HMAS *Melbourne* has recently taken over from HMAS *Newcastle* in the Middle East.

Mr Richardson: Can I add one thing in respect of Afghanistan?

Senator CONROY: I was going to come back to it when, hopefully, you have more information.

Mr Richardson: I will add one point, because I think it is important—at the risk of opening another front. In broad terms, there are two important things in respect of Afghanistan going forward. One is continued support consistent with what the US has announced; however, decision-making on that is down the track. The other thing that is important is continued financial support to Afghanistan. That was a major part of the consideration at the head of government meeting that Prime Minister Gillard attended in Chicago in May of 2012. Continued financial support to Afghanistan is important, because the key thing to know about Afghanistan is that total internal revenue available to the Afghan government from all sources in less than \$2 billion a year. To maintain its security forces it is \$40 billion a year plus. That is why a whole range of countries have expressed a willingness to continue to provide levels of financial support to Afghanistan out to the mid-2020s. The detail of that has not yet been determined. So it is, firstly, what President Obama has announced, and, secondly, it is continued financial support. Without the latter, a continued military presence in Iraq after 2016 would be pretty irrelevant.

Senator CONROY: Hopefully we can discuss it further if we get any further information. Senator Lambie had a follow-up question.

Senator LAMBIE: I have a quick question on tactical payments. Are we still giving cash payments to Afghani and Iraqi nationals as part of tactical payments, and if so how much?

Air Chief Marshal Binskin: Was that with Iraq? Can you start again please?

Senator LAMBIE: Are we still giving cash payments to Afghani and Iraqi nationals as part of tactical payments, and if so how much? What guarantee can be given that we are not funding the enemy—that that money is going where it is supposed to be going and that it is well targeted.

Air Chief Marshal Binskin: We are not funding the enemy with tactical payments. The scheme is still in place for our operations, but I do not believe that we have had any tactical payments in the last period. I will take that on notice and I will let you know.

Senator LAMBIE: Can you give me an answer as to why you believe it does not get through to enemy hands, because I would really like that too please.

Air Chief Marshal Binskin: The way that it is negotiated and the way it works is that it is not given to a group. It is given to a particular family in the way it is done. No, I do not believe that it goes through to funding terrorism.

Senator LAMBIE: But you have hundreds of thousands of dollars here that you give to one person, so how can you guarantee where that is going?

Air Chief Marshal Binskin: I am not going to talk about the exact value, but I think you might be inflating by a couple of zeros.

Senator LAMBIE: If we can just get a statement about exactly where that money is channelling through to, I would be really—

Air Chief Marshal Binskin: I can get that for you, yes.

Senator LAMBIE: Thank you.

Senator CONROY: I was going to ask a couple of quick questions around Operation Manitou. Has there been any change in the nature of ADF activities under Operation Manitou?

Air Chief Marshal Binskin: Since we stood it up, no. Where the vessels are patrolling and the tasks that they are doing since Manitou stood up—I do not believe there has been any change in that.

Senator CONROY: Are we seeing low rates of piracy as was reported at the last round of estimates?

Air Chief Marshal Binskin: We are seeing very low rates of piracy. In fact, interdiction at the moment is more around drugs and weapons.

Senator CONROY: Did you want to add anything, Vice Admiral?

Vice Adm. Barrett: No, I agree with that. I would like to correct the record. I mentioned previously that the 'smack track' was on the west coast of Africa; it is on the east coast.

Senator CONROY: There are a few very relieved people now! Moving on to Operation Aslan. How is the mission in South Sudan progressing?

Air Chief Marshal Binskin: There are a lot of challenges there. The civil war—it was not called that but it was one—has come to a cease fire. I think we are into the wet season now where traditionally they tend not to move. The opposition and the government are looking to reconcile. For our forces on the ground, we always continue to keep an eye on them down in Juba and Bor, but we tend to operate down in the southern areas whereas the threats tend to be more in that upper Nile area up to the north. Again, this is another country that is on the cusp of failure or progressing—I would not say success—and we keep a close eye on it.

Senator CONROY: I would like to draw you out a little bit on that. Have there been any notable changes in the security situation in South Sudan? It sounds like it has got more serious since we last talked.

Air Chief Marshal Binskin: Probably not more serious than the last estimates, but there is no doubt that in the last 12 months the security situation went downhill in a fairly significant way. It is probably stabilised at the moment, more because of the brokered ceasefire that is currently in place. But again, it is not a place I go as a tourist—there are a few of them around the world. Our forces there—I will check the exact number. I said 25; I think it is actually 21, of which two of them work with Japanese engineers in Juba. But they are all more headquarters positions and staff positions.

Senator CONROY: Thank you very much. Moving onto Operation Resolute: how many ADF personnel are currently deployed on Resolute?

Air Chief Marshal Binskin: I would have to get the exact number, but in round numbers it is about 600.

Senator CONROY: And what assets are deployed?

Air Chief Marshal Binskin: Five or six Armidale patrol boats. We rolled in the two Cape Class vessels into that mix, but it will be five or six patrol vessels. There are two AP3Cs permanently force assigned with a third that is on a tether and there is one major fleet unit that is on a tether. Currently, HMAS *Choules* is force assigned against Operation Resolute.

Vice Adm. Barrett: But it is not yet force assigned: it is on its way to Darwin where it will be force assigned.

Air Chief Marshal Binskin: And somewhere between 80 and 100 security from the security element people. They are taken across the three services.

Senator CONROY: I note a report by Ian McPhedran of News Corp on 8 October entitled 'The \$3 million cost of Navy's decision to lease patrol boats for border protection' which reports that Defence will spend \$3 million a year to lease two Cape Class patrol boats for Operation Resolute. Could Defence outline the current status and availability of the Armidale Class patrol boat fleet.

Air Chief Marshal Binskin: I did in the opening statement. You can do this.

Vice Adm. Barrett: We are renting them from Customs. Just to settle, we have on loan from the Border Force two vessels—Cape Class—at the moment. We are using those in a deliberate method to be able to provide the required number of patrol boats for the period until 16 December. At that point, we would seek to lease further patrol boats in a commercial agreement, probably from Austal, to be able to continue to have the level of patrol boats we need. That is being done for two reasons. Firstly, you may recall, we had the loss of one of our Armidale Class patrol boats which, whilst in contractors hands, caught fire; and, secondly, we have had issues with cracking in the patrol boats and we are going through a deliberate remediation program, which will take a number of those patrol boats offline. So this loan from the ABF and then subsequent lease is a deliberate decision to be able to continue to provide the number of boats that is needed by the Australian Border Force.

Senator CONROY: And you are confident that that remediation program is going well and going to get us back?

Vice Adm. Barrett: The remediation program will start. We have had some intermediate fixes to the boats which have allowed us to continue—and let me clarify: there are six boats full mission-capable today, as we speak, which is providing what we are required to provide. But we do need to go through the remediation program. That will be in the hands of CASG as to how that is managed, but I am confident that we have taken deliberate and decisive measures to be able to continue the rate of effort that we need for the patrol boats.

Senator CONROY: Thank you. Chair, that has completed one of my sections. I am happy to pass to others. Can I just get an indication—we are breaking for lunch at 12:30?

CHAIR: We are, and Senator Xenophon gets a guernsey at 1.30—if you want to come back at two.

Senator CONROY: Yes, I will come back.

Vice Adm. Barrett: Chair, if I may, could I just answer Senator Macdonald's question about contractor support to the LHD. It was question on notice 12 from last estimates. It was tabled on 28 July this year.

Air Chief Marshal Binskin: I have actually got a couple of corrections and additional information. Senator Macdonald, morale will go down, but there is currently no plan for HMAS *Canberra* to visit Cairns at the moment. But I am sure Chief of Navy took that on notice.

Senator IAN MACDONALD: Could I emphasise your first words 'morale will go down'?

Air Chief Marshal Binskin: Yes, morale will go down.

Senator IAN MACDONALD: Quite right.

Air Chief Marshal Binskin: I think Senator Lambie asked on how many occasions since the last estimates period have pilots fired their weapons.

Senator CONROY: No, I asked that one.

Air Chief Marshal Binskin: During the 1 June 2015 Senate estimates hearing, Defence advised that Operation OKRA air task group had conducted 156 F18 air sorties and had released 94 weapons with effect 31 May 2015. Since 31 May 2015, the air task group has conducted 336 sorties and has released 176 weapons. This includes 18 F18 a sorties over Syria—I was not going to go into too much detail, but I will give it all to you—and the release of two weapons. These numbers are as of 18 October.

Senator LAMBIE: Would I be able to get a copy of that too, please?

Air Chief Marshal Binskin: Yes. Just note that, to get to Syria, we have to go through Iraq. That answers the other question about how often we went into Iraq.

Senator LAMBIE: Minister, if there was a military confrontation between US ships and Chinese in freedom of navigation exercises in the South China Sea, do our treaty obligations require us to join with the US?

Mr Richardson: No.

Senator LAMBIE: Is there any other military action where we are required by a treaty to join forces with the US?

Mr Richardson: No; except under the provisions of the ANZUS treaty.

Senator LAMBIE: Thanks.

Senator IAN MACDONALD: Is there a timetable for the defence white paper? I appreciate there is a new minister. Congratulations, Minister.

Senator Payne: Thank you, Senator.

Senator IAN MACDONALD: There may have been some delay with the change of minister, but is there any publicised time line on that at this stage.

Senator Payne: I said earlier, Senator Macdonald, before you were in the room, that the new Prime Minister and members of the National Security Council and I, as the new defence minister, are considering the white paper and associated documentation. That will take a period of time. We have not set an end date at this point, but I expect to be working on that very hard with the Prime Minister in the coming weeks.

Senator IAN MACDONALD: Thank you, Minister. I do not want to have 20 questions with you, but would you be hopeful that it would be out before the end of the year.

Senator Payne: As I said to, I think, Senator Xenophon earlier, we are not putting a time line on that. I think it requires due consideration by a new Prime Minister and a new defence minister, particularly.

Senator IAN MACDONALD: Of course. I understand. CDF, a lot of the basic work would have been done.

Air Chief Marshal Binskin: For the white paper, yes.

Senator IAN MACDONALD: I appreciate some of these are in the process of tendering and some of them are perhaps questions for other parts of the department, but I am particularly interested in the Pacific patrol boats and also the ASLAV replacements. Obviously enough, my interest is that some of the tenderers for those things have connections with the North. I appreciate that I cannot ask you in the course of tender about them. I do not want to raise submarines, but is the element of local maintenance and Australian involvement relevant to those two tenders in particular?

Mr Richardson: I might just answer in the broad and then pass over. Maintenance and sustainment is always something that we seek to keep within Australia. It is a sovereign capability that is very important. I think the Pacific patrol boats are going to be built in Australia.

Senator IAN MACDONALD: Has that been formally announced?

Mr Richardson: Yes.

Air Chief Marshal Binskin: The winning tenderer has not been, but it will be Australian-built.

Mr Richardson: Yes, it has gone out and it will be built here in Australia.

Senator IAN MACDONALD: Perhaps I should know this, but what are the time lines for the announcement of the Patrol boats tender?

Rear Adm. Purcell: I have responsibility for both the support of the existing Pacific patrol boats as well as the replacement Pacific patrol boat program. As you may be aware, the tender was released earlier this year. The tenders have been received by the department and are currently undergoing evaluation. We expect to have that evaluation completed this year and then we will be in a position to formulate government advice and take that project forward to a combined pass consideration by government in 2016. At that point the contractor would be announced.

Senator IAN MACDONALD: The concept of building patrol boats is one thing but, as they are being built, is it the intention to have the Pacific island nations—who I might say have a climate and atmosphere much like Cairns; not that that is relevant—coming to the final stages of construction? Is there anything in the tender that, as they are nearing completion, officers from the various Pacific island nations would be there to acclimatise to the vessels?

Rear Adm. Purcell: Certainly. I will talk a little bit about the current Pacific patrol boat program. As you may be aware, we routinely bring those vessels back from the Pacific Islands. In fact, the Pacific island nations sail them back to Australia. We go through a series of half-life refits, and those half-life refits are conducted in the commercial facilities in Cairns. We also, similarly, provide crew training for both the operators and the maintainers of those vessels. So, while the vessel will undergo deep maintenance in Cairns, the crews go down to Tasmania and conduct training at the maritime college down there in Launceston.

Senator IAN MACDONALD: It must be a bit of a culture shock for them going from the Pacific Islands to Tasmania—much as I love Tasmania, of course. But going from Pacific island summers to Tasmanian winters is a bit of a culture shock.

Rear Adm. Purcell: Indeed. So the scope for the replacement program is for both acquisition and support. We have had a number of proposals, which, as I said, we are currently evaluating as to where the replacement vessels should be built and how the replacement vessels could be supported—and that includes a training element. As has been mentioned previously, it has been mandated that those vessels are to be built in Australia and that support elements will also be conducted in Australia.

Senator IAN MACDONALD: Thank you for that; that is very helpful. In assessing these, price is not the only consideration, obviously? I mean, the lowest tenderer does not necessarily win.

Rear Adm. Purcell: Value for money is our overriding principle when we conduct an evaluation.

Senator IAN MACDONALD: Okay. Can someone briefly give me the same sort of information on the ASLAV replacement?

Major Gen. McLachlan: We have much the same arrangements in place for the LAND 400 tender. Phase 2, or the ASLAV replacement, as you have described it, will also be maintained and supported in Australia. Similarly, along the lines of some of the major vehicle programs that we are doing at the moment, we are working very closely with Army to make sure there is the capacity to support those vehicle platforms from the major combat brigade locations.

Senator IAN MACDONALD: So that will be in-service maintenance to a degree, but using some contractors?

Major Gen. McLachlan: Certainly. What we are doing at the moment is working with the primes. Clearly we are early in the tender evaluation process on LAND 400. The next phase of the project is to do a down select and we then go into a risk mitigation activity. Part of that risk mitigation activity is how we are best going to do the support and sustainment concepts. A discussion during that will be around how we can increase the Australian industry content and how we can make sure that there are local opportunities to be involved in that supply chain.

Senator IAN MACDONALD: Has there been a published timeline for the completion of that tender?

Major Gen. McLachlan: It is in the request for tender that is currently out. We are looking at going to government and advising on a down-select solution probably around March next year. Then we have nearly 12 months of risk mitigation activity before we get into the detailed evaluation. Government is due to make a second-pass decision in 2017.

Senator IAN MACDONALD: I am just concerned about the contract having arrangements for maintenance. We have established—or perhaps not established; I have raised it—at previous estimates what was, I thought, a farcical situation of vehicles at Australia's largest Army base in Lavarack having to go to Bandiana for relatively minor maintenance. That seemed to me to be an unfortunate use of facilities. Is that sort of thing taken into account in the contract?

Major Gen. McLachlan: Yes, it is. We are actually seeing, for instance, with Bushmaster at the moment that Thales has made a commercial decision to establish a Bushmaster maintenance facility in Townsville. That has been a completely commercial decision, because they can do business better from there. That is the sort of thing we are trying to work with industry to encourage. Defence has not had to provide any sort of infrastructure development; that has been a purely commercial discussion. That is what we are trying to get to.

Senator IAN MACDONALD: Thanks very much for that.

Senator WHISH-WILSON: I have a couple of brief questions about the climate change strategy for Defence. I recently met with the authors of *Be Prepared: Climate Change, Security and Australia's Defence Force*. You may also have met with those four gentlemen. Obviously, one of them is Admiral Chris Barrie—he was one of the key proponents and authors of the report. I was wondering if I could get an update from Defence as to where you are with planning for climate change, and whether you have read the report and have any responses.

Air Chief Marshal Binskin: With climate change I will let the Vice Chief take you through a lot of the programs we have in place. I will be upfront with you and say that we do not specifically plan for climate change, but we do plan for the consequences of it—humanitarian assistance and those sorts of particular areas. The force that we have structured to be able to respond to the breadth of outcomes that may come from climate change is a part of the force structure that we do. So when we say that we do not specifically plan for it, we plan for the potential outcomes whether they are caused by climate change or not—they could be earthquakes as well, for example, or something like that. It is factored into the force structure in other ways.

Senator WHISH-WILSON: I understand that it has been previously touched upon by Defence white papers in the past and—

Air Chief Marshal Binskin: It will be this time as well.

Senator WHISH-WILSON: It will be? Great; that was one of my questions.

Air Chief Marshal Binskin: Without speaking for the author of it, I believe it has a part in it.

Senator WHISH-WILSON: If you have not read the report—I appreciate how busy you must be—on page 66 of the report it outlines the responses of Australia's key allies to the threat of climate change. There is a pretty simple, easy-to-read chart there which talks about what the US and the UK have done in specific areas and what Australia's response has been. One of the key things that stuck out to me was that both the US and the UK had

appointed a senior military authority as a climate change planning officer or envoy to coordinate a response across their defence forces.

Air Chief Marshal Binskin: I would call that my commander of joint operations, to be honest with you. Again, we do not specifically target climate change but we plan for the outcomes—what might come out of that. As I said, whether it be flood, rain, famine, earthquakes or civil unrest and all of that—that is what we plan for. I do not need a one-star that is tagged as the 'climate change officer' per se, because it might look good but practically it does not give me anything.

Senator WHISH-WILSON: So you are planning for those kinds of contingencies—

Air Chief Marshal Binskin: Regardless.

Senator WHISH-WILSON: And, presumably, an increased frequency of those contingencies in your decision making?

Air Chief Marshal Binskin: Yes, that is right, regardless of what might cause them. In fact, historically, if you look at what we have done since the Boxing Day tsunami, I think we have demonstrated the fact that we can respond quite quickly as far away as Japan and in and around the region. Concurrently, occasionally, we end up with an earthquake, a small tsunami and a cyclone or something around the region. They may not be concurrent but if they run close together we have been able to respond.

Senator WHISH-WILSON: That kind of intuitive understanding you have of the potential threats from climate change—would that feed directly into things like procurement policy and, for example, training?

Air Chief Marshal Binskin: Equipment and training. For example, I said before that HMAS *Canberra* is now certified for humanitarian disaster relief operations. They are the sorts of operations they would have planned to be able to respond to the aftermath of.

If I can offer you a brief, we can get you out to Bungendore at some stage and I can get them to take you through what we do in our planning and who we coordinate with, because we do not do it on our own. We work as a part of the whole-of-government, but we also plug into Pacific Command with the US and with the French, who have a large footprint in the area, and to a lesser extent with the British and with some of the other regional nations. The offer is there if you would like to come out for a couple of hours.

Senator WHISH-WILSON: I am very happy to take you up on that.

Air Chief Marshal Binskin: I would love to.

Senator WHISH-WILSON: I suppose the other side that this report highlights is not just preparing for the contingencies that may arise but also a comprehensive strategy for the greening of the defence forces—if you do not mind me using that word! Senator Macdonald might mind me using it.

Air Chief Marshal Binskin: No, that is okay. We take it with the intent it was meant. I will hand over to the vice chief and he can take you through a number of initiatives we have been running with.

Senator WHISH-WILSON: Thank you.

Vice Adm. Griggs: I think the CDF has covered off on the operational consequences. The other two pieces that I think fall into this are firstly the potential impact on our infrastructure, which is obviously important. We have completed a study in 2010, which went into the Defence estate environmental strategic plan. That started to look at things like the vulnerability of any of our bases or whatever to any change in sea level—

Senator WHISH-WILSON: Yes, sea-level rise.

Vice Adm. Griggs: So that has been done. The other side is the energy issue. In 2013 we produced a Defence Energy Integration Framework, which effectively was focused on making sure that we were across future energy sustainability issues. That is pretty wide-ranging. It goes all the way from security of our energy supply through to investigation of alternative fuel sources. I think you will recall that in 2013, we flew one of our Seahawk helicopters on biofuels in conjunction with the US during the RIMPAC exercise—in fact, I think the current Chief of Navy flew in that aircraft when he was the fleet commander. We have been watching very closely the development of the biofuel issue in the US Navy, because interoperability with the US Navy is absolutely crucial. We have also undertaken some other projects such as the Carnegie Wave Energy generator on the West Coast off *Stirling* which is now producing power for *Stirling*. So there are a range of things we are doing.

CHAIR: And desalinated water.

Vice Adm. Griggs: And desalinated water. That is correct.

Senator WHISH-WILSON: I will just say for the Chair's benefit—sorry, to interrupt you Admiral—that it is financed by the Clean Energy Finance Corporation—a Green initiative.

CHAIR: It was indeed—partially—Senator Whish-Wilson.

Vice Adm. Griggs: I was really just trying to make the point that it is an issue that we are taking seriously and we are looking at across a number of fronts.

Air Chief Marshal Binskin: One other thing: when you take the 'so what' of that as we move it over, one of my priorities when I came in as CDF was to understand our energy footprint on operations and back in the garrison domestic area. Part of that is the environmental side and saving costs but part of it is also understanding the costs of an operation and the risk through the logistics tail of having a large energy requirement for a deployed force. We also translate all of that onto what the operational context may be.

CHAIR: Thank you, CDF. We will now suspend to 1.30 pm, when Senator Fawcett will ask questions.

Proceedings suspended from 12:29 to 13:30

CHAIR: Welcome back. We are in continuation. Senator Fawcett.

Senator FAWCETT: Mr Prior, we have had a number of discussions previously about cost-growth pressures, particularly the impact of absorbed measures. Just to recap: we have had some discussions about the lack of transparency of the impact of those absorbed measures. Over a couple of estimates periods, we have had three figures that have come before the committee. The first was that there was some \$4.1 billion of absorbed measures since 2009. The second figure was \$15.7 billion of unfunded liabilities that had resulted from absorbed measures. At the last discussion there was talk of an additional \$8 billion, although I have not actually been able to track back through the *Hansard* to find exactly where that figure fitted in. But the net of all of those discussions was a request to the department to provide to the committee in an aggregate form what the impact is on your unfunded liabilities—I think you said it was predominantly in base remediation works and ICT—of the absorbed measures. Most of these occurred in the period 2007 through to 2013. So what I am still pursuing is: what is the current status of those unfunded liabilities? Are we on a trajectory to climb our way out of that unfunded pothole? Finally, since 2013, have there been further measures that Defence has been asked to absorb and, if so, given my focus on this, what steps are you taking to transparently report to the parliament the fact that you have been asked to do that and that these are the trade-offs you have made? This is so that we are aware of the pressures Defence is under when you are asked to absorb measures.

Mr Prior: I think in the conversation we had last time, we also acknowledged that we do have a white paper that is before government and the content of the white paper is, of course, not public. As we have discussed, white papers do, as part of their contemplation, consider these issues and so on. So, until that white paper comes into the public arena, to the extent that any remediation or otherwise has been done or not, I do not have that information at hand.

We have also talked about the extent to which any measures that are absorbed by Defence are included in the portfolio budget statements and that they are disclosed there in terms of what measures are announced by government. Over those years you talk about, the measures were about us reprioritising internally. It is on the record that our bases and our ICT were areas we took funds from in order to invest in other areas and so on. I do not have anything new to tell you about where we are up to—what the financial metrics are relating to the degree of any remediation or otherwise—because it is part of the white paper process. Many of these issues are being considered in that process.

Senator FAWCETT: I accept the fact that this is the first white paper in many years that has detailed funding attached to it—and that that is still under wraps. What I do not accept is that parliament should not have some visibility of the pressures that Defence is under with respect to what I think are pretty basic, ongoing, through-life support for bases and ICT. I think we still need to have—Minister, I would invite you to perhaps come back to the committee on this, on notice if necessary—a standard process to give us that visibility. If the Department of Defence are asked—quite often for valid reasons; sometimes admittedly not—to absorb a measure and they have to reprioritise so that some work they had planned to do, perhaps to get rid of asbestos in a building or to upgrade an ICT system, is then deferred, the parliament should have an understanding of how great that growing pressure is on the department. To date we have not had that. We have had figures for outstanding works in defence infrastructure of up to \$15.7 and we still, after a year and a half of asking, cannot get a more defined list of what that \$15.7 billion of unfunded works looks like. I do not find that to be an acceptable level of transparency. I certainly invite the minister to come back to the committee with a way forward on that. Whilst the executive is free to do what they need to do, I think this committee, in its oversight role, should have some visibility of what the impacts are for Defence that we, collectively, will have to manage in another parliament with another government perhaps five years down the track.

Senator Payne: I will have a look at what you have said and what you have asked for.

Senator FAWCETT: That would be great, thank you. We are all over the shop with the agenda, and I do apologise for that, CDF. I recognise that this is grossly inefficient for your people, but after the changes to standing orders that occurred about 18 months ago—which the government did not support—the chair has very little control over the agenda. But I would like to speak to somebody about the Collins class and its through-life support.

Air Chief Marshal Binskin: I will bring in the Chief of Navy, but I will also bring the CASG representative up so that you can get both sides of it.

Senator FAWCETT: I will address my questions to Rear Admiral Dalton in the first instance. Mr Gould has now moved on. Can you update the committee on who has picked up his responsibilities for the through-life support of Collins?

Rear Adm. Dalton: I am standing in between David Gould leaving and his replacement arriving in the next month or so.

Senator FAWCETT: His replacement will be?

Mr Richardson: That has not yet been announced.

Senator FAWCETT: Selected but not announced? Or is there still a process underway?

Mr Richardson: Selected but not announced.

Senator FAWCETT: I hope then, Rear Admiral Dalton, you are able to deal with some of the issues we have been raising with Mr Gould in the past. The committee has been particularly concerned to understand where we are at with both availability issues—I will come to the *Sheean* and the *Waller* and the impact those incidents have had—and with the Coles review. If we could start with the *Waller* and the fire—could you give the committee an update on where that vessel is at and the impact its unavailability has had on reaching the targets the Chief of Navy has been hoping for?

Rear Adm. Dalton: I am sure I will work with the Chief of Navy, but *Waller* had the fire in February 2014. It has been under repair since then. The repairs are on schedule, and we are expecting *Waller* to be back in the water at the end of this year. They are currently doing the end-to-end testing on the final part of the repair now.

Senator FAWCETT: And what about its broader impact in terms of reaching the availability targets, CN, that you were talking about?

Vice Adm. Barrett: There has been an effect on us. We had been measuring the workforce growth in submarines, which is based on submarine availability, as part of our Coles remediation plan. As a consequence of *Waller* not being available, we have lost between 10 and 12 per cent—my staff will correct me if I am wrong—from the planned increase in workforce growth that we were anticipating. Noting that the numbers are small, it is not a huge, absolute number in terms of bodies but it is enough to affect us. So we are a little behind in our workforce growth targets.

In terms of availability from a capability perspective, not in training, I am pleased that the results of the other effects of Coles on availability of other submarines have meant that I have been able to meet my requirements to CDF in terms of preparedness and operational submarines available. For example, today, as we speak, there are three at sea. Two are in the region and one is on its way in the southern part of Australia. We have seen a dramatic increase in availability, which has resulted in us being able to increase our training targets. So, whilst the *Waller* fire has had an effect, we have managed to maintain a tolerable level of increase in our workforce with the other availabilities provided.

Senator FAWCETT: As for HMAS *Sheean*, my understanding is that she was damaged when she was berthed and another vessel collided with her.

Vice Adm. Barrett: That is right. That was an issue some time ago. Again, it had an effect at the time, but she was quickly repaired. The Commonwealth went through a process of an insurance claim, and that was received, and I think that has been settled fully. At the moment *Sheean* is now in the mix, and *Sheean* recently participated in a bilateral exercise with India just in the last month or so and is one of those submarines that are returning to Australia now.

Senator FAWCETT: In terms of the design and certification effort required to approve the repairs to *Sheean*, that was all conducted in-house by ASC in the swell, I am assuming, by Navy.

Vice Adm. Barrett: That is my knowledge. I will defer to and ask Admiral Sammut to jump in if necessary, but, yes. I guess I am asking a question here: is there a concern that we would not have made a repair within the normal bounds and—

Senator FAWCETT: No, no. I am purely seeking to draw out the fact that, in the normal run of service operations, there will sometimes be requirements to do unexpected engineering design work and certification, which means there is an obligation on the nation collectively and on Defence in particular to maintain a given level of design engineering capability.

Vice Adm. Barrett: You are correct in that. The work was needed. But I would also argue that that is a retained capability that we have. You would be aware that, under Coles, there were some improvements in the way that the Collins class was maintained, including a view that we would cut the pressure hull. We would only have considered that in light of having a level of technical expertise to be able to manage that in an appropriate way, given the certification that is required for us to maintain these submarines in service for their entire period of life.

Senator FAWCETT: Sure. That is probably a very good segue to the Coles recommendations. Clearly, workforce was one of the key issues. The last time we visited this, the statement that came, I think, from you was that this remains one of the areas that are going to be a challenge for Navy—to get the required workforce. Can you give us the status of where you are at now, and the key gaps you see between now and 2016-17? I think that was one of the target time frames you had.

Vice Adm. Barrett: It was. As a result of Coles there was a requirement for us to determine exactly where we were in workforce strength to be able to deliver the entire capability, which currently is six submarines. At this time we are about 62 per cent of that final figure that we need in terms of workforce, and there remain some critical categories within the submarine branch, particularly within the technical areas but in some cases also within the operational areas in terms of warfare officers. They still exist and they will for some time. There has been a deliberate approach to solve individual areas of critical workforce, mainly through means such as retention bonuses, but also to develop a more streamlined training process and qualification processes as more submarines become available for us to take those individuals to sea to increase not just their qualification but their experience at sea. We have had some success with that. We were affected by the *Waller* fire, but we are trending in the right direction in terms of increasing those numbers. There are sets of targets that we need to achieve, and, at the moment, as I said, we are between 10 and 12 per cent below what we expected to achieve in the last financial year in terms of those targets. So there is a plan and it is being executed.

With respect to the other issues, as I have said, we have looked at how we are conducting the training and the certification. We are looking at a longer term sustainment of the workforce through other means, and that is talking about an initiative that is being represented through Defence at the moment called a deliberately differentiated package, which looks at measures of both remunerative and non-remunerative provision for the community, and that is being progressed at the moment.

Senator FAWCETT: Can I tie a number of threads together here then and ask for your response as to how you are planning to move forward. You have the Rizzo review around Navy's tech reg structure and engineering workforce; you have the Coles review around submarines specifically; you have First Principles Review which identifies that you as the capability managers need to be defining the fundamental inputs to capability that are required; you have the First Principles Review which identifies that defence industry should be treated as a fundamental capability. So, as you look at Collins as a capability that you need to manage, how are you at the moment looking to bring those threads together and engage with the new head of CASG, with industry more broadly, to understand what the gaps in workforce capability and competence are in terms of both qualifications and experience to try to shape that environment so that you can be assured and the government can be assured that, in 2016-17 and beyond, the fundamental inputs to the Collins capability, which includes industry and Navy people, will be in place?

Vice Adm. Barrett: Strategically, I think the fact that we established probably five years ago a director-general of submarine capability within Navy headquarters was a start at acknowledging the enterprise requirement to do this as not just Navy but to coordinate all those elements that constitute the submarine enterprise capability. For Navy, that individual manages the submarine workforce perspective from the operator's perspective and for the technicians—those in uniform that need to do it. But that position is also the conduit from Navy into now CASG, formerly DMO, to look at how the sustainment workforce needs to be maintained—that within Defence but equally that which needs to be managed from within ASC. It does not dictate the requirement through ASC, but it certainly monitors the performance that ASC has in their own reforms amongst this enterprise perspective for submarines. So there is a central point of coordination for me in how that is focused.

More deliberately, I think it is a series of behaviours where we have now shown, through Coles, that we are taking a true enterprise approach. I use one example. I visited ASC about five weeks ago, not specifically to talk to management but to talk to those who have been working on the submarine. I spoke to about 700 ASC workers

about where they were contributing to that capability, which is not just Navy's but the nation's capability. I think there are behaviours that I have observed through the enterprise space where we are being more collaborative, but there is more oversight of where workforce, both military, defence-civilian, in terms of sustainment but also ASC in terms of maintenance, is being brought to bear.

Senator FAWCETT: In the Defence Subcommittee inquiry we looked at Coles specifically and it was identified that there were still about six key recommendations that were in progress and had not been completed. Can you give us a status report on whether you have completed and closed out all of those six now from the Coles report?

Rear Adm. Dalton: There is only one recommendation now outstanding, so all of them have been completed except for one and that one is recommendation 21, which the Chief of Navy has just talked about in terms of personnel management. The one that we most recently closed out was recommendation 3, which was to do with the in-service support contract with ASC. The last part we were waiting for was the performance management framework to be incorporated in the contract. That has now been done, and we are in the first performance period now. All the recommendations with the exception of one have now been closed.

Senator FAWCETT: With your seaworthiness management system, which traditionally has been around the piece of equipment itself, are you now extending that to cover the whole enterprise of supporting columns, and where I ask this question is in the light of the last interaction I had with Mr Gould. Immediately after Collins there was a lot more integrated effort between ASC/Supply Chain Navy around inventory management. What we then started to see were breakdowns where for budgetary reasons ASC were not releasing parts for industry to repair, they were stockpiling them and that was starting to have an impact on the scheduling of maintenance, and he would intervene to say 'Get it out, get the work going, let's not rest capability on 30 June-type deadlines.' Is your seaworthiness management system going to have an ongoing oversight of that very practical 'is the enterprise working collectively to deliver you capability'?

Vice Adm. Barrett: You said that traditionally seaworthiness looks like that, but the tradition has only really been evident for the last five years because we have only really introduced seaworthiness as a concept in the modern age.

Senator FAWCETT: Even a short tradition is a good tradition in this case.

Vice Adm. Barrett: You have to start somewhere, I know—it is a bit like the ancestral home. You are right in that it was my predecessor's intent and it is my intent as well that we change the behaviours around seaworthiness to show, and I think I have used this descriptor before, it does not does not matter where you sit in the value chain, you might be making a part or you might be fitting a part, but all through there you have an obligation to be part of the seaworthiness chain, in much the same way as you would expect to see at an aviation site. We need to drive those behaviours. They cannot all just be documented outcomes. It needs to be practised, it needs to be oversighted. There are a number of ways in which we are now practising that more frequently than we have in the past. With the level of management through the MSA and the fleet screenings we do, I am now seeing evidence of a greater level of oversight to find those issues and when they arise to solve them in a way that meets the objectives of seaworthiness. I am seeing evidence of that.

I am also supportive, I would argue, independently and objectively, of a number of the seaworthiness boards that have now been held on the Collins class, where we are seeing an improvement in those practices and in those behaviours. I think there is objective evidence in those reports that indicates that we are beginning to behave in the right way. Certainly with the seaworthiness principles we have put those out. Through the whole enterprise approach there is an understanding of what it means to have a seaworthy submarine. We are working with something here that is a little easier than the surface fleet because by its very nature the submarine community, even when it was in a more fractured state, certainly had a stronger safety paradigm around how it is certified and licensed. We are now just making sure that is stretched through the whole sustainability, which then leads to capability peace. So I am a lot more upbeat than I would have been, say, two or three years ago.

Senator FAWCETT: Thank you for that assurance. My concern is that after most major reviews there is going to be a honeymoon period of about 18 months before budgetary constraints, manpower ceilings and other things start to undermine the reforms being put in place. So I am encouraged to hear that you still have that focus.

Vice Adm. Barrett: There are two parts we still need with the Rizzo report. That is the full complement of people, which is being worked through the white paper. The other aspect is that I have asked for a review of our implementation of Rizzo to occur 12 months after we closed it, which was in November last year. So I expect to see that review completed towards the end of this year which should allay some fear about where we have gone.

Senator FAWCETT: I look forward to you providing the committee with a copy and a brief, if you could.

Vice Adm. Barrett: Okay.

Senator XENOPHON: I asked some questions on notice about shipbuilding. Can I thank the department and your office, Minister, for providing me with those answers. They were very helpful. I managed to get them overnight. Table 58 in the 2015-16 defence budget shows the total cash used to acquire assets. This year's budget is set at \$8.3 billion and in the following three years the planned spend is \$8 billion, \$9.6 billion and \$11.3 billion. Will the funds for implementing the following programs come from these total cash amounts used to acquire assets: firstly, the Offshore Combatant Vessel program announced by the former Prime Minister on 4 August 2015?

Mr Richardson: I might give a broad answer to that. That is only over the next three years. A lot of the expenditure for the Offshore Combatant Vessel, or the offshore patrol vessels, will occur beyond that.

Senator XENOPHON: It will cover part of it?

Mr Richardson: It will cover part of it.

Senator XENOPHON: Is the Future Frigate program announced by the former Prime Minister on 4 August 2015 part of that because it is not due to start—

Mr Richardson: No. It is only a small part of it. As you know, the government announced the cutting of steel for the future frigates would occur in 2020—a bring forward. That does bring some costs into the forward estimates—

Senator XENOPHON: For a relatively small part of it, given the nature of the project.

Mr Richardson: Most of the cost of that will be in the 2020s.

Mr Gillis: There will be expenditure prior to 2020 in the long-lead items. In any shipbuilding program that is an essential part of ordering some of the equipment. But, fundamentally, we do not start spending the bulk of the money until post the actual construction phase.

Senator XENOPHON: Thank you. How much of the allocations for the Future Submarine program relate to that?

Mr Richardson: Again, relatively small.

Senator XENOPHON: What? Tens of millions?

Mr Richardson: I cannot say whether it is tens, but relative to the total spend on the future submarines, it is a miniscule amount.

Senator XENOPHON: On notice, if you cannot do it now, can the current forward estimates for both the Offshore Combatant Vessel program and the Future Frigate program be provided? Is that something that can be provided?

Mr Richardson: We can certainly provide you with the spend we anticipate over the forward estimates.

Senator XENOPHON: Thank you. Noting that New Zealand has been procured two Anzac class frigates from the Australian-bid build program, has the Department of Defence approached New Zealand in relation to linking C5000 with their future plans with respect to frigates?

Mr Richardson: That I am not aware.

Vice Adm. Barrett: I have spoken informally to my counterpart in New Zealand based around time lines of what we are anticipating after the former Prime Minister's announcement. I will not speak for his government, but New Zealand are themselves looking at where their future capability requirement will be for surface fleet. They are in the process of modifying their Anzacs themselves at the moment. Not with us, but separately. There is consideration but there is a lot about where our program might look and the type of ship that we might need that might not be compatible with what New Zealand needs.

Senator XENOPHON: But there are discussions at least around some of that.

Vice Adm. Barrett: There has been. We have those regularly about Navy to Navy matters.

Senator XENOPHON: Noting that over 1,200 jobs have been lost in the shipbuilding sector, at least, over the last 12 months directly and that more than 150 shipbuilders have lost their jobs not as a result of but subsequent to the announcement by the former Prime Minister on 4 August 2015, and also noting that the announcements do not stop commercial companies shedding jobs down the supply chain—only contracts do—what significant contracts in the Australian shipbuilding sector are likely to be awarded between now and 2018 when the Offshore Combatant Vessels program goes into contract?

Mr Richardson : The only major thing is the two supply vessels. For the loss of jobs to have been prevented, decision making on shipbuilding needed to have been taken some years back. I know that we keep stating that but unfortunately we have just got to keep saying it. We cannot get away from it.

Senator XENOPHON: I readily acknowledge that. I am glad that you raise the issue of the supply ship replacement. In relation to that tender for SEA 1654, that is now closed. Is that right?

Mr Richardson : Yes.

Senator XENOPHON: I think it is closed.

Mr Richardson : Yes.

Senator XENOPHON: I am pretty sure it is closed.

Mr Richardson : It was a limited tender.

Senator XENOPHON: It was a very limited tender.

Mr Richardson : Yes.

Senator XENOPHON: Two countries starting with 'S'.

Mr Richardson : Yes.

Senator XENOPHON: What is Defence's estimate for the likely cost of this program?

Mr Richardson : The estimate? I am not sure. I would need to refer that.

Senator XENOPHON: Is it in the order of \$1½ to \$2 billion?

Mr Richardson : I am not going to guess. Someone else will have that answer.

Senator XENOPHON: That is something that may be raised, but my understanding is that it is \$1½ to \$2 billion. It is a significant amount of money. You made the reference that we have got this 'valley of death' because decisions were not made earlier. I just want to put this very deliberately to you, because I think that it is quite important, about the so-called valley of death: noting the tender was limited to overseas suppliers, have either South Korea or Spain included options to have some of the shipbuilding program executed in Australia?

Mr Richardson : I am not party to the tender material.

Senator XENOPHON: Can anyone tell me that, because it is quite material to this issue of job losses in the sector.

Mr Richardson : Let me add a broad thing; it might help. In respect of the two supply vessels, for instance, you would not be able to build them in South Australia unless you were to make changes to ASC and the facilities there. The vessels are too large for them to be built there along with the AWDs without significant infrastructure changes.

Senator XENOPHON: Unusually for me, I did not even mention South Australia.

Mr Richardson : I know, but I just wanted to mention other shipyards also. In terms of size, you would require significant infrastructure investment and even then you would not be starting the build in a time frame that would significantly help you in terms of job losses. If we were to have gone down that track, the decision on the supply vessels needed to have been taken about four or five years ago.

Senator XENOPHON: Mr Richardson, I have enormous respect for you. I say this with great respect, you are a wily, knowledgeable person and I have got great regard for you. But my question is this: surely someone can tell me or would know—I do not know whether Rear Admiral Purcell would know—whether South Korea or Spain included options in the tender documents, which have now closed, to have some of the shipbuilding program carried out in Australia. If so, what percentage of that work could be carried out in Australia?

Mr Richardson: First of all, there are really two issues there. Firstly, if there is someone here who can answer that question, fine. But, secondly, I do not know whether they would be able to reveal what may or may not be in a response to tender, because one might and the other might not have and they might have put in different percentiles et cetera.

Senator XENOPHON: It is a pretty fundamental question. I acknowledge the delay in decisions made, but if either South Korea or Spain included options to have some of the shipbuilding program carried out in Australia I think that is important for us to know. I do not know whether Rear Admiral Purcell would know.

Mr Richardson: I am not aware of it, but the decision was—

Senator XENOPHON: Can I ask Rear Admiral Purcell?

Mr Richardson: Yes.

Rear Adm. Purcell: I currently have responsibility for that tender process. Obviously the tenders have been received by the department. They are undergoing evaluations as we speak at the moment; therefore, it is inappropriate for me to talk about the content of the tenders. But I can, to the point of your question, talk a little bit about some of the activities that did occur before the tender process. Both potential prime contractors through this tender process did hold a number of industry briefings and industry workshops with Australian industry. Through the tender process, which was for both the build and the in-service support, the tenderers were asked to maximise Australian industry content. Certainly the concept for both of these vessels is that they will be supported in Australia on the west and east coasts, and therefore the whole engagement between those two companies and Australian industry was in order to maximise Australian industry content, and both of those have occurred.

Senator XENOPHON: So the question to you and then the question to the minister is: did the tenders provide an approximate percentage of what that local content would be? That is clearly a material issue in terms of the job losses that we are facing seemingly on a weekly basis in the shipbuilding sector not just in South Australia but on the eastern seaboard.

Rear Adm. Purcell: As I said, the tender is currently under evaluation, so it would be inappropriate for me to comment on the contents. But I can confirm to you that there is Australian content in—

Senator XENOPHON: Can I just ask the minister, further to that and even though the tender has closed: if one of the tenderers says, 'We can do 20, 30, 40 per cent of the supply ships in Australia'—obviously not the hulls, as I understand it, but the fit-out and a lot of that high-tech, high-skilled work here in Australia—is that a fact that the Australian government would consider in the context of the economic impact, the strategic impact and the benefit of doing that work from a maintenance and sustainment point of view?

Senator Payne: The executive government is not managing the tender process as such, and you recognise that. But we would most certainly take advice on those issues on those aspects of the tender process that you are asking about when we receive advice from the ADF and from Defence on the process.

Senator XENOPHON: I had a very friendly but robust interchange with Senator Cormann, as the finance minister, last night in estimates about this whole concept of best value for money and procurement. What I am trying to understand is: does that include the economic benefits of having local jobs here? Given we are going to see the gutting of our labour skills base in shipbuilding and given that these other projects will take a few years to get up and running, this could be a real saviour for many hundreds of jobs in this sector. Would that be taken into account?

Senator Payne: I do not think we should engage in conjecture on numbers of jobs in this particular space; I do not think that is fair, Senator. But the short answer is that, yes, of course we would take those into account.

Senator XENOPHON: Mr Richardson was shaking his head. If I have said something he disagrees with I would be very happy to hear about it.

Mr Richardson: The only thing I was disagreeing with—and I apologise—

Senator XENOPHON: There is no need to apologise.

Mr Richardson: is this constant search for a panacea. If that were to exist, decisions needed to have been taken a while ago. It is difficult to explain the time frame between approving a tender and when steel is actually cut and jobs come in and the like. Sometimes there is a bit of a tendency to imply that there is a solution for the valley of death which does not exist because the decisions were not taken in the right time frame.

Senator CONROY: This government took a decision to do a direct tender to a Spanish and a Korean company—nobody else. You cannot put it on anybody else. They did not have to do that. They took a deliberate decision. I do not think Senator Xenophon is suggesting it can solve the valley of death. So stop creating a straw man. This government took a decision to direct a tender overseas when it could have done something different.

Mr Richardson: Senator, I shook my head to a colleague. Senator Xenophon asked me what it was about and I have told him honestly.

Senator XENOPHON: That is fair enough, thank you.

Senator CONROY: Senator Xenophon, I will be coming back to some of those issues a bit later. I am sure you will want to come back and join on. I want to move on to the First Principles Review of Defence. How is the implementation? Mr Richardson, you mentioned it in your introduction a few hours back but I want to expand a little bit on that. How is the implementation of first principles progressing?

Mr Richardson: It is progressing well so far. However, the proviso is that what we require to implement picks up steam and increases sharply over the next few months. So while I can tell you that it has so far gone well, the real challenge will be how we respond to this question at the next Senate estimates.

Senator CONROY: Recommendation 6.3 of the First Principles Review *Creating One Defence* publication was to establish:

An Oversight Board to provide close external scrutiny, advice on implementation progress and regular reports to the Minister. During budget estimates in June, Mr Richardson, you advised that the oversight board, which consists of a First Principles Review team plus one other, at the moment as a telephone hook-up once a week.

Mr Richardson: Yes.

Senator CONROY: Is this still the configuration of the board and is that weekly meeting still taking place?

Mr Richardson: That is right.

Senator CONROY: So it is still having weekly phone hook-ups?

Mr Richardson: As far as I am aware, it is still having regular telephone hook-ups, regular meetings. Whether they are having a telephone hook-up precisely every week or whether it is every 10 days now, I am not sure, but they are very intimately involved.

Senator CONROY: So regarding the regular progress reports—and Minister, I know you have been in the job only a few weeks—have you received any reports on the implementation of One Defence yet?

Senator Payne: I actually met with the oversight committee at Russell in, I think, week one, and acquainted myself with the work surrounding the First Principles Review. I am expecting a report relatively soon as part of the updating process.

Senator CONROY: Mr Richardson, you also advised that the board had met with the implementation committee, which is co-chaired by the CDF and the secretary?

Mr Richardson: Yes.

Senator CONROY: Who else is on that committee?

Mr Richardson: The Chief Financial Officer, the Vice Chief of the Defence Force, the Deputy Secretary Strategic, the associate secretary and the deputy secretary people.

Senator CONROY: How many meetings have the implementation committee had with the oversight board since we spoke at last budget estimates?

Mr Richardson: I have had one meeting and we are scheduled to have a second meeting on 4 December.

Senator CONROY: Have there been any issues or challenges identified in the meetings?

Mr Richardson: Yes. Our biggest single challenge, in my view—we have several challenges—is the development of an effective capability development process which encompasses contestability. That is progressing. We are meant to have that in place by 1 February. The development of it has been held up a little bit by white paper work because some of the people are involved in both, and clearly the priority has had to be the white paper. Further down the track, particularly as we move into 2016, is a very big challenge for the Capability Acquisition and Sustainment Group and the model it pursues in its work, consistent with the recommendations in the First Principles Review.

Senator CONROY: Recommendation 6.4 of the First Principles Review publication is that:

... the Minister, with input from the Department and the Oversight Board, report progress on implementation to the Government in March 2016 ...

Minister, are you on track to meet the commitment to report in March next year?

Senator Payne: To the best of my knowledge, yes.

Senator CONROY: Are there any significant reporting milestones other than those two?

Mr Richardson: The implementation committee within the department meets weekly. We get a very detailed spreadsheet on how things are progressing. We share the outcome of each meeting with all star-ranked and SES officers across Defence. In terms of communication, the CDF and I send an email to all staff once a month, and in addition to the weekly meetings I devote one full day every three months to the implementation and nothing else, seeking to dive deeper down into what is happening across the organisation.

Senator CONROY: Recommendation 1.18 is:

... that the Minister for Defence meet with the Defence Committee twice yearly to consider a formal strategic assessment ...

Would you call your meeting the other day the first of your biannual meetings, or was that just a 'hi', and there are others scheduled?

Senator Payne: The Defence Committee?

Senator CONROY: Yes.

Senator Payne: As opposed to the oversight committee? I met with the oversight committee in the first instance. I think I met with the Defence Committee plus the chiefs in my first week, and that process will continue.

Mr Richardson: The Defence Committee only had its first meeting in late August.

Senator CONROY: For clarity, would you explain how the governance of One Defence implementation works? What does the oversight board do? What does the implementation committee do? Who is ultimately accountable? I am trying to get a handle on whether it has created its own self-sustaining bureaucracy around implementation.

Senator Payne: I try to avoid that at all costs.

Senator CONROY: I am sure you would.

Mr Richardson: Defence does not have much more room for self-sustaining bureaucracies. The number of Defence public servants has dropped by over 4,000 in the last three years. I take exception to any notion that Defence public servants are sitting around creating work for themselves. I know you were not implying that.

Senator CONROY: Is there a charter for the board?

Mr Richardson: In terms of the implementation, the ultimate accountability resides with the CDF and me. If this does not work, we are the two who will be accountable. There is a secretariat headed up by a division head who is responsible for driving the implementation across the organisation. There are five major work streams, and the secretariat is heavily involved in that. The secretariat reports to us, the implementation committee, once a week. The oversight board meets once a month, and the oversight board reports independently to the minister. And the CDF and I meet with the minister on a weekly basis and, inevitably in those weekly meetings, the First Principles Review implementation is discussed. However, the minister has an independent check on how we are going through the oversight board.

Senator CONROY: Is there an implementation team or is that the implementation committee's role?

Mr Richardson: The implementation of First Principles is broken up into five work streams. There are groups of people working on the implementation in the five work streams and that is driven by the secretariat reporting to the committee on a weekly basis, and we can inject ourselves whenever we so wish.

Senator CONROY: Has the One Defence implementation committee, team or anyone at Defence hired any consultants to provide advice on the implementation?

Mr Richardson: Yes—

Senator CONROY: What sort of consultants have been hired?

Mr Richardson: We have a particular consultancy group working with the secretariat, and I think one or two of the work streams have or are going to bring in some consultants in particular areas for advice in specialised areas.

Senator CONROY: What sort of specialised areas? Help me out.

Mr Richardson: One area might be in behaviours. Capability Acquisition and Sustainment will probably bring in, if they have not already brought in, someone to assist in terms of the implementation of the models they have developed in terms of their new work structures and the like. Those are two areas; and, as I said, we have got a consultancy firm working with the secretariat.

Senator CONROY: Who has been hired?

Mr Richardson: In terms of the secretariat, someone will have it. I just forget the name of the firm itself.

Mr Baxter: There is a company called Partners in Performance who are working with the implementation committee, monitoring the progress across the whole organisation for the different recommendations.

Mr Richardson: I should say: this particular company has an interesting relationship with Defence. We engaged this company a few years back, in about 2010-11, with respect to the implementation of the Strategic Reform Program. The company walked away after a few months on the grounds that we were not serious about the implementation. So they are quite independently minded.

Senator CONROY: I am very familiar with them.

Mr Richardson: So far they have not walked away from us.

Senator CONROY: Are they the only consultants?

Mr Richardson: Involved with the secretariat, yes, but I believe there are other consultancy groups—

Senator CONROY: Can you take me through a list of who else you brought in for the specialist niche things that you were describing before?

Mr Baxter: Different areas that are responsible for different aspects of the implementation have started to work with some outside partners. In my own case I am responsible for putting together the contestability element of the capability life cycle. We are doing some work with Rand at the moment to identify possible models for the contestability process.

Senator CONROY: So we have Rand, PiP—are there any others across the department working on this?

Mr Gillis: The Capability Acquisition and Sustainment Group is working with a company called Bechtel to assist us in the 'smart buyer' process. They have done some work, almost identical work, in the UK recently, and so we are working with them—

Senator CONROY: Bechtel—could you spell that please?

Mr Gillis: B-e-c-h-t-e-l.

Mr Richardson: I think they are American in origin.

Senator CONROY: Any other volunteers? I see Vice Admiral Griggs is leaning forward.

Vice Adm. Griggs: In the capability stream, I have a single KPMG consultant to assist me in a sort of a red-teaming capacity, really focusing on lean business process.

Senator CONROY: Anyone else want to volunteer?

Mr Richardson: We can take that on notice. If there are others, we will—

Senator CONROY: If I could get who they are, what they are doing, and what they are costing.

Mr Richardson: Sure, no problem.

Senator CONROY: That would be great. Thank you very much. I wanted to talk about DMO integration, which is probably for Mr Gillis. Mr Richardson, during budget estimates in June, you said DMO would cease to exist as DMO on 1 July and that it would become the Defence Capability Acquisition and Sustainment Group. You also said that initially it will be precisely as DMO currently is, only it will be inside Defence rather than one step removed. Has this happened?

Mr Richardson: That did happen on 1 July.

Senator CONROY: So DMO is now inside the department and called Defence Capability Acquisition and Sustainment Group.

Mr Richardson: Yes.

Senator CONROY: You also said that the changes inside DMO and the way that works will evolve over the next two years. How is it coming along? Do we call you chief of DMO or chief of capability—what is your title?

Mr Gillis: Deputy secretary.

Mr Richardson: It is developing as follows. First of all, Mr Gillis has been appointed to his role. Secondly, based on some work that was done prior to Mr Gillis's arrival but then based upon Mr Gillis's own work, what was DMO has been or is in the process of being restructured. Along with the rest of the department, we are going through a VR process in relation to SES and executive-level staff. That will reduce the number of SES and EL staff, and, along with the number of people who have left over the last couple of years, that has created quite a number of vacancies, so we will also be going through a process of some recruitment and refreshing over the next six months.

The next part of the work that is underway is work between the Capability Acquisition and Sustainment Group and the finance area, whereby what was a separate finance entity has now been moved in under the chief financial officer, and Mr Prior is taking that forward. Mr Gillis and Ms Skinner are also doing work in identifying particular administrative and personnel functions that will be moved from the capability area into the People group. The next part of the work is the development of a so-called smart buyer model and others, and Mr Gillis has made reference to that. I do not see that showing significant change until next year. Then beyond that, taking us through to July 2017, given that we have a two-year window to implement the First Principles Review, there will be some redoing of the skill base in the capability area, which Mr Gillis is overseeing.

Senator CONROY: All right. As you said, I think, at the next meeting we may need to have a more in-depth conversation about it. I want to move onto the white paper. I want to get a bit of an update. Minister, the coalition's 2013 policy document, *Our plan—Real solutions for all Australians*, stated:

- Within 18 months, we will publish a new defence White Paper ...

It has been more than two years. You might want to outline what the delays have been. Importantly—and I know it was discussed a little bit earlier—what is your expected time frame for the release of the Defence white paper?

Senator Payne: As I indicated to a number of our colleagues earlier, the white paper is with government. We have a new Prime Minister. We have several new members on the National Security Committee, including myself. I think it is fit and proper that those individuals have the opportunity to properly examine the documents and the work that has been done to this point. That is under due consideration. The white paper will be released in due course at time of choosing of the government.

Senator CONROY: Given that it is already six months overdue from your election promise, could you be any more definitive than in due course?

Senator Payne: I am not going to add to what I have just said. As a keen observer of the political process, you are acutely aware that there have been in recent times some significant changes in the responsibilities allocated to members of the ministry in relation to these issues. In light of that, it is only responsible for those new office holders to consider duly and diligently the extensive work that has been done in preparation for this white paper.

Senator CONROY: I will come back to that. I want to refer to an article—it is probably before you became the minister, so you might not be familiar with the article—by Cameron Stewart of *The Australian* newspaper on 12 September entitled, *\$70bn defence boost builds sea defences*. Mr Stewart's article raises some quite serious concerns about political interference in the white paper process. The article states:

Faced with disastrous polling in that state—

South Australia—

the Prime Minister brought forward the construction of the navy's future frigates in Adelaide and new offshore patrol vessels to reduce shipbuilding job losses in South Australia.

But the move caused havoc for defence planners, who have had to rewrite much of the white paper to accommodate the rescheduled shipbuilding program and have delayed the release of the policy blueprint, due last month, until early November.

Is it the case that changes were made to the Defence white paper to accommodate the government's shipbuilding announcements on 4 August. If so, when?

Mr Baxter: As part of the white paper process, the government tasked the Department of Defence with developing a naval shipbuilding plan. That naval shipbuilding plan has been an integral part of the white paper development process. As a result of the decisions made in August on two elements of the shipbuilding plan, there were no other substantial changes required to the force structure that we had developed as part of the white paper process.

Senator CONROY: So there were changes to the white paper as a result of 4 August?

Mr Baxter: Very minor changes.

Senator CONROY: Minor changes?

Mr Richardson: The notion that it caused 'havoc' could be best described as journalistic hyperbole.

Senator CONROY: Well, you would say that, wouldn't you?

Mr Richardson: I might, but it happens to be true as well.

Senator Payne: And it would not be the first time.

Senator CONROY: Prior to the government's 4 August announcement, did the Defence white paper assume a different schedule for the construction of Australia's future naval ships?

Mr Baxter: The white paper is, as the minister said, is still being considered by the government. By definition, no final decisions have been made on all of the issues that are covered by the white paper.

Senator CONROY: I will take that as confirmation, Mr Baxter. Prior to the 4 August announcement, did the Defence white paper assume that Australia's future naval ships would be focused in South Australia?

Mr Baxter: We canvassed a lot of issues as part of the white paper process.

Senator CONROY: I will assume that is a no.

Mr Richardson: I think in fairness we should put on the record that Mr Baxter's words mean what they mean in the dictionary. They are not meant to have a spin put on them.

Senator CONROY: Of course, Mr Richardson. Is it the case that changes made to the Defence white paper to reflect the government's ship building announcements are one cause for the delay in the white paper's release?

Mr Baxter: As I mentioned, the development of a naval ship building plan has been an integral part of the white paper process itself. So it is not as if it were a separate element that was brought in at the last minute. We had been working on naval ship building as an integral element of the force structure development process.

Senator CONROY: So you deny that your testimony is that there was almost no impact whatsoever on the drafting process as a consequence of 4 August?

Mr Baxter: I did not say that. I said earlier that there were some minor adjustments that we made to the force structure, but there were no major changes made to the force structure, which has been developed as part of the white paper process following the government's decisions on ship building in August.

Senator CONROY: In his final press appearance as defence minister on 20 September, Mr Andrews said, 'The Defence White Paper is finalised and ready for release.' That was over a month ago. So where is the Defence white paper?

Senator Payne: We have already responded to that question.

Senator CONROY: So you have received it? It is not being reworked? You have received a final copy that you are ready to release?

Senator Payne: I said that the white paper in its then form—as it was after my appointment—has been received and is being considered.

Senator CONROY: You received the finalised version?

Mr Richardson: Just as a statement of fact—I do not want to get drawn into other matters—the white paper was not 'finalised' then.

Senator CONROY: The then defence minister, on 20 September, said that, 'The Defence white paper is finalised and ready for release.' So either he is wrong or you are wrong.

Mr Richardson: As of that date it was neither finalised nor ready for release and that is a statement of fact.

Senator CONROY: It was not finalised and it was not ready for release?

Mr Richardson: No.

Senator CONROY: So Mr Andrews misled the public?

Mr Richardson: No, I am just making a statement of fact.

Senator CONROY: You are saying that what he said was not factually correct.

Mr Richardson: I am simply disagreeing with it.

Senator CONROY: It does not take you long to toss him under the bus, Mr Richardson. The king is dead; long live the king!

Mr Richardson: No, not at all. I am not trying to do that.

Senator CONROY: Smithy tossed under the bus! Kevin tossed under the bus!

Mr Richardson: I am not trying to do that.

Senator CONROY: It certainly looked like it from here.

Mr Richardson: It is a very important issue. To say the white paper is finalised and ready for release—if I take that in its literal meaning, and there could have well have been a broader meaning—and in being asked a question on it I believe I do have to correct it simply as a matter of fact and nothing else.

Senator CONROY: As a matter of fact that statement is inaccurate.

Mr Richardson: As a statement of fact, it was neither finalised nor ready for release.

Senator CONROY: Okay.

CHAIR: Senator Rhiannon.

Senator RHIANNON: Thank you. My questions concern the issue of contamination there, and how you are responding to it. I understand it is to do with fire foams and the storage of them over a number of years. Could you set out how you are responding to it, and if any of this material is still stored on the base, please?

Air Chief Marshal Binskin: [inaudible] if we take you through the issue it might make it a lot easier. We just need to give a bit of context to the issue at Williamstown and step you through it.

Dr Gardner: Senator, I am a specialist occupational environmental consultant to Defence. The matter you raise is in relation to the long-term use of specialised aqueous film-forming foams, which are used for critical national defence and other purposes to extinguish aviation fuel fires.

They have been used for nearly 50 years in every major military base and civilian air base around Australia to safeguard health and safety and human life. In the last 10 years or so it has become well known that the older form foams contained chemicals which are now known to be emerging contaminants of concern. There was a global move to abolish the use of those particular chemicals in the fire-fighting foams because they persist for a long period in the environment.

I am aware we have undertaken studies in a variety of places within Australia, and Ms Clifton would be able to give additional information on that. This is not primarily a health issue. This is predominantly an environmental issue, with very small health implications.

Senator RHIANNON: When you say, 'It is not a health issue but an environmental issue', how do you divide those two things? Isn't the damage to the environment potentially damage to human health?

Dr Gardner: There are multiple chemicals but the groups are often known as PFOS and PFOA. These are fluorinated carbon compounds which basically act as surfactants. If they are exposed on the surface of the ground, and to high ultraviolet radiation, they will break down. Once they are absorbed into the ground and into the subground waters, they can persist for many, many decades, perhaps hundreds of years, in the environment.

Once they are in the environment, they can of course travel in the groundwater. In particular, in some of the places around Australia where groundwater is used, there is the potential for exposure to people through the contact of these chemicals in the groundwater.

The evidence in relation to health is minimal. I base that statement on the findings of the National Health and Medical Research Council which does not specify a level for these chemicals in the national Australian drinking water quality guidelines. However, some studies have been done overseas, which you may be aware of, which were part of US environmental contamination litigation. These studies found an association, but not causation, between exposure to these chemicals and a variety of health outcomes. Those studies have never been independently verified nor been subject to peer review, and in fact were accepted by consent in the court processes without being subject to rigorous review. However, if one does a Dr Google search, they do come up.

Senator RHIANNON: When did the department first become aware of the contamination?

Ms Clifton: We became aware in 2003 that these were emerging contaminants. We undertook some measures to phase out the use of the fire-fighting foam containing these particular elements. We did that and implemented new practices.

Senator RHIANNON: When did that action take place?

Ms Clifton: Starting in 2004. We phased it out over the period 2004 to 2011. In 2011 we put monitoring for these particular elements onto our routine monitoring activities that we undertake on all bases. We detected this at RAAF Base Williamtown on base in 2012 and we detected that it was going to the boundary of the base in 2013.

Senator RHIANNON: Is any of the PFOA and PFOS still stored at Williamtown?

Ms Clifton: We have done an audit of our holdings of PFOS and PFOA, and to the best of our knowledge we do not have any left on RAAF Base Williamtown.

Dr Gardner: I have additional information. We have never actually held the raw chemicals of PFOS PFOA. We have only ever contained the old firefighting foams, in which they were a deliberate additive as part of the formulation. The other thing I think it is important to note for the record is that these chemicals have been around for a long time. They are used in a huge range of industrial, commercial and home products ranging from water proofing on clothes, carpet and paint to wall treatments and even the cooking surfaces of teflon and other coated cooking appliances.

Senator RHIANNON: Thanks for that. I will ask that question again. Are any firefighting foams containing these chemicals still stored on the base?

Ms Clifton: The firefighting foam that we use at the moment is a product called Ansulite. That contains trace elements of PFOS and PFOA.

Senator RHIANNON: Is the department working with the New South Wales environment department or any other New South Wales department to manage this contamination?

Ms Clifton: The New South Wales Environment Protection Authority has the lead on this for New South Wales. We are working closely with them and also with their expert panel. An expert panel has been appointed to

advise the EPA on managing this particular issue. We have briefed the expert panel and are working closely with EPA.

Senator RHIANNON: Do you have representatives on the expert panel?

Ms Clifton: No, we do not have representatives but we have briefed the expert panel.

Senator RHIANNON: What monitoring of the groundwater has been undertaken? How widespread is it? I am interested in not just what is being done but where it is being done.

Ms Clifton: We have conducted some studies into how far this is going off the base. We are trying at the moment to understand the extent of where this has got to. We have undertaken sampling of bore water and groundwater near the base. We have also tested bore water where bores are being used for drinking water. The New South Wales EPA as a precautionary measure determined a broader area of investigation than we had initially intended to look at, and we are now going to look at the EPA's broader investigation area. We are starting work on that next week.

Senator RHIANNON: What restrictions are in place on Department of Defence staff working at the base as well as on residents in these impacted areas in terms of their use of water or any other potential sources of contamination?

Ms Clifton: We have not used groundwater for drinking at the RAAF base, so our people will not have been exposed to this in the groundwater. The precautions that the New South Wales EPA have put in place around the base relate to use of groundwater and eating of fish and, previously, oysters, although they are not so concerned about that now. We are trying to understand and assure ourselves of where this product has got to in the groundwater and what that means for the residents around us. We have asked residents to let us know how they are using bore water. Where they are using it for drinking, we are testing bores. Where it is their only supply of drinking water, we are providing fresh water.

Senator RHIANNON: Can I take from that answer that the contamination could still be spreading and you have not been able to ascertain if it is or is not? Is that a fair conclusion?

Ms Clifton: One of our primary concerns at the moment is to understand where this particular contaminant is. As Dr Gardner said, when it is in the groundwater, it can travel.

Air Chief Marshal Binskin: It will get to a point in that travel where it is highly probable that it is not the base that is causing the contamination, because of the widespread use of this more broadly.

Dr Gardner: To back up CDF: what is particularly different about the Williamtown potential exposure is the fact that the underground water table there is very close to the surface, at 1½ metres, whereas in other parts of the country it could be down 65 or 75 metres. In addition, you asked a question about drinking. Hunter Water Corporation has proactively and I will not say without any evidence but based on a precautionary principle decided not to source any water from three of their pumping stations which are in that area and which theoretically could be used to supplement other water supplies for Hunter Water. They have proactively said, 'We're going to block off those and not use those bores at all.'

Senator RHIANNON: So it is being taken very seriously. We have the expert panel and you have outlined these measures that are being taken. Will there be any health based studies of residents surrounding the base?

Dr Gardner: At this stage the answer is no. We have undertaken a limited amount of external study of people living up near the Oakey Army Aviation Centre in Queensland, but at this stage there is no need or intent to study people at Williamtown?

Senator RHIANNON: Could you elaborate on that? Water is essential—water is our very basis of life, many would argue—and there have been restrictions placed on people using the groundwater, but often you cannot be sure if those restrictions are being adhered to. On the one hand I hear it is being taken very seriously, but there is also a rejection or a decision being made not to look at the health impacts. There seems to be a disjunct there. Could you expand on that please?

Dr Gardner: Certainly. If there were any significant evidence that I was aware of that said this is a significant public health issue then my advice to the secretary and CDF would have been that we need a health study. My honest opinion, having researched this literature for a long period of time, is that the level of risks I will not say are nil but are extremely low. The other thing is that, as you may be aware, in the health space, unless you are looking for conditions which are extremely rare and do not normally occur, it is very difficult to study these matters unless you have huge numbers of people followed for long periods of time. In this kind of environment where we do not know what people are exposed to—especially in the Williamtown case, very few people use any

kind of bore water for drinking. That is not necessarily the case at Oakey, because, as you know, Oakey is in semidrought 80 per cent of the time. So this is a very different things.

Senator CONROY: The bore water is also being used on some farms that make food for people to eat. That is my understanding.

Dr Gardner: You are saying bore water being used on farms?

Senator CONROY: On farms that produce vegetables—

Senator RHIANNON: and also domestic vegetable gardens.

Senator CONROY: So I do not think it is completely accurate to say it is not being consumed if it is passing through the food chain.

Ms Clifton: The New South Wales EPA has said that they recommend that people do not drink cow's milk or eat eggs from cows or chooks that have ingested this water. Health has recommended that people do not wash their vegetables or cook in bore water, but they have also said that there is no known direct link between this and a health risk but that this is a precautionary approach.

Dr Gardner: The secretary has just reminded me that, in fact, unless one was to eat the eggs raw—it is a stupidity to say that, if we are going to fry them in teflon coated pans—

Senator CONROY: I will make sure that NSW Health know they're stupid!

Senator PERIS: I want to ask some questions about the intention of the Northern Territory government to lease the Darwin port. I understand that Senator Xenophon earlier asked some questions, but I have a range of questions, so I apologise if I ask the same questions that he has.

Chief Minister Adam Giles was quoted as saying that he had spoken to Defence many many times about our desires to get a private operator with the port and he has had a chat with Defence about whether or not there were defence implications there. 'We got the tick-off from Defence and we're quite happy that we met any of the concerns that people may or may not have had.' Was Defence consulted by the Northern Territory government prior to the lease many many times, as the chief minister has indicated?

Mr Richardson: Yes. We were first consulted by the Northern Territory government in early 2014. There were consultations involving the Vice Chief of the Defence Force. There was at least a couple of discussions between me and the head of the Chief Minister's Department. More particularly, there were extensive consultations between the head of Joint Logistics Command and the Northern Territory government and it was the latter that took forward the deed of licence.

Senator PERIS: So going by that, is Defence quite happy about the lease, as claimed by the Northern Territory Chief Minister?

Mr Richardson: Yes, we are. When you say it is Darwin, the Port of Darwin is a commercial port. It is not a naval base. Our prime interest in the Port of Darwin is the access that the Navy has to the Port of Darwin and we have satisfied our own requirements through the deed of licence that has been entered into between us and the Northern Territory government.

Senator PERIS: So what you are saying is that Defence ticked off on the lease.

Mr Richardson: There are two issues. First of all, we were consulted in respect of privatisation and against that background we entered into a deed of licence. That satisfied our interests. When the question arose of Chinese ownership, we addressed security issues and satisfied ourselves that there were no security issues of concern to us.

Senator PERIS: So what you are saying is that the Northern Territory government has ticked off on all defence implications?

Mr Richardson: Yes, they have.

Senator CONROY: What sorts of security issues did you look at?

Mr Richardson: It is a question of: do security issues arise from the fact that this commercial port might be owned by a Chinese entity? The strategy area of the department, the Australian Signals Directorate, the defence security agency and the services looked at that question and we were satisfied that the deed of licence protected our interests.

Senator CONROY: You keep stressing the point that it is a commercial port. What sort of Defence movement is there in and out?

Mr Richardson: Quite a bit. The Chief of Navy will have the answer to that, but the deed of licence protects our interests there. In terms of actual movements, Chief of Navy would be the one.

Vice Adm. Barrett: Firstly, let me define that there is a naval establishment in Darwin. The Port of Darwin is an area—

Senator CONROY: I have visited it, so I am familiar with it, and I am Senator Peris has also.

Vice Adm. Barrett: I have no doubt, but to make it clear, there is a naval establishment up there with a facility from which we operate principally Armidale-class patrol boats, which is separate from these port facilities. There is a second area, called a multi-user hardened barge facility, which is outside the leased area we are talking about. There is agreement that we have access to use that for 60-plus days a year, I think it is. There are occasions when we need access for larger vessels to go alongside the commercial wharf. To satisfy that requirement, we entered into a deed of licence that gives us a fee-free ability to use, at times, both the principal commercial wharves near the centre of the city and also on East Arm. That deed of licence runs until 2040 should we choose to exercise all our options to extend. That allows Navy to operate the larger vessels it needs or other visiting vessels from other nations.

Senator CONROY: There was a suggestion, over the last 12 months, that we should base our submarines in Darwin.

CHAIR: Never!

Senator CONROY: There was such a suggestion. While it is highly unlikely, you would think twice if you wanted a submarine going in and out of the harbour in that circumstance.

CHAIR: Purely hypothetical.

Vice Adm. Barrett: I did not suggest it.

Senator CONROY: I know you didn't.

Vice Adm. Barrett: There is a difference between basing and ships that may visit for purposes of refuelling, respite or whatever. Our submarines have, in the past, visited Darwin, but there is no intent to base them out of Darwin.

Senator CONROY: I thought it was a ludicrous suggestion myself at the time, but the—

Mr Richardson: I might just add something there. As I mentioned, there is a difference between a commercially owned port and a naval base. It is possible, if you look ahead 30, 40 or 50 years, that we will get to a point where Defence—the ADF and the Navy—see benefit in having a naval base in Darwin. Whether that will happen or not, I have no idea. That is down the track. But when we look ahead 30, 40 or 50 years, we do speculate about that. If that were to happen, this lease arrangement would not affect what we would be doing.

Senator CONROY: Vice Admiral Barrett, I am interested in your perspective on whether you would still run submarines—not base them—in and out of the harbour after the change of ownership.

Vice Adm. Barrett: I will still run submarines in and out of the harbour after the change of ownership. Let me make a point. I have recently had a submarine in India. I have had warships in the past visit China—and we will continue to send ships to China. The issue of our ships being alongside in a commercial port—what it evokes is a level of risk assessment that we do on every occasion that a naval vessel uses a commercial port. It is probably relevant to acknowledge that in Australia we have a naval facility in Darwin, in Cairns, in Sydney and in *Stirling*. But outside of that our ships will visit commercial ports and do so on a regular basis.

Senator CONROY: I appreciate that you are using the word 'ships' broadly, but I am only asking you about submarines. I am not asking about surface vessels.

Vice Adm. Barrett: I answered that question.

Senator CONROY: You would be comfortable, in a time of stress, that you could sail your subs into Darwin in that circumstance?

Vice Adm. Barrett: I do not understand what you mean by 'a time of stress'. On every occasion we move a submarine or any warship into a port, we consider the risk—we assess what we are doing in each of those cases. Those levels of consideration would apply on any occasion.

Senator CONROY: I just wanted to get on the record that Navy, in particular, is completely comfortable with sailing submarines in and out of a port owned by the Chinese. I just wanted to get it on the record. You are saying it is the case?

Vice Adm. Barrett: We have had warships in Chinese ports in the past. It would be imprudent for me to say that we have not considered it or done it in the past.

Senator CONROY: I am talking about submarines and their ability to stay undetected, but I defer to your judgement. I am asking—

Vice Adm. Barrett: You are asking two different things, I guess. Do we advertise the movements of our ships? No, we do not openly do that. Would I have an issue with one of our submarines alongside a Chinese port? We would be taking exactly the same precautions for any other ship, and if all those were in place and the risk assessments were duly done then I would say it would be done.

Air Chief Marshal Binskin: And, Senator, if movements are the issue, I can sit at the fish and chip shop on the wharf at the moment in Darwin and watch ships come and go, regardless of who owns it, so—

Mr Richardson: Senator, I might also add that nothing in the deed of licence in any way limits the rights of Defence during a declared defence emergency under the Defence Act. If we were in a state of war or anything else, there are arrangements under the Defence Act whereby the government could exercise certain prerogatives.

Senator PERIS: I will continue with the few questions that I have left. In an article in the ABC online, a senior Defence official told the ABC that there are concerns at the highest level of the ADF about the security implications of a Chinese company owning a port used for mounting operations. Are you saying that you dismiss that?

Mr Richardson: I do not know who that person is. I would simply note that when I was in the Department of Foreign Affairs and Trade, anyone who spoke to the media who was identified was immediately described as a senior diplomat, even if they were quite a junior person. So I do not know who the ABC was actually quoting, and they did not name the person. As far as I am concerned, the most senior people in the ADF are the CDF, the VCDF and the service chiefs, and I am not aware of any concerns.

Senator PERIS: I can name the next person—the Executive Director of the Australian Strategic Policy Institute, Mr Peter Jennings. He has pointed out that the lease could have implications for our cooperation with the United States and the Northern Territory. Mr Jennings has said: 'Increasingly, Darwin is also a centre of cooperation with the United States through the rotation of US marines using that very harbour. So I think there is every reason to be concerned about this sale. The question that needs to be asked is: what, if any, assessment of national security implications was made before the sale was agreed?' So the question I would like to ask is: has the United States been consulted as part of the Defence assessment of the port lease?

Mr Richardson: No, we did not consult the United States. We did not see a need to, because their arrangements in terms of access to a commercial port remain unchanged. They pay for their access now and they will pay for their access in the future. I respectfully disagree with Mr Jennings's claim that there was no assessment done in respect of national security.

Senator PERIS: Are you saying there was no consultation done with the US Navy?

Mr Richardson: No.

Senator PERIS: So you do not have any concerns about cooperation with the US forces in Darwin as a result?

Mr Richardson: If the US has any questions about the sale of the port then the US can raise them with us. We are comfortable with the decision taken, we are comfortable with our examination of the facts and we would happily discuss the matter with any interested party.

Senator PERIS: So, in principle, the ownership and operation of a port with national security roles does of course raise a couple of questions. Finally, can you outline for the committee, subject to usual sensitivities, the considerations that led you to the conclusion that the lease is not a security concern?

Mr Richardson: First of all, I would repeat again that we are talking here about a commercial port. We are not talking about a naval base—

Senator PERIS: Sometimes you might think it is a naval base—and I have been down there.

Mr Richardson: It is not a naval base in any shape or form. It is a commercial port. As the Chief of Navy indicated, there is a naval facility separate to this lease. There is also a second area, and then there is the port itself. The Chief of Navy went over that. What does Navy need access to a commercial port for? The Chief of Navy will have more information than me on this, but the Navy needs access to a commercial port, firstly, for R&R, secondly, for refuelling, thirdly, for minor maintenance and, fourthly, sometimes to put equipment on or off—and there are probably a couple of other things.

Vice Adm. Barrett: Those four, I think, cover most of it.

CHAIR: Re-victualling the ship.

Vice Adm. Barrett: Let's call the fourth one stores and equipment.

Senator PERIS: Are you aware of Port Melville in the Northern Territory?

Mr Richardson: Personally I am not.

Senator PERIS: For the record, it is a \$150 million port on the Tiwi Islands, owned by a company called Ezion, which is a Singaporean company. So we now have Port Melville in the Aspley Strait and the Darwin port, which is going to be leased to a Chinese company.

Mr Richardson: We can only look at this in terms of our interests. Does it raise national security concerns for us as a department? It does not. If other people have other issues about foreign ownership of whatever, that is not an issue that concerns us unless it impinges on our interests and responsibilities.

Senator WANG: I asked a couple of questions yesterday in another committee about the recent launch of the NBN satellite. I asked the questions because it hurts my pride that my country could not design, build and launch our own satellites. The same probably goes for the submarine issue. It bothers me that we do not have the capability to design and build submarines ourselves. I will talk about submarines later; my question is: does the department have a research budget and how much is it?

Mr Richardson: It does have a research budget. We have a Defence Science and Technology Group. It is not entirely a research budget, but it has a total budget in excess of \$400 million, and no doubt there are some other research moneys in Defence, depending upon how you define it.

Senator WANG: To what extent are Australian defence technology research companies involved in this whole process? How much of the research budget that sits within the department goes to them?

Dr Zelinsky: I will ask you to repeat the last question, but I will also make a point about the space satellite research that you mentioned.

Senator WANG: First of all, what budget does the department have for research and innovation?

Dr Zelinsky: The Defence Science and Technology Group has a budget of \$408 million per annum.

Senator WANG: How much of that budget goes to private defence technology researchers or innovators?

Dr Zelinsky: The budget is actually expended within the group. We do expend money with universities—about \$16 million per year—and some of that money goes to contractors and partners in programs. That amount would be a relatively small amount. I would have to take that question on notice.

Mr Richardson: I think Mr Baxter might add a point here.

Mr Baxter: Defence also has a range of collaborative programs with industry funding innovation. We spend somewhere between \$50 million and \$70 million a year working with companies identifying defence technologies that could lead to a capability gain for the Australian defence forces. As part of the white paper process, the government is considering a new defence industry policy statement, which will cover defence collaboration with industry on innovation.

Senator WANG: Perhaps someone could give me a comparison between our spending on defence research and, say, US or China?

Mr Richardson: We would need to take that on notice. In respect of China, we would not be able to help you because they are not quite as transparent as some other countries.

Senator WANG: If I could move onto submarines. I think it is well known that WA has wonderful shipbuilding capacity.

Mr Richardson: As does South Australia, New South Wales, Victoria, Queensland, Tasmania!

Senator WANG: What does the competitive evaluation process exactly entail?

Mr Richardson: We invited entities in Japan, France and Germany to come forward and respond to certain terms of reference in respect of being a potential design partner for Australia in the Future Submarine program. The material from those three entities is scheduled to be with defence by or on 30 November and a decision will be made in respect of that material over the course of the first half of 2016.

Senator WANG: At what point will the three contenders be made aware of the capabilities sitting within the country and how can we make sure the companies that are already doing business building ships in Australia are going to be involved in the tendering documents?

Mr Richardson: I will leave that to Admiral Sammut.

Rear Adm. Sammut: I am responsible for overseeing the competitive evaluation process. We have encouraged all the participants to engage with Australian industry to understand their capabilities so they can

determine, as part of the competitive evaluation process, how they can maximise Australian industry involvement in the programs. Whilst we have not administered their reach-outs to Australian industry, we are aware that they have had several conferences. All participants have had several sessions with Australian industry throughout Australia to understand what those capabilities are and to factor in how they would involve Australian industry in their proposals.

Senator WANG: So there has been some sort of networking event to link-up the shipbuilders here to the potential contenders—is that what you are saying?

Rear Adm. Sammut: There has not been a specific networking event. But all of the participants have reached out to Australia industry and will include in their proposals how they intend to use Australian industry in those actual proposals for the design and build of the future submarine.

Senator WANG: So they have reached out to Australian industry, but how can we make sure they have talked to everyone so that everyone has a fair chance to put forward their capability and to be fairly considered?

Rear Adm. Sammut: We are aware that participants have actually held forums in each of the major capital cities in Australia where there is the concentration of shipbuilding capabilities. We are content that they have reached out to the main contenders and shipbuilders in Australia in formulating their proposals.

Senator WANG: Who gets to make the final decision on which contender we go for?

Rear Adm. Sammut: Of course, we are running the competitive evaluation process. We have a range of criteria against which each of the participants will be assessed in terms of their final proposals. Out of that competitive evaluation process will come the information to inform government's decision on who will be our international partner to develop and deliver the future submarine.

Senator WANG: So the decision, probably, will ultimately be made by the cabinet?

Senator Payne: By government.

Senator WANG: Does that mean that WA has a better chance of getting a better share because we have four Western Australians in the cabinet?

CHAIR: Probably!

Senator Payne: I will take that as rhetorical campaigning.

Senator WANG: The chair of this committee is from WA too.

CHAIR: I am right on your line here, Senator Wang, keep going.

Senator WANG: That is all from me. Thank you, Chair.

Senator GALLACHER: Is Mr Geoffrey Brown OAM, First Assistant Secretary Audit and Fraud Control, about? While we are waiting for Mr Brown, I do not know if you are aware of this, Mr Richardson, but Mr Brown has written to the Secretary of the Standing Committee of Foreign Affairs, Defence and Trade, correcting evidence. There is one issue here: \$585,000 involved the theft of a defence fuel card and the use of that, which was investigated. The reason for the correction is that during a recent review of the 2013-14 fraud cases in defence, it was determined that an investigation into an allegation of unapproved expenditure of \$370,000 did not constitute fraud. The fraud record is in the process of being amended. What can you tell us about unapproved expenditure which does not constitute fraud?

Mr Richardson: Thank you. I will hand that to Mr Brown.

Mr Brown: Thank you for the question. The issue has come about through some follow-up work that we did following the last estimates hearing. I will take a minute to go into a little bit of detail here, if you permit. The system that we record investigations on is DPSMS. I cannot tell you exactly what the acronym stands for, but basically it is a database to record investigations, the progress on the investigations and the value of the particular issue being investigated. The data that goes into there is recorded as a loss, and an investigation is undertaken. There can be, ostensibly, three outcomes. We can prove that there was a fraud, and, therefore, investigations will go on to a recovery process or into a criminal investigation. It could be the result of an error, and, therefore, the money was never actually intentionally lost, but there was a mistake in the way someone transacted a particular activity and it is still recorded as a loss. It could also be just an error, and the goods, or whatever issue it is, are subsequently tracked down—so it was never a loss, and a correction is made.

The issue that we are talking about here was the use of a credit card by a particular individual who exceeded his delegation. He bought more of a particular item than he should have. We noted the anomaly. It was investigated. The amount investigated was, as I recall, \$370,000. It was not a fraud. It was actually what we call a

reg 9 breach—he spent money he did not have authority to spend. But the goods themselves still exist. They were moved into inventory and they are being consumed.

Senator GALLACHER: So there was a \$370,000 anomaly in the use of a single person's credit card?

Mr Brown: No, it was a purchasing card.

Senator GALLACHER: So what did he buy?

Mr Brown: He actually bought army boots that were being used by Duntroon. Those boots have subsequently been moved into general infantry and they are being used.

Senator GALLACHER: How many boots do you get for \$370,000?

Senator Payne: It would be pairs.

Mr Brown: Pairs of boots, I think, would be more appropriate. Can I ask the head of joint logistics to answer that because I cannot answer that question but I can take it on notice.

Senator GALLACHER: Was it a series of anomalies or was it a one-off?

Mr Brown: It was just one anomaly. He had authority to spend \$40,000. My understanding is he took a liberty to go and extend that in the hope of getting a better deal.

Senator GALLACHER: So he had authority for \$40,000 and he spent \$370,00?

Mr Brown: Yes. He extended his authority. He extended his delegation. He had no authority to do it but he had the capability using a purchasing card to spend that much money.

Senator GALLACHER: And is there no peer review of these things?

Mr Brown: That was how it was picked up. So after the money was spent—

Senator GALLACHER: You picked it up in a correction?

Mr Brown: No, it was reported through to us and we investigated and that was when the anomaly was picked up.

Senator GALLACHER: Let's go to the \$585,000 of Defence card fraud on fuel. I think you can run a B-double for 225 days doing 1,000 kilometres a day at two kilometres to the litre and that would be the equivalent of \$585,000 worth of fuel. How is it possible that people can actually purchase that amount of fuel? I have tried to follow this through the media and I cannot really see that anybody has paid any money back or been convicted of it.

Mr Brown: I can answer a part of that. I think the head of joint logistics might be able to give you more detail on what the process and procedures were but we have actually recovered \$12,000 of that. As I mentioned at the last hearing, the individuals concerned have a capacity to pay. The court has awarded that they can pay the amounts and we are progressively getting money back from them.

Senator GALLACHER: But they could not have used the fuel so they must have sold it.

Mr Brown: They were charged and we are recovering funds from them.

Senator GALLACHER: What was their penalty?

Mr Brown: I will take that on notice. I do not have that in front of me.

Senator GALLACHER: So they did not get a custodial sentence?

Mr Brown: Again, I will take it on notice.

Senator GALLACHER: And we recovered \$12,000 out of the \$585,000?

Mr Brown: Yes.

Senator GALLACHER: Refresh my memory, we sold a bus with a couple of fuel cards in it?

Mr Brown: That is correct. The bus was sold. It was moved to an auction, it was sold and the fuel card was left in it.

Senator GALLACHER: Was it one fuel card or two?

Mr Brown: The head of the fuel services branch would be able to give you that information.

Senator GALLACHER: Because if it was only one fuel card, it would be about six months of buying fuel to get to that level.

Mr Brown: It was being used in multiple locations at one time. So what was happening was the number was then being provided to other people who were using that number. The fuel companies, the petrol stations, were accepting people coming in and just quoting a number.

Mr Richardson: It was a major breakdown in our system, a major mistake on our part. There is no walking away from it.

Rear Adm. Thomas: Just to add a little to that, as the secretary said, the event dates back to 2012-13. Since that time, as per the questions on notice from your last inquiry, we have gone to a whole-of-government SG fleet card management system and there are significantly enhanced and improved controls. As you pointed out at the last Senate estimates, there were multiple cards when the vehicle was sold and they were inappropriately used post the sale. There are daily checks, weekly checks, overfill checks, identity checks and PIN number checks on individual cards. All those cards are now, as a result of the whole-of-government system, rolled out across all of the commercial fleets and, progressively over the last 12 months, have been rolled out across what we call our green fleet—all of the essentially Army green vehicles—and have all got individualised fuel cards. So the controls that you were alluding to at last Senate estimates that we attempted to address in the questions on notice have all been applied. I would add that that system is the subject of ongoing Australian National Audit Office reviews and follow-up audits as well as audits through the Chief Audit Executive. The controls have moved a long way since that event, which is now two to 2½ years old.

Senator GALLACHER: Are you going to compare the introduction of sgfleet technology, for want of a better word—the results of that versus previous years, to see whether you had a wider problem than what you have identified with one particular issue?

Rear Adm. Thomas: I believe that issue will be picked up as part of the ANAO audit scope. But our focus at the moment is to make sure we roll that out fully and completely, and that the ongoing training regime is in place et cetera. The short answer is yes.

Senator GALLACHER: Mr Brown, I appreciate that it is probably a bit harder to do the sums on \$370,000 worth of boots, although our good friends at Blundstone in Adelaide would probably help us out. Can you tell me how many pairs of boots we purchased?

Mr Brown: No, I cannot.

Senator GALLACHER: Can you get that on notice?

Mr Brown: Yes.

CHAIR: Mr Brown, it does emphasise that point that you should not judge a man until you have walked a mile in his boots—at which time you have got the boots and you have got a mile's start on him. That is a good time for us to stop for 15 minutes for a cup of tea, after which time Senator Xenophon will begin asking questions.

Proceedings suspended from 15:31 to 15:45

CHAIR: In the absence of Senator Xenophon, I will go to Senator Conroy.

Senator CONROY: I want to return to the white paper—were any copies of the finalised Defence white paper printed?

Mr Richardson: No. In fact, it was not finalised, it was nowhere near being printed.

Senator CONROY: So there was no print version?

Mr Richardson: No, and there was not a version about to go to the printers either.

Senator CONROY: Thank you. Senator Payne, will you commit to release the white paper as finalised or as close to finalisation as Minister Andrews and Prime Minister Abbott—

Mr Richardson: Sorry?

Senator Payne: I am not sure what your question is.

Senator CONROY: My question is: will you commit to release the white paper as it was at the stage when Minister Andrews and Prime Minister Abbott said it was finalised?

Senator Payne: I have indicated that the white paper is under consideration by the new Prime Minister and me, as the Minister for Defence. Those sorts of undertakings are not undertakings I am prepared to give. The incoming office holders are perfectly entitled to examine it in any way they see fit.

Senator CONROY: Have you directed any changes to the white paper since becoming the defence minister?

Senator Payne: No.

Senator CONROY: Has or will the national security committee of cabinet reconsider the Defence white paper now that we have a new Prime Minister and a new defence minister?

Mr Richardson: Senator, just as a statement of fact, it had not been finally considered by the NSC.

Senator CONROY: Will it be a white paper with 2015 in front of it, or will it be the 2016 white paper?

Senator Payne: I have indicated to you that there is a process to be undertaken by the Prime Minister and I, and other members of the NSC. The white paper will be released in due course.

Senator CONROY: Due course could be next year.

Senator Payne: I am sorry, was that a question?

Senator CONROY: You can take it as a question. Due course could be next year. Are you suggesting it could be next year?

Senator Payne: I just said in due course, Senator. If I might suggest, I think that you need to consider what is in front of the new Prime Minister and myself. That is to say, a white paper which has been in preparation for some time and which is being presented with other components—including an integrated investment program and a defence industry policy statement—and it would be, in fact in my view, irresponsible for the Prime Minister and me to not exercise due diligence in relation to those items. We are taking a very serious approach to this, a very responsible approach to this, and do not intend to be rushed or badgered into a timeline for no purpose, other than to suit those who are trying to do that.

Senator CONROY: The purpose is to hold you to account for the promise that the coalition made before the last election—that you would release a white paper inside 18 months. It is your promise, it is not my promise. You are part of the front bench. I am not badgering you about anything. I am just simply asking if you can give an indication of when it is going to be released.

Senator Payne: And I said in due course.

Senator CONROY: I actually think it is very reasonable of you to have deferred it slightly so that you have a chance for you and the Prime Minister to get across it. I actually think that is very reasonable. All I am asking you is whether there is rough date. It is already overdue and it was a promise by the coalition so I am just looking for an indication, not a drop-dead tomorrow.

Senator Payne: There is nothing further that I am going give today, Senator.

Senator CONROY: I wanted to ask some questions about the government's commitment to a two per cent funding envelope for defence. Senator Payne, you will remember and be familiar with the coalition's 2013 election promise as part of the coalition's policy for stronger defence:

Within a decade, Defence spending under a Coalition government will be two per cent of GDP

Are you familiar with that coalition promise?

Senator Payne: Yes Senator.

Senator CONROY: I read with interest the transcript from your 22 September press conference, during which you were asked directly whether you received, at the time of your appointment as defence minister, a guarantee that defence would be funded at the level Tony Abbott promised, and you replied:

Not specifically at this stage but it is not a discussion that I have yet had.

I assume you have now had that discussion?

Senator Payne: What I can indicate is that there is no change to that policy as it was indicated by you and previously by us.

Senator CONROY: So you are categorically confirming, and the Prime Minister's is behind you on this, that it will be two per cent of GDP by 2023-24?

Senator Payne: I am saying that there is no change to that policy—and that is the position I am advising you.

Senator CONROY: I have some questions on the budget for Defence officials. What are the year-on-year real budget growth figures that will be needed to reach the government's target and how will each year-on-year spending target be achieved?

Mr Richardson: I would just add that was in on the public record is the forward estimates. Most of the growth will occur beyond that.

Senator CONROY: Most of the growth will occur beyond? Are the forward estimates up to 2017-18 now?

Mr Richardson: It is 2018-19.

Senator CONROY: We have not had a capability plan for a while. I appreciate it has been held back. But traditionally we have a document that has outlined a list of acquisitions and a possible growth path. Will that be contained in the white paper?

Mr Richardson: There is a commitment by government to have an integrated investment plan along with the white paper.

Senator CONROY: There has been some media commentary that it will not be possible to spend the amount of money that a two per cent figure represents in the time frame that is being forward at the moment. Minister, would you like to comment on that? Do you think that is an inaccurate report?

Senator Payne: I am not going to comment on that at this stage. As I said, the white paper and its associated documents, including the integrated investment program, are currently a matter for consideration for the government.

Senator CONROY: I now want to move to submarines. Mr Abbott and Mr Andrews initiated the so-called competitive evaluation process for Australia's Future Submarine program. This somewhat new and irregular process was employed in order to deliver on Mr Abbott's deal to build a Australia's future submarines in Japan, despite advice from all the experts that it was an inappropriate process and acquisition. Does the new minister stand by Mr Abbott and Mr Andrews decision to employ the so-called competitive evaluation process to select, design and build for Australia's Future Submarine?

Senator Payne: Yes, Senator. The process is well underway, as Rear Admiral Sammut indicated to you or, if not to you, to one of your colleagues some short time again. I think proposals are due to be submitted under the CEP by 30 November this year.

Senator CONROY: And when is the Japanese proposal due to be submitted?

Senator Payne: By 30 November this year.

Senator CONROY: They do not have a month extra?

Senator Payne: By 30 November this year.

Senator CONROY: Mr Richardson?

Mr Richardson: There has been no change to the requirements, and that is 30 November.

Senator CONROY: My understanding was that the Japanese only signed on a month later and therefore they had until 30 December.

Mr Richardson: No, that is not the case.

Senator CONROY: Pleased to hear it. So the current time line for milestones in the competitive evaluation process is the same? We have 30 November. What is the time line after that?

Mr Richardson: The material comes in on or before 30 November and there will then be an evaluation of the three proposals, and there will be a decision by government in the first half of next year.

Senator CONROY: The first half?

Mr Richardson: Yes. All the expert advice is that it takes a good period of time to professionally evaluate proposals of this kind.

Senator CONROY: I absolutely understand that. Have there been any changes to the time line since the process commenced?

Mr Richardson: No.

Senator CONROY: Nobody has requested a change to the time line?

Mr Richardson: No.

Senator CONROY: No-one has requested an extension?

Mr Richardson: No.

Senator CONROY: I refer to comments in the media by Mr Warren King, the recently retired CEO of the DMO, charged with overseeing the future submarine project. In relation to the government's competitive evaluation process, Mr King says:

It seems improbable to me that nine months is sufficient to fully analyse all of the issues such as capability, cost, sustainment. Before you make your final decision, you need to know more. I would say another 12 months is needed. You would have a much better understanding of what the final design will be and what capabilities it will have and about how to maximise Australian industry content

Are you familiar with those comments?

Mr Richardson: Yes, I am.

Senator CONROY: Does Defence share Mr King's concerns regarding the insufficiency of time that the government's competitive evaluation process allows for?

Mr Richardson: No. I would note that the three entities involved are satisfied with the time frame, and I would note that we are allowing ourselves a proper time frame in which to assess the three proposals.

Senator CONROY: I appreciate that the bidders are going to comply, but as we discovered at the last estimates this is a process that does not deliver a fixed price, does not deliver a time line and, to further quote Mr Gould, it does not deliver a mature submarine design. Those are on the public record. Has Defence given consideration to Mr King's suggestion that delaying a decision on a design and build partner for Australia's future submarine would mitigate risks and improve the outcome of Australia's Future Submarine Program?

Mr Richardson: I would simply note that the decision in respect of the time line was taken in February on the basis of advice from within Defence.

Senator CONROY: We had a lengthy conversation about who was consulted. I think you specifically made it clear you were not consulted.

Mr Richardson: No, there are a couple of different strands there but Defence can operate professionally within the time frame.

Senator CONROY: I refer to question on notice No. 8 from 1 June 2015 Senate estimates, in which Defence states that all advice to government was provided through formal discussions and meetings. Did Defence provide any written advice to the government in relation to the competitive evaluation process prior to the government's announcement on 8 February?

Mr Richardson: Whatever answer we gave, I think we went through this answer before and I stand by the answers that we gave at that time.

Senator CONROY: Did the government request formal written advice from Defence prior 8 February?

Mr Richardson: I think we have answered all those questions previously.

Senator CONROY: Are we to understand from the question on notice that the government announced the acquisition assessment process for the largest defence procurement in our history after a few chats with Defence but no written analysis being provided?

Mr Richardson: We have nothing further to add to the advice we have previously given.

Senator CONROY: In relation to these formal discussions and meetings that are referred to in question on notice No. 8, on what date did these discussions and meetings occur and who was present at these discussions and meetings? Obviously I expect that you would want to take that on notice.

Mr Richardson: I think I said before that we did not have dates.

Senator CONROY: We cannot even pin down when a meeting took place?

Mr Richardson: No

Senator CONROY: As the new minister responsible, are you concerned that you have inherited a process that will not deliver a fixed price, will not deliver a fixed delivery date and will not deliver a mature submarine design?

Senator Payne: As I understand it, and as I have been advised, the CEP process is intended to provide proposals which include a number of factors: pre-concept designs, three options for build—overseas, in Australia and/or a hybrid-build approach, which would be part and part—rough order-of-magnitude costs, a schedule for each submitted option and positions on key commercial issues—for example, intellectual property rights and transfer of IP.

The establishment process behind the CEP has included a number of workshops and reviews with each of the participants as the proposals are being developed. We have three participants, all of whom have longstanding records in this particular area. I am looking forward, in fact, to receiving the advice when it comes to me—to the government—after the completion of the CEP process.

Senator CONROY: As you have seen from the answers given previously and confirmed today, the experts sitting around you had almost zero input into the process. As you would probably know, it was cobbled together in a desperate attempt to shore up votes in a previous leadership contest.

Senator Payne: That is your interpretation.

Senator CONROY: No, I think it is generally understood. Now that you have the mantle, there is an opportunity to take a deep breath, have a look and say, 'Perhaps there are a couple of bits that we could just refine

and get a little bit more practicality into.' The industry is saying to me—notwithstanding everyone is complying with what the government has asked them to comply with, as you would expect—that, for instance, to down select to Yuan would be crazy. There is an opportunity to appreciate how and why we have got to where we are at, but there is also an opportunity to take a deep breath about the process and where you go next.

I am not suggesting anything could be changed before 30 November. There is nobody I have spoken to in the sector, and I have just travelled all over Europe—I have been stalking Mr Baxter—who thinks down selecting to Yuan is a safe option in the interests of taxpayers or the Commonwealth. I am just offering bipartisan support, now that there is not the pressure of all the other factors that were at play at the time, to take a deep breath, think about it and not throw the baby out with the bath water, as they say. Just refine the process a little to get the best outcome, because I am sure everybody in this room wants the best outcome for Australia.

Senator Payne: I am sure everybody in this room does want the best outcome for Australia. One thing that I will assure you of is that nothing in this process will be rushed and nothing in this process will be unnecessarily pushed along by any external influences. We understand, and I understand, the very great significance of this decision-making process and of the decision itself. I have been talking with the senior officials of the department, obviously, and the ADF officials who have responsibilities in this area, and I am very comfortable in undertaking to you today that it will be a very considered process—not a rushed process—and a very carefully implemented process.

Senator CONROY: I appreciate not rushing it—and I support that entirely—but to expose the Commonwealth and the taxpayer to the risk of not getting an optimal outcome for the Navy in terms of capability, and to down select to Yuan, is crazy. There is nobody in the industry who thinks it is not crazy. They will all comply, and they will all tell you that it is fine and that they are doing the right thing, but, as you have suggested—and I am now quoting from an article in an interview you did recently:

Once an international partner is selected, there will be about three years of further development work before we finalise the Future Submarine's capability and cost.

To leave yourself with only one dance partner for three years without having a fixed cost is crazy. Again I say—with the absolute interests of the country at stake—that we would offer bipartisan support if you wanted to further refine the process along the way.

Senator Payne: Noted, Senator.

Senator CONROY: Mr Gould, who is no longer with us—and I have already quoted him—said that the design would not be sufficiently mature to fix the cost and timescale at that point. Given all of this, and given Mr King's now stated public concerns—he went on to say:

Here's the problem at the moment: you've already committed to a partner before you know the cost and the details of what you're going to get for that cost. The Commonwealth's negotiating position would in that case be exceedingly poor.

I cannot find anyone in the industry who disagrees with him on that. If anyone would like to argue the case I am happy to hear a debate about it. I am not trying to close anyone's options off. I am hoping that we can get a—

Rear Adm. Sammut: I would make the point that in order to actually arrive at a fixed price for a new design of submarine, which is what the future submarine will entail, we do need to sit down as an intelligent customer and do that work with the selected international partner, who understands our requirements, who understands what the cost drivers are and who can work through the appropriate cost-capability trade-offs, to understand what the design will entail and therefore how it can be costed appropriately, what the schedule will be and what the capability will be that we get at the end of the day. That is a very resource-intensive process. As was stated by the minister, it takes about three years to do. That is work that we would have to do in concert with the selected international partner, using a lot of our own dedicated resources to be involved in that process. None of the participants would suggest that we can get to a fixed price before we do that work.

Hence the desire now to select an international partner out of the competitive evaluation process so we can commence that work and get to the point where we do understand the costs and also, importantly, so we continue to understand what the risks are so we can in fact implement an appropriate contracting strategy for the next phase of the program—which would lead into detailed design and build. At each stage we would have fixed the performance of the submarine, understanding what the cost factors will be and also the schedule for its delivery.

As mentioned, that is a resource-intensive process, which we would have to be heavily invested in as the customer, as the Commonwealth, working alongside the participant in a very involved way to do it.

Senator CONROY: I accept that you are an 'informed customer'—I think you used that phrase. I absolutely accept that. But I refer to an article by Andrew Davies and Mark Thomson, published by ASPI on 8 October in relation to expert views on the process. They said:

The second point of near unanimity was that the Competitive Evaluation Process (CEP) for the future submarine project is woefully inadequate as a vehicle for collecting data, and that it won't produce sufficiently detailed information for a well-informed value for money decision.

Again, given that submarine experts across the country, and public finance officials, who are individuals who have monitored expenditure in this area, are all saying that the process is woefully inadequate and will result in poor capability and cost outcomes, will the government consider just overturning this final captain's pick by Prime Minister Abbott and safeguard the taxpayers by giving yourselves flexibility? The minister is the only one who can respond.

Senator Payne: I have said what I am going to say on that.

Senator CONROY: Okay. So expert after expert has given testimony to various Senate committees, explaining the strategic and economic advantages of building Australia's future submarines in Australia—and I refer you to Brendan Nicholson's article in *The Australian* on 8 October, where another industry expert, the global chairman and CEO of DCNS Group, Mr Herve Guillou, is quoted as saying in relation to the future submarine program:

If Australia wants to maintain its sovereignty, at the end of the day we have to build in Australia. This is a 50-year project.

Does Defence agree with Mr Guillou that a local Australian build is the best option for maximising Australian sovereignty in relation to our future submarines? I remember quoting from a Defence paper written by DMO at some stage that said something very similar.

Mr Richardson: The key thing from a Defence perspective is the sovereign capability to be able to maintain and sustain the submarines. Having said that, the competitive evaluation process, as you know, calls for three options, which the minister has outlined. One of those options does entail a complete build in Australia. I would imagine that the person who you quoted there would, of course, not have a self-interest in suggesting what he did, but it would probably be naive on my part to think that.

Senator CONROY: There are many things that I have heard you called, Mr Richardson, but 'naive' is not one of them. So are you dismissing it on the basis of self-interest?

Mr Richardson: I am not dismissing it. I am just noting that one of the options that will come forward from each of the three potential partners is a build in Australia.

Senator CONROY: Can you explain the framework that Defence is using to assess the relative levels of sovereignty protection between local versus hybrid versus offshore build options for Australia's future submarines? Can you take me through that?

Rear Adm. Sammut: There are range of criteria against which proposals are being looked. We have articulated these. They include the platform system itself in terms of its forward capabilities and the combat system—that is, the ability of the design partner to work with a combat system integrator. We will be looking at commercial and government arrangements. We are looking at project management. We are looking at the ROM cost and schedule. We are also looking at sustainment and Australian industry involvement. All of these criteria are interconnected, and therefore the ways in which the proposals of the participants affect each criterion are considered together to ensure that we end up with a proposal that best suits the overriding requirement for a regionally superior submarine and one over which we retain sovereign control for its operation and sustainment. All of the criteria have to be considered together to ensure that we end up with the proposal that best meets those overarching requirements.

Senator CONROY: I appreciate that. I will try to be a little more specific. What conditions are provided for under the CEP for tenderers to address issues of sovereignty in their respective submarine proposals?

Rear Adm. Sammut: There are a number of factors that would affect sovereignty. They include, in the very first instance, necessary access to intellectual property—the ability of the partners to transfer design knowledge into Australia so that we have an understanding of design intent. It is difficult to be able to sustain a submarine unless you understand what the design intent is. That is a lesson that was well learnt through the Collins program and reinforced during the Collins review. It is those sorts of lessons that we are taking forward into understanding the sorts of requirements that are necessary for participants to demonstrate to us, that we are able to sustain the submarine. Of course, the impact of the various build options on our ability to sustain will also be considered, as well as the level of Australian industry involvement that each of the participants are proposing as well. All of those factors play into that core factor—our ability to sustain the submarine with sovereignty.

Senator CONROY: Mr Guillou is also quoted as saying:

You need to be able to maintain your own sovereign capability here. The end game has to be that Australia is able to host a sovereign industry around its submarines ... After 10 years, you have to upgrade things as technology improves to keep up

your regional superiority. To upgrade a submarine you need not only a database and a supply chain, you also need engineering know-how and know-why.

Does Defence agree that Australia needs to maintain a sovereign submarine industry in Australia?

Rear Adm. Sammut: We agree that we need to have sovereign control over sustainment. Of course that does involve industry. The terms that he used—the know-how and know-why—were what I referred to when I talked about the transfer of design knowledge into Australia and the understanding of design intent. All the factors that Mr Guillou referred to are considered as part of the criteria for the competitive evaluation process.

Senator CONROY: Does Defence agree that, in order for Australia's future submarines to meet our capability requirements over the span of their life of type, technology upgrades would be required to individual vessels?

Rear Adm. Sammut: Yes. When we talk about sustainment, we talk about three key issues. Firstly, there is the upkeep—that is, the maintenance that keeps the submarines fit to continue proceeding to sea. We talk about update—that is, the ability to address obsolescence which naturally creeps into the life of a platform that lasts around 25 to 30 years. Also there is upgrade—that is, the ability to maintain capability as new threats emerge through the long life of the submarine. They are three of the activities that we currently undertake with the Collins class. When we talk about sovereign sustainment for the future submarines, they are three of the activities that we seek to undertake with sovereignty in Australia.

Senator CONROY: Does Defence acknowledge that the successful maintenance and sustainment of Australia's future submarines relies upon the local engineering skills that are built up during the construction phase?

Rear Adm. Sammut: There are a number of factors that go into sustainment. What the Collins program has demonstrated to us is that what is most important is that understanding of design knowledge and intent. We did build Collins in Australia; however, we did not really manage to get sustainment correct until recent years. Therefore, we are focused on the factors that really go into understanding what is necessary to sustain a capability in the first instance. Those factors are being involved in the design process such that there is the right transfer of design knowledge, and understanding the intent behind that design so that we can in fact put in place sustainment from the very beginning of the program and not leave it as afterthought as time goes on.

Senator CONROY: Given that all parties to the competitive evaluation process are required to lodge local Australian build options, does Defence agree that the government could decide to only consider these local build options when selecting a design and build partner for Australia's future submarines?

Rear Adm. Sammut: All participants will offer all three options to Australia in their proposals. That will be for government to decide as it considers the outcomes of the CEP.

Senator CONROY: I am looking at some Defence advice prepared in consultation with the then Chief of Navy, Vice Admiral Griggs, which concluded:

The strategy for Future Submarine construction is to renew the dormant capability resident in ASC Pty Ltd and its facilities as a start point. However, as ASC lacks some skills and capital to undertake this large task alone, additional skills and resources should be introduced, ideally from Australian companies to maximise sovereignty.

So Defence acknowledged that Australia lacked a whole-boat design capability and would require some international help with design. That is advice from the then Vice Admiral Chief of Navy, who was making an argument around sovereignty. As I said, I have seen advice that strongly argued the sovereignty issue. So I have always been confused about how we have ended up where we have ended up.

Rear Adm. Sammut: I am not sure how that is inconsistent with the aims of the CEP in terms of seeking proposals from all participants that would help us maximise our sovereignty through the criteria that I have just mentioned and talked about, along with the ability of the participants to bring forward three build options.

Senator CONROY: I appreciate that at least one of those options maximises sovereignty, one of them minimises sovereignty and, depending on the degree of hybridness, the rest can be somewhere between. But it is unarguable that you maximise sovereignty with a domestic build or you have greater sovereignty with a domestic build over an overseas build. Or would you disagree with that?

Rear Adm. Sammut: I would suggest that we did not necessarily achieve a good sustainment outcome with Collins just because we built it here. We had to consider a whole number of factors that go into the ability to have an enduring capability—

Senator CONROY: Are there any canoes involved in your answer?

Rear Adm. Sammut: If I may finish—having the ability to transfer all the knowledge that goes into a good sustainment plan, as well as understanding all the other parts that go into a good sustainment plan, which does include Australian industry involvement, which the CEP addresses.

Senator CONROY: I am sure I am nowhere as familiar as you with the debate around the Collins. The issue around the IP was ultimately a commercial settlement. The fact that it was not commercially settled earlier is not a function of or the fault of the maintenance of the submarine. It was the fault of the people who failed to negotiate it the first time around, or thought they had and suddenly discovered they had not. So I am not sure all of the points you have made there are relevant to the question of sovereignty. The fact that it was poorly negotiated and required a last-minute negotiation around IP, for instance, is not a reflection on the overall Collins. I am sure you would not be suggesting that.

Rear Adm. Sammut: No. What I am suggesting is that you do need to get your IP arrangements understood from the outset of the program so you do ensure you have the right and appropriate amount of sovereignty. It has been a challenge for us with the Collins program. IP does relate to the ability to use information we have with the submarine or have on the submarine with other industry players in Australia to help us maintain and sustain it.

Senator CONROY: No. There is no argument from me that—

Rear Adm. Sammut: What I am saying—

Senator CONROY: It was poor negotiating or poor understanding around the Collins's IP function. You are not going to make that mistake again, I am confident.

Rear Adm. Sammut: What we are saying is that there are a whole range of factors that go around developing a sovereign sustainment capability. IP is one of them.

Senator CONROY: Just to confirm—and we have just been talking about this—the CEP will assure that Australia has the IP transferred without question, unambiguously?

Rear Adm. Sammut: We are seeking the positions of all the participants on IP, and that will factor into the considerations that go into a decision on the international partner.

Senator CONROY: Dr John White gave this testimony to the Senate Economics Committee in relation to future submarines before he was appointed chairman of TKMS in Australia:

I am sure that if we truly analyse all aspects of the project we will have a lower cost to the government from an all-build in Australia, and, if you go on to analyse the through-life support, the convenience of having that complete supply chain designed from the outset and participating, you will make major savings through life.

Does Defence agree with that?

Rear Adm. Sammut: I think we have to wait and see what is in the proposal that will eventually come from participants to determine what their proposals contain and how they stack up against our ability to achieve an affordable submarine along with our ability to sustain it in country.

Senator CONROY: Okay. I am happy to break there and go to someone else.

Senator XENOPHON: I will ask first about issues of Defence abuse. I will put some of the questions on notice. I am not sure who could assist us with that. On Monday, 1 June 2015—I think before you were in your place, Vice Admiral Griggs—Air Chief Marshal Binskin and Air Commodore Ehlers were before this committee. They confirmed that there were 110 cases involving 151 alleged abusers who were still serving in the ADF—a breakdown of 82 permanent members, 31 reservists, 31 stand-by reservists and seven members of the Australian Public Service. Defence was taking action in relation to 15 members and was considering taking action against a further 98. None of the referrals from the task force had resulted in administrative or disciplinary action at that stage. Can you advise what action, if any, has been taken in respect of the allegations of the 110 cases involving 151 alleged abusers.

Air Chief Marshal Binskin: What I will do is reference the task force numbers so we do not get mixed up. I was not involved in that question on notice, but the matters referred at the moment are 144. Is that correct?

Air Cdre Ehlers: Yes.

Air Chief Marshal Binskin: Based on 144 matters referred to Defence—and that includes the ADFA 24 and 14—just to give you the background of that, 86 of those were over 25 years old, so they are back from earlier than the 1990s; 31 of those matters were referred without the complainant's consent; in 10 additional matters, the complainants expressly requested that Defence take no further action; and 44 matters were awaiting a response from the complainant with regard to their wishes, including the matters that have been referred to the service chiefs or the relevant group heads. That just gives you a breakdown of the 144 and where we are at. Of the range, 72 matters have been finalised either by me or the relevant service chief, nine matters are currently the subject of

a formal administrative inquiry, 26 are undergoing formal assessment and 37 are going through their initial assessment. The 72 matters that have been finalised by me or the relevant service chief have multiple outcomes. They summarise down 26 cases where appropriate action was taken at the time; some where no further action was taken, in accordance with the complainant's wishes not to progress any further; some where there was administrative action, formal counselling and the like; two cases where the complainant wanted only advice on particular matters, which were closed out; some cases where a letter of apology from the CDF, the service chief or the deputy service chief was what they were after; and a couple of others where the complainant expressed a wish not to make a complaint, or to make a complaint to civilian or service police, which limited our ability to do anything.

Senator XENOPHON: I might put some questions on notice in respect of that.

Air Chief Marshal Binskin: I think it would be easier. Then we can give you the exact details.

Senator XENOPHON: That is fine. I am happy with that for now. I have a number of areas to traverse.

Air Chief Marshal Binskin: There are a few more, just to finish. Of that 72 there were a number where alleged conduct was not considered abuse; it was robust training. There were two where the alleged perpetrator was misidentified. There were seven where the alleged perpetrator was not identified. There is one where there was no alleged perpetrator or victim—you might wonder how that occurred, but it was hearsay. There were cases where the alleged perpetrator was no longer serving or employed by Defence. And there were a number that lacked sufficient evidence to consider taking disciplinary action at this time—and we are quite clear that if more information should come in then they are not closed; they just sit there and we wait for more information. We can give you a lot more of those details.

Senator XENOPHON: Could you take that on notice, and I will put some further questions on notice too. Thank you, and thanks to Air Commodore Ehlers for his work on this. Minister, can I get some guidance? I want to ask some questions of Mr Richardson about issues of those who have worked in Defence and become lobbyists. I do not know whether this is the appropriate time. I also want to ask some questions about the future submarine and combat system, something that Senator Fawcett has assiduously pursued for some time, which I want to ask some follow-up questions in respect to; and on the macroeconomic study that is yet to surface.

Senator Payne: You said you wanted to start with questions to Mr Richardson.

Senator XENOPHON: Will I have an opportunity under the future submarine and combat system to ask about that now, or can I ask about that later as well?

Senator Payne: It depends on your timing. Nobody is going anywhere in the short term.

Senator XENOPHON: I will do as much as I can—

Senator Payne: Until our zealous chair deals with you.

Senator XENOPHON: until the chair brutally cuts me off again. Mr Richardson, you may have seen reports that Mr Warren King, the former head of the DMO, may be taking a position with CMAX Advisory, a very reputable, well-known lobbying firm that works in, among other things, the defence space. I note that currently under the Lobbying Code of Conduct:

... Agency Heads or persons employed under the Public Service Act 1999 in the Senior Executive Service (or equivalent), shall not, for a period of 12 months after they cease their employment, engage in lobbying activities relating to any matter that they had official dealings with in their last 12 months of employment.

I also note that US White House executive order 13490, 'Ethics commitments by executive branch personnel', has a two-year time frame before someone who has work in a senior position can become a lobbyist. Does—and I will be guided by you, Minister—the government have a position on whether the 12-month period is adequate or whether there is any consideration of moving to what the United States—the White House—is doing by having a two-year ban? And this is not a criticism of Mr King, but he does have an enormous wealth of information and enormous expertise, and I wonder whether the minister or Mr Richardson have any views as to whether the time frame ought to be 12 months or two years.

Senator Payne: Let me just say: I am not aware of any change to that approach but I am happy to take the question on notice and come back to you.

Senator XENOPHON: Mr Richardson, you have been in the Public Service for many years with distinguished service. Do you have a view to as to the potential risks of someone with an enormous amount of knowledge—again, I am not suggesting anything untoward—such as Mr King, being able to after 12 months be involved in the Defence procurement space in the lobbying field?

Mr Richardson: There are certainly potential risks, and those risks do need to be managed. That was one of the reasons why Warren formally stepped down as the head of DMO on 27 February of this year. While he continued to be engaged in Defence, he was separated from any procurement and other major activity of that kind. He was doing other work for me. I do not have any particular view whether it be one or two years. I—

Senator XENOPHON: But would it be fair to say that managing the risk would be easier after two years rather than one year—wouldn't that be axiomatic?

Senator CONROY: Could I just clarify: is there a suggestion that Mr King is working for one of the bidders?

Senator XENOPHON: This is just a general thing working for a lobbying firm.

Mr Richardson: I should say: I am not aware of Mr King working for any of the bidders in—

Senator XENOPHON: I am not suggesting it; I am just suggesting that someone as experienced and as knowledgeable as Mr King, whether as a general principle—and, again, this is not a criticism of Mr King—is the risk in your view greater with a 12-month time frame exclusion period or a two-year exclusion period? I am very happy to put it to the minister—

Mr Richardson: One, I think it depends how you manage the risk. Secondly, I have an open mind on one or two years. I do think the whole question of the relationship between people in the Department of Defence and Defence Industry is one that has to be carefully managed. I think the risks of unethical behaviour are there. They need to be recognised, and you need to have arrangements in place to minimise that happening.

Senator XENOPHON: Are you satisfied, Mr Richardson—I appreciate your answer—that, given that the risks are there for unethical behaviour, there is a sufficiently robust framework to be able to identify any instances, if any, of unethical behaviour, if it occurs; or at least to prevent it occurring in the first place?

Mr Richardson: Not in all cases, because there is simply so much movement between people who work in Defence and who work in Defence Industry that I think getting that right is very difficult. I would be a fool if I were to say to you that I believe the system we have in place is one that can guarantee that we do not have sometimes unacceptable risks. I believe in Mr King's case that he has been very proper in the way that he has conducted himself in what he is doing. Way before Senate estimates were coming along, he wrote me a letter outlining precisely what he was—

Senator XENOPHON: Could you table that letter?

Mr Richardson: No, I think that goes to commercial-in-confidence areas.

Senator CONROY: Can you give us the flavour—

Mr Richardson: He will be engaged in a couple of advisory capacities. However, he stepped down as CEO of DMO on the 27 February of this year. It would clearly be improper to—and nor does he intend to—engage in any activity or with an organisation involved in procurement activities with the department for 12 months. But, the issue is a wider one. I have to say—and I am expressing a personal view here, Senator—it is to some extent, easier to manage in a case like Mr King's. He is a high-profile individual and he has got more sense than to expose himself in a way that would give rise: however—

Senator XENOPHON: I am not questioning his integrity in any way.

Mr Richardson: No. I am just saying that when you look at the thousands of people who move, managing all of that becomes, I think, a bit tricky at times.

Senator XENOPHON: Okay. So there is scope for reform and improvement in your view?

Mr Richardson: I think it is something that should be reviewed every few years.

Senator XENOPHON: Okay. So it is time for a review?

Mr Richardson: I think that would not be a bad thing; I would be very comfortable with it.

Senator XENOPHON: Thank you for your forthrightness in respect to that. Can I just go to the future—

Senator RONALDSON: Sorry, could I just ask a question on that? I am interested in you talking about managing a situation as opposed to making a blanket judgement that movement between Defence and industry, or industry and Defence, is a bad thing, because presumably there can be some inherent good in that as well as some risk.

Mr Richardson: I think that is absolutely right, Senator. That is where the tension is because, I think, movement between Defence and Defence Industry is inherently a good thing. For instance, you cannot, on the one hand, want people in government with some commercial experience and private sector experience, unless you have some movement between the two. I think, inherently, that movement is a good thing.

There is a tension between that good and the risk of questions of propriety. The other issue, of course, which goes to individual freedoms, which I think is important is: if you have been in Defence, if you have been in the ADF so 20 or 30 years of your working life and you wish to leave government, why would you not want to go into Defence Industry? To say to someone you cannot go into Defence Industry is, I think, to deny people a proper opportunity that they should have. It is a question of how you manage all of that and how you manage the tensions involved.

Senator RONALDSON: My comment was specifically about department to industry, industry to department, as opposed to a wider government view, but I will take your addition into account as well.

Mr Richardson: Industry itself is very concerned about this. Kim Gillis was the managing director of Boeing Defence Australia before taking up his current role in government. The fact that Kim has moved between the private sector and the public sector is a terrific thing. We have put in place arrangements in respect of Kim—and Boeing have put in place arrangements in respect of Kim—because Boeing has equity in Kim not being involved in certain things in his job now. We also have an interest in him not being involved, so we manage that. I personally think these high-level ones are the easier ones to manage. It is the mass of them that I think give rise to—you just have to be conscious of it and, from time to time, you should review where you are at.

CHAIR: Thanks, Mr Richardson. Senator Xenophon.

Senator XENOPHON: I do have some questions in relation to the future combat submarine combat system. I will try and get through those as quickly as possible. But before I get to that line of questioning I would like to know the cost to Defence of the green-on-blue Queensland coronial inquiry, as to what the costs involved were—

Mr Richardson: We would need to take that on notice, I think, unless—

Air Chief Marshal Binskin: We will take that on notice to get you those details. Needless to say, it will involve the legal support for the families, the positioning of all the people and all that, so we will give you the whole answer.

Senator XENOPHON: Of course. I am not begrudging that cost, so just—

Air Chief Marshal Binskin: We will do that for you.

Senator XENOPHON: And a breakdown of the various—

Air Chief Marshal Binskin: The components?

Senator XENOPHON: Yes, that is fine. In terms of the future submarine combat system, I want to discuss the command and control system on the Collins. In relation to industry involvement in the joint program, it is my understanding that Australian companies can only get their products or capability fully integrated into the Australia-US BYG system baseline, if they go through a four stepped advanced processor build program and that, after 14 years of being in the joint program, this has never occurred. At this stage I should acknowledge the tremendous work that Senator Fawcett has done on this in previous estimates and elsewhere on this issue. Is it correct that, after 14 years of being part of this advanced processor build, it has never occurred to have an Australian company getting the full integration?

Rear Adm. Dalton: I understand that we have two companies at the moment whose products are in step 3 now and we expect they will be in the next advanced processor build that will be released by the USA.

Senator XENOPHON: Okay, but it has not happened for 14 years yet; it has nearly happened but not quite.

Rear Adm. Dalton: That is my understanding.

Senator XENOPHON: That is not bad. So it is 14 years; it has been a long time coming. I know that Senator Johnston raised this in the May 2012 estimates and that both he and Senator Fawcett were monitoring Australian industry participation in relation to this. Is it fair to say that, with these future combat systems, it has not been a great exercise for Australian industry participation to date?

Rear Adm. Dalton: I think it is fair to say that Australian industry has not been able to penetrate as deeply into this process as we would have liked, but we are still working on that process. In fact, the team from the US Navy is in Australia right now doing the next advanced processor build announcement, so they are seeking ideas—

Senator XENOPHON: I wonder whether it is impenetrable, because of strong lobby groups in the US that resist Australian industry participation?

Rear Adm. Dalton: I do not think that is the particular problem. There are certainly some issues with the ownership of intellectual property as we move through the different steps, and that has been a difficult bridge for

industry to cross. We have effectively funded the process that the two moving through now, so we are using our access rights to their IP to put it into the build.

Senator XENOPHON: If we can go back to the history: in May 2012, Defence advised Senator Johnston—question on notice 202 which said, 'The target is for Australian companies to be able to compete for inclusion in the joint development process on the same basis as US based companies.' Senator Johnston provided a question on notice in writing. He got a response about the target to this. Five months later in response to Senator Fawcett's question on notice 14, Defence stated inter alia, 'A plan to increase Australian industry competitiveness in the AN/BYG-1 development program is expected to be completed by early 2013.' Can you provide a copy of this plan that was referred to in question on notice 14 to Senator Fawcett?

Rear Adm. Dalton: I will have to take that on notice. I do know that we did change the process. In the middle of last year, we did an ideation process that involved Navy submariners and industry getting together to look at what would be a good idea to work on, and that process has actually generated the two bids that are now—

Senator XENOPHON: My direction question was—and this relates to question on notice 14 of October 2012 estimates in terms of the forensic questions that Senator Fawcett asked—could I please have a copy of that plan? Could you take that on notice.

Rear Adm. Dalton: We will take that on notice.

Senator XENOPHON: Mr Gould recently advised this committee that two Australian entities were funded by Defence to participate in the program—Cirrus Real Time Processing Systems to the tune of \$230,000 and Thales to the tune of \$155,000—to try to get around intellectual property differences between the US and Australian Defence R&D models. Is it correct that both of the software applications prototyped by these Australian companies, on the Australian taxpayer purse—which I have no issue with—were accepted but are now being progressed by US companies, not the Australian companies? In other words, we provide the dough for them to come up with some terrific innovations but it is now being taken over by American companies.

Mr Dalton: Those are the two companies that I was referring to. They are now at the step where their software is being integrated by the systems integrator in America. That is the way the system works.

Senator XENOPHON: So the work of those Australian based companies, which Australian taxpayers contributed to, has now been taken over by American based companies?

Mr Dalton: It is being integrated into the total system by the systems integrator.

Senator XENOPHON: It sounds like a takeover in a sense, though.

CHAIR: It has got to happen, Senator Xenophon. You cannot proceed if you do not integrate the data.

Rear Adm. Sammut: If I might just add: the companies were actually contracted for amounts of around \$230,000 each for the development of the technology, along with another \$155,000 for further work if it was required, and there was an additional amount in each of those contracts for travel and international travel. They went through step 1, which was the technology demonstration—that whatever they had would solve a particular problem. They went into algorithm assessment, which was testing that within a laboratory. The next step is the integration step that Rear Admiral Dalton was talking about, which is actually being able to now put their software into the wide combat system that is used in American submarines and Australian submarines, to ensure that it does not upset the stability of the entire suite, and do laboratory testing before it goes to sea. That has to be done in an environment where the software can be tested in the context of all of the AN/BYG software, not just in isolation—which does involve the prime integrators within the US.

There are options for Australian companies to do some additional work in that space, but naturally that whole system integration has to take place within that environment before those products will go to sea. What we will see in the fullness of time is those products employed in American and US submarines. That is a function of the nature of the joint development program that we have with the US. They are jointly funded activities and the testing is jointly shared, and that is the manner in which these applications can be put into a combat suite shared by both countries in a manner that ensures that the combat suite remains stable and effective while it is on operations.

Senator XENOPHON: Sure. But you understand my point about the 14 years of industry—

CHAIR: Senator Fawcett wants to follow up on that.

Senator XENOPHON: I have a whole series of questions on this. I am happy to get the call later on.

CHAIR: Later on perhaps, although time is going to beat us, I think. Senator Fawcett.

Senator FAWCETT: This probably goes to Rear Admiral Dalton, but I am pleased to see that we have addressed this issue of IP and that Australian industry could not put their IP into the pool until we paid for them to develop it. My question is, in terms of residual value to Australia, what arrangements are in place for some kind of licensing fee or ongoing benefit to the Australian industry to continue to be able to develop—or is this just a once-off 'we've paid you to develop but it's now in the pool and it's now going to be part of the bigger system'?

Mr Dalton: The software that now goes into the system is part of the baseline for the future build. In that sense, there is not necessarily an ongoing relationship but the process that we are using to generate these ideas and this software will be ongoing, so we will plan to do more of these in the future.

Senator FAWCETT: But planning to do more of them in the future is a bit like shipbuilding before the Rand report and continuous shipbuilding. Telling somebody that we are probably going to build another frigate in 10 years time does not help them keep a workforce or that intellectual property between now and 10 years time. As part of the Chief of Navy now being responsible under the First Principle Reforms for looking at the fundamental inputs to capability, and if we view that this kind of software development is a fundamental input to capability—and traditionally it is normally featured somewhere in one of our PICs or SICs—what are we doing to make sure that that company has the cashflow to continue developing their people and their intellectual property so that they can contribute to that process down the track?

Rear Adm. Dalton: I think I probably have to take that on notice. I do not have a view over what else we are doing in that space. The actual—

Senator FAWCETT: This is the fundamental change in thinking that the first principles review, supported by the RAND review, brings about, in that there are some areas where Defence can no longer just say, 'Well, that is industry, and they can look after themselves until we think we need them.' This is saying that the service chief is responsible to specify fundamental inputs to capability and that Defence form part of your fundamental input to capability. So, if we think that this is an important capability for the nation to have, then, just like lining up ships for a continuous build program under the RAND report and the announcement in August, we should be looking at each of the areas where we think it is an important capability and saying, 'How does Defence work with industry to make sure that they collectively have a cash flow that can keep this intellectual property alive and growing?'

Vice Adm. Barrett: That may have started as a question; I think it has ended as a statement, if I can say that—and I agree with you. I think that is a responsibility I have. As for where we do go in terms of the future submarine and, importantly, the level of collaboration that we do have with the US end in particular around this combat system, I think we have a more certain position to take now about how we collaborate to develop the future iterations of this. In doing so, I think that we are beholden to consider how we contribute to that in a more fulsome state than we have in the past.

Senator FAWCETT: Thank you.

Senator XENOPHON: Minister, earlier today—I was not in the room but it has been reported back to me—you made a very welcome statement about the need for innovation, creativity, agility and flexibility in terms of Defence and industry participation, as I understand it. It seems from the figures provided to me now that \$380,000 has been spent in terms of local firms in the context of a \$350 million spend for these combat systems. Do you consider that to be fairly deficient, in the scheme of things, or is that something you may want to reflect on at a later time?

Senator Payne: I think I would like to reflect on it further. But the point I was making was in response to a question from Senator Back earlier today which was indicating that one of the areas in which the US Secretary of Defence, Ash Carter, and I had had discussions, predominantly in the bilateral but also slightly in the AUSMIN space, was around our ability to do that together, and my view and intention to develop that further. I will take what you have just been discussing with those here at the table and reflect on that and come back to you on notice.

Senator XENOPHON: I might make an appointment to speak to you about this separately as well. It might be useful.

Senator Payne: I am sure you will!

Senator XENOPHON: Okay! Thank you.

Senator RHIANNON: I wish to return to the issue of contamination on RAAF Base Williamtown.

Air Chief Marshal Binskin: While we get Dr Gardner in, I have got an answer on how many boots you get for about \$300,000: 1,543 pairs of parade boots. I have not done the maths, but that is the answer.

Mr Richardson: It is around \$230, \$235 a pair, I think you will find.

Senator GALLACHER: They are Australian made, I presume, for that price? Don't worry; we will follow it up.

Mr Richardson: Thanks.

Senator RHIANNON: Are you confident that surface water and sediment on the Williamstown base is no longer contaminating surrounding areas?

Ms Clifton: We are still maintaining ongoing monitoring. We are aware that there are points on the base boundary where there is contamination and we believe that that contamination is still exiting the base—for example, Lake Cochran.

Senator RHIANNON: The question was: could those areas be contaminating externally? I take it from your answer that they could be.

Ms Clifton: Yes. We believe that the contamination from Lake Cochran could potentially still be contaminating.

Senator RHIANNON: Are there any other areas?

Ms Clifton: We are doing ongoing monitoring. We are monitoring the base the entire time to look at where there could potentially be any other sources. We have not used this particular product on-base since 2011—

Senator RHIANNON: I have limited time. I appreciate that you gave that answer before. I understand that you have got a trade waste treatment plant and a sewage treatment plant on the base; is that correct?

Ms Clifton: Yes.

Senator RHIANNON: And they are possible sources of contamination externally?

Dr Gardner: No. The trade-waste facility is managed by a contractor. There is a very sophisticated containment and separation and treatment process. At the end of that process, there is a solid material which is then transported to an approved trade-waste facility, I believe, on a monthly basis by that external contractor. In fact, we reviewed that about three weeks ago on a visit to Williamstown.

Senator RHIANNON: Just to check. I was given a report; URS, a consultant that you engaged to assess this issue—is that correct?

Ms Clifton: Yes. They did what we called our stage 2 investigations, which were the investigations which concluded in September and which we published on our website on 15 September.

Senator RHIANNON: Reading from the report, 'Run-off from the central portion of the base, including the location of the fire-training pad, is conveyed to the surface drains to Lake Cochran.' That is what you are referring to. Lake Cochran could be a source, but that arises from other sources on the base—is that correct?

Ms Clifton: That is a description of how the water flows. That would have taken, in the past, the contaminant that was on the base into Lake Cochran. Because we have not used it for some time, it should not be, at this point, taking any contamination from that over to Lake Cochran. It would be the points at the edge of the base such as at Lake Cochran, which would be of concern to us.

Senator RHIANNON: It does also say that 'sediment samples collected from Moors Drain and Dawsons Drain were reported to contain PFOS concentrations'—it does say, though, they were low. You say Lake Cochran could be the source, but it appears that it arises from other areas. What are you doing for the surface water and surface sediment to stop them being sources of contamination?

Ms Clifton: We cannot stop the run-off from the existing base. We are monitoring where the contamination is exiting the base.

Senator RHIANNON: But are you working to remove the actual contaminated sediment that is then contaminating the run-off?

Ms Clifton: I do not believe we can because it is an operational Air Force base.

Senator RHIANNON: Can you explain that? Do you mean because if you are physically remove the sediment, it would disrupt RAAF operations—is that what you mean?

Ms Clifton: Yes.

Senator RHIANNON: Could you explain where it is located and how it would disrupt the activities?

Ms Clifton: I cannot give you all of the sites, but I do know that there was PFOS and PFOA found at a number of different locations on the base. It would not be possible for us to remove those without fundamentally disrupting the base.

Senator RHIANNON: When you say 'fundamentally disrupting the base', do you mean the runway, buildings? Could you describe what you mean?

Ms Clifton: It could be any number of things, depending on where the contamination is.

Senator RHIANNON: Thank you. Are you saying you cannot do anything about it at all or are there some areas that you could deal with and some areas that you could not deal with? Have you rated these in any way?

Ms Clifton: Yes. It is possible to do some decontamination and removal. For example, it is possible to remediate soil. So soil is remediated through a process called the thermal desorption, where it is heated and the chemicals are removed. We can do that and we are currently looking at doing that for works that are underway on-base at the moment.

Senator RHIANNON: Sorry?

Ms Clifton: We are currently looking at options for that.

Senator RHIANNON: To do it over the whole base?

Ms Clifton: Where we are removing soil.

Senator RHIANNON: I see. How big an area? In terms of the amount of contamination, are you talking about dealing with 50 per cent, 10 per cent—what are you talking about?

Ms Clifton: I would have to get to you on that.

Senator RHIANNON: Have you done an estimate of the cost of decontaminating all the contaminated sediment and water?

Ms Clifton: No, we have not, because we do not believe that it is possible, particularly for large volumes of water. We know that it is possible to remediate small amounts of water, but we are not yet aware of a technology that would enable that to happen for very large volumes of water.

Senator RHIANNON: So, when you say you believe, what studies are you relying on? Is it experience in other areas?

Ms Clifton: We have taken advice from people who work in this field; our consultants have advised us on that, and we have looked at other things internationally.

Senator RHIANNON: Could you take us through the time line. In previous answers, I understand you gave the year of 2003. Was that when you first became aware of the contamination, or when it was first reported?

Ms Clifton: Thank you for that. I did actually have a correction that I wanted to bring back to the table. If you do not mind, I will do that first, and then we will step through the time line. You asked me before about the time line, and I answered that we began doing routine testing for PFOS and PFOA in 2011 and that we identified contamination at the base boundary in 2013. That is incorrect. We identified contamination at the base boundary in 2012 and notified Hunter Water Corporation and the EPA then.

Senator RHIANNON: So you identified the contamination in 2012?

Ms Clifton: Yes. In 2003 we became aware that this was an emerging contaminant. It started to become an emerging contaminant globally. In 2003 we released a specification for the supply and testing of foam concentrates. In 2004 we restricted the use of the old firefighting foam at Williamstown to critical uses only—not training. It was the use of the foam regularly for training purposes which was the cause of most of this legacy issue, so in 2004 we restricted it to critical uses only.

We had a report in 2006 which suggested that it would be preferable for us to move to a product called ansulite, which we have moved to. We moved to ansulite in the period up to 2011, and now we use ansulite for firefighting training and for critical incidents. In 2011 we added PFOS and PFOA to the routine environmental monitoring that we do on all our bases. In 2012 we detected some contamination on-base and at the boundary, so we did a review in 2013, which said, 'You need to undertake further, more detailed investigations', which we then conducted in 2014 and 2015. We got the report in the middle of this year.

Senator RHIANNON: Thank you for that. That was useful. Could you go through that and add to the time line when you made that information public, or reported it to the EPA. How do you report this?

Ms Clifton: In 2012 we notified Hunter Water Corporation and the New South Wales EPA that we had found contamination at the base boundary.

Senator RHIANNON: That was the earliest that you reported that, was it, even though you had become aware of the emerging contaminant in 2003?

Ms Clifton: That is when we became aware of it at the base boundary.

Senator RHIANNON: So you only reported it to Hunter Water Corporation and the EPA once it was external to the—

Dr Gardner: I have a correction there. Although Defence did become aware in the early 2000s that this had been listed as an emerging contaminant of concern, there was no evidence at that stage that this was in fact a problem at Williamtown or anywhere else. It was a hypothetical issue. It was only in 2012 that the regular program of water monitoring at Defence bases picked up the fact that there were small levels of these two contaminants in the water. As the assistant secretary said, that was notified to New South Wales EPA and Hunter Water Corporation. As you maybe recall from the meetings at Williamtown some weeks ago, which were somewhat heated, there was some debate as to whether New South Wales EPA had passed on that information to other regional councils.

Senator RHIANNON: But isn't there a contradiction in what you are saying? In 2003 you become aware of an emerging contaminant. The emerging contaminant arises from the use of these foams that you need for your testing and if there is an emergency. Despite the fact that you have identified this as an emerging contaminant, it does not go further. You do not investigate. You do not report to the EPA. Could you explain what happened in 2003.

Ms Clifton: We did not have any indication that it was moving off base until 2012.

Senator RHIANNON: When you say you had 'no indication', what tests did you carry out?

Ms Clifton: When it was possible to start using tests for this stuff in groundwater and surface water, we started including it routinely in monitoring in 2011. It was as a result of that monitoring that in 2012 we found that it was at the edge of the base.

Dr Gardner: If I could also comment briefly: back in the 2003, when we became aware through our regular international environmental exchanges and literature reviews et cetera that this was being classed internationally as a potential emerging contaminant issue, I recall, when I was working in the early days in what is now health command, that we did look at the health evidence in the 2003-04 time frame. Even then the evidence was very marginal that this was a human health issue. It was known at the time, though, that it could cause changes in freshwater molluscs and some other invertebrates, but there was no convincing evidence anywhere in the world, and there still is none—for example, the World Health Organization does not endorse this is a major health issue. It is not endorsed as a major health issue by N Health in Australia or the NHMRC. The International Agency for Research on Cancer does not list it as a major human health problem. We looked at it in the 2003-04-05 time frame, but it was only in 2012 that we became aware that it was in the water on this base.

Senator RHIANNON: When you say 'look at', do you mean reading papers, or do you mean carrying out tests to determine what the levels of contamination were?

Dr Gardner: This was absolutely a paper-based exercise. It was a matter of reviewing the global literature. Within the Defence structure at the time we had a globally ranked toxicology adviser, me, as an occupational and environmental medicine specialist, and industrial hygiene people. We looked at it from the science, the epidemiology and the biostats, and we were able to advise Defence—and I have a presentation going back 12 to 13 years ago that says this—to watch this space: nothing at this stage, but watch this space.

Air Chief Marshal Binskin: Just before you continue, I am going to close this out for Senator Gallacher. The boots are Australian made, and, in support of regional Australia, they are from Goulburn. I think that closes that out.

Senator GALLACHER: You may get a question on notice!

Senator CONROY: Minister Payne, I refer you to comments made by the then opposition Defence spokesperson, David Johnson, when announcing the coalition's election commitment on 8 May 2013:

The Coalition today is committed to building 12 new submarines here in Adelaide.

Minister, do you stand by the coalition's election commitment to build 12 submarines in Adelaide, and will you deliver on that promise?

Senator Payne: These are matters for the white paper, which has been made quite clear. I have indicated to you the process at which the white paper currently finds itself.

Senator CONROY: No. The election commitment of the coalition, of which you were a part at the last election, is a matter for you. It is a simple question: are you going to keep your promise, or not?

Senator Payne: I said that this a matter for the white paper—and not just the white paper, but the costed acquisition program, the 10-year integrated investment program and a defence industry policy statement. Those matters are under consideration by government, as I indicated several times earlier today. That is my response.

Senator CONROY: We have taken the captain's pick out of the equation. We have taken the bias to one bidder out of the equation. I am now asking a question about whether you are going to keep your promise about 12 submarines. Do you consider 12 submarines to be excess to requirements to meet our strategic needs?

Senator Payne: I think I have responded to your questions, Senator. I have indicated that those matters are subject to consideration as part of the white paper process, the integrated investment program and the Defence industry policy statement, and that is the situation in which the government works.

Senator CONROY: Do you accept that the coalition promised to build 12 submarines in Adelaide?

Senator Payne: I accept that the statement was made, yes, of course I do.

Senator CONROY: Do you accept it was a promise before the last election?

Senator Payne: Yes, Senator.

Senator CONROY: Could you outline how a potential reduction in submarines would better serve Australia's strategic interests?

Senator Payne: No, I am not going to do that, Senator.

Senator CONROY: I will refer you to extensive reporting throughout the media that suggests that the government's increasingly delayed Defence white paper will attempt to reduce the number of future submarines from 12 to eight. Both the 2009 and 2013 Defence white papers identified 12 future submarines as being the requirement to meet our strategic needs. Could a reduction in the number of future submarines reduce Australia's ability to meet our strategic objectives?

Senator Payne: To be frank, Senator, I think it depends on what day you read the media, quite frankly. There was in fact one day in the first or second week after I was appointed where two experts, on whose advice I am sure you would draw from time to time, wrote diametrically opposed pieces in different newspapers about timing and all sorts of things, including the white paper and including acquisitions. It just depends on what day to read it. I do not accept the premise of your question. As I said to you, these issues are going to be considered as part of the white paper process, as part of the integrated investment program and as part of the Defence industry policy statement.

Senator CONROY: The question revolved around previous Defence white papers. It was nothing to do with articles in newspapers, so they were irrelevant to my question.

Senator Payne: I misheard you then.

Senator CONROY: They were a straw man that you raised, not me. I am asking about the Defence white papers in 2009 and 2013 that identified 12 future submarines as being the requirement to meet our strategic needs. I am asking whether or not you are going to keep to the advice from those two white papers.

Senator Payne: I am saying to you that I am not going to canvass that with you in this discussion because, as I have made quite clear, these matters are subject to the consideration of the white paper, the consideration of the integrated investment program and the Defence industry policy statement.

Senator CONROY: Could you outline to us this specific changed strategic circumstances since 2013 that might necessitate a reduction in the quantum of futures submarines required to secure Australia's national interest?

Senator Payne: No, Senator, I will not, because you are presupposing a situation which may not even exist, so why would I go down that road with you?

Senator CONROY: Could you or an officer explain to the committee the meaning of the term 'rule of thirds' as it pertains to military and Defence assets?

Air Chief Marshal Binskin: It is not a rule of thirds. In general terms you will have a force that will be working up, you will have a force that is on operations and you have a force that is going through remediation. It can be four too if you want. In general terms that is the way you look at a force. Specific parts of the force may be different but in general terms that is how you look at it from an overall capability.

Senator CONROY: Has the Collins class submarine fleet operated more or less on the principle of the rule of thirds?

Vice Adm. Barrett: I would say that it is in the history of how we have operated it. We have had difficulty in being able to demonstrate that that rule of third has been in place. We were attempting to. In terms of where we sit with Collins at the moment we have a very strong view, which has been publicly declared, about where we sit with the number of submarines we have. We have six. It provides the fleet commander with four so that we can

provide a certain number that are deployable when needed to meet the government's requirements. We enact that role at the moment.

Senator CONROY: If the rule of thirds principle holds true, is it not possible that a reduction in future submarines from 12 to eight could result in a reduction in the number of submarines available for active duty at any one time from four to just two?

Vice Adm. Barrett: There are two parts. I would not base the entire strategic concept in need of our submarines around that rule of thumb. It is a consideration in our manning, in our sustainability and in how we would choose to operate, but I would not use it as the basis. The other aspect, and I think I did allude to this at the previous estimates, the effect that we seek to achieve with our submarine force is part of a broader defence effect in terms of antisubmarine warfare and all the other roles that submarines perform. There are not just changes in the situation and the environment in which we operate, but there are also changes in the way that the balance falls, which Defence seeks to bring forward in the white paper, that will look at us delivering that effect in different ways. For instance, a review of where the P8 operates, which is the aircraft we are operating, and where we will, into the future consider, unmanned submersibles et cetera. There are a whole range of other technical innovations that we look at that would not drive me to say that the only solution is around submarines. The point I am trying to make here is that there are a number of elements that are considered and have been considered in the white paper deliberation.

Air Chief Marshal Binskin: Also, Senator, with the thirds, it is a very general model in sustaining your force in a cost-effective way. It does not stop you surging all that force when you need to do it. You just need to understand the consequences of it and the effect on the long-term capability.

Senator CONROY: I got the impression from your last statement, Admiral Barrett, that you were making the argument that other assets could play the role as an alternative to a submarine. Did I misread or misunderstand you.?

Vice Adm. Barrett: No. I am saying that we do not operate submarines for the sake of operating submarines. They provide an effect, and it would be imprudent for us to only consider one way of providing that effect. We have talked of number of times today about innovation and agility, and there are ways in which the Defence Force seek to provide certain effects, let us say, underwater domain awareness, understanding where everyone else's submarines are for instance. You do not only use submarines to do that. I am not driving towards what number is in the white paper, I am just saying that, within the deliberation of when you consider why we use submarines, we also look at all those other aspects. Simply relying on a rule of thumb or an analytical answer that says rule of three is not the sole determinant.

Senator CONROY: In an opinion article published in *The Weekend Australian* on 28 February of this year then Defence Minister Andrews asserted:

By 2030 about half of the world's submarines will be in Australia's broader strategic region.

Has Defence revise this estimation of regional submarine density?

Vice Adm. Barrett: I think you will find that was a comment repeated by the then Minister for Defence, but I have seen that comment made elsewhere as an assessment. It is not Defence's assessment, per se. I think it has been publicly stated in a number of strategic papers.

Senator CONROY: Is it a factor that the density of submarines was taken into account when we devised the number of submarines that we might need?

Vice Adm. Barrett: It is, very much, Senator. As I say, the mere fact that we now talk about that number of submarines in itself challenges a strict adherence to the rule of three, if your aim was to determine where every submarine was in our region, and 12 may not be enough for that situation. The point is we need to look at all means by which we engage in what we would call 'theatre ASW' and other uses for why we have submarines. That all becomes part of the calculus in when you consider what you expect to achieve with your submarine force.

Senator CONROY: Reports have suggested that the future submarine project may pursue an acquisition structure that commits to the purchase of eight future submarines, with the option of acquiring up to another four at a later date. Would Defence advise that such an acquisition strategy provides the assurance that both Defence and industry require for long-term planning and investment?

Air Chief Marshal Binskin: Senator, it is hypothetical. I think we answered this a lot with Senator Xenophon's questions before about the security aspects of the region being more complex than in 2009 and 2013, and that will all be factored in the advice that has gone to government as part of the development of the white

paper. That has then formed the force structure that we are recommending to government. Government will consider that, and then the announcements will come out as part of the integrated investment plan.

Senator CONROY: I refer to testimony provided by Mr Sean Costello, the CEO of DCNS, to a Senate hearing into shipbuilding in Australia. When asked about a minimum number of submarines required to sustain a continuous build program, Mr Costello responded:

... you could say that with numbers fewer than 12 it becomes very challenging to put in place the continuous production mode. To have the industry go into a mode of continuous production, you are talking about numbers of that order—most definitely.

And then Dr White, the CEO of TKMS Australia, also testified. He said:

We find some difficulty in arriving at a continuous build from, for example, eight submarines, even if we include planned refit and potential upgrades in the time frame.

Given that industry experts have made it clear that a commitment to eight submarine does not provide the necessary industry assurance, has the government ruled out a continuous local build for Australia's future submarines, Minister?

Senator Payne: Senator, I think I have made my position and the government's position quite clear. There is no ruling in or out. The government is in the process of considering a white paper, an integrated investment strategy and a defence industry policy statement. That consideration is underway and will be resolved in due course.

Senator CONROY: Just for clarity, I think the quote I was referring to before is on the defence website, where it says, 'By 2030, 50 per cent of the world's submarines will be in Australia's broader strategic region'—

Air Chief Marshal Binskin: It probably is. It was a Defence minister's speech.

Senator CONROY: I am not sure that it was from his speech. It possibly is. It is on sea1000.gov.au/submarine-essentials/faqs. So I do not think that is a speech.

Vice Adm. Barrett: But I think—

Senator CONROY: It may have been taken from that.

Air Chief Marshal Binskin: Where Chief of Navy is coming from—

Vice Adm. Barrett: The attribution of that originally is not necessarily from Defence, to my knowledge. I have used it in speeches, but I am not saying that I did the research that stated where that came from.

Senator CONROY: No. I am just saying it is on Defence's website. It is on Mr Richardson's website. I consider that a reasonable authority.

Mr Richardson: My technical capabilities do not go to having a website.

CHAIR: You know how to spell—

Mr Richardson: Vaguely.

Senator CONROY: So, on the issue of the option of an extra four submarines to be exercised at a later date, I just want to better understand the role of such options in previous defence acquisitions. Was there an option for additional submarines to be acquired under the initial Collins class acquisition program?

Air Chief Marshal Binskin: That was before me.

Mr Richardson: We will take it on notice.

Senator CONROY: I am sure there is somebody with grey enough hair in the room to help us.

Air Chief Marshal Binskin: Or no hair.

Vice Adm. Barrett: I do not have that answer.

Mr Richardson: We will take it on notice.

Senator CONROY: My understanding is yes. With regard to the Oberon class submarine and was it exercised—

Senator Payne: Now you are really stretching.

Senator CONROY: the answer, I believe, is no.

Air Chief Marshal Binskin: Again, I think you are heading down the hypothetical path—

Senator CONROY: I am just talking about past experience. The past is not hypothetical.

Air Chief Marshal Binskin: No, but you are relating that to the future, which is.

Senator CONROY: I will get to that. You have anticipated possibly my next few questions. So Collins had an option to be exercised that wasn't. With the Oberon class submarines, the government-of-the-day's initial commitment was to acquire eight submarines. How many did we actually acquire?

Vice Adm. Barrett: Oberons: we operated six.

Senator CONROY: But, initially, we were going to have eight, and we took six.

Vice Adm. Barrett: I would like to clarify all of those points as to what the original government decision was around the numbers of the operating. I do not have that off the top of my head, and we would need to confirm that.

Senator CONROY: I am happy for you to come back to us. I even understand that originally when we bought the very first one way, way, way back we talked about buying two at the time. So there is a consistent pattern of saying, 'I'm going to buy X number of submarines,' but never actually getting round to doing it. That is the only point I am making.

Vice Adm. Barrett: Okay. I can't confirm that that was the case for the Oberon.

Senator CONROY: Are there any other Australian defence acquisition programs that have included options for additional units which were never exercised or had their initial acquisition numbers revised down?

Air Chief Marshal Binskin: I can give you ones where they were exercised. Wedgetail was one: we did four, with an option for two. With the C17 we did four, and we did not even have any options but we ended up with another four because we saw the capability. We will take that on notice for where we have had options and exercised them or not.

Senator CONROY: I just briefly want to talk about Collins. I think Admiral Sammut was talking about this a little earlier, and I think also Admiral Barrett. In 2012, the then Labor government conducted a service life evaluation of the Collins class, alongside the Coles review into submarine sustainment. These processes resulted in a range of recommendations designed to ensure that the Collins class fleet reached their theoretical platform life and, if required, could have their service life extended. When are the Collins class submarines currently scheduled to reach the end of their life-of-type?

Rear Adm. Sammut: The Collins class are scheduled to commence planned withdrawal progressively from 2026. That is their current planned withdrawal.

Senator CONROY: So is planned withdrawal the same as end of life-of-type? Is there a difference? One is 'That's what we've decided but this is what the actual spec says'?

Rear Adm. Sammut: Life-of-type, you might say, could be 'How long could they actually run for?' So I think a correct date to say is that they are currently scheduled to be withdrawn from service by 2026—

Mr Richardson: They start to be withdrawn.

Rear Adm. Sammut: I beg your pardon. They start to withdraw progressively from 2026.

Mr Richardson: They could be extended.

Senator CONROY: Yes. I just want to clarify this. So, they are not sinking on 1 January 2027?

Mr Richardson: No.

Rear Adm. Sammut: No, indeed. As you are probably about to point out, Senator, the outcomes of the service life study that was done did not identify any singular issue that would prevent them from being extended over one operating cycle and that the aggregate risk involved in managing all of the issues to extend the boats is manageable.

Senator CONROY: It's no fun if you keep guessing all my questions.

Senator Payne: They are very smart people down here, Senator.

Senator CONROY: I know that!

Senator Payne: Myself excluded of course.

Senator CONROY: Is the Future Submarine Program on track to replace the Collins class vessels as they reach the end of their life-of-type?

Mr Richardson: I think the straight answer to that is that, for us to have an operating submarine in the water to replace the Collins by 2026, we would have needed to have taken decisions in respect of the future submarine some years ago. So some life extension of some of the Collins—it might only be one; it may be two; don't know—is highly likely. We cannot be dogmatic about that at the moment, but it is certainly highly likely.

Senator CONROY: I am moving on from subs now.

Air Chief Marshal Binskin: Promise?

Senator CONROY: Senator Xenophon will come back, so I can't guarantee everybody. I refer you to the announcement by former Prime Minister, Mr Abbott, and Defence Minister, Mr Andrews, on 4 August regarding their plan for Australia's naval shipbuilding industry. Could you provide us with a breakdown of the \$89 billion figure, including the specific classes or types of vessels whose build make up the figure.

Mr Richardson: Peter Baxter will take it.

Mr Baxter: The announcement that the government has made will cover \$89 billion in acquisition costs for the new submarines, the new frigates and the offshore patrol vessels. The offshore patrol vessels and the frigates will be a bit over \$30 billion of those acquisition costs.

Senator CONROY: So \$30 billion is offshore?

Mr Baxter: For offshore patrol vessels and frigates.

Senator CONROY: Do we have a breakdown between the two.

Mr Baxter: I would have to take that on notice.

Senator CONROY: There is not one or you cannot tell us?

Mr Baxter: We have made provision for it, but obviously there will be a process that the government will go through to select a design and builder, and that will determine the cost as part of that process.

Senator CONROY: You will be tendering them separately, surely?

Mr Baxter: The government is going to consider the process to acquire those two classes of ships in the coming months.

Senator CONROY: You must have a number allocated against each of them individually. Is it a national secret?

Mr Baxter: No, it is something that the government has to consider and make a decision on.

Senator CONROY: Of the \$89 billion, there is \$30 billion towards those—

Mr Baxter: I said around \$30 billion—it is over \$30 billion.

Senator CONROY: That leaves \$69 billion?

Mr Baxter: Yes, you would have seen rough order of magnitude costs for the acquisition of the submarine program that takes up the remainder.

Senator CONROY: Fifty billion dollars for the acquisition of submarines?

Mr Baxter: The acquisition and some of the sustainment costs as well.

Senator CONROY: You said 'acquisition' before, so that is what I am trying to drill-down to.

Mr Baxter: It is an out-turn cost as well.

Senator CONROY: Fifty billion dollars for acquisition of submarines sounds a little high.

Mr Richardson: It is an out-turn cost.

Mr Baxter: It is on an out-turn cost basis.

Mr Richardson: It is inflation into the 2040s et cetera.

Mr Baxter: The last of the submarines is likely to be built into the 2040s.

Mr Richardson: For the last of the submarines—if they were built, say, in the early 2040s—it is the out-turn cost of what the submarines would cost in 2040 dollars.

Senator CONROY: I am familiar with out-turn dollars.

Mr Richardson: That is why, when you said the \$89 billion sounds a bit high—

Senator CONROY: No, I was saying the \$50 billion for the acquisition of submarines—

Mr Richardson: It sounds high except if you start to think of it in out-turn dollars and what that means.

Senator CONROY: The Prime Minister and the minister—and I think, unfortunately, most of you were dragged along—said in their combined press release:

This critical investment will generate significant economic growth and sustain several thousand Australian jobs over decades.

To claim that the full \$89 billion was for Adelaide, by definition, must mean that all of the money would be spent in Australia. As in, there is no overseas build option if the full \$89 billion is being cited, which is what the media—

Mr Baxter: I am not aware of the minister or the Prime Minister—

Senator CONROY: You did not see front page of the *Adelaide Advertiser*?

Mr Baxter: claiming that all of that funding would be spent in Australia. There were certainly comments made about where the frigate build would be centred, and that the offshore patrol vessels would also be constructed in Australia.

Senator CONROY: But the headline number of \$89 billion was attributed to be for Adelaide—let's not worry that, logically, some of it would have to be spread around in other parts of Australia. What I am trying to get to is that there is no way that \$89 billion was being committed to Adelaide and the rest of Australia unless the submarines were being fully built in Australia. You cannot build a couple of those submarines overseas and say \$89 billion was being spent in Australia.

Mr Baxter: As I said, on the shipbuilding side the government was clear at the time, in August, and said that the future frigate build would be centred on Adelaide and that the site for the construction of the offshore patrol vessels would be determined, but it would be in Australia. We have a competitive evaluation process, as you know, to determine the way in which we acquire the submarines.

Senator CONROY: I appreciate you are being very factual, but what I am seeking is to establish that the government made a very large announcement in Adelaide and said \$89 billion for Adelaide/Australia, but—on the evidence here, given that the money is all acquisition—the only way \$89 billion can be attributed to Adelaide/Australia is if every single submarine is built in Adelaide/Australia. You cannot have a build in Japan, Germany or France and claim an \$89 billion spend in Australia, given it is just acquisition, not sustainment.

Senator Payne: I think Mr Baxter has been through those details, Senator.

Mr Baxter: What the government announced was the value of the investment in the future shipbuilding program—

Senator CONROY: Did I misunderstand—the government did not announce \$89 billion—

Senator Payne: They did.

Mr Baxter: Yes, they did.

Senator CONROY: was for the benefit of Adelaide/Australia? That is not what was announced?

Mr Baxter: No, they announced an investment of \$89 billion in the new frigates, the build of which would be centred in Adelaide; the new patrol vessels, which will be built in Australia at a site yet to be determined; and the acquisition of the new submarines through the competitive evaluation process.

Senator CONROY: So the submarine number, the last one being built in 2040, as you said—was that 12 or eight to get you to \$50 billion—

Mr Baxter: That is subject to the competitive evaluation process, as in the white paper.

Senator CONROY: No, it is the subject of a cabinet decision and an announcement, Minister. I am simply seeking to understand, to get to \$89 billion, how many subs make up the \$50 billion of cost with the last one, quoted from the table a moment ago, coming through in the 2040s? If we start in three years time—people talk about a three-year process—and we are building eight from 2018 to 2040, it sounds like an awfully long time to build each one. So I am trying to understand how many submarines were included in the estimate of \$89 billion—eight or 12?

Mr Baxter: We have answered the question before about the number of submarines; that will be determined as part of the white paper process.

Senator CONROY: I appreciate the white paper; I am talking about a cabinet meeting, a cabinet decision and an announcement—where all of the officers at the table stood there—of \$89 billion. I am asking how many submarines were included in the \$89 billion for the purposes of that. It is a maths question; it is not, 'What is the white paper going to do?' The length of time that has just been indicated is that the last sub arrives in the 2040s, so if we start in three years time and we are only building eight, that sounds like it has taken an awfully long time to build each of them. If we are building 12 then that possibly fits into a more manageable timetable. But we cannot have it every way—we cannot have eight costing \$50 billion and taking to 2040. The maths does not add up. You have to help me out here. What was it that cabinet announced? Minister, you have the brief now. What did cabinet announce with \$89 billion?

Senator Payne: Mr Baxter has been through that with you in some detail, and the information that you have asked him for he has provided.

Senator CONROY: Well, I will ask you. The \$89 billion number—how many submarines will be built to get to the roughly \$50 billion figure—

Senator Payne: I have nothing more to add to what Mr Baxter said.

Senator CONROY: He has not actually answered my question. He has just said that that is a matter for the white paper. But I am saying the government made an announcement. I am asking you to flesh out the announcement. What did it include? Did it include eight submarines or 12 submarines?

Senator Payne: We have had this conversation, Senator.

Senator CONROY: No, this is about what the government has already announced. It has announced a dollar figure, so unless you are planning on costing a sub at about \$6 billion each and taking four years to build each, the \$50 billion number, to get to \$89 billion, does not add up. I am asking for some clarification of what the government has already announced, not what you are planning on announcing.

Senator Payne: And Mr Baxter has assisted in that regard.

Mr Baxter: I have nothing more I can add to my answer.

Senator CONROY: Minister, you do not want to clarify an announcement that was taken at a cabinet meeting—a big press conference; lots of officers at the table attended. You are not prepared to clarify what it was that was actually announced?

Senator Payne: I have indicated what my answer is. I have nothing more to add.

Senator CONROY: I assume that by now you are familiar—though it is possible you are not—with the Defence Teaming Centre, the peak defence industry body in South Australia, and the analysis they conducted of your government's \$89 billion ship building plan. Are you familiar with that?

Senator Payne: I am familiar with the Defence Teaming Centre, what it is and what it does.

Senator CONROY: According to the Defence Teaming Centre, of the roughly \$40 billion that the government has suggested will be spent on surface ships, about \$14 billion will be spent on construction and \$26 billion on maintenance. Does that sounds about right?

Air Chief Marshal Binskin: There was a chart that appeared in a newspaper with the breakdown—is that the one you are referring to?

Senator CONROY: I believe so, yes.

Senator Payne: I do not have that.

Air Chief Marshal Binskin: I just wanted to baseline what you were referring to.

Senator CONROY: I am very conscious that the then Prime Minister told the Parliament—so this was not just a press conference where he can say anything he wants:

I want to make it absolutely crystal clear that, when this government said that we would spend some \$89 billion on fleet building, we were talking about acquisition, not sustainment.

Senator Payne: I think the officers have made that clear.

Senator CONROY: We were talking about acquisition. Almost \$40 billion will be spent on a fleet build centred in Adelaide on acquisition. It is not on acquisition and sustainment; it is on acquisition.

That is what I am trying to now clarify.

Senator Payne: And that is what Mr Baxter said to you.

Senator CONROY: Roughly \$40 billion on surface ships—and there could be a couple of supply ships that you have not mentioned. You have mentioned offshore and you have mentioned frigates, but I think there was a reference to a couple of other surface vessels as well, from my recollection. I am sure Admiral Barrett could clarify that—he was there, you probably were not.

Mr Baxter: I was.

Senator CONROY: Oh, you were?

Mr Baxter: The figure that I gave you—the \$89 billion—covers the three builds that I mentioned: frigates, submarines and offshore patrol vessels. The supply vessels are separate to that.

Air Chief Marshal Binskin: And the Pacific patrol boats are separate as well.

Senator CONROY: So it is \$40 billion on pure acquisition, including the frigates and the offshore separate to the Pacific. I presume we are back to the out-turn calculation that allows you to get to that number. Do you absolutely reject the Defence Teaming Centre analysis?

Mr Baxter: I have not seen it and I have not studied it. I would have to see it to be able to form an opinion one way or the other.

Senator CONROY: How much do you estimate will actually be spent in South Australia on construction, as opposed to around the rest of Australia? They have done a breakdown of the spending—

Mr Baxter: As I said, we have not gone through the process to select the design and builder of the submarine yet, so those issues of what the refined costs would be, and the breakdown of those costs across different parts of Australia, are questions I cannot answer.

Senator CONROY: How on earth could the Cabinet have a meeting, make a decision and hold an announcement without the basic details you are advising are not available?

Mr Baxter: Based on estimates of the cost for building the types of vessels that the government wanted to acquire.

Senator Payne: The government made it, as I understand it, quite clear that the proposal is for the future frigates to be built centred in Adelaide, and the OPVs—the offshore patrol vessels—are subject to a competitive process to be determined. Those were essential parts of the answer, which I think perhaps you are not having regard to.

Senator CONROY: I am very much regarding them. I am just watching the smoke and mirrors move around between the dollars, the definition of the dollars, the length of time it is going to be taking and the pretence that \$89 billion was going to be spent on acquisition in Australia. I do not understand how you can add the submarines into the \$89 billion when there is no suggestion, because of a process, that you have made a decision to build the submarines in Australia. I do not understand how you can announce \$89 billion when \$50 billion of it is actually deliberately not specified for a build in Australia. So I just do not understand how you come up with an \$89 billion figure to build in Australia.

Senator Payne: I do not have anything to add.

Senator CONROY: You have nothing to add? You just announced the number and you cannot back it up or justify it in the slightest, Minister?

Senator Payne: We have been through the details with Mr Baxter. But it does not matter if you keep asking the same question; you will get the same answer. I have nothing to add.

Senator CONROY: I am asking you, Minister.

Senator Payne: And I said I have nothing to add.

Senator CONROY: No. You keep saying that you defer to Mr Baxter.

Senator Payne: I said I have nothing to add.

Senator CONROY: The government announced \$89 billion. We have now agreed that it is all acquisition. Yet \$50 billion of said acquisition is, at this point in time, not locked in to a build in Australia because it is the subject of a competitive process?

Senator Payne: It is not the only competitive process, either.

Senator CONROY: It is true: there is no commitment to build the submarines in Australia today, is there?

Mr Baxter: The government has a process, as you know, and we have explained the three options that the three participants in the competitive evaluation process are requested to provide to government as part of that process. Government will make a decision.

Senator CONROY: But my point is: unless the government pre-empted the decision of \$50 billion worth of acquisition by deciding at that cabinet meeting, 'We can include \$50 billion of submarine acquisition in the \$89 billion number,' it could only do that if it pre-empted the process. And you are guaranteeing me that it has not pre-empted the process. Every single person at this table has guaranteed me that there is no decision. So how did \$50 billion that was promised to the people of Adelaide get included when, very specifically, Minister, the cabinet has not made a decision to build submarines in Australia? How does that \$50 billion get to be included in an \$89 billion figure?

Mr Richardson: I may be wrong but I believe that the centrepiece of the announcement in Adelaide by the Prime Minister was that there would be a continuous build program for the future frigates, which would be in Adelaide, and that that continuous build program would be brought forward, and that steel would be cut in 2020. Secondly, the offshore patrol vessels would be brought forward, with steel cut, I think, in 2018, and they would be built somewhere in Australia. There was not a commitment there in terms of Adelaide.

Senator CONROY: The problem with your answer—

CHAIR: Last question, if you can, Senator Conroy.

Senator CONROY: We might have to have a quick meeting, Chris. The problem with your answer is that on the floor of parliament on 20 August—let me quote for you exactly what the Prime Minister of Australia told the people of Australia:

I want to make it absolutely crystal clear that, when this government said that we would spend some \$89 billion on fleet building, we were talking about acquisition, not sustainment.

We have agreed on that. He repeated:

We were talking about acquisition. Almost \$40 billion will be spent on a fleet build centred in Adelaide on acquisition. It is not on acquisition and sustainment; it is on acquisition.

Of the \$89 billion of fleet build, \$50 billion—roughly, without holding on to our 40/50—is not committed to a build in Australia at all because you have a separate process that will determine that. So to keep claiming that they are going to spend \$89 billion—

Mr Richardson: I may be wrong but I thought that the quote you read out from Prime Minister Abbott—

Senator CONROY: He said 'fleet build centred in Adelaide'. I did not bother reading the second—

Mr Richardson: Didn't he say \$40 billion?

Senator Payne: In relation to the frigates.

Mr Richardson: \$40 billion—which is the surface vessels.

Senator Payne: Exactly right.

Senator CONROY: How does he keep pretending that there is an \$89 billion build benefiting Adelaide?

Mr Richardson: I may have misheard but I thought that the quote you read out referred to total acquisition costs. It did not give location. The future frigates, however, are in fact in Adelaide.

Senator CONROY: We accept that.

Senator Payne: Commencing in 2020, with offshore patrol vessels commencing in 2018.

Senator CONROY: Yes, a directed build—there is no argument. The question is how you can continue to portray to the people of Adelaide an \$89 billion number. That has nothing to do with Adelaide at this point. We all hope it will be.

Senator Payne: It seems to me that your real problem is that the difference between the position you come from and the position we come from is that we have actually made decisions that relate to the naval industry and naval development acquisition and relate to build, which you did not do. I think that is your real problem, Senator.

Senator CONROY: If you want to start a political argument about who said what and who did what, I am happy to have that argument, but I am just trying to ascertain facts at the estimates hearings.

Senator Payne: That is a fact.

Senator CONROY: I am happy to debate you and we are probably going to debate you.

Senator Payne: You did not make any decisions.

Senator CONROY: That is not true at all.

Senator Payne: So what did you decide to build?

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.

Senator WHISH-WILSON: Unfortunately, I think I only have one minute left and I might have to put my questions on notice. I know Senator Conroy has asked lots of questions around submarines. I am interested in Defence's view on the emergence of submersible drones, and the interaction with submarine capability, but if we do not have time to answer them—

Air Chief Marshal Binskin: I do not know boats. Potentially autonomous remotely operated vehicles, ROVs, will be a part of the future capabilities, not only in submarines, but across the maritime environment. Senator Ludlam would normally raise this question because they are not drones, but also across the air environment as well. They are a part of the future.

CHAIR: Before going back to Senator Conroy, I advise you that we are not yet going to Defence Housing. It will now happen after dinner, as will Veterans' Affairs. I am not yet sure when we will finish this section.

Senator CONROY: I am aware that more detail will be provided in the Defence white paper, but can Defence provide some indication of how many future frigates are expected to be required to meet our future strategic capability requirements?

Mr Richardson: That is in the white paper.

Senator CONROY: How many Australian Anzac class frigates are currently in service?

Vice Adm. Barrett: We have eight. We have a number going through a major modification at the moment, called ASMD, the antiship missile defence modification. We operate eight, but at the moment there are, on average, two that are going through that modification at any one time.

Senator CONROY: How many Australian Defence Force patrol vessels are currently in service?

Vice Adm. Barrett: If you are referring to the Armidale class patrol boats, we started, initially, with a fleet of 14. As I mentioned this morning—

Senator CONROY: We lost one.

Vice Adm. Barrett: we now have 13. We lost one, while it was in the hands of a contractor, due to fire. We have on loan two Cape class from the Australian Border Force, but the Defence department owns 13 Armidale class patrol boats.

Senator CONROY: Just out of sanity for myself, are we still using that particular contractor and what damages are they paying us?

Vice Adm. Barrett: I will speak from what I do know, but it was actually a subcontractor to the contractor we use for maintenance. It was a contractor in Brisbane, but the main contractor, which is Serco, is still currently providing contracted services to us.

Senator CONROY: Are we still going to be using the Cairns contractor?

Vice Adm. Barrett: Sorry, that was a Brisbane contractor.

Senator CONROY: I thought the fire happened in Cairns.

Vice Adm. Barrett: No, it was in Brisbane.

Senator CONROY: My apologies. So, are we still using the Brisbane contractor?

Vice Adm. Barrett: It is not for us to say that because it was a subcontractor to Serco, or to DMS.

Rear Adm. Purcell: The contractor shipyard where the fire incident occurred was Aluminium Boats Australia in Brisbane. They have subsequently gone into receivership and have ceased operations, so we will not be using them.

Senator CONROY: In Defence's view, how many frigates will be required to sustain a continuous build program in Australia? The government have announced a continuous build program for frigates.

Mr Richardson: The actual number of frigates—

Senator CONROY: No, the actual number of frigates we might buy is different—

Mr Richardson: It will be sufficient to sustain a continuous build.

Senator CONROY: I am not asking about how many we are going to build. How many would be needed to sustain a continuous build?

Mr Richardson: I am not sure of that technical information, but the number of future frigates we get will be in the white paper and it will be sufficient to sustain a continuous build.

Air Chief Marshal Binskin: Senator, when you look at this I think you will find it will not just be a continuous build off frigates; it is a continuous build off surface warfare—so, major fleet units.

Vice Adm. Barrett: That is the point. It is a philosophy, not just a project. This is a programmatic view that we are managing for the next 30 to 50 years.

Senator CONROY: So it is not a continuous build of frigates; it is a continuous build of surface vessels—even though the surface vessels could be substantively different?

Air Chief Marshal Binskin: With the skill set, it could be frigates, it could be air warfare destroyer replacements down track—they would all come together to ensure that we have a continuous build capability in the country.

Senator Payne: And including the offshore patrol vessels?

Air Chief Marshal Binskin: No, the offshore patrol vessels are separate.

Senator CONROY: What will be the target length of time for construction for each future frigate unit?

Rear Adm. Purcell: We have been informed as to the optimal build intervals for these vessels by the RAN study. The RAN made some recommendations that for a sustainable Australian shipbuilding industry an optimal keel interval for the future frigate would be between 18 months and two years.

Senator CONROY: It is roughly a two year per frigate build; it may be different for patrol boats.

Rear Adm. Purcell: Yes. For the offshore patrol vessels, being a smaller vessel and requiring fewer man hours to complete, a shorter keel interval would probably be appropriate for those vessels.

Senator CONROY: Did RAN indicate a number?

Rear Adm. Purcell: They said between six and 12 months for the offshore patrol vessels.

Senator CONROY: The United States has generated positive competitive tension within their naval shipbuilding industry by concurrently constructing several vessels of the same type between multiple commercial partners. This strategy has resulted in productivity gains, cost reductions and approved schedule compliance. When asked about the strategy of constructing littoral combat ships across multiple shipyards at a United States Senate hearing, the US Secretary of the Navy, Ray Mabus, testified:

... it keeps competition in the program and it has driven cost down considerably.

Is this a strategy that Defence has considered in regard to the construction of future frigates and offshore patrol vessels?

Mr Richardson: It would not be possible in our case, given numbers.

Senator Payne: There is a significant scale difference.

Mr Richardson: The US is able to do that because of the sheer numbers. In terms of the littoral combat vessels, I forget precisely the number, but Austal down in Mobile, Alabama, got a contract to build 10 or 12, then they gave a similar number to Lockheed Martin and its partner and they get built, I think, up in Wisconsin.

Mr Richardson: But scale does not allow us to think in those terms.

Mr Gillis: The littoral combat ships are two fundamentally different designs that are competing. The US has the scale and the capacity to have two littoral combat designs competing with each other.

Senator CONROY: Does anyone at the table envisage that the Williamstown dockyard in Melbourne will be doing any of the work that we have been discussing?

Mr Baxter: That would be determined through the process through which the government decides on the design and build arrangements for the two classes of ship that the government has announced will be built in Australia.

Senator CONROY: If the Williamstown dockyard were to close in the next 18 months as other than a front office, does anyone envisage that Williamstown would pick up any of the work?

Mr Baxter: It would be a result of the outcome of the process that the government will run, so it is too early to determine that.

Senator CONROY: When does the frigate process start?

Mr Baxter: The government will make decisions in the coming months about the process for selecting a designer and a builder. The frigate program itself, the construction, starts in 2020. That is what the government has announced.

Senator CONROY: 2020? That is longer than 18 months time.

Mr Baxter: With the offshore patrol vessels, as the Secretary said earlier, the government is committed to commencing construction in 2018.

Senator CONROY: 2018—and it is towards the end of 2015 now, so two and a bit years away.

Mr Baxter: Yes.

Senator CONROY: If the Williamstown dockyard were to close, there would be no possible work to be put to the Williamstown dockyard?

Vice Adm. Barrett: Those dates that have been passed are the cut-steel dates. There is a considerable amount of effort that is required in any dockyard to commence that action.

Senator CONROY: I appreciate that; I would hope so. But the issue is whether or not Forgacs and Williamstown will be around to provide anything at all to the continuous build program, given the decision to build in Adelaide. We are putting an awful lot of eggs in one basket if a decision possibly causes other dockyards to close.

Air Chief Marshal Binskin: But the other vessels, the OPVs, that we are talking about, whose date is 2018 to cut metal, are not necessarily tied to Adelaide. Similarly, with the Pacific patrol boats that are out there, it is a commercial decision as to whether the various companies will compete for those. I will not talk about the contractors; that would be a commercial issue. But it is up to the contractors to bid with their particular yards as a part of their commercial decision.

Senator CONROY: I appreciate that. The point I am seeking to establish is that on the time frames, from all the industry intelligence, we are told that Williamstown will probably be gone by that point—

Air Chief Marshal Binskin: Again, that is a commercial decision—

Senator CONROY: I accept that; this is just reporting to you—

Air Chief Marshal Binskin: I see the same reports.

Senator CONROY: Forgacs is in danger of being in the same situation. It might have a little more other commercial work that keeps it going.

Air Chief Marshal Binskin: But we could not bring the OPVs further forward.

Senator CONROY: I am not suggesting that could be the case. I am just seeking to establish that a government decision for, say, frigates in Adelaide leaves not a lot available for other shipyards to try and stay alive in the hope that they might win a contract.

Senator Payne: What this will do though, and I think it is legitimate and important to acknowledge this, is after the boom-bust approach that has been the case for so many years it will put the industry on a much stronger path with a long-term future, with a continuous build approach most particularly and with the capacity for other acquisitions, which we have already been discussing today. That is where we will see sustainability in the workforce, that is we will see sustainability in the workplace.

Mr Baxter: The decision to move to a continuous build and bring forward the planned commencement date for the offshore patrol vessels and the future frigates will save around 800 to 1,000 jobs that would otherwise have been lost if we had held to the original schedule for the build of those vessels.

Senator CONROY: I have no difficulty bringing forward that decision, I think it was a good decision. I am now struggling to understand how you have a continuous build if Adelaide is not where the patrol vessels—we were having this discussion before about a continuous build—

Mr Baxter: The continuous build program—

Senator CONROY: The continuous build program is in Adelaide, right?

Mr Baxter: Yes, it will be based around the Future Frigates program.

Senator CONROY: But the argument around frigates a few moments ago was that the continuous build is not just about frigates—in other words, the frigates cannot sustain the continuous build by itself, but the patrol boats will be there as well that creates the continuous build.

Air Chief Marshal Binskin: No, no, no—

Senator CONROY: Did I misunderstand?

Air Chief Marshal Binskin: You did. It will be the major fleet units in the sense of the frigates and the air warfare destroyer replacements down track.

Senator CONROY: Are they included in the \$89 billion? They were not included in the \$89 billion continuous build program.

Air Chief Marshal Binskin: They are not; CDF is saying that there are two elements to the continuous build—major surface vessels and minor ones. The major surface vessels will be the frigate program—you do a continuous build of frigates, when you get to the end of the number of frigates you have decided to build it will be time to look at replacing the air warfare destroyers, and on the offshore patrol vessels side, when you finish building the offshore patrol vessels there will be other vessels—hydrographic vehicles, minehunters, other things—that will come in behind the OPVs, and you just keep going through the cycle of the major surface combatants and minor surface combatants.

Senator CONROY: Sorry, CDF, I just want to clarify that point. I want to move onto LAND 400. During budget estimates in June we had a lengthy discussion with officials about LAND 400, including functional requirements and time frames for procurement. With respect to time frames for phase 2 of the project, General McLachlan stated on 1 June:

We have recently extended the tender period, due to some representations from industry, by an additional six weeks. That tender response from industry is due to close in August.

On 2 June General McLachlan said:

At this time, we do not propose to extend the Commonwealth's consideration of those responses. We are seeking to make a decision early in January next year.

On 31 July 2015, then defence minister Andrews was quoted in *The Australian* newspaper as confirming that phase 2 of the Land 400 tender process had again been extended, this time to allow a Singaporean government-owned company, teaming with an Israeli firm, to tender for the project. Could you explain what changed between budget estimates in June and Mr Andrews's announcement in July that justified a further delay to the project?

Major Gen. McLachlan: Once again we received the request from a particular company. I will not confirm or deny which one because of the commercial-in-confidence aspects of it. We provided advice on this particular situation and the decision that came back was that in order to give this particular industry company the best chance to get up to the starting line, and to maximise Australian industry content within their particular bid, we would allow a further extension of four weeks which saw us extend the RFT closure date until 3 September.

Senator CONROY: Has that delay had any effect on how many vehicles we have procured. Is it still 225 vehicles under phase 2?

Major Gen. McLachlan: Yes. It has had absolutely no effect on anything that was incorporated in the request for tender.

Senator CONROY: Is the delay to cater for different functional requirements? I am not quite sure if that fits what you said.

Major Gen. McLachlan: No. The decision was based on making sure of every possible opportunity to get the best competition going forward. That particular organisation needed extra time to pull together the Australian industry content within their bid.

Senator CONROY: Has the delay had any effect on the procurement process that will be utilised? Is it still the same date in January?

Major Gen. McLachlan: Certainly we are not extending our evaluation period, but now we are expecting to notify government of the prospective down select at the end of February next year.

Senator CONROY: Was there any change to the final operational capability requirements?

Major Gen. McLachlan: No. I believe we provided the absolute specifics about what changed after our discussion with industry in the various industry briefs that we had. That has been provided in detail in the question on notice.

Senator CONROY: There was a change to operational capability requirements?

Major Gen. McLachlan: Yes. After canvassing widely amongst industry, we got universal feedback about some ballistic protection requirements. We listened to what they had to say and had a discussion with Army about the capability effect and consequently made some very minor changes.

Senator CONROY: The latest four-week extension came, coincidentally, after then Prime Minister Abbott returned from private talks in Singapore with his counterpart. The decision was reportedly a surprise to Defence

and the wider defence industry. Minister, do you promise to keep the new Prime Minister under better control than Mr Abbott in terms of his conversations with other leaders.

CHAIR: It is a hypothetical question.

Senator Payne: We will take that as a comment.

Senator CONROY: I am sure you can manage it. What role did the private talks between the two Prime Ministers play in the decision to reopen the tender process?

Major Gen. McLachlan: I am not aware of any role.

Senator CONROY: What prompted you to make a decision to extend on 31 July? What led to the announcement by former defence minister Andrews to extend in order to allow a Singaporean company—surprisingly—to bid?

Major Gen. McLachlan: To be completely correct, the lead bid for that is Elbit and STK are a partner in that bid.

Senator CONROY: An important point, but it does not rule out the purpose of the question which is what caused former Minister Andrews to make an announcement to extend to allow an Israeli lead with a Singapore company just after the former Prime Minister had visited Singapore? Is that a complete coincidence? Or am I just a mad conspiracy nut?

Major Gen. McLachlan: I would not presume to comment on that.

Senator Payne: It is tempting, though, I have to say.

Senator CONROY: I appreciate that, General McLachlan.

Air Chief Marshal Binskin: We will feel free to!

Senator Payne: The Victorian branch of the ALP—

Senator CONROY: No, CDF, that is not an invitation for you to jump in.

Air Chief Marshal Binskin: I think he meant he would not comment on the first part of the question, not the second part.

Senator Payne: We are actually fighting each other off for the opportunity, Senator Conroy.

Senator CONROY: Yes. I am pleased. In the same 31 July article in which Mr Andrews confirmed the government's extension to the tender, the CEO of the South Australian Defence Teaming Centre, Mr Burns, said:

"The first time they—
the government—

put an extension out they told people that they were doing it and consulted.

"This time, they put it out there without any collaboration or consultation and that makes people suspicious.

"People start getting doubts and looking at the PM's travel program."

Has Mr Burns joined me as a conspiracy nut?

Major Gen. McLachlan: That would just be my opinion.

Senator Payne: You cannot expect the officer to comment.

Senator CONROY: It is correct what he said, though? Mr Burns said that Defence consulted with industry in regard to the previous extension to the LAND 400 tender process—that is, the initial extension that we discussed back in budget estimates in June?

Major Gen. McLachlan: That is correct.

Senator CONROY: There was consultation. What, if any, consultation occurred with industry, and particularly other tenderers, in regard to the latest extension that was announced in July?

Major Gen. McLachlan: It was in response to an industry request that we provided the advice and then made the subsequent decision.

Senator CONROY: And was that part of the industry Israeli and Singaporean?

Major Gen. McLachlan: That was certainly one part of the industry, yes.

Senator CONROY: Oh, dear! But you would not portray the level of consultation that you undertook in the first extension as equal to the level of consultation that you undertook in the second extension?

Major Gen. McLachlan: We certainly made every single person that we were aware was bidding aware of the decision. I personally called the primes.

Senator CONROY: Was the July extension to the phase 2 tender process formally recommended by Defence to the government?

Major Gen. McLachlan: We provided advice to the government on that.

Senator CONROY: Did you formally recommend it?

Major Gen. McLachlan: It was certainly our position that it was a universal request from all of the tenderers involved.

Senator CONROY: Was that written or verbal advice that you provided?

Major Gen. McLachlan: At that particular point in time—I will have to take that on notice.

Senator CONROY: I would be surprised if it was just verbal. In light of the second extension, can you confirm when Defence is now seeking to make a decision. It is still January?

Major Gen. McLachlan: The down-select will now be completed by the end of February and will be presented at that time.

Senator CONROY: That is different to what you said previously. It was in January next year, you said.

Major Gen. McLachlan: No, I said February next year.

Air Chief Marshal Binskin: It will be presented to government in February.

Senator CONROY: I think I am quoting from *Hansard*:

At this time, we do not propose to extend the Commonwealth's consideration of those responses. We are seeking to make a decision early in January next year.

Major Gen. McLachlan: Previously in my testimony today, though, I did say that because of that four-week extension—we have added four weeks to it—it is now at the end of February.

Senator CONROY: Okay. In June at budget estimates I also discussed the relationship between phases 2 and 3 of LAND 400 with officials. At the time, General Caligari confirmed that they had been linked in 2012 but were recently delinked. Would you please inform the committee of when the decision to delink those phases was made.

Major Gen. McLachlan: I cannot remember off the top of my head. I will take that one on notice.

Senator CONROY: What is the benefit to taxpayers from delinking phases 2 and 3? You have come to the table. I am assuming you are going to add to the evidence.

Air Vice Marshal Hupfeld: I will have to take that question on notice on the actual dates. That was the decision made by government previously, but I will have to come back to you with the dates themselves.

Senator CONROY: Could you tell us what the benefit to the taxpayers from delinking the phases is.

Air Vice Marshal Hupfeld: No, I am not able to comment on that now. I would have to take that on notice as well.

Senator CONROY: Is there a risk that, by delinking phases 2 and 3, the Army will end up with a more mixed fleet of armoured vehicles by not having them in the same process?

Air Vice Marshal Hupfeld: That would be a question I would have to have the Chief of Army respond to.

Senator CONROY: He has just got behind you.

Major Gen. McLachlan: I might take that one, Senator.

Senator CONROY: The general is jumping to his feet.

Major Gen. McLachlan: A split in the acquisition phases is not likely to by necessity generate that outcome.

Senator CONROY: In other words, rather than having two variants of a common vehicle the Army could end up with two distinctly different vehicles. I am just wondering whether in terms of a more complex and expensive sustainment task they are distinctly different rather than variants of each other.

Lt Gen. Campbell: I would like to think that the Army would end up with the best capability for Australia, whatever that may be, and allow the process to unfold.

Senator CONROY: Is there a risk that the successful bidder for phase 2 will be regarded as the inevitable winner of phase 3 and as a consequence there will be no real competitive tension in the phase 3 three tender process?

Major Gen. McLachlan: Having responsibility for the oversight of the tender process, that is absolutely not in the acquisition strategy as we currently have it.

Senator CONROY: On 4 August, soon after the announcement of the latest delay to phase 2 of LAND 400, Belinda Willis of the *Adelaide Advertiser* published an article entitled 'SA defence bid hampered by lack of Aussie content rules'. It says:

But Rheinmetall Defence Australia managing director Andrew Fletcher said the Federal Government's decision to open the first tender for only 225 vehicles instead of the expected 700 meant manufacturing in Australia was unlikely to be cost effective.

Rheinmetall is of course one of the companies tendering for phase 2 of LAND 400, and I think we could say that Mr Fletcher is a well-informed commentator on the matter but also has an interest. The general principle is that the smaller number you tender for the harder it is for economies of scale, and all of those usual arguments come to the fore. Does Defence agree with the observation that by delinking phases 2 and 3 and by only seeking a 225-vehicle production run for phase 2 it is going to be very hard for an Australian company to put forward a cost-effective bid?

Major Gen. McLachlan: As we are into the tender evaluations at this particular point in time, I cannot comment about what has come back in those. However, when we were doing the industry briefings we made it very apparent to all of the primes that were bidding just how important Australian industry content would be not only in the sustainment of the vehicle but in maximising Australian industry content in the actual assembly of that vehicle. Because there are such a number of viable platforms that conform the system that Army has specified in that request for tender, one of the biggest differentiators in the bids that is likely to be able to separate them is the level of Australian industry content. We worked pretty hard with the department of industry, and also with the industry division within the then DMO, to set up as many opportunities as we could for small and medium enterprises and other Australian industry partners to sit down and discuss with the primes that were likely to bid. I am very comfortable that that message got through to all of the folk who have submitted the bids into the request for tender.

Senator CONROY: Can you tell me about the capabilities that LAND 400 phase 3 is looking to replace? I know we have discussed it briefly previously, but I would like to dive a bit deeper, as they say. I understand that the M113 is a very old platform that stretches back to before Vietnam. I also understand that the platform has undergone a number of upgrades, including to its armour weapons systems, communications and turrets. Could you please explain what the M113 currently provides to Army?

Lt Gen. Campbell: What we are seeking to acquire in phase 3 is an infantry fighting vehicle. The M113 armoured personnel carrier could be described as perhaps one of the earliest progenitors of that construct, in a design of the 1950s and a manufacture of the early sixties and in service now for quite a long time. The effect is to work with the range of our combat arms to be able to close with an adversary and defeat that adversary in a range of environments where, as safely as it is possible, you can both manoeuvre under an adversary's fire and project your own fire and move your infantry as close to an objective location for their dismount as possible. Your aviation, artillery, armour, infantry, engineers and air and naval support can combine to defeat an adversary.

Senator WHISH-WILSON: Do you agree with Hugh White when he talks this being set up for large-scale adversaries and sophisticated—

Lt Gen. Campbell: Certainly it can do that but not that exclusively. You could apply a wide range of infantry fighting vehicles and the other elements of a combined arms team to a very diverse range of threat environments.

Proceedings suspended from 18:31 to 19:30

Senator LUDLAM: CDF, I suspect you have addressed some of these matters in a bit of detail earlier in the day, so if I am traversing old ground, just point me to where in the transcript I can find it. I have been elsewhere. In your opening statement, you pointed to about 250 members of the ADF still employed in Afghanistan in two or three different parts of the country. Recognising that not a lot of what we are doing is out in the field, are Australian military officials still in receipt of information about the locations of schools, hospitals and other protected civilian assets in Afghanistan?

Air Chief Marshal Binskin: Not directly. Do you mean protected assets from a targeting point of view? In what way do you mean 'protected assets'?

Senator LUDLAM: I want to go—and I think you did take some questions on this earlier—to the attack on the MSF hospital in Kunduz. Going directly to that example, maybe, rather than talking in generalities, would the ADF have been aware of the existence of that hospital as of 3 October 2015?

Air Chief Marshal Binskin: If we were conducting combat operations, we should be aware of that through the normal targeting and approvals process—what is a restricted target and what is not; what is targetable and what is not targetable.

Senator LUDLAM: That makes sense.

Air Chief Marshal Binskin: I am sorry—the correct term is 'the no-strike list'.

Senator LUDLAM: Presumably, from the point of view of the ADF, an MSF trauma hospital would be on the no-target list?

Air Chief Marshal Binskin: It would be on the no-strike list. In fact any hospital would be on that list, as are a number of buildings and locations through the laws of armed conflict. But, if attacks emanate from them, they lose their protected status—or they could lose their protected status.

Senator LUDLAM: They 'could'?

Air Chief Marshal Binskin: They could. This is hypothetical, because there is an investigation going on around this particular incident. I think you would be better off waiting to see what the investigation comes up with.

Senator LUDLAM: I have some issues with who is conducting the investigation, but I take your point. Is this information pushed to you, as it were, by our allies in the area or by the Afghan authorities—or would you pull it if you were—

Air Chief Marshal Binskin: Given that it is hypothetical, it would be on a database. It would be part of the target planning process that you would go through with your intelligence personnel in preparing the battle space prior to an operation.

Senator LUDLAM: When was the department first notified that the hospital in Kunduz was being attacked?

Air Chief Marshal Binskin: 'Was being' attacked or 'had been' attacked?

Senator LUDLAM: Either.

Air Chief Marshal Binskin: I was not personally aware at the time. Our headquarters personnel in Afghanistan may have known. We may have had some embeds who knew at the time, but I would have to take it on notice to be able to tell you when we became aware of it. I was definitely aware the very next day, as I get my CINC brief, that it had occurred.

Senator LUDLAM: In what role would Australia have had embeds in that area? Presumably, if we had people in that area, you would be well and truly—

Air Chief Marshal Binskin: No, we are not talking about embeds; I am talking about in the headquarters in Kabul and we are talking about that higher level ISAF headquarters, not down at that level.

Senator LUDLAM: It probably goes without saying that Australia did not have personnel in that area at the time that the hospital was bombed.

Air Chief Marshal Binskin: No, we did not have people there conducting that operation in the area at Kunduz.

Senator LUDLAM: Have we had people engaged in that part of Afghanistan since the Taliban have started taking territory back off the ANSF?

Air Chief Marshal Binskin: Not taking it back but contesting. I do not believe we have had anyone. I would have to check. And, again, we would have to have a look at whether or not we had embeds at some stage up there, but I am not aware of any.

Senator LUDLAM: I might come back to this later. You have offered to take some of that material on notice, so I will leave that there for the moment. Turning to Syria, I understand you addressed in your opening statement, and I think maybe in response to some questions from Senator Conroy earlier in the day, that, as a result of an agreement between the United States and the Russian authorities, the RAAF will be able to target areas inside Syria again. Is that a fair summary?

Air Chief Marshal Binskin: We have not ceased any operations. So if the Air Component Commander required us to operate into Syria we would have done it. The fact is that, as part of the changeover of squadrons, we have not done many operations over the period.

Senator LUDLAM: So not none, but not many?

Air Chief Marshal Binskin: Not many, but we did not cease operations. There was no formal ceasing of our operations; it was just a part of the tasking cycle about whether or not they would have been in the Syria side.

Senator LUDLAM: Recognising that the situation in Syria is somewhat different, as much as it could be argued that the border between Syria and Iraq has been erased for practical purposes, they are still quite different conflicts and the contexts are quite different.

Air Chief Marshal Binskin: It depends where in Syria. We discussed this a little bit this morning. If you get right over that western side of Syria it is quite complex. There is a large number of disparate anti-Assad groups over there. You have al-Nusra working and, in pockets you have ISIL. But as you move further east towards Al-Raqqah and across it is predominantly ISIL in that area.

Senator LUDLAM: What measures are we using—speaking just for the Australians—to monitor potential or actual civilian casualties as a result of Australian airstrikes?

Air Chief Marshal Binskin: We operate as part of the coalition to monitor if there are civilian casualties or not. If they are reported—again hypothetical—through various means we investigate. We may identify ourselves the potential for a civilian casualty in that, and we would investigate that as well.

Senator LUDLAM: When you say 'if you get reports', do you mean from people on the ground?

Air Chief Marshal Binskin: You might get a report from the ground or, in the post-mission debrief when you look at the footage that you have taken of it or you do that debrief you may suspect that there was a civilian causality. Then you look to investigate it through the means that you have available.

Senator LUDLAM: Again, it goes without saying that we do not have so-called boots on the ground in Syria; it is all being conducted from the air.

Air Chief Marshal Binskin: Not even so-called; we do not have boots on the ground.

Senator LUDLAM: You may have covered this in a bit of detail earlier, so I apologise. Can you talk through the process that I think you referred to as red-carding?

Air Chief Marshal Binskin: Yes.

Senator LUDLAM: Can you talk us through the process whereby those decisions are made?

Air Chief Marshal Binskin: 'Red card' is probably overused as a term, because it sounds like it is a veto card, and it is not really used in that sense. That is the most extreme sense. The Australian target engagement authority is there as they develop the targets for the air-tasking order that will come up over the next few days. As the targets are starting to be allocated, the program of flights is starting to be developed, then they look at allocating the targets out to the various coalition members that might be airborne at that particular time.

Throughout that process the Australian targeting authority—and in the majority of cases here it will be the air component commander who is in the aerospace operations centre—will be there to ensure that the targets that we are looking at developing meet all our requirements. As you initially look at the target, it looks good but as you start to go through the process you might find that there may be something on the no-strike list that is very close to it and there may be a risk of collateral, or there might be a high risk of civilian casualties. There may be a number of reasons. It might be that you do not have the weapons set in your particular aircraft that are best suited to that target and therefore the targeting authority will not approve that target for us to go against. So you have got that part of the normal process, and this is the deliberate planning part.

It might get out into the aircraft. The pilots and the systems operators are airborne as they fly out over the target, even to the point where they are rolling in on the target, starting to designate and looking to release a weapon. They look down and they see that there might be something that was not there in the planning. Civilian casualties is the easiest one to give us a definition, but there might be other reasons. They may elect not to drop, so in that case they have played a red card. In a dynamic targeting, where you get a call from a troops in contact on the ground to strike, that process happens but it happens very quickly through the authority and it may well just go to the aircrew airborne to make that assessment of whether it fits within our targeting requirements or not.

Senator LUDLAM: I recognise that I put the question in a hypothetical, so thank you for indulging me at least that far. When you say troops in contact on the ground, whose troops are you referring to? We do not have anybody there.

Air Chief Marshal Binskin: The troops that we are supporting, ISF. It might be Iraqi security forces on the ground that are in contact, because we are supporting them.

Senator LUDLAM: The same process is live on the Iraqi or on the Syrian side of the border?

Air Chief Marshal Binskin: Yes.

Senator LUDLAM: I am puzzled as to whether you meant that troops on the Syrian side of the border could call in Australian aircraft.

Air Chief Marshal Binskin: We have not had that yet but there are some trusted forces on the ground there, mainly around the Kurdish, Peshmerga, area, because you go across the top.

Senator LUDLAM: This might seem like a strange question, but who decided who the trusted forces were and are you able to disclose to us who is on that list?

Air Chief Marshal Binskin: I cannot go through that detail. For us, a trusted force is a force that, through a check and balance process, you know that you are getting quality data from them and you know what their abilities are. It might be with the ISF. We know they are training with the Peshmerga. We know the training they have been through and there is a level of certification for what they are doing.

Senator LUDLAM: We are not necessarily talking about groups or entities loyal to President Assad?

Air Chief Marshal Binskin: No, we are not.

Senator LUDLAM: No, we are not. It is always worth asking. It is a very complicated part of the world.

Air Chief Marshal Binskin: We are only targeting ISIL and, again, the legal context for that is the collective self-defence of Iraq.

Senator LUDLAM: We have had those briefings. These guys do not always drive in convoys with black flags streaming out of the back of a ute.

Air Chief Marshal Binskin: In fact less now because they get targeted if they do it.

Senator LUDLAM: Without people on the ground, without spotters on the ground, which is how I understand this would sometimes occur, how do you find people to bomb?

Air Chief Marshal Binskin: Through different means, which I will not go into in this environment. There are a number of means by which you can detect and classify what is a legal target and what is not. You do not have to have boots on the ground to be able to do that.

Senator LUDLAM: Have you done any assessments—actually you might have just told me that you have—but tell me what your assessments have shown about Australian air strikes and whether or not any civilians in Syria have been killed as a result.

Air Chief Marshal Binskin: Any civilians in Syria? No, there have been no reports of that.

Senator LUDLAM: What about in Iraq?

Air Chief Marshal Binskin: No reports of that either.

Senator LUDLAM: I think you answered a bunch of the general questions this morning. I might just take us to Iraq, and I am going to put a number of questions to Foreign Affairs tomorrow, which will be a bit outside of your remit, but do you believe—in your assessment, not your belief—that there is a military solution to the conflict in Iraq and Syria?

Air Chief Marshal Binskin: There is no single military solution here. It has to be a total solution that includes political and diplomatic parts to it, as well as the military. In the military strategy, we are there to deter and degrade ISIL—Daesh—who, ultimately, you would like to destroy but there is more to it than that. That is the part of the Air Task Group. The part of the BPC, the building partner capacity, and the AA mission, which is the SOTG mission, is to build the capacity of the Iraqi forces to be able to use that air—so we train them up to use that air—to be able to defeat ISIL on the ground, push them back and then secure their borders.

Senator LUDLAM: Are the SOTG outside the wire, so to speak, or are they entirely in an on-base capacity?

Air Chief Marshal Binskin: We do have approval to operate the battalion level at a headquarters level, which could take them outside the wire—that has never been exercised. Predominantly, they are operating behind the wire and not in any independent combat operations. They are there supporting, mentoring, advising and assisting the Iraqi forces.

Senator CONROY: How long is Defence planning to keep the M113 for?

Major Gen. McLachlan: I will have to take it on notice for the specific date. It is in the order of 2030.

Senator CONROY: I think that is roughly what you said last time. I was just looking at an ANAO report of the fleet from No. 34 2011-12, which I am sure you are familiar with. It was looking into the upgrade of the fleet. The upgraded M113s are scheduled for replacement with more capable protected mobility under project LAND 400 from 2025, so that the cumulative effect of the delays is to halve the upgraded vehicles' useful life from 14 years to seven years. During budget estimates you indicated 2030—is it still the plan to replace the fleet by 2030?

Major Gen. McLachlan: Certainly that is what we are planning for, but clearly we do not yet have approval for phase 3 and that is subject to the white paper.

Senator CONROY: But by delinking, you are not conducting phase 3 in time for the original plan to replace them by 2025. Does Defence run the risk of opening up a capability gap? I am concerned that if there is a further

delay, you will get a capability gap. It is an incredible machine in what it has achieved but the art of warfare has moved on substantially. The general discussion that people have had with me is that it is not up to scratch for the hard conflicts that could happen in the future. I am concerned we could have a capability gap, if we do not proceed with phase 3 relatively soon.

Major Gen. McLachlan: It is fair to say that if there is any significant delay in it then that might eventuate, but that is certainly not our plan.

Senator CONROY: Understood. The defence white paper will tell us all. Minister, any update on when it is going to be released? You cannot blame a guy for trying! At budget estimates in June I also had a brief discussion with Defence officials about the numbers of LAND 400 vehicles that will be acquired. In response to question on notice No. 29 from budget estimates in June, Defence confirmed that there were originally 777 M113s in service. Some of them received the AS4 upgrade, with the rest undergoing disposal. LAND 400 was originally intended to deliver about 1,100 vehicles. As I understand it that would have allowed an almost one-for-one replacement of the original fleet of over 700 vehicles. Is that correct?

Major Gen. McLachlan: I think that number originally included the replacement for the PMV as well, which was taken out.

Senator CONROY: Which we?

Major Gen. McLachlan: Which are now no longer a part of the requirement for LAND 400.

Senator CONROY: Is that the 400 difference?

Major Gen. McLachlan: Yes. It was about that at the time. Clearly, we have moved on with how many PMV we have in the fleet now. It is now in the order of 1,000.

Senator CONROY: Back in budget estimates, at that time General Caligari confirmed that phase 3 would be around 500 vehicles. In other words, if we take the 700 and subtract the 225 that would be acquired under phase 2, we are looking at around 500 vehicles to be acquired in phase 3. Does that remain the case?

Major Gen. McLachlan: In the order of that number, yes.

Senator CONROY: So we are still planning to acquire about 500 vehicles under LAND 400 phase 3. Is the government committed to that figure. Is that still the publicly available figure?

Major Gen. McLachlan: That is the publicly released figure that was in the previous DCP. Clearly, we are now waiting on the white paper to confirm those numbers.

Senator CONROY: I have heard a rumour it could be as low as 450 vehicles.

Major Gen. McLachlan: Once again, it is dependent on the white paper.

Air Vice Marshal Hupfeld: The figure was for a minimum of 450. That is what is being considered at the moment. This will be refined through the force structure review and the integrated investment program, when that is released. We are still doing the analysis on the outcomes of that, linked to follow the 225 that are currently foreshadowed for phase 2. Obviously, that is still under the tender negotiations, so we cannot provide any additional analysis on that at the moment.

Senator CONROY: Does Defence have a date when it plans to start the tender process for phase 3?

Air Vice Marshal Hupfeld: We do have some plans on that, but we have yet to initiate the project formally. We plan to initiate it early next year and we expect it will undergo the first principles review process and be one of the first projects that will undergo the new capability development life cycle.

Senator CONROY: Has the government agreed to a commencement date for phase 3? Or is that part of the white paper?

Air Vice Marshal Hupfeld: That is part of the white paper and the integrated investment program.

Senator CONROY: Has the department advised the government or requested that the M113 replacement should be brought forward? I have read reports that it is now back on the table to go ahead.

Air Vice Marshal Hupfeld: There is not a bring-forward, to my knowledge, but, as you discussed earlier, the schedule that we currently have in place and are expecting that we will see out of the integrated investment program will meet the capability requirements for the replacement of the 113.

Senator CONROY: Given that you have acknowledged that 450 vehicles is the current minimum, 450 is an awful lot less than 777. That sounds like a fairly substantial reduction in our ability to move our troops into the circumstances that General Campbell was talking about. Would you give me an explanation. Other than the

obvious, 'We won't be able to move as many people around as fast as often,' is there some new capability that I have missed?

Air Vice Marshal Hupfeld: First of all a caveat: the 450 is not necessarily a minimum; it is in the order of 450, and that will be determined when we look through the overall capability outcomes for the project and the systems that are available. The Chief of Army may wish to comment, but the basis of provisioning will depend on the number of passengers or soldiers that you can carry in the vehicle. It is about being able to move the force you need to the right location to actually—

Senator CONROY: That is what I was saying. Am I missing something like that they could fit twice the number of people and so you do not need as many? Is that a simple equation that I should not be concerned about? Chief, did you want to contribute?

Air Vice Marshal Hupfeld: I would not say it is a simple equation, but it is something that we have to consider in analysis.

Lt Gen. Campbell: I support what my colleague has said and I would then reflect: the Army of 700 M113 armoured personnel carriers was of a different size and a different structure and was employing those vehicles with a different combined arms arrangement. So we need to go through that phase 3 process and look at what is on offer, what those vehicles individually can do and how they can be operated in a system within our Army today and into the future. So that is really why I am not concerned about looking at a discrepancy between a number of 700 and a number of 450.

Senator WHISH-WILSON: Could you give us an update on the response Defence is taking to perfluorinated chemicals and PCF contamination in various areas?

Senator CONROY: Lee came in a couple of times on that one.

Senator WHISH-WILSON: You have covered it? Okay. I am sorry.

Mr Richardson: We can do that. We have taken a lot of questions on it during the day.

Senator WHISH-WILSON: I will look it up on *Hansard*. Thanks for that.

Senator Payne: I am happy to assist with any follow-up you might like to ask.

Senator WHISH-WILSON: OceanWatch pointed it out to me, Minister.

Senator XENOPHON: I want to go to the issue of the future submarine combat system. In relation to the questions asked previously, I just want to check whether or not it is correct that a US official travelled to Australia at the commencement of the program in 2003 and talked up Australian industry involvement in the program. I understand that what was said in a September 2003 briefing to industry by US Navy personnel was:

We value our partnership with the Commonwealth of Australia and look forward to the full participation of Australian Industry and the Royal Australian Navy in the Combat System Modernization Process

My question is: how was that commitment honoured, because it was a very clear commitment made back in 2003? Was it reasonable to expect that the commitments made by US officials would be honoured? It was a pretty unequivocal commitment saying that they looked forward to the 'full participation of Australian Industry and the Royal Australian Navy in the Combat System Modernization Process'. Did the Navy, at the time, take that the senior US official on his word?

Rear Adm. Dalton: I think I have actually seen the presentation that you might be referring to, but I cannot confirm it. So I will have to take that one on notice. My recollection is that that presentation said there were opportunities for industry but it did not guarantee industry.

Senator XENOPHON: It just said: 'We ... look forward to the full participation of Australian Industry and the Royal Australian Navy in the Combat System Modernization Process'. I understand if you want to put it in context. I have read you the passage that has been provided to me. I do not know whether Mr Richardson wants to comment on this, but what representations has the Australian government made to the US government in this regard, given that it has been 14 years and that level of Australian industry participation in this combat system modernisation process appears to have been quite anaemic in terms of Australian industry and Royal Australian Navy participation?

Rear Adm. Sammut: The broad agency announcements that go out to industry to invite ideas and so forth for insertion into the program have continued to be extended to Australian industry throughout the period. I would add that it is a competitive process and all of the proposals that are put forward have to compete with other proposals in terms of their maturity and applicability to the requirements that are being set out as the needs for development of the system. There have been proposals put forward by Australia that have not got through that competitive process.

Senator XENOPHON: It just seems like one of those claw machines in those shopping centres where you keep thinking you are going to get the prize but it just keeps slipping away. Maybe that is not a very good analogy, but it seems to be a bit like that in the sense that a good product, good engineers and good local companies cannot seem to crack through this seemingly impenetrable US shield. You can understand the frustration of Australian industry, can you not?

Rear Adm. Sammut: It may appear that way, and I can understand that perspective. I can only say that the US has continued to extend the announcements to Australia, as they are doing currently in Australia, touring around and talking to industry about the opportunities for APB 17.

Senator XENOPHON: The total project and sustainment cost, including payments to the US government, for the AN/BYG-1 to date, according to an answer, was \$528.6 million. The more recent answer—and I thank the minister for facilitating that—is \$260 million to date and \$400 million forecast for 2002 to 2019. I am told that this is very expensive, that it is about 2½ times more expensive than the original Rockwell TDHS system that was on the Collins submarine, which was \$150 million in today's dollars, according to a 1998 ANAO report, and several times more than the cost of the ISUS-90 system that was selected in 2001 to replace the TDHS, before the selection was overridden in favour of the AN/BYG-1, for so-called strategic reasons. Is there any comment that the department, the minister or Rear Admiral Sammut can make on that?

Rear Adm. Sammut: I could say there are different views about the costs of combat systems and so forth. What we have undertaken in AN/BYG-1 and the cooperative program that we have with the US is not just a one-off buy of a combat system; we have bought into a process which is continuing to update the combat system for obsolescence issues but also for emerging threats. What I am saying there is that we have not just bought one combat system and installed it on the submarine—and I did not quite catch the periods that you mentioned there over which we—

Senator XENOPHON: Sorry; that is probably my fault. This is according to the very recent answers to questions on notice: \$260 million to date and \$400 million forecast from 2002 to 2019.

Rear Adm. Sammut: It is \$322 million, as I understand, between the start of the ACP in 2004 and 2019. Additional to that would have been be A\$79 million that we paid for development of the combat system in the first instance. What I want to say is that, by 2019, we would have effectively installed about nine combat systems across the fleet in terms of—no; I am sorry; that is incorrect. It is about refreshing the combat system in each of those submarines—in one case, up to three times—

Senator XENOPHON: Could you take that on notice? I am very conscious of the generosity of the chair. I have got a few more questions to ask and I want to do them as quickly as possible. I am happy for you to give further information to me on notice. I appreciate you are being incredibly cooperative. In relation to the transition of the AN/BYG-1 combat system from a reference system, as announced by Defence Minister Smith in May 2013, to a 'preferred system', as announced in February this year by then Defence Minister Andrews, in the response to my tabled question on notice to the previous minister—question on notice 2478—where I asked about the advice provided to government in relation to this decision, this answer was provided: 'The department does not disclose the manner in which decisions are made.' My question to Mr Richardson is: is it the position of the Department of Defence that it has no obligation to explain decisions on the expenditure of public money to the parliament? That is what that answer, on the face of it, looks like.

Mr Richardson: No, that is not our position—

Senator XENOPHON: It sounds like it, doesn't it, on a plain reading of it?

CHAIR: Let Mr Richardson finish his answer.

Senator XENOPHON: I am very sorry; I was just getting overexcited there.

CHAIR: You were indeed. Calm down a bit.

Mr Richardson: No. I simply repeat: it is not our position. I understand the way you feel, but it is not our general position.

Senator XENOPHON: On 20 July this year, I asked a question of the minister about how the department made a value-for-money assessment on the AN/BYG-1 selection and who made the decision. I presumed it was someone senior, but I got no real answer. Mr Richardson, after the Black review on accountability in Defence, do you support the idea that the names of senior decision makers be suppressed, and why was the name of the departmental decision maker not provided to me? I think there is a rationale that, if people's names are attached to decisions, we are likely to see better diligence in the making of them.

Mr Richardson: The way the decision making works—I think it could at times be quite unreasonable to put down an individual.

Senator XENOPHON: But we do not even understand the manner in which a decision is made.

Mr Richardson: Ultimately, the CDF and I have to be accountable.

Senator XENOPHON: The buck stops with you and the CDF?

Mr Richardson: It simply has to.

Senator XENOPHON: I respect that. In a tabled question, I asked the department whether they agree that the future combat system is a federated system and they agreed. I also asked whether the decision to go with the BYG meant the Commonwealth was taking on responsibility for integrating the entire system, and again they agreed. I also asked what the cost of that approach might be and got no answer. Noting that we are talking about a program in the billions of dollars—and I note that Ian McPhedran of News Limited reported a \$4 billion number last year, although that number seems quite extraordinary—surely it is reasonable for parliament to receive an answer about what the cost estimate is?

Mr Richardson: I will have a look at that.

Senator XENOPHON: The concern I have is that the decision has been made, without tender, to commit to a potential \$4 billion worth of taxpayer funded program. There is no explanation to the parliament as to the merits of such a decision, there is no value-for-money assessment apparent and no understanding of the likely cost of the system to the taxpayer. On top of that, there seems to be a locking-out of participation from innovative Australian companies. You can understand my angst on this.

Rear Adm. Sammut: There is no intent to seek a solution that locks out Australian industry. It is true that there are things that we have insights into, from the way the current program has run, about the way Australian industry might be better prepared to participate in particular aspects of our advanced development program with the US. Similarly, though, we are going to need to determine how we take account of any unique capabilities that Australian industry has to offer that we choose as being more suitable for the Future Submarine rather than share within a combined program with the US—and how we will fund that so that Australian industry has an opportunity, where they have products that meet our requirements, to be put into the Future Submarine combat system environment.

Senator XENOPHON: I am sure you can understand—given all the matters I raised—why I would invite you to provide any further details about the process, because at this stage I see no reason why I should not at least request the Auditor-General to look into this further. Of course it is a matter for the ANAO whether they would do that, but rather than me having to go through that tortuous process, I implore you to provide me with further details about the decision-making process. I had some questions about macroeconomics, but is my time up?

CHAIR: It is.

Senator DASTYARI: I am coming into this a little late because I have been deputising as chair for the Economics Committee—my apologies. I was hoping to ask a few questions regarding the Navy and Garden Island.

Air Chief Marshal Binskin: Vice Admiral Barrett should be able to help you.

Senator DASTYARI: I was going to put some of this on notice—and I have a series of more detailed questions that I was going to put on notice and I will certainly be doing that to give you the opportunity to provide more considered comment—but I did want to explore some opportunities around tourism and giving Sydneysiders more access to the site. I note that there has been a longstanding, complicated and difficult debate about whether or not the Garden Island site is the most appropriate site for a naval defence base, but that is not what I am asking about. I am asking about opportunities to do things like open days and to give Sydneysiders more of an opportunity to enjoy the site. To get us started, Vice Admiral Barrett, is there a dialogue or any kind of relationship between the site and tourism?

Is there a formal relationship between the two?

Vice Adm. Barrett: Firstly, let me say that there is an area of Garden Island that is already open for public access—

Senator DASTYARI: It is the cafe on the end.

Vice Adm. Barrett: and has been for 10 years. It is on the eastern suburbs ferry route from Circular Quay and is already used by many tourist boats, including Captain Cook Cruises and others, to bring people in to have a look. The Navy Heritage Centre is on that site so, dare I say it, there is damn fine entertainment when you are

there, and there is a cafe to support those who need it as well. So there is that element, at the start, and it does have some of the best views in Sydney from that spot.

Senator DASTYARI: But to access that site you have to go via ferry, which is part of the novelty, I have to add.

Vice Adm. Barrett: Yes.

Senator DASTYARI: You have to go via ferry to be able to access the site.

Vice Adm. Barrett: That is right. In the last two years, the wharf has been upgraded to increase the level of access for tourism—so that is done. I will not say 'a fairly regular basis', but on a regular basis we do have opportunities for people to use parts of Garden Island—that is, the chapel. Normally it is by invitation, but there is a heritage chapel there. When people request to, they get the opportunity to use that and to explore that. And the various ships have open days at set times around the year. All of those things are well advertised both locally and through Tourism New South Wales. That is the public access area plus those other events. That is what currently occurs.

Senator DASTYARI: Minister, I note that you are another senator kind of from New South Wales.

Senator Payne: Not 'kind of'; I actually am.

Senator DASTYARI: You are—sorry. Being a senator from New South Wales as well, do you see some opportunities for us to explore perhaps opening up for more tourist opportunities? Vice Admiral Barrett, is there a museum on the site or a naval museum?

Senator Payne: The naval heritage—

Vice Adm. Barrett: The naval heritage site, which is as I described.

Senator DASTYARI: That is the heritage site?

Vice Adm. Barrett: That is in the public access area.

Senator DASTYARI: So the public, if they go on the ferry, can access the—

Vice Adm. Barrett: Yes.

Senator DASTYARI: You said that occasionally the ships are open. Does the site itself have annual open days? I know some other defence facilities from time to time do things like that.

Vice Adm. Barrett: We have on occasion in the past. The attraction is normally to the ships, not to the dockyard itself. The dockyard is an industrial site, and that is an important point. It is not like Cockatoo Island, which is on the other side of the bridge. This is not an abandoned area; this is a working dockyard. What comes with that is all the usual concerns about or hazards of public access to an area that either is in work or has cranes, has lighters, has traffic, has tram lines—has a whole range of things that would need to be managed if you were going to cause public access to it. It is a working dockyard.

As I said, about 10 years ago there was a specific aim to release as much as could be done to give the public some view of what was done on the island but also to give that access to the water, and that is where the public access to the north of the island was opened up.

Senator DASTYARI: You are saying that that came through a process. Was that an internal Navy process 10 years ago or a government process? What was the process?

Vice Adm. Barrett: I would need to check the fine detail, but it was a considered internal process because there was an understanding from government, Defence and Navy that there were opportunities to be had by allowing the public a level of access without actually disturbing the working part of the dockyard. Quite frankly, the access that they have at that point is, in my view—pun intended!—the best view from the island. So the bit that we have given access to, the northern tip, is that which gives you all of the views.

CHAIR: Thank you, Senator Dastyari. This is your last question.

Senator DASTYARI: In two parts—

CHAIR: No, the last question, then I will go to Senator Conroy, and you can put the rest of them on notice.

Senator DASTYARI: You are saying that this happened 10 years ago. Are you aware of any review that has been done in the past 10 years since the opening-up process began? Has that been revisited or reviewed since that period 10 years ago?

Vice Adm. Barrett: There have been informal discussions both within Navy and within the department to look at what has been done. There have been reviews into cruise liner access but that is a different issue. That was

done by the Hawke review back in 2012. But, outside of that, about public use on the site itself, it was mainly that decision about 10 years ago.

Senator DASTYARI: I have got some further questions so I will just flag that I will put them on notice.

Mr Richardson: I will just make some obvious points. First of all, it is a Naval base. It is a working base. I have been on it. There would be real safety issues with opening it up too much. And I would simply make a broad observation at a personal level that earlier today we got questions about the port of Darwin and why do we not treat a commercial port as some sort of military base. Then later in the day we got questions about why do we not turn a Naval base into a tourist attraction.

Senator DASTYARI: I think I deserve a point of clarification on this. I am going to leave it at this comment, Mr Richardson. I think it is fair to say making comments about what is already, in part, open to the public and trying to sit explore further opportunities where the great people of Sydney are able to appreciate the site is actually a constructive way of trying to look at making sure that we get the best out of the site for both the Naval defence forces and also for Sydney residents and I think it is a partnership that should be considered.

Senator GALLACHER: I would like to run through some questions in respect to childcare centres at Williamstown, Amberley and Darwin. I understand that those childcare centres are to close due to concerns about the potential effects of noise exposure on children's health and wellbeing. Is that correct?

Ms Skinner: That is correct.

Senator GALLACHER: What are the time frames and modalities for these closures? For example, when do you expect the first centres to close?

Ms Skinner: We are planning to have all the centres closed by the end of 2016. However, we have been able to make arrangements already with all of the families who occupy the childcare centre in Darwin.

Senator GALLACHER: I will go through my questions otherwise we will be rehashing. The close is 2016. Will current clients be able to stay on until they have naturally stopped needing the service? Is that a possibility?

Ms Skinner: What we have done is we have got a personalised case management service with the families who are in those centres to ensure that we have placed them into other suitable care. In Darwin, for example, we have been able to place all of the families already and we will be able to close the centre.

Senator GALLACHER: I know you have not seen my brief but we will probably get through this quicker if I ask for more answers. Will they be able to stay on until they naturally stop needing the service? Yes or no?

Ms Skinner: No.

Senator GALLACHER: What plans does Defence have to accommodate children and families affected by the closure as well as assisting future children and families requiring child care?

Ms Skinner: As I said, we are working with families individually to place their children in suitable care.

Senator GALLACHER: Do these plans take into consideration the unique conditions offered at the current on-base centres, which are in response to the unique nature of military service?

Ms Skinner: The centres provide a childcare service and we are mindful of the some of the travel requirements for the people who are not able to perhaps access a centre that is in the same location. We work with families on that. We are working through, in particular, the situation in Williamstown.

Senator GALLACHER: For example, would these plans account for factors such as extended operating hours and consideration of children of ADF personnel preparing to deploy, on deployment or recently returned?

Ms Skinner: Absolutely and I understand we have been able to work with the childcare centres, particularly in Darwin, to support that.

Senator GALLACHER: So your proposition is that with the closure of the base and transfer to outside facilities there will be no diminution in the ability and range of service?

Ms Skinner: I think it would depend on each individual case and what they require and what each of the centres does. But we are looking to replicate the service that has been provided and to support families on their individual needs.

Senator GALLACHER: Is there any geographical difference—Amberley, Williamstown or Darwin RAF? Are they all consistent regarding the opportunities to place children in private facilities outside the base?

Ms Skinner: I understand, and Air Vice Marshal Needham might talk a bit further about this, that certainly around Darwin and Amberley it is quite readily able to be worked into the community with not a great deal of

detriment. In Williamstown it is slightly different because of the distance between Williamstown and commercial providers. So we are looking at a particular solution for Williamstown at this point. We do not have a—

Senator GALLACHER: You have taken into account the fact that there is a shortage of childcare places in some regions and that waiting lists extend in some cases for years?

Ms Skinner: Through the provider and through a childcare review that we have done we have got quite a good view of childcare demand. But, as I said, that is why we are working with individual families in a case by case manner to support getting them into care.

Senator GALLACHER: Given the nature of military service, incoming ADF personnel who have young children or are expectant mothers may not know where they will be posted when their children will require care. Do you have all this covered? Someone could get posted and land in Darwin and—

Air Marshal Davies: Can I offer a perspective here?

Senator GALLACHER: Yes.

Air Marshal Davies: There was no intent from Air Force particularly and from Defence to move these childcare centres. If we could manage the childcare centres on base within responsible noise profiles we would continue to do so. When we received the first report on the noise impact of an emerging and possible—it is not yet confirmed but somewhere in the world someone has view that it might—effect on the learning of young children, we paused at that point and said, 'We don't have enough data.' We went back and spent another nine months researching what the actual noise was at the childcare centres at these three bases. The report at the end of that will be released, I understand, early in 2016. Our look at that in the last month has reconfirmed from the experts that there is a possibility of affecting a child's learning ability. In that regard, I made the decision that it would be proper and precautionary—the lowest risk profile we could manage—to move the childcare centres off the base. In that process we have already, with a month, found places for all the children and families in Darwin and all the children and families in Amberley and we are in the process of establishing all of the folk who are at Williamstown with alternative long-term childcare centres that will meet their needs—for all of our folk at those three bases.

Senator GALLACHER: I do not think there is any implied criticism of Defence or Air Force in any of these questions. They are purely explanatory. Thank you for that contribution but I think we were getting where we needed to be on the public record.

Air Marshal Davies: Thanks, Senator.

Air Chief Marshal Binskin: It was not something we wanted to do. We understand the unique requirements our work force has and we understand the importance of day care. Against those unique requirements, and especially with mobility of families—we have all been through it, so we are acutely aware of it. It is just unfortunate that at these three bases we have been forced into this.

Senator GALLACHER: Okay. Given Defence's aim to be the employer of choice for women, would you like to make a statement on how you intend to provide, without on-base facilities, adequate childcare provisions for new mothers and parents? Do you have a plan, an outline?

Ms Skinner: In terms of the three bases that we are seeking to close, certainly the childcare review had identified that there was a quite substantial amount of child care available in Darwin. Mission Australia Early Learning, who is our service provider, has other centres in Darwin, for example, so that is how we have been able to do that one so readily. As I said before, with Williamstown we are still working through an appropriate plan for that situation, because there is less availability and there is certainly a geographical issue associated with being able to provide alternative care in Williamstown.

Senator GALLACHER: My final question is in respect of Williamstown. So having been to Williamstown and heard the complaints about noise—I think someone referred to it as the sound of freedom—was any consideration given to the construction of a new childcare centre with adequate noise attenuation when planning the recently approved stage two base development? Did it factor into your thinking then to put in a properly prepared and noise attenuated childcare centre?

Ms Skinner: In childcare centres, part of the child care full experience for a child during the day is to play outside. You can consider that but children will play outside, and unless we propose some sort of hearing muffs or something, you really need to move the centre away out of the noise area.

Senator McEWEN: I wanted to ask a few questions about Defence people—I know, Mr Richardson, that you covered a bit of this in your opening statement—in particular with regard to reductions in staffing. In June, you mentioned a figure of 1,000 or so potential downsizing over the course of the next 12 months.

Mr Richardson: No, not 1,000 over the next 12 months. We have come down 4,000 over the last three years. At the moment, we are going through a voluntary redundancy program with the SES and the executive level staff. I expect that we will stabilise the absolute numbers of the workforce around June of next year. But in the interim, we will start to have some opportunities and some jobs actually advertised.

Senator McEWEN: When you said in your evidence in June—you did say there would be 1,000 or so—

Mr Richardson: Yes, that is where we were then. Sorry Senator, my misunderstanding. I thought you were you suggesting a further 1,000 from where we are now.

Senator McEWEN: No.

Mr Richardson: The budget papers have us at 17,900 full-time staff equivalent by 30 June next year. We are currently at around 18,200 full-time staff equivalent. We will probably go below—in fact we certainly will go below 17,900 before we start to build back up.

Senator McEWEN: You will go below 17,900 by June 2016—is that correct?

Mr Richardson: I think so. It depends on swings and roundabouts. We will have quite a number of voluntary redundancies that will kick in between now and say February or so of next year. At the same, in January and February of next year, we will have the graduate cadet and trainee intake and that will probably lead to around 250 to 270 people coming into the organisation. You put all of that together, and with our natural attrition rate, we will probably go below 17,900. When and how far, it is a bit early to tell.

Senator McEWEN: Also, in your June estimates evidence you said that you had paid particular attention to meeting requirements in areas such as air traffic controllers, medical psychologists, social workers, engineering, et cetera. Have there been any subsequent redundancies in those areas?

Mr Richardson: There are very few. Some people have left from those areas. However, in requests for recruitment we continue to give priority in those areas.

Senator McEWEN: Have you been able to keep up with the requirements in those areas?

Mr Richardson: For the most part, yes. There are some pockets where we have critical need, but, as a generalisation, yes.

Senator McEWEN: And where would those pockets be? Are they more in the engineering and technical, or the medical?

Mr Richardson: There are some areas in naval architecture, and some specialised area of naval engineering. There are a couple of critical areas, I think, amongst some intelligent specialists.

Senator McEWEN: You could take this on notice, actually, if you do not have the figures with you. Specifically with respect to the engineering, scientific and technical areas, could you provide the following information for financial years 2013-14, 2014-15 and the current financial year to date: the end-date headcount of employees in that category.

Mr Richardson: We can do that now.

Ms Skinner: The number of employees in the engineering and technical job family is slightly over 2,000. Similarly, the number of employees in the scientific and technical job family is slightly over 2,000. We count our health professionals, our intelligence people and our ICT people and others separate from those two specific job families.

Senator McEWEN: So there are 2,000 in each of those categories as of now. How does that compare with 30 June 2014?

Mr Richardson: As a percentage of the workforce, it is fractionally higher. Two years ago engineering and technical was about 10.2 per cent of the workforce. As of 30 June this year, it was 10.3 per cent of the workforce—virtually no change in terms of percentile. Of course, we have come down in overall numbers, but the percentile of the workforce in those areas is roughly the same—growing fractionally.

Ms Skinner: If it assists, the Defence separation rate, overall, is around 7.6 per cent. But the engineering and technical job family's separation rate is lower than that at about 6.7 per cent, and the science and technology rolling separation rate is around 3.7 per cent.

Senator McEWEN: Is that in this financial year?

Ms Skinner: That is at 1 July—the rolling separation rate.

Senator McEWEN: Are those separation rates radically different from what they were in the previous two financial years?

Mr Richardson: No. The separation rates across the organisation have risen a little over the last two years. They were lower two years ago. They have gone up to the levels that Rebecca just outlined.

Senator McEWEN: Perhaps you could take on notice the actual number of bodies for those categories of employees and for those financial years, as I asked. For the people who have left the organisation in those categories of employment, could you take on notice the distribution of the length of service at a time of their separation.

Mr Richardson: We can give you that.

Senator McEWEN: Would you say that, as a general impression, those leaving the organisation tend to be older with a longer period of service?

Mr Richardson: I would need to see the figures on that.

Senator McEWEN: Could you take that on notice?

Mr Richardson: Yes.

Senator McEWEN: If you have the information, could you also take on notice whether those separating are evenly spread across the disciplines, such as mathematics and physics—I am talking about people with postgraduate qualifications—and whether you are losing more in one category than another?

Mr Richardson: We will have the information and we can provide it.

Senator McEWEN: What are you doing at the moment to ensure that Defence staff are being kept fully in the picture as to what is happening with regard to separations and redundancies?

Mr Richardson: We are quite transparent. The offer of VRs in respect of SES and executive level staff was advised to all staff, and staff were advised that expressions of interest were required by 30 September and that we would give them other timelines, and we have been following that.

Senator McEWEN: I cannot quite remember what you said in your opening statement about redundancies. In the last estimates you said there would be no general offer of voluntary redundancies. Is that still the case?

Mr Richardson: Yes, that is still the case. We have limited this offer to SES and executive level staff for two reasons. The first reason is that the SES structure in the organisation has remained unchanged through the downsizing over the last three years, and there is a need to restructure the SES consistent with the overall downsizing. We are doing that. The second reason for it is that the successive governments—the government up until September 2013 and the government since—were both of the view that the public service overall was too heavy in the executive level area. That, combined with the observations of the First Principles Review, has led to the VR offer for executive level staff.

Senator McEWEN: So that is an offer for that level of staff. Are there any other selective offers of VRs in other parts of the organisation?

Mr Richardson: There are none in terms of areas of the organisation, bearing in mind that everyone has the right to seek a VR and, equally, the department has a right to either agree or decline a VR based on organisational need. But there is no general offer of VRs outside the two areas I mentioned.

Senator McEWEN: You would be aware that the *Canberra Times* earlier this month construed what is happening in Defence as targeting men over 50. Can you make a comment about that?

Mr Richardson: It is a misunderstanding. If you are downsizing an organisation, you need to be aware of what you are doing to the demographic, otherwise you can have unintended consequences. In the VR process we are going through at the moment, with the SES—but particularly with the executive level staff—we provide for senior management information relating to gender, age, location, job family, whether than job family is critical or at risk in terms of numbers and need, whether individuals have disabilities, whether they are Indigenous and the performance assessment they have received over the last two years. That is not the criterion. The only criterion is organisational need and requirements. Clearly, if we put a blindfold on and we simply took decisions without regard to those factors, we could end up giving VRs to people who are in critical job categories all in the one location. Clearly we have a responsibility not to have unintended consequences. Equally, if we put a blindfold over ourselves and did not keep an eye on the data, we could have unintended consequences in terms of gender and the like. So the *Canberra Times* misunderstood all of that in terms of criteria.

Senator McEWEN: Right. So you can reassure people who have been anxious that you are targeting men in the low-fifties age group in engineering jobs that that is not actually occurring, is that right?

Mr Richardson: Any such suggestion is nonsense.

Senator McEWEN: Is the figure of 1,150 expressions of interest, as reported by the *Canberra Times* correct?

Mr Richardson: Roughly right, yes.

Senator McEWEN: And you said you expect the whole process to be finished by Christmas.

Mr Richardson: No. It will take a little bit longer because there is a limit as to how many VRs you can process at any one time. I hasten to add that in the advice that went to staff we were explicit in stating that an expression of an interest in a VR would not necessarily lead to a VR. So quite obviously, it will not be 1,150 people who receive a VR.

Senator McEWEN: How many do you think will be accepted by Christmas?

Mr Richardson: By Christmas—let us say we have November and December, roughly eight weeks. In those eight weeks we would probably process, what?

Ms Skinner: We can process around 80 a pay. We would need to make offers. Those people have to then respond to those offers. So if we were not to make offers until the end of November or the middle of November, for example, we would be looking at only one or two pays before Christmas. Therefore, you would not think more than 100 or 150 separations could occur if we end up in that situation.

Senator McEWEN: That is all I had on that particular area.

CHAIR: Senator Gallacher, did you have some more?

Senator GALLACHER: Yes, I have a couple of things to clear up. Mr Richardson, you might not be aware that there has been a lot of media conjecture and discussion about the Port of Darwin today. I want to put a couple of things to you very clearly. You have assessed it and you were comfortable that it did not go to the National Security Committee for consideration, the purchase?

Mr Richardson: In fact, the National Security Committee was aware of it.

Senator GALLACHER: Appraised of it but not formally meeting about it?

Mr Richardson: It was certainly aware of it.

Senator GALLACHER: In hindsight, the Timor L'Este operations or the tsunami relief in Indonesia would have put some impost on the Port of Darwin.

Mr Richardson: Yes.

Senator GALLACHER: Those contingencies have all been examined.

Mr Richardson: Yes.

Senator GALLACHER: And deemed to be business as usual?

Mr Richardson: If they arose today, we would be able to do what we did some years back.

Senator GALLACHER: Thank you. I think this goes to the responsibility of the Australian Army. There was a *60 Minutes* program called 'Finding Cobber' which apparently claimed to have identified the location of 143 unrecovered Australian war dead. Is that within the purview of the Australian Army in this part of the—

Air Chief Marshal Binskin: Some of it might be, depending on where it is, or it could be under Commonwealth War Graves, and DVA as well.

Senator GALLACHER: I will just run through these questions quite briefly.

Lt Gen. Campbell: Senator, we may well have to take your questions on notice. We certainly are involved in unrecovered war grave issues, but I do not know that I have the detail for the questions you have today.

Senator GALLACHER: Well, why don't I do that. We will put all of these questions on notice. That way, we will get proper answers to them.

Lt Gen. Campbell: Thank you.

Senator GALLACHER: Do we have DSTO/DSTG research and development at the table?

Dr Zelinsky: Yes, I am the Chief Defence Scientist.

Senator GALLACHER: Can you please confirm for the committee what the budget for DSTO/DSTG is over the forward estimates?

Mr Gillis: It was \$408 million.

Senator GALLACHER: \$408 million. I will race through that. Have there been any variations in the budget—

Mr Richardson: Not over the forward estimates—but that is an annual budget.

Mr Gillis: Yes. Over the forward estimates, it is—

Senator GALLACHER: Any variations since the announcement of the budget in 2015?

Mr Richardson: No.

Senator GALLACHER: No. So, given that DSTO/DSTG have had major staff cuts and budget cuts and been downgraded from an organisation to a group, how has the mission changed?

Mr Richardson: Firstly, it has not been downgraded; the name has been changed. The name has been changed because there is an inconsistency in being part of a department and being called an organisation; and, if you are pursuing a philosophy of 'one Defence', it is inconsistent with that. So there has not been a downgrading. Secondly, the staff drop-off in the defence science and technology area is considerably less than what it has been in some other parts of the organisation. I get special pleading all the time from different parts of the organisation. They make representations to different people on the grounds that they have been hard done by. In this case, DSTG is a valuable and vital part of Defence, and Dr Zelinsky sits here as the Chief Defence Scientist, as he was prior to the name change from 'organisation' to 'group'.

Senator GALLACHER: Okay. So are there any services or functions you are no longer performing, with the changes?

Mr Gillis: No, no—same role, same jobs.

Senator GALLACHER: Same role, same jobs.

Mr Gillis: Our portfolio varies with time, but—

Senator CONROY: So is Dr Zelinsky now the chief scientist for Defence?

Mr Richardson: Which he was before. He is the Chief Defence Scientist.

CHAIR: Nothing has changed.

Senator GALLACHER: There has been a lot of discussion about the Future Submarine Program. What role has DSTO/DSTG played and what role is envisaged for it?

Mr Gillis: We have been part of SEA 1000 since the project started. I think close to 97 FTE have been involved, and we will continue to resource that project. We resource projects of priority, and that is one of the priority projects.

Senator GALLACHER: What submarine technology expertise does DSTO/DSTG still retain, and how will it deploy? Have you lost any capacity in there?

Mr Gillis: We do have reduced capacity in terms of the headcount, but we still have the capability. I might just give you a sense of some of the project areas. I think Rear Admiral Sammut can assist.

Rear Adm. Sammut: Some of the areas in which DSTG is supporting us actively are the propulsion area, looking at conventional technologies that would support the future submarine. That includes the battery, the diesels and also hydrodynamics—understanding how flow issues are concerned. There is support in the combat system area and in a number of other areas that are pertinent to studies. An important area, of course, for the future submarine is understanding the signature, which relates to its stealth, and that covers a number of disciplines, including, as I mentioned, hydrodynamics and propellers but also things such as the anechoic tiles that are used on the submarine to aid its stealth and, similarly, its signature as far as magnetics are concerned and so on. And also areas of other work, I mentioned combat systems; I should add to that sensors as well such as optronics for periscopes and so on.

Mr Gillis: It probably adds to the area of the structural integrity of the submarine. I should correct the earlier answer I gave. It is about 100 individual staff members that contribute but the overall effort is 60 FTE or thereabouts.

Senator GALLACHER: Not 97 like you said?

Mr Gillis: It was 97 individual people but, when you look at it, some of them are contributing partial effort so it is a 60-FTE effort.

Rear Adm. Sammut: There is dedicated funding from the Future Submarine Program to support all of the work that the DSTG does.

Senator GALLACHER: Martin Callinan and Alan Gray on 8 June 2015 authored a report, *Defence science and innovation: An affordable strategic advantage*. That report notes that the scope of work required of DSTO DSTG appears to be growing yet its budget is shrinking. Had do you meet that challenge?

Mr Gillis: That is a good question. One of the things is we have adopted a strategy of collaboration. So we will do what we can and we actually seek partners with academia and industry to augment capability.

Senator GALLACHER: Strategic partners like?

Mr Gillis: Universities and research institutes like the CSIRO and ANTSA.

Senator GALLACHER: CSIRO are under the pump as well, aren't they?

Mr Gillis: But they have still got capacity to provide resources to projects.

Senator GALLACHER: An enormous capacity.

Mr Richardson: From where I sit, DSTG are not under the pump.

Senator GALLACHER: Hard but fair. Is that your line?

Mr Richardson: No, they are not under the pump. There are other parts of the organisation that are under more pressure.

Senator GALLACHER: So the ASPI report also notes that the Australian R&D community has recently been shaped more by short-term demands and budget pressures than by strategic purpose. How does the Chief Defence Scientist respond to the claim that our Defence science policy should be updated?

Mr Gillis: In fact in recent years we have taken a much more strategic view and shaping our capability is very much shaped by the priorities of white paper, force structure and available resources, so we actively prioritise.

Senator GALLACHER: Do you not agree with that characterisation?

Mr Gillis: No, I do not agree with t.

Senator GALLACHER: It goes on to say: is it not the case that DSTO and DSTG are now so concerned with critical work in sustainment and advising government regarding acquisitions that they are no longer able to adequately resource Defence research and development?

Mr Gillis: No, I disagree with that also.

Senator GALLACHER: Do you say this publicly when these reports come out?

Mr Gillis: Certainly. We can generally prioritise within the budget that is available. We work closely with all our clients to select the projects. Clearly, the projects around acquisition and sustainment are the highest priority resourced. As well, we also have our future strategic research initiatives, which are future facing or horizon 3, which are projects with a five-year horizon. Those are still continuing and are entirely aligned with the Defence white paper.

Senator GALLACHER: So can you point to any incorporating evidence there has been an Australian National Audit Organisation review that indicates that R&D is still the same percentage of your budget this year that it was last year or the year before? Do you publish that?

Mr Gillis: When you say the Australian National Audit Office, we have had an audit this year of the research management of the programs and that the programs are strategically managed. I anticipate that audit report will be completed by the end of the year and will be made available.

Senator GALLACHER: But I mean can you point to a budget item of R&D that is static, growing or declining?

Mr Gillis: The budgets over the last three years, like all of that budgets—the head count—has reduced. If you have fewer people, obviously you have a smaller budget. However, the key is: how do you take the resources that you have and address them against the priorities of the department?

Senator GALLACHER: I suppose that is the question. If you have growing demands and diminishing resources, I want to know what gives. Does R&D give?

Mr Gillis: I have looked at this question. The biggest resource we have is people. If you go back, even as far as 1993, and track the staff numbers and compare the department to the Public Service, they move in sync. As the Public Service has grown and shrunk, the department has followed those numbers, as has DSTO, or DST group as we are known today. We have been somewhere between 10 per cent to 11 per cent of the overall workforce of the department. I believe that if demand significantly increases then the department will respond as it needs to. At the moment we are meeting the needs as they are today but historically it has moved with the times. We have met our obligations in the past, and I am confident we can meet them in the future as well.

Senator GALLACHER: Do you accept that defence, science and innovation could give us an affordable strategic advantage in Australia?

Mr Gillis: I certainly believe that innovation research does give the cutting or capability edge, the leading capability edge, and allows us to sustain it. There have been many examples in the past.

Mr Richardson: I might add that there was a study done by an external consultancy group of DSTG as a result of the *First principles review of defence*. The DSTG value-adds and you would measure the value-add of DSTG in some billions of dollars. We have a tremendous return on funds invested.

Senator GALLACHER: I do not think anyone on this side of the table would disagree with that. I think research and development is the future. The question is, with diminishing resources and growing demand, does R&D suffer? Is our advantage declining in the context of a diminishing investment in Australia and an ever growing investment in our neighbourhood with Indonesia, South Korea, China, Malaysia, Vietnam and Singapore. Are they catching us up and overtaking us?

Mr Richardson: On the basis of this report, I think we are doing pretty well.

Senator GALLACHER: Despite the fact that we are constraining our spend?

Mr Richardson: Yes. Constraint forces prioritisation. Prioritisation forces focus. No bad thing.

Senator GALLACHER: So you are saying we have been attempting to do too much in the past?

Mr Richardson: No, I am just saying there is a downside to resource pressure. There is also an upside to resource pressure.

Senator McEWEN: I want to go to Macroeconomics's report that was commissioned by the former Labor government in 2012 about the economics of local build in shipbuilding. Are you aware of it?

Mr Richardson: I am sure we will have someone here who is.

Senator McEWEN: It was a question on notice from Senator Xenophon and a question answered in the Senate by Senator Brandis in August with advice that the report was not finished.

Mr Richardson: We will have someone here who can answer that.

Rear Adm. Sammut: As I understand, that is the report on economics concerning submarines?

Senator McEWEN: Correct.

Rear Adm. Sammut: A report was being developed by the then industry division of the DMO. That report looked at the work—and it still needs to be finalised—that—

Senator McEWEN: We will just make sure that we are talking about the same report. This is the one that Macroeconomics, which is the name of a company, was commissioned to undertake on behalf of DMO.

Rear Adm. Sammut: I was under the impression that there was some assistance that they initially provided but that work was then taken over by DMO to be completed.

Senator McEWEN: There was a contract that was close to half a million dollars that went to Macroeconomics to prepare this information—this 'study', as it was called.

Rear Adm. Sammut: I would need to take that on notice as to the amount that was spent and the full extent of the involvement of Macroeconomics, but there was other work that was being done to look at the factors that would need to be considered around assessing the economic benefits of building the submarines in Australia.

Senator McEWEN: This study was supposed to be delivered in 2014. In August this year, Senator Brandis said: 'It is not yet complete.' When is it going to be complete?

Rear Adm. Sammut: Again, I will need to take that on notice and raise it with the people who are writing that report.

Senator McEWEN: Is there any documentation arising from this study—like a draft report or draft information—available?

Rear Adm. Sammut: The report is being developed as a document. Again, I will need to take it on notice as to—

Senator McEWEN: What is the hold-up?

Rear Adm. Sammut: As I understand it, there are a number of factors that are being considered in terms of understanding what factors need to be considered and how appropriate models are applied to assess the economic benefits or impacts of constructing submarines in Australia, and those matters are still being finalised. There are various models that can be used and a number of perspectives on those models, and making sure that the report presents a balanced view of what is actually involved in terms of benefits for the build of a submarine in Australia is what the focus of work is at the moment.

Senator McEWEN: What has changed, between when the study was commissioned and now, that would make such a significant difference and hold up the delivery of this study?

Rear Adm. Sammut: When it was first commissioned, there were several options that were being looked at for the future submarine, and I think at that time we were looking at four options: option 1 was a MOTS submarine; option 2 was a MOTS submarine, modified to take the US combat system; option 3 was an evolved Collins; and option 4 was a new design. So, without being able to reference a particular approach that should be taken, the report started by looking at those factors by considering what would be involved in a repeat of the Collins build. But that is yet to be adapted to understand what would be required for a new design, and therefore at this stage there is more work to be done to demonstrate what would be involved in what we are undertaking as an outcome of the CEP.

Senator McEWEN: Is this report going to be completed before the conclusion of the CEP process?

Rear Adm. Sammut: It will be completed in conjunction with the CEP so that we have an understanding of some of the economic factors that would apply to considerations that arise from the CEP which would form the advice that would go to government to inform its decision on the international partner.

Senator McEWEN: So when will it be completed then?

Rear Adm. Sammut: I do not have a precise date for you; again I will have to take that on notice. It is being led by another area where there are specialists in these fields, not by my particular project. But it will be conducted in conjunction with our program.

Senator McEWEN: It is a pretty significant report talking about the economic advantage or disadvantage of a local build of submarines, but it just seems to be languishing somewhere.

Rear Adm. Sammut: I do not believe it is languishing. As I said, it needs to reflect what needs to be done to take into account what the outcomes are of the CEP.

Senator McEWEN: Minister, are you aware of this study at all and have you been given any advice about the change of direction—

Senator Payne: No.

Senator McEWEN: Mr Richardson?

Mr Richardson: No.

Senator McEWEN: You are not aware of the study?

Mr Richardson: I am aware of the study, but I am in the same position as Rear Admiral Sammut.

Senator McEWEN: Who is actually calling the shots in terms of what the study is actually studying?

Rear Adm. Sammut: I thought I explained what this study is trying to do, in terms of understanding—

Senator McEWEN: It is a little bit nebulous, there, I have to say, Admiral. So are you calling the shots? Are you saying these are the models that we have to put in it? 'Do economic modelling on these three scenarios'—who is saying that?

Rear Adm. Sammut: I think we have always considered we need to bring forward some advice on economic factors and—now that we are dealing with a competitive evaluation process that will look at what, as I explained before, is essentially a new design—they are the factors that would have to be considered in economic advice to government that surrounds the CEP.

Senator McEWEN: Mr Richardson, or Minister, are you going to instruct Defence to complete this study, or is it not going to be completed?

Mr Richardson: It is going to be completed.

Senator McEWEN: It is going to be completed—

Senator Payne: That is what the secretary just said.

Senator McEWEN: but we just do not know when?

Rear Adm. Sammut: As I said, it is being conducted by another area, with support from our program. And I need to get an update on the timetable for its completion. If I could take that on notice—

Senator McEWEN: Yes. I think it would be good to know what the \$460,000 is being used for.

CHAIR: That concludes our investigation with Defence. We will take a break, after which we will call Defence Housing, Seaward Village, followed by the Australian War Memorial, and then we will conclude with DVA.

Proceedings suspended from 21:06 to 21:14

Defence Housing Australia

CHAIR: I welcome officers from Defence Housing Australia and officers from the department. As there are no opening statements, I will go to questions. Senator Conroy.

Senator CONROY: Could I just clarify: who has ministerial responsibility for Defence housing?

Senator Payne: Currently I do.

Senator CONROY: Currently you do?

Senator Payne: Arrangements are still being made, as you can imagine.

Senator CONROY: No. I would have hoped that a letter would have been received to clarify it—a month later.

Senator Payne: Not yet, no. I did leave the country for a week—

Senator CONROY: Do you expect to be?

Senator Payne: No.

Senator CONROY: An article in *The Weekend West* by Nick Butterly on 10 October stated that DHA had not been appointed a minister, and it was described as an oversight for the Turnbull government—not the first.

Senator Payne: Is that your gratuitous observation, or the article's?

Senator CONROY: No, that was my observation based on my conversations at estimates in the last couple of days. It appears that quite a few new visits to Government House are going to be required. You indicated that charter letters have not been circulated yet?

Senator Payne: Correct.

Senator CONROY: I refer to an article in *The West Australian* on 15 October, also by Nick Butterly, entitled 'Barnett bid to refurbish SAS houses'. Mr Butterly reports that Premier Barnett wrote to you, Minister Payne, late last month—

Senator Payne: 'Payne', actually.

Senator CONROY: Payne, sorry—I deeply apologise.

Senator Payne: I would hope so.

Senator CONROY: In fact I may have to go and give myself a beating for that one on your behalf.

Senator Payne: That is a lot of information.

Senator CONROY: Mr Butterly wrote that Premier Barnett wrote to you late last month concerning the proposed redevelopment of Seaward Village. Can you confirm that Premier Barnett did write to you on this matter, and, if so, did the Premier ask you to reconsider the redevelopment plans?

Senator Payne: I understand that Premier Barnett has certain views on Seaward Village, but as yet I have not seen a specific item of correspondence from him. But I am aware that he has views.

Senator CONROY: I was going to say, 'Did the Premier express the view, as reported by Mr Butterly, that there is "better sense in continuing the refurbishment program"?' but as you have not received the letter—

Senator Payne: Let me say: to the best of my recollection, I have not received a letter. I think I would recall a letter from Premier Barnett.

Senator CONROY: I am sure you would. Did Premier Barnett also write that he shared concerns with SAS families about the security risks of having civilian houses closer to military homes and the base?

Senator Payne: Given that I do not have that correspondence with me, I am very happy to take your questions on notice and to respond to you as soon as possible.

Senator CONROY: Thank you. Could you inform the committee of your views on the issues raised by the Premier—in the media at least.

Senator Payne: I do not think that is really something —

Senator CONROY: But you are aware of the article?

Senator Payne: I am aware of the article, yes.

Senator CONROY: So you are aware of his views from the article?

Senator Payne: I am aware of the article and I have been taking advice on the matter.

Senator CONROY: Would you care to share any views you have at this stage.

Senator Payne: Not at this stage.

Senator CONROY: The Nedlands city council unanimously passed on 26 May a motion which condemned in the strongest terms the bypassing of the council by DHA in presenting the concept as an improvement plan. The council rejected this and made it clear that they wanted to be involved through formal input. The motion states that the council 'registers its objection to the improvement plan process that has been implemented in the Seaward Village development project; considers that the normal process should have been followed, involving a scheme amendment to the city's town planning scheme, followed by a development application; and strongly requests regular formal input by the city in the decision making process regarding the development of the improvement plan and improvement scheme, including formal membership of the Seaward Village project steering group.' That sounds like a fairly strongly worded resolution. Would you agree?

Senator Payne: I might ask Mr Brocklehurst to respond to that. I should imagine DHA would have that information at hand.

Senator GALLACHER: Can I just clarify something: I do not see Mr Howman there. Who actually has lead?

Senator Payne: Mr Howman is on leave, as I understand it.

Mr Brocklehurst: Mr Howman is on leave, and I am currently the acting managing director. In regard to Nedlands city council: DHA does have a steering group, and that does include representatives from the Department of Planning, the Department of Lands and the City of Nedlands. So they are involved in this with us through the process.

Senator CONROY: Why did DHA bypass the council against its obvious unanimous wish?

Mr Dietz: The improvement plan process is a process available to us through the state government planning process within Western Australia. It is specifically designed for complex projects with strategic need, and we deemed that the most appropriate process to use for this.

Senator CONROY: So it is too complex for the council to be involved in?

Mr Dietz: The complexities are in the ownership of the land. The land is owned by Defence, the Western Australian government and also DHA.

Senator CONROY: I come back to the question: why did you bypass the council? You have made a decision to bypass the council.

Mr Dietz: Yes, given the importance and the complexities, our need to have a project delivered in a timely fashion—given the need to have in 2017 an NHCP, the new housing compliance policy—we wanted to deliver early. We felt those complexities would imply the improvement plan process was a quicker way to get an appropriate result. It does also include input from the local council as part of the communication process within that process.

Senator CONROY: Would you agree that this casts serious doubt on any claim that DHA makes to having consulted satisfactorily, when you have bypassed one of the major stakeholders?

Mr Dietz: I feel that we do still communicate appropriately with them and that we do gain input. An improvement plan-improvement scheme process does allow for input from the council also.

Senator CONROY: That may explain your answer to question on notice No. 21 from the budget estimates, where you say:

The proposed redevelopment of Seaward Village is effectively replanning and delivering a whole suburb with a variety of Defence and civilian stakeholders, including all three levels of Government.

I am just confused. You stress 'all three levels of Government', but you have not spoken to them. In fact, you have bypassed one of the three levels of government—or have I missed a level of government?

Mr Dietz: We have spoken with each of the levels of government there and we have reacted to their concerns.

Senator CONROY: You mean 'ignored' their concerns. I read them all out. You cannot say that you have reacted to them, unless your reaction is to ignore their desire to have a normal process involving a scheme amendment followed by a development application. You have reacted by ignoring them.

Mr Dietz: We have not agreed with their approach on the process to take.

Senator CONROY: The council also wanted to be included in the Seaward Village project steering group. Who belongs to the steering group?

Mr Wallace: The steering group was established in early 2014 and since February has met monthly, with the exception of one month. That has representatives from the Department of Lands, the Department of Planning and the City of Nedlands.

Senator CONROY: No residents, no council?

Mr Wallace: Not in that steering group, no.

Senator CONROY: What decisions has it come to and what directions has it issued?

Mr Wallace: The steering group works on understanding the best path forward. We are still in the early planning phases of the project, so it is really about setting the direction that we need to take the project. That is where the idea of an improvement plan-improvement scheme process was facilitated.

Senator CONROY: Has the security assessment referred to in the answer to Defence question on notice No. 23 from budget estimates in June been completed? That is possibly a military question?

Lt Gen. Campbell: It is a Defence security agency question.

Senator CONROY: Apologies. Security assessments? Somebody must know about security assessment.

Senator Payne: I think it is likely that those individuals—and I will take advice from the Chief of Army—who may have been able to assist with that are no longer here.

Senator CONROY: Minister, has it been provided to you?

Senator Payne: Not that I am aware of, no.

Lt Gen. Campbell: If I can offer you a comment in their absence: I am advised that the security risk assessment of Seaward Village resulted in Defence Security and Vetting Service recommending security design principles for incorporation into the redevelopment and concluding that, subject to the adoption of these principles, it had no basis on which to recommend Defence rejects the Seaward Village redevelopment.

Senator CONROY: I have come across a letter, which I will seek leave to table, from the Department of Defence to the City of Nedlands, dated 15 July 2013. The letter is from a Ms Sue Parr, acting head of Defence Support Operations, Department of Defence, on behalf of Mr Steven Grzeskowiak. It concerns the development proposal within Seaward Village. Can you confirm that this was sent and that its content was in fact the view of the Department of Defence at the time?

Senator Payne: I am not able to confirm that, given the provenance of the letter in July 2013, but I can certainly seek advice and respond to you.

Senator CONROY: Okay. Just for the edification of the other senators, who are only just seeing it, the letter states: 'The precinct of Seaward Village and as such its future use is particularly important to Defence.' Minister, do you agree with that statement?

Senator Payne: On the face of the document, yes.

Senator CONROY: The letter goes on to state: 'The primary tenant group in the village are members of the Special Air Service Regiment and their families.' That is still the case in Seaward, I believe.

Lt Gen. Campbell: That is correct.

Senator CONROY: The letter also states: 'The tempo of SASR is much higher than other Australian Defence Force units.' I believe that that is certainly still the case, General.

Lt Gen. Campbell: It is a high-tempo unit.

Senator CONROY: The letter also states: 'As the nature of SASR operations can be at times controversial, Defence consider it prudent to maintain the village for ADF personnel only, as this will ensure training at the barracks is not compromised.' Has this changed in the last two years? Anybody?

Senator Payne: I am actually just reading the letter, Senator.

Senator CONROY: I will keep going while people are digesting. 'This also allows the SASR to provide essential support to families when members are deployed on operations.' I am sure we can all agree that this remains the view of the service personnel and their families currently utilising Seaward Village. Given that the content of the letter was Defence's view at the time and that many of the key points it makes remain true, could someone explain the different attitude to this estate from both the department and DHA?

Senator Payne: We will start with DHA.

Mr Brocklehurst: The development concept that DHA has has been developed on a set of principles that have been agreed with Defence subsequent to this letter.

Senator CONROY: What is the difference between the request that this letter references to the proposal currently being considered for the redevelopment of Seaward Village? There is obviously a proposal that is behind this letter; the letter is responding to something. What is different?

Mr Brocklehurst: I have not seen the letter before. The only comment I can give is that the development concept that we have has been developed based on principles that have been agreed with Defence, and they have been agreed with Defence after the date of this letter.

Senator CONROY: I would be interested in more detail of the discussions that took place leading to the decision to remove the covenant that had been in place since 2001. In DHA question on notice 25(e) from budget estimates this year I asked:

How will DHA maintain the commitment made by the Parliamentary Standing Committee on Public Works that 'the housing and land will not be sold into the private sector while the SASR or a similar special unit is maintained at Swanbourne'?

The answer provided by DHA was:

DHA and Defence have agreed to remove the covenant to enable the redevelopment. Upon completion, a new covenant will be placed on the new Defence houses.

That answer does not actually provide an explanation. It just says, 'We wanted to have a redevelopment involving the sale of land to the private sector. The covenant would not have allowed that. Therefore we removed the covenant.' It did not actually answer the question. So I take the opportunity to again ask: on what basis did DHA and Defence agree that it was no longer necessary to prohibit the sale of land to the private sector while the SASR was maintained at Swanbourne? What changed that makes this no longer a consideration?

Mr Brocklehurst: At this point the covenant has not been changed. It remains intact and unchanged since that version that was done in 2001.

Senator CONROY: But you are in the process of removing it. You have agreed to remove it.

Mr Brocklehurst: The principles that were agreed with Defence for the development of the concept would, if it all flows through to occur, require a change to the covenant, but that has not happened yet.

Senator CONROY: So the change to the covenant is driven by the money involved in flogging off some of the land to the private sector.

Ms Dermatossian: The covenant requires the minister's consent to lift it off Seaward Village before that occurs.

Senator CONROY: I understand that, but the department and DHA have both agreed between themselves that it has to be removed and, other than me saying it is about the money, I have not heard a single other argument about why it should be lifted.

Lt Gen. Campbell: Senator, I do not think you are going to get an answer without a representative from Defence's Estate and Infrastructure Group present here at the committee hearing, so it would perhaps be appropriate to take it on notice.

Senator CONROY: Sure. I am happy for Defence to take it on notice. I have DHA in front of me. They are 50 per cent of the parties who have agreed. I am sure they are very familiar with why they decided to go down this particular path.

Lt Gen. Campbell: Indeed, but, as with this letter, you are only seeing a part of the issue, so I think we are having a very segmented conversation.

Senator CONROY: That is just an accident. I accept entirely that it is not anything other than an accident, but I will pursue as much information from DHA as I can gather. I am happy for you to take the Defence side of it on notice. Who was involved in these discussions? Were ministers or assistant ministers involved?

Senator Payne: Recently?

Senator CONROY: It was probably prior to your time. I was going to ask: have you now been brought up to speed on it? But who was involved previously in the discussions around the covenant?

Senator Payne: I am happy to take advice on that and come back to you.

Senator CONROY: I am sure DHA would know. Just so you are aware, Minister, I have actually gone to a meeting in the assistant defence minister's office on this issue with a string of people, so there are a lot of people who have been involved.

Senator Payne: Thank you. Then you have just answered your own question, at least in part.

Senator CONROY: No, I was not involved in the discussion on the covenant.

Senator Payne: Okay.

Senator CONROY: But who was involved in the discussion on the covenant? You, obviously.

Mr Brocklehurst: The principles that the development concept is based on were agreed between Defence and DHA and were submitted through to the Minister Assisting the Minister for Defence.

Senator CONROY: Thank you. Minister, you have now read and heard a little bit about it.

Senator Payne: Yes.

Senator CONROY: Are you in a position to give us your thoughts?

Senator Payne: No, I am going to seek further advice.

Senator CONROY: In question on notice 25(c) from budget estimates in June this year, I asked:

Will the redevelopment proposal need to be assessed by the Joint Parliamentary Standing Committee on Public Works (PWC)?

DHA responded:

This project will be assessed by the Joint Parliamentary Standing Committee on Public Works in accordance with their regulations.

Could you now please clarify the following: what is meant by 'in accordance with their regulations'? It is a DHA answer, so I am just asking you to explain your answer.

Mr Brocklehurst: My understanding of that would be that it would be in accordance with their regulations that would determine whether or not the proposal needs to go to the PWC.

Senator CONROY: Does that mean it will be assessed by the Parliamentary Standing Committee on Public Works?

Mr Brocklehurst: My understanding is that it would not need to be, on the basis that it is an off-base project and off-base projects are not funded by Defence.

Senator CONROY: So it is off base, so they cannot assess it, then. They can consider it, but they cannot assess it and make a proposal or give a recommendation.

Mr Brocklehurst: That would be my understanding.

Senator CONROY: Okay. In view of the very strong concerns expressed and the doubts cast on the financial and economic necessity for your concept, do you agree it would be in the interests of good relations with your customers to ask the Parliamentary Standing Committee on Public Works to conduct an inquiry?

Lt Gen. Campbell: Senator, could I just inquire: in that question, were you asserting the strong economic doubts or were you asking?

Senator CONROY: I was saying: in view of the very strong concerns expressed and the doubts cast on the financial and economic necessity for the concept that has been put forward, do you agree it would be in the interests of good relations with your customers to ask the committee to conduct an inquiry?

Lt Gen. Campbell: Could I ask whom you are quoting?

Senator CONROY: I have met with a number of families—I am constantly contacted by them. I had some discussions prior to you becoming Chief with the assistant minister and some officials from DHA, who are possibly here now—I think the CEO was there, and possibly a couple of others—where we discussed the economics of the concept as well. I have been involved directly in discussions about it.

My question is, given all these concerns, do you think the committee should have a look at it more thoroughly than a tick and flick?

Lt Gen. Campbell: Are you expressing your concerns or are you expressing the concerns of others?

Senator CONROY: I am expressing the very strong concerns of others and the doubts cast on the financial and economic necessity for your concept. I think it has just been done to make money for DHA. I think that, if you measure the two or three different alternatives, DHA are just penny pinching.

Lt Gen. Campbell: It might be worth asking DHA about their cost estimates for the maintenance of those houses.

Senator CONROY: I have, and they have taken me through all their different proposals. I am just saying that it should all be aired at a public hearing. I am aware of the finances, and, as I said to you, even after they finished explaining it to me, I turned to them and said, 'This just looks like you need to finance something else and you are going to sell off part of this land.' There is no serious case that they cannot upgrade and improve them and the families are strongly objecting in the constant communication I am getting. I do not think that a financial case has been made.

Senator Payne: Whether it is a hearing or a briefing, I am sure we can assist by making appropriate officials available.

Senator CONROY: I think Senator Gallacher is more familiar with this particular committee than I am.

Senator SMITH: I am the chairman, actually.

Senator CONROY: In fact, we have the chair with us.

Senator Payne: You are the chair of Public Works, yes?

Senator SMITH: Yes.

Senator CONROY: There you are. All I am saying is to let the Public Works Committee do its job, rather than, as has been pointed out—

Senator Payne: I will leave that in the hands of the Senate and the senators.

Senator SMITH: Defence Housing Association is exempt from scrutiny by the Public Works Committee.

Senator CONROY: So we need your permission, Minister, for the committee to have a look at it.

CHAIR: Perhaps the minister might consider that.

Senator Payne: I will indeed. Thanks, Chair.

CHAIR: Senator Conroy, can I go to Senator Smith on the same topic of Seaward Village? We will come back to you if we need to.

Senator CONROY: Sure.

Senator SMITH: My questions are related to Seaward Village as well, and I think it is important that I disclose that I am an honorary member of the association of the SAS regiment. I want to go to the issue of the security review. In your evidence to Senator Conroy, General Campbell mentioned that the Army has said that—and I am paraphrasing now, so correct me if I have paraphrased incorrectly—if the design security principles were adopted from the security review, then the development at Seaward Village would be free to proceed. What were those design principles?

Lt Gen. Campbell: Could I just make a comment there, Senator?

Senator SMITH: Of course.

Lt Gen. Campbell: My comment earlier in reply to the question from Senator Conroy was, in the absence of members from the Defence Security Agency, to note their comment. They are the authority within Defence with regard to security assessments, and they were indicating that they would have no objection if these design principles that they were proposing in their security review were adopted in the design for the redevelopment of Seaward Village.

Senator SMITH: Let us go back a step: has Defence Housing Association seen the security review?

Mr Wallace: We have been provided with a copy of the security principles.

Senator SMITH: How many security principles are there?

Mr Wallace: I do not have that information in front of me.

Senator SMITH: Can you provide it to me on notice?

Mr Wallace: I could provide the number of principles, yes.

Senator SMITH: Has the proposed development at Seaward Village been changed to accommodate the design principles?

Mr Wallace: Following receipt of the design principles, as well as our ongoing communication with the local community, we have been refining our concept plan. It is still a concept plan that is being further refined as we consider the information collated.

Senator SMITH: When did you receive the security review?

Mr Wallace: I could not tell you the exact date, but it would be somewhere about six weeks ago, perhaps.

Senator SMITH: You have received a security review. It sounds like it is a collection of principles. You have seen those. You have refined the proposal at Seaward Village to accommodate those principles. Were they onerous principles?

Mr Wallace: Some of them were, yes. But we have been able to incorporate those into the concept plan.

Senator SMITH: Could you give us a sense of what the themes of the principles were?

Mr Wallace: I might defer that question to Defence, given the security nature of the information as to whether they are comfortable with that being provided.

Lt Gen. Campbell: Again, Senator, I do not have with me that security review or, indeed, the design principles. This will have to be taken on notice to provide you that information from the Defence security and vetting agency.

Senator SMITH: So there were some security concerns?

Mr Wallace: There were principles provided that needed to be addressed. As to the details, as I said before, it would be a question for Defence whether they would like to release those publicly.

Senator SMITH: I just want to go back to the issue of consultation with local stakeholders. I was under the impression—not from the WA state government but from interested constituents—that the Premier had written to the government with a view about Seaward Village. Are you familiar with whether the Premier of Western Australia has written to the government in its broadest forms?

Senator CONROY: We had a bit of discussion earlier.

Senator SMITH: And I am free to ask my question.

Senator CONROY: I am just letting you know in case you had not been here. The minister is saying she has not received it yet.

Senator Payne: No, I said I had not seen it.

Senator SMITH: Am I questioning?

Senator CONROY: I was not trying to split a hair.

Senator Payne: It is a little late for that. I said, Senator Smith, that I understand that, as has been indicated in the media, the Premier had written to me. I have not seen the letter. I am sure it had been received and dealt with. But I had seen the stories.

Senator SMITH: I am sure the Premier would not address a letter incorrectly, but it is not beyond the possibility that it might have gone to Defence Housing Australia.

Senator CONROY: Or he may have given it to the journalist first.

Senator SMITH: Excuse me, Senator Conroy. Has the Defence Housing Australia seen a letter or heard of a letter that the Premier might have written about the Seaward Village proposal?

Mr Brocklehurst: We have seen a copy of the letter from the Premier.

Senator SMITH: You have seen a copy of it?

Mr Wallace: Yes we have.

Senator SMITH: Are you at liberty to disclose the theme or themes of that letter?

Mr Wallace: I have only seen a copy of the letter. It was written in his capacity as the local member for Cottesloe. It just makes reference to would the government consider a refurbishment program continuing.

Senator SMITH: A refurbishment program, as opposed to a redevelopment program, continuing?

Mr Wallace: Correct

Lt Gen. Campbell: I am advised that the department has copy of that letter and is considering it and preparing some advice to the minister on it.

Senator SMITH: Which is the appropriate course of action. There is no issue from me with that from me at all. I want to move on to consultation with families currently resident in Seaward Village and what, if anything, that has involved in recent months.

Mr Wallace: You are talking about Defence families in Seaward Village. Prior to 1 July 2015, Defence had been the lead in communications and engagement with the Defence families in Seaward Village. Since that time we have undertaken a survey of the residents of Seaward Village. Following that, we undertook on 14 September a Defence information session, specifically exclusive for the Defence residents, which outlined our plans for a redevelopment program and the impacts that would have on those residents that attended.

Senator SMITH: Was that briefing on 14 December the refined proposal incorporating the principles that were communicated as part of the security review or was it, let's call it, the unrefined proposal?

Mr Wallace: It was a refined proposal that has been further refined slightly since then.

Senator SMITH: Right, so it does not incorporate the principles that were communicated to you through the security review?

Mr Wallace: It incorporates the key information that is provided in the security review. It has been further refined based on some further information being discussed with Defence on how those principles should be incorporated.

Senator SMITH: In your earlier evidence, you did say that you had received the principles of the security review some six weeks ago or so.

Mr Wallace: Approximately, yes.

Senator SMITH: So that fits. How many families or people attended the briefing?

Mr Wallace: Approximately 30 attendees.

Senator SMITH: And how would you characterise them—wives, soldiers, children, families?

Mr Wallace: A mix of husbands and wives, partners, a few children as well, probably an even split of husbands and wives.

Senator SMITH: What was your assessment of their reaction to the refined redevelopment proposal?

Mr Wallace: The tone of that meeting was actually very positive. There were only a very small number of people who seemed to be against what was going on—probably only two or three. The balance of the group were very interested in how they were going to be housed during the redevelopment and what housing options would be available to them. There certainly seemed to be a lot of interest in a brand new house being provided for them for those that were going to be available at that time.

Senator SMITH: We have had a security review of the redevelopment proposal. I am curious, General Campbell—and I had not seen this letter of 2013 until it was circulated.

Lt Gen. Campbell: Nor had I, Senator.

Senator SMITH: I am curious to know: has a capability review been done? Has a review been done on the impact of the redevelopment and by that I mean the location of civilian people adjacent to SASR families and the relocation of some families into communities or dispersed through communities? Has a capability assessment been undertaken by Army because the letter here does demonstrate—and this letter is only two years ago, dated 15 July 2013. It is clear from this letter that the operational tempo of the SASR is different from other Army elements. I am curious to know: has a capability assessment been done as a result of the redevelopment on the capability of the SASR?

Lt Gen. Campbell: Specifically no, but let me add to that. The greater majority of the families of the personnel who serve at Campbell Barracks live out in the wider Perth community, with only a smaller element of SAS families and then an additional group of other defence families from the Perth area living at Seaward Village. So while a capability assessment has not been undertaken—and I understand when you read this letter you might inquire as such—I would slightly recharacterise your question to ask: has the consideration of defence families living in a community with other Australian citizens around them been undertaken? It has not and, quite frankly, with the great majority of the regiment's personnel living out in the wider Perth community, I am disinclined to think it would be of any value and that capability, in fact, is not affected but for considerations of those design principles which maintain the integrity and security of the barrack area and a maintenance of what ultimately is a village community in Seaward Village, which I think is being maintained by the concepts that have been developed by DHA.

Senator SMITH: Thank you, Sir. I respect your judgment on that. When you say 'a greater majority of the families and smaller element' can you give me an indicative, unless you have it in detail, a sense of proportionality between majority, smaller element and other?

Lt Gen. Campbell: I might be able to. I will have to take that on notice, I think.

Senator SMITH: I am very, very comfortable with it being indicative or with you being a bit circumspect about that information.

Lt Gen. Campbell: I can offer then an indicative proportion. I would think it might be 20 to 25 per cent of the barracks population—something like that. And then you might see Seaward Village occupying 60-40: 60 Campbell Barracks residents; 40 others—something like that.

Senator SMITH: That is helpful. In my final line of questioning I will be very, very brief, Chair. I just want to go to the issue of Campbell Barracks being an enduring facility. It is correct to characterise Campbell Barracks as an enduring facility in terms of the terminology that you would use in Defence and Army?

Lt Gen. Campbell: Again I am going to respond, respectfully, on behalf of Defence and in particular the Defence Estate and Infrastructure Group, who are, within the Department of Defence, if you like, the owners of

the facilities of which I am a tenant. Yes, Campbell Barracks would be seen as a long-term location for military personnel and, in this particular instance, for the Special Air Service Regiment.

Senator SMITH: This is the first time I have used the estimates to explore issues around this, but, just to be clear, my interest is simple and it is twofold. The first is the welfare of SASR families at Seaward Village. Secondly, in my role as Chair of the Parliamentary Standing Committee on Public Works, having given approval to a \$225 million redevelopment of Campbell Barracks on top of significant investment that has already been made there over a considerable period of time, anything that has the hint of putting that taxpayer investment at risk and—perhaps not in the short term but over the medium term—forcing or precipitating a discussion about the suitability of that site after there has been a tremendous amount of taxpayer investment is something that I am very, very sensitive to. But thanks very much for your cooperation, General Campbell and Minister. Thanks very much.

Senator Payne: Thanks, Senator Smith.

CHAIR: Colleagues, we just have to formally table the letter provided to us.

Senator CONROY: I will try to be as quick as I can. I do not have too much left, so that is the good news. You will recall that DHA committed to conduct a full survey of ADF personnel living at Seaward Village in June last year. When asked about this issue during the budget estimates in June 2014, Mr Howman said:

Before any final decisions are made we will be going back to the members. And, more importantly, we will be going back to the spouses and the families of the members who actually live there while the members are away.

DHA also undertook to conduct a formal survey, and again I quote:

We will do a survey. It is not hard to do. We will do a formal survey as well as the informal surveys.

When we next discussed it at the following year, at budget estimates in June 2015, it emerged that there had been focus groups but not a survey. Has DHA now conducted or arranged for the conduct of formal and/or informal surveys specifically and solely for SASR residents of Seaward Village, aimed at getting a full picture of everyone's views?

Mr Wallace: Yes, we have.

Senator CONROY: It was stated in a response to question on notice No. 10 from budget estimates in June 2015:

Focus groups have highlighted that some residents may be unhappy about relocating.

But during our June hearing Ms Dermatossian said:

One of the outcomes of the focus groups of the Seaward Village residents is that they are happy to relocate on the village as long as they remain on the village.

So there seem to be two different interpretations of those focus groups. Then it really does come back to needing a full survey, so I want to understand that we are on the same page and what we both mean by the words 'conduct a survey'.

Mr Wallace: DHA conducted a survey. The survey was prepared internally by DHA with input from Defence and Defence Families of Australia as well as Special Operations Command headquarters.

Senator CONROY: What constituted that?

Mr Wallace: The survey has a number of questions. We would happily provide a copy of the specific questions.

Senator CONROY: If we could get it tabled, that would be great, thank you. You have indicated that you have completed that survey. It went to each resident—each home on the village?

Mr Wallace: The survey was conducted of the entire posting location. However, there were specific questions that were available only to residents of Seaward Village. We took the opportunity to create a wider survey.

Lt Gen. Campbell: This is an important point which I was particularly keen to see considered because, on posting cycles, not only are the current residents of Seaward Village eligible to be residents of Seaward Village but in proportion, roughly speaking, as it stands now between families of Special Air Service Regiment members and families of other Defence personnel in the Perth area, non-Seaward Village residents or persons coming into the Perth area both for the Special Air Service Regiment and for the wider Defence community are all nominally potential residents of Seaward Village either now or into the future. So absolutely the views of Seaward Village residents matter, but so do the views of other SAS Regiment families and other members of Defence within the Perth region matter. That is why that wider view was taken.

Senator CONROY: Sure. I enjoy the description. Is it possible to isolate out of the survey just the responses from the current residents of Seaward Village?

Mr Wallace: Yes, it is.

Senator CONROY: What was their response solely? Not the whole survey—what was their response?

Mr Wallace: The key information that came out of the survey—there is a lot of detail. However, of the 61 responses from residents of Seaward Village—

Senator CONROY: Out of how many?

Mr Wallace: 61 responses out of 153 properties—59 per cent of respondents were in favour of a redevelopment; 21 per cent were neutral or had no opinion; and 20 per cent were against a redevelopment.

Senator CONROY: Have you circulated those results?

Mr Wallace: We advised the Defence community at that information session of those results.

Senator CONROY: I also understand from the answer to question on notice No. 22 from budget estimates in June 2015—I think you may have now done that. You have now notified everybody of those results? I think you indicated that you told the Defence community, so that means you have told the families the results?

Mr Wallace: The results were presented at the information session to those that attended.

Senator CONROY: How many was that? Last time we had a discussion about how many attended it was—

Mr Wallace: About 30.

Senator CONROY: less than 10 and more than five. That was my recollection of last time.

Mr Wallace: Sorry, this is the survey results we are talking about.

Senator CONROY: Yes. But you are saying that a larger group of residents turned up.

Mr Wallace: About 30 people attended the Defence information briefing session which was about the wider development, where we advised those key information results from the survey.

Senator CONROY: Okay, but my recollection is that those groups that you previously held were composed of more than just residents.

Mr Wallace: They were the focus groups conducted back in April.

Senator CONROY: So this meeting you held was of the residents only, and 30 residents turned up?

Mr Wallace: Correct.

Lt Gen. Campbell: In the interests of a complete view, I do think it is reasonable to suggest that that wider Perth residency view also be offered.

Senator CONROY: I am happy for a summary to be tabled.

Lt Gen. Campbell: They are all potential residents of Seaward Village.

Senator CONROY: I do not disagree that one day some of them may be there. I am happy for you to take it on notice and give us a summary of the total findings across all of the cohorts, both residents and non-residents.

Lt Gen. Campbell: My point here is that I think some of them are not residents of Seaward Village now—potentially, as I read the data, because it is less attractive to them at the moment but it would become more attractive to them.

Senator CONROY: I appreciate that that could be the case. Hopefully we will see that in the summary that we will get from DHA. According to the Nedlands city council minutes of 22 September, the council voted unanimously to close Sayer Street from 26 July 2016 for the following reasons:

- i. to reinstate the area to its original natural state for park and recreational use;
- ii. to address a serious concern regarding a major increase in traffic on Sayer Street post development of Seaward Village;
- iii. because the planning of the new subdivision can incorporate a secondary access road without impacting on current residents.

That is, I think, the resolution. I understand also that there was a DHA representative at the council meeting and that he spoke against the motion. Is that correct?

Mr Wallace: That is correct.

Senator CONROY: What implications, if any, does the council position on the closure of Sayer Street have for the Seaward redevelopment project?

Mr Wallace: Sayer Street is an integral part of the Seaward Village redevelopment and also of Seaward Village as it is today. Any development site or existing residential area requires two access points. The information that council stated about there being another option available is incorrect: DHA is not aware of any secondary access point. However, what council has started is a process to close Sayer Street, which will trigger community consultation and referrals through to state government, which is an appropriate method to assess whether Sayer Street should remain open or be closed.

Senator CONROY: I am happy to place the rest of my questions on notice, given the time.

CHAIR: That concludes the committee's interrogation of Defence Housing.

Australian War Memorial

[22:02]

CHAIR: Dr Nelson, good evening. It is good to see you. I congratulate you on being the ACT's nominee for Australian of the Year.

Dr Nelson: Thank you very much, Chair, but—just to correct you—I am on the short list of four. The other three are far more worthy than me.

CHAIR: You are only on the short list. I am premature. I noted your comment the other night in which you acknowledged the role of all of your associates should you be successful or even in the fact that you have been short-listed. That is fantastic. I start the questioning by asking whether you can confirm that the Australian War Memorial has commissioned an independent history of the postwar health issues associated with the Vietnam War. Could you briefly explain that independent commissioning?

Dr Nelson: If I were to be very brief I would simply say, 'Yes'—and yes, we have. We have done so from our own resources. We have engaged a historian, Dr Peter Yule from the University of Melbourne. He did a scoping study for us to look at the issues, which included consultation with Vietnam veterans. The reason we are doing this is not to rewrite the history of the Vietnam War at all, but when those men and women returned from Vietnam they came back to a society that carried certain prejudices in relation to the war. There was a royal commission into the use of herbicides in Vietnam and there was some pejorative language that was used in relation to these veterans and their advocates in the context of the impact of herbicides, and we now, more than 30 years later, have more information and understanding of this and we think it is appropriate to have an official history that looks at the medical legacies of the Vietnam War and to do so dispassionately and have it informed by what we now know.

CHAIR: Can you tell us when you would expect this project to commence and when you would expect it to be completed.

Dr Nelson: The project has effectively already commenced. We expect Dr Yule to provide the final completed history to us in 2019. There has been extensive consultation with relevant veterans organisations in relation to it, and I think it is fair to say that there is universal agreement that this is a good thing to do.

CHAIR: How is it being financed and what is the budget for the project?

Dr Nelson: The overall budget for it is \$1.6 million. It is being funded from the non-government funding that we have been able to raise. I emphasise that that is not associated with any particular individual corporation or anything of the sort. We have been particularly successful in our partnerships, commercial activities and bequests in the last two or three years.

CHAIR: Before I go to colleagues, could I just ask a couple of questions about visitation numbers—the total numbers of visitors in 2014-15 and how that has compared with the previous year, please.

Dr Nelson: We had 1.24 million visitors to the Australian War Memorial to the end of June 2015, which is a 15 per cent increase on the preceding year, and there has been a 29 per cent increase to the end of the June quarter compared to the June quarter for 2014. These have been quite extraordinary numbers.

CHAIR: I wonder if you can just further break that down for us if it is possible, to the total attendance by students and those attending with them from schools during 2014-15, and whether that also is reflected in that 15 per cent increase.

Dr Nelson: It is included in the 15 per cent increase. Student numbers to the end of June 2015 for the financial year were 140,000 and they were accompanied by 13,400 adults. That represents an 11 per cent increase overall, 12 per cent for students and eight per cent for accompanying adults.

CHAIR: Finally, I do want to acknowledge, as I have before, the Australian War Memorial's contribution to the National Anzac Centre in Albany and the fact that I believe that at the end of September they surpassed what

were to be the predicted numbers for the first full year of operation, which would not be until 1 November. I thank you for those.

Senator WHISH-WILSON: Could you give the committee an update on the Sir John Monash Centre in Villers-Bretonneux?

Dr Nelson: I would love to, but we are not responsible for it.

Senator WHISH-WILSON: You are not anymore?

Dr Nelson: No. In fact we have not been primarily responsible for it. We support it, of course. My assistant director for the national collections is part of the advisory board. We are working with the prime contractors on examining materials, objects, images and so on which would be put into it, perhaps. But we do not have primary carriage for it. The Department of Veterans' Affairs does that.

Senator WHISH-WILSON: That is fine. It is underway?

Dr Nelson: I will ask the secretary to respond.

Mr Lewis: We will be moving to the department immediately after the War Memorial, and we will be happy to take questions on the Sir John Monash Centre then.

CHAIR: Dr Nelson, finally, could you summarise any highlights at the Australian War Memorial for the remainder of this financial year that the committee may wish to take note of, please.

Dr Nelson: To the end of the 2015-16 financial year? In terms of highlights, I would think Remembrance Day will be a significant day, and it is now known publicly that His Royal Highness the Prince of Wales and his wife will be attending. I would expect a very large attendance from the parliament and the Senate, and the guest speaker will be Dr Jackie Huggins, a respected Indigenous academic who has a strong family history of service in both the First and the Second World Wars. Then we will move to Anzac Day commemorations next year. We will expect to have significant events to commemorate Fromelles and Pozieres at the Australian War Memorial. We are currently working on some sculptures for our Sculpture Garden. We also have ambitions which we are developing to expand both our exhibitions and our exhibition space. We will present an exhibition on the history of Indigenous service in Australia's defence forces over 100 years, which we will open mid next year, amongst other things.

CHAIR: Thank you very much, Dr Nelson. It has been very informative.

Senator LAMBIE: I just have one quick question. Dr Nelson, could you just tell me how the Boer War and peacemakers and peacekeepers memorials are going. Where are we up to? I believe the peacemakers and peacekeepers have got a further donation from the current government over the last few weeks.

Dr Nelson: Thank you, Senator Lambie. Again, whilst we are strongly supportive of those memorials, we are not responsible for them. I am a patron of the Boer War Memorial, and in that context I can inform you that I am advised that the Commonwealth government recently made a significant donation to it and it is now only \$300,000 short of its fundraising target. We are currently looking after the first horse for them at our storage facilities. I am not in a position to confirm the money given for the peacekeepers memorial.

Senator LAMBIE: Would the defence minister be able to confirm where that peacemakers and peacekeepers memorial is up to?

Senator Payne: No, but I will get some advice for you on that.

Senator LAMBIE: That would be great, because it would just be a shame if we are that close and we are still not starting to build those memorials.

Senator Payne: We might also be able to ask the department when we move into the department's space.

Senator LAMBIE: Thanks.

CHAIR: Thank you, Dr Nelson.

Department of Veterans' Affairs

[22:12]

CHAIR: Now we will address ourselves to the Department of Veterans' Affairs. I will not read out the lengthy statement with regard to officials. I think we understand them, and I think you and your colleagues understand them also. So I take it as understood.

Senator WHISH-WILSON: I would just like to follow up the line of questioning on the Sir John Monash Centre, if you could give the committee an update on whether some kind of work has started on that and give us a timetable and a budget.

Mr Lewis: We have run a tender process in relation to the construction of the Sir John Monash Centre, and bids have closed. We are assessing those bids at the present time.

Senator WHISH-WILSON: That will be at the Villers-Bretonneux memorial site?

Mr Lewis: Behind the memorial itself—correct. There are some design features. You are probably aware of this. It went to the Public Works Committee some little while ago, so the designs and all of that were shared with the PWC at that time.

Senator WHISH-WILSON: Have there been any more advances on the budget? Have you actually started to work up some numbers?

Mr Lewis: We will be able to update on that once we have our tenders in; obviously, we have tender quality information that we are assessing now. The intent would be to proceed once we have a locked-in tenderer. There is nothing to announce right now, but, when we are in a position to, we will.

Senator WHISH-WILSON: In relation to what you envisage it is going to be: I have been to Villers-Bretonneux—I have a relative buried there—and I noticed there was a museum in Albert, not too far from there, which included some Australian history. What exactly are you planning to do?

Mr Lewis: I might look over to Mr Fletcher to provide a bit more detail about the purpose of it, but I suppose one thing to make an observation about is that the intent of this is not focused just on Villers-Bretonneux; it is designed to tell the story of the whole Western Front. Mr Fletcher?

Mr Fletcher: The centre is to tell the Australian story. We have the Australian Remembrance Trail on the Western Front which tells the story of individual geographic areas and the battles that occurred there, but this centre will tell the specific story about Australia—before the war, leading into the war, during the war, and post war. The government commissioned a legacy building. It cannot be iconic against the Australian National Memorial, so it is a half-sunken building. So a lot of work has gone into meeting the legacy requirement but also making it subsistent to the actual memorial itself.

Senator WHISH-WILSON: The centre is a physical space, but have you considered the possibility of using technology, for Australians going there in the next three or four years especially? Having been there myself and having hired a historian, for US\$500 for a day, to tell us stories and walk us around, I imagine you could do that on iPhones now with a pair of headphones. Are you planning to look at technology—which I am guessing would be a fraction of the cost—to tell the story?

Mr Fletcher: The centre uses the whole site, and we see it as the hub of the Australian experience—so the hub of the trail. The site will have wi-fi, so you will be able to connect up to and download an app. You will be able to walk through the site and experience and understand what the cemetery is about, what the memorial itself is about and what the centre is about, and then you will be able to have a takeaway to experience the other sites along the Western Front of significance to Australians. So it is very much a technology site, and it is very much about supporting the whole story of Australia.

Senator WHISH-WILSON: Are you going to develop a tour guide app that people could download onto their phones?

Mr Lewis: I certainly like the idea. I had the same experience as you did when I went to Villers-Bretonneux with my daughter several years ago; there is nothing which really helps you tell the story. So we are looking at as much ICT enablement as we can, at the site, and there is a tender that we are running.

Mr Fletcher: We have done a lot already as well. We have the Western Front site, which we revamped as part of the art project, that now allows people to download different sections to talk about different parts along the front. We have apps that we have developed in partnership with our French and Belgian partners, and, as part of the centre, there will be an app that will cover the whole of the Western Front, plus specifically around the centre itself.

Senator WHISH-WILSON: You mentioned that you have not done any specific costing around it yet, but—

Mr Lewis: The costings were done for the purpose of the PWC. I thought you were asking about the tender.

Senator WHISH-WILSON: Sorry—the actual project. Can you remind us again what has been budgeted for the centre?

Mr Fletcher: The total capital cost of the centre, excluding the money that was put up to develop the detailed business case, is \$88.5 million.

Senator WHISH-WILSON: Was that based on anything in particular?

Mr Fletcher: That was based on the detailed business case. Because of the tight time frames to deliver this, we had engaged the designers, the architects, the interpretive designers and the cost planners and that, as part of developing the DVC. So we had a very detailed costing leading into that, and we are confident that we will remain within those costings.

Senator WHISH-WILSON: Providing the Australian dollar does not depreciate too much! I am sorry; I was just being facetious. Thank you.

CHAIR: Senator Gallacher, 15 minutes and then—

Senator GALLACHER: Chair, I have a brief which goes a lot longer than 15 minutes.

CHAIR: I will just explain. I will go to you for 15 minutes and then to Senator Lambie for 15 minutes, and then I will come back to you.

Senator GALLACHER: Okay. My apologies to the department. It is no fault of yours that we are running vastly over time. I have quite a long list of questions and I would appreciate it if you would take on notice immediately what you do not know and be succinct in your answers—

Mr Lewis: Understood.

Senator GALLACHER: And I will try and work my way very quickly through this. The 2015-16 DVA portfolio budget statement indicated that the department would be undertaking a review of departmental and allied health arrangements. Has the review commenced yet?

Ms Campion: Yes, Senator, the review has commenced.

Senator GALLACHER: When did it start?

Ms Campion: We have been working on preparing for the review since it was announced in the budget, doing a range of activities, including obviously looking at previous issues that have been raised by providers.

Senator GALLACHER: Sorry, Ms Campion. I have got a brief, which you can't see. So the question is: when did the review start? Is there a date?

Ms Campion: As I said, Senator, no particular date.

Senator GALLACHER: There is no date?

Ms Campion: No particular date. We have been working on the preparation for the review and how we will undertake it since the budget.

Senator GALLACHER: The answer is no. When does the department expect to begin this review?

Ms Campion: We have already commenced. I cannot give you a particular date. As I said, we have been planning on how we will undertake the review—its scope and time frames—since it was announced at the budget.

Senator GALLACHER: Will the scope include an examination of the impact of the extended pause on dental and allied health provider fees?

Ms Campion: The review will cover a range of issues. It will look at current utilisation of items on the schedule, the trends in utilisation, the changing demographics of our population, the current levels of fees.

Senator GALLACHER: Will it include an examination of the impact of the extended pause on dental and allied health provider fees?

Ms Campion: In so much as that relates to fees then, yes, Senator, it will. But that will not be the only scope of the review.

Senator GALLACHER: Thank you. An examination of the impact on the existing disparity between the provider fees currently paid by DVA and the customary fees?

Ms Campion: Sorry, I did not catch the end of that question.

Senator GALLACHER: An examination of the impact of the existing disparity between the provider fees currently paid by the DVA and the customary fees—like the market fees.

Ms Campion: We will be looking at the fees. That is probably all I can tell you at this stage. We have not gone into any details as yet.

Senator GALLACHER: A consideration of the projected need for dental and allied services to veterans in the future?

Ms Campion: Yes, as I said, we will be looking at changing demographics and their changing health needs.

Senator GALLACHER: An examination of services currently provided to veterans?

Ms Campion: In relation to the items on the schedule?

Senator GALLACHER: Yes.

Ms Campion: Yes. As I said, we will be looking at utilisation trends.

Senator GALLACHER: Will the geographical distribution of the services be considered in this review—any issues around access to services for veterans in rural areas?

Ms Campion: Yes. I suspect that a key component of it will be looking at where our providers are located, as well as our clients.

Senator GALLACHER: Can the department provide an outline of the anticipated steps involved in conducting this review? Can you give us a broad-brush view of what you are trying to do here?

Mr Lewis: We might take it on notice, having regard to your preamble comments, Senator. But Sue is happy to take you through them now. So it is your choice.

Senator GALLACHER: For completeness, perhaps on notice, an outline of the anticipated steps would probably be a better way to do it.

Ms Campion: Sure.

Senator GALLACHER: Have you got an anticipated time line for the review? You are examining it. You will have a start date and an end date. Is it three months, six months?

Ms Campion: It will take longer than that. We are anticipating having it completed towards the end of next year. It is important to note—

Senator GALLACHER: Is that December 2016?

Ms Campion: Yes. There is a review of the Medicare benefit schedule occurring at the same time through the Department of Health, and we are attempting to align our review with that one, which will be working around the same time frame.

Senator GALLACHER: Will you be making the findings of the review public?

Mr Lewis: That will be a matter for the minister.

Senator GALLACHER: Minister, will you be making that—

Senator Payne: It will be a matter for the Minister for Veterans' Affairs. If you wish me to seek an answer from the Minister for Veterans' Affairs, I will.

Senator GALLACHER: Thank you. How many DVA staff are engaged in the undertaking of this review?

Ms Campion: I would need to take that on notice.

Senator GALLACHER: Will the review be undertaken entirely by DVA staff or will some aspects of the review be contracted out to external parties?

Ms Campion: That is something we are still working through. I suspect some of it may well be contracted out.

Mr Lewis: As Ms Campion just mentioned, we will be doing the review in consultation with the Department of Health, so they will be involved.

Senator GALLACHER: Perhaps on notice, if external parties are involved, what aspects of the review would they undertake? How would you select them? What would be the cost of their services? Why can't the roles be filled by departmental staff?

Mr Lewis: Instinctively, we would prefer to do it in-house if we could.

Senator GALLACHER: I understand the review is to be undertaken in consultation with provider groups. How are you going to facilitate those consultations?

Ms Campion: We already have arrangements to work and consult with provider groups. We have created from a range of former smaller committees a larger consultative forum that has around 25 or so organisations represented on it. That will be a key means of consultation and engagement with those groups. We are also anticipating forming smaller groups from those providers and inviting others as appropriate to look at particular areas of our schedules.

Senator GALLACHER: Would that be characterised as an industry reference group?

Ms Campion: Not so much industry but providers.

Senator GALLACHER: There would be roundtables? You would invite providers to make submissions on that too?

Ms Campion: There would definitely be a submission process, yes. Importantly, we would also be consulting with the veteran community and groups that represent that community.

Senator GALLACHER: Will this involve consultation primarily with industry bodies, or will it also involve input from individual providers?

Ms Campion: It will most likely include both.

Senator GALLACHER: Will the ex-service community have the opportunity to provide input into this review?

Ms Campion: Yes, it will.

Senator GALLACHER: What sort of arrangements would you put into place to facilitate those consultations with the ex-service community?

Ms Campion: We already have arrangements in place in DVA to engage regularly with the ex-service community. So we will be looking at utilising those mechanisms, and also looking to invite those groups to nominate representatives to be on some of our working groups.

Senator GALLACHER: Finally, is it anticipated there will be consultation with the veterans community if a rebalance of dental and allied health arrangements is deemed appropriate?

Ms Campion: Sorry, I did not understand the question.

Senator GALLACHER: Is it anticipated that there will be consultation with the veterans community if there is a rebalance of dental and allied health arrangements.

Ms Campion: Yes. That is the whole purpose of the review. So, yes, they will be consulted along the way.

Senator GALLACHER: Thank you. I want to move to the memorandum of understanding between Defence and DVA and the relationship between DVA and Defence.

Mr Lewis: Yes.

Senator GALLACHER: Can the department provide an update on performance under the MoU?

Mr Lewis: I will ask the Chief Operating Officer, Shane Carmody, to respond.

Mr Carmody: The MoU basically underpins the Support for Wounded, Injured or Ill Program in the relationship between Defence and DVA. And the MoU is functioning effectively.

Senator GALLACHER: What processes are in place to monitor performance under the MOU?

Mr Carmody: We have an extensive relationship management framework with Defence—the Defence and DVA executive committee with the two secretaries and CDF, underpinned then by the Defence Links Steering Committee and a number of other relationship management committees, that allows us to monitor the MOU and the aspects that fall in under the MOU—for example, the ICT with the technology schedule under the MOU. We manage those things through that arrangement.

Senator GALLACHER: So there are performance indicators. Who sets the criteria for those performance indicators?

Mr Carmody: It depends on the elements of the things that are covered in the MOU. Most of the performance indicators are managed through Defence Links Steering Committee. They are performance indicators that have been set for things like Defence response times. Most of them have been agreed for a long period of time but they were agreed jointly between the departments.

Senator GALLACHER: So the steering committee is responsible for evaluating performance?

Mr Carmody: The Defence Links Steering Committee evaluates performance of the relationship almost at every meeting. It looks at, for example, the single access mechanism between Defence and DVA, how many requests have been sent to Defence, how quickly they have been turned around, is the KPI being met, is it not being met and they are monitored in that committee on a regular basis. The KPI is monitored by the relationship committee itself.

Senator GALLACHER: Are any aspects of the MOU not performing in line with expectations?

Mr Carmody: There are sometimes requirements to tune, like the single access mechanism. Sometimes we have had discussions about putting additional resources on either at one end of the chain or at the other. So performance does vary at times if there have been staff losses or if there have been moves in both organisations but, as I said, we monitor those very closely.

Mr Lewis: The heart of it, as we have discussed at previous hearings, is all about trying to build a much stronger link to Defence because it needs to be seen as part of a continuum. So much of the work we do relies on

getting early access, early identification of current serving members, so in some cases we can provide support to them before they leave, while they are still serving and certainly to assist their transition out. We need to know about all of them by the time they have left the ADF. In the past we have not done that. Part of this MOU is actually about Defence agreeing to work with us so that over time we will build a database of all the former serving ADF members who will be our clients.

Senator GALLACHER: Mr Lewis, do not take any of these questions as criticism.

Mr Lewis: No. I am just trying to help you.

Senator GALLACHER: They are purely exploratory.

Mr Lewis: A lot of the MOU is on the record.

Senator GALLACHER: We are on the right track, I think. That is where I am coming from anyway. Is there a process by which serving and ex-personnel can provide feedback on the performance? Does that go through the steering committee? Where does that go to?

Mr Carmody: The Defence representatives on the Defence Links Steering Committee are officers in Defence, both uniformed and civilian. So at that level there is—

Senator GALLACHER: So there is a process. They can contact those people to give their feedback.

Mr Carmody: Yes, and it is actually managing the overall performance of the system. For example, Defence Community Organisation is represented. There are a range of elements in Defence that are all represented there and can monitor and manage the health of the system.

Senator GALLACHER: How is that feedback fed back in? Does it come back down through the steering committee?

Mr Carmody: To?

Senator GALLACHER: If there is feedback from a serving or from ex-service personnel, someone on the steering committee—

Mr Carmody: It is a bit too high level in some ways for that because the Defence Links Steering Committee is looking at the close relationship between the two organisations and it is looking at the flow of information between the two. It rarely gets down to individual cases, individual issues or individual complaints. They would be managed within DCO or within our channels or within service channels. This really looks at the health of what is a very large and complex relationship.

Senator GALLACHER: Can the department provide an update on the performance of the support continuum?

Mr Carmody: Certainly. I do not know whether I have enough detail on it now. I have to take it on notice.

Senator GALLACHER: And how that performance is evaluated?

CHAIR: Can I just ask you to pause for a couple of minutes, Senator Gallacher? Senator Lambie, would you like to get underway?

Senator LAMBIE: In the last estimates, I asked for something about maladministration. I got back that, apparently, within five years from July 2010 to 2015, DVA paid its clients just over \$35 billion in pensions. In the same period, debts were raised for nearly 105,000 clients. How many clients did you have on your books at that time?

Ms Lewis: At which time?

Senator LAMBIE: During that five year period. Is it about the 330,000 mark?

Ms Lewis: Obviously the number of clients will have changed over that period of time.

Senator LAMBIE: So, give or take, about 300,000 or 330,000.

Mr Carmody: About five years ago we had around 400,000 clients, and we probably have about 416,000 now.

Ms Lewis: If you want precise numbers, Senator, we would be happy to take that on notice and come back to you.

Senator LAMBIE: No, that is okay. I am just trying to bring things up. Nearly 25 per cent of those had maladministration or overpayments—that is what I am bringing up.

Ms Lewis: Overpayments do not mean maladministration—I just need to pause you right there.

Senator LAMBIE: I do not know that because I asked you if you could give me the exact number of maladministration through clients, but I never got that exact number. Can I please put that on notice, and I would like from the department—

Ms Lewis: Can I help you?

Senator LAMBIE: Sure, do you have the number?

Ms Lewis: There is a scheme for claims for defective administration—CDDA. We process a number of those every year, and, I am sorry, we should have given you answers as linked to CDDA because we have those numbers. I authorise those payments where we have had defective administration in the department and we can give you that detail.

Senator LAMBIE: Give me that detail, but I would also like to know how many claims there are of maladministration where you will not admit that it is maladministration. Can I have that number as well? Right now I am going to spend my time, if that is what it takes for ten minutes, reading you something, and then I would like to give you an option at the end of it:

'My name is Danielle Carne and my solicitor is Jim Patterson. I've been dealing with DVA and their maladministration for the last 16 years since injuring my back while serving. I and Mr Patterson put in for a review of my disability, which normally takes six to eight weeks. We are now going on two years and going to a third AAT meeting due to DVA's incompetence and, in legal speak, denial of autonomy of delegate's decisions. Put simply, they admitted making a mistake so are now trying to change decisions made by their delegates ten years ago.

As you can imagine, the stress this has caused to both myself and my family. My husband is still serving and is my full-time carer—also full-time carer to our two special needs children—to the point my brother has been living with us full time for the last year to help out. Not only the stress of the above matter, this time last year DVA sent me a letter citing that I owed in the range of \$182,000. This I did not owe, and after me and Mr Patterson,—her lawyer—looked into this, DVA admitted the letter should never have been sent due to their maladministration.

I have spent time in hospital dealing with this as I also lost my daughter's father to suicide in 2002 after Army incompetence after his return from East Timor. After their blatant disregard for me and mistakes to the extreme, I almost left my daughter a double orphan in 2005 after a suicide attempt, leaving me in a coma. After receiving this letter—cleverly ignoring the fact that all correspondence had to go through my legal team—I thought my only option was to take my own life, as I could not go on after 16 years of their blatant disregard and poor administration.

After yet another hospitalisation, and a year to finally sort the mess out on their end, they withdrew their request for owed funds admitting maladministration. I was then left with an \$11,000 legal bill to fight this horrendous mistake of theirs. I was then told by a DVA staff member that they were not allowed to tell me how to go about claiming this from them, and also admitted that I should not have to pay this bill. At this I have spent weeks trying to track down how to have DVA pay this bill, as I don't have the money, also contacting the Minister for Veterans Affairs' office, who will not return my calls. I have no idea where to turn but to the media to expose DVA's incompetence. I know many others have received similar letters trying to claw back funds, mostly for amounts up to \$30,000, and are shocked to hear of the \$182,000 they requested from me.' She is asking me to please take this story about this horrendous life of hers and her dealings with DVA and make it public so that she can show the government what DVA are doing to people like her and hear the bottom line of what is going on. Are you aware of this case, Mr Lewis?

Mr Lewis: I believe I am.

Senator LAMBIE: I guess you have one or two options here. Is Veterans' Affairs going to pay the \$11,000 to the lawyer or is this going all the way to the media pack in the next 24 hours?

Mr Lewis: I thought it already had gone to the media. I will ask Ms Foreman to make a comment. Before I do, I would be the first to acknowledge that the department does not get everything right. We do make mistakes but we also do an awful lot of business. We try and fix mistakes quickly and we try and counsel people when they make errors. But often they are not errors. Where they are errors, we will fix them. We will apologise and we will move on.

Ms Foreman: We cannot comment on a particular client's case, but what I would like to do is make a couple of observations. As the secretary, Mr Lewis, has just mentioned to you, sometimes officers do not follow the procedure. I can tell you that, in cases like this, we have a process that should have been followed, and the process was: before an overpayment is raised, where there is any notion that it might be an overpayment, a screening is

supposed to happen. If the amount is less than \$200 the debt is waived. If it is considered that it might be an overpayment, an initial advice letter is sent to the customer to explain to them that they may have been overpaid and some further work is going to be undertaken. The client is then further contacted, if indeed it is an overpayment, and they are advised of the amount of the overpayment and the different options that they have for recovery of that overpayment; it could be a lump sum, a fortnightly payment et cetera. The repayment plan is implemented and then we advise them when the overpayment has been cleared.

Sometimes our officers do not follow procedure. Where that happens, as Mr Lewis has mentioned, we have a scheme called the Claim for Defective Administration, which people are advised of and are encouraged to apply for if the procedure has gone wrong and they are affected by it through having to have legal fees or medical treatment. They are able to put in a claim under the CDDA scheme, which will be considered by the secretary.

Senator LAMBIE: I am very aware of how it goes, Ms Foreman, because I am one of the many thousands that you overpaid. I am very aware of how that goes. How long are you giving yourself? Do you have a time limit on when it is shut off, instead of approaching people two or three years later and letting them know you may have overpaid them? Do you have a time limit where you just say, 'Well, if we overpaid them we will just have to accept that and we will have to take the responsibility for that'?

Mr Lewis: Just to clarify, is this in relation to this CDDA scheme? You are asking about whether there is a time limit in relation to the operation of the CDDA scheme?

Senator LAMBIE: Yes.

Ms Spiers: There is no time limit for someone to put in a claim for defective administration, and in fact we have got details on our website about how to make a claim and there is frequently asked questions there. It may assist if we provide a link to that site so that the Senate committee can become aware of that. We will receive claims for people where they might have only recently found out about something that happened some time ago and they wish to seek recovery of compensation for detriment. I also have the figures when you asked the question about maladministration, and Mr Lewis clarified that was in respect of CDDA. I have the figures year-to-date if you wish to know the claims received, those accepted and rejected and a comparison for the last two years. If you wish, I can read that into *Hansard*.

Senator LAMBIE: No. If you can just pass that over to me that would be good, because it takes up too much time. My next question is: when your officers make mistakes, are they disciplined? What happens to them?

Ms Spiers: It really depends. I can say that from firsthand knowledge because I do sign off on the reports that go to the secretary on CDDA claims. If we see that there is clearly a training and awareness issue—that the policy and procedures were in place and the staff member was not aware of them—then our recommendation that follows that is that the staff member involved should have some further training and acknowledgement. It would be a very extreme case where the staff member might have had the same error a number of times, and we might be looking at a conduct issue.

Senator LAMBIE: I would appreciate it if you could provide me with how many of your people in the last five years have been disciplined and what discipline they have received.

Ms Spiers: Can I just clarify that that is in relation to issues that have arisen around the CDDA?

Senator LAMBIE: It is in relation to any mistakes that they have made of maladministration. I would like to know how many people have been disciplined in your department in the last five years and the reasons why they have been disciplined.

Ms Spiers: The majority of the action we would recommend would be further training and awareness, as a rule.

Senator WHISH-WILSON: Ms Foreman, you were explaining about potential breaches of those procedures you had in place. Isn't the issue that some people have been overpaid and they did not know it, and they have obviously spent the money—we are not talking about huge amounts of money in instalments—and then suddenly they are hit with a massive bill and they get a kick in the guts because they have to pay back the money and they did not know they were being overpaid in the first place? Isn't it a bit unfair to hit an individual with, in this case, \$180,000? Even if you did go through those procedures, it is still a really unfair situation for a person to be facing. They are not complicit or—it is not their fault.

Ms Foreman: Where the debt has arisen because of a delegate error and the payment has been received in good faith by the customer and the customer would suffer hardship if we were to try to retract that money, then we will consider a waiver, because it has been received in good faith and the delegate has made an error.

Senator LAMBIE: What is your time line on that consideration when you are asked to consider?

Ms Foreman: It is each case on its merits. We do that case by case.

Senator LAMBIE: So in the meantime they stay in anguish. You have no time limit—just like your claims, you have no time limit on this stuff. You are putting these people under duress.

Mr Lewis: We seek to deal with CDDA as soon as we—

Senator LAMBIE: You know why there are suicides going on under Veterans' Affairs, do you, Mr Lewis? It is because it is dysfunctional.

Mr Lewis: I beg your pardon, Senator.

Senator LAMBIE: You heard me, Mr Lewis. It is dysfunctional. There is no other way to put it. All I want to know is whether Veterans' Affairs intend to pay the \$11,000 of this lawyer's bill—yes or no.

Mr Lewis: You heard from Ms Foreman that we will not discuss individual cases at these hearings. I just repeat that now. Any issue of that kind—

Senator LAMBIE: In other words you have no intention of paying that.

CHAIR: Would you allow the officer to finish.

Senator LAMBIE: I think it is a fair question. This girl is under duress.

CHAIR: Senator Lambie, the secretary has heard the question. Please allow him to finish his answer.

Senator LAMBIE: I will rephrase the question. How much time will it take for you to give this young lady an answer?

CHAIR: Senator, the officers have said that they will not discuss individual cases, but perhaps—

Senator LAMBIE: What will you do if she takes her own life, Mr Lewis, because you have been sitting on this?

Mr Lewis: I am not aware that we have been sitting on this. But any cases that we have in front of us we seek to deal with as soon as we can. CDDA cases for me are relatively rare. When they come through, I do not sit on them at all.

Senator LAMBIE: It is a pretty easy question. There was maladministration. It will cost her \$11,000 for a lawyer. Just pay the money. God—please! How many veterans have been harmed because of your department's negligence?

Mr Lewis: I am not sure there is a question there that I can answer.

Senator LAMBIE: You do not have any statistics on that, just like you do not keep statistics on suicides?

Senator WHISH-WILSON: Could you tell us how many of these debts you have waived on compassionate grounds?

Mr Lewis: We certainly can.

Ms Foreman: About 5.5 per cent of our overpayments have been written off or waived.

Senator WHISH-WILSON: Out of a total value of—

Ms Foreman: The total value of overpayments was \$35 million. Those figures are relevant to the last financial year.

Senator WHISH-WILSON: Have they had any particular dimensions to them, or have they been random in terms of their distribution across dollar amounts and—

Ms Foreman: Yes, there is a variety in that.

Mr Lewis: And it would be quite usual for an overpayment that has occurred to be allowed to be paid back over a significant period of time from future payments, to minimise the impact on the individual.

Senator LAMBIE: Do you think it may be about time that legislation be put in place so that if the mistake is made by Veterans' Affairs, they wear it and the onus is back on you people?

Mr Lewis: As you would understand, our job is to give effect to legislation passed by the parliament. That is what we do. So when we are dealing with debts and the recovery of overpayments, we are doing that in accordance with legislation.

Senator LAMBIE: Well, to save all that hay, maybe it is about time some legislation was drawn up and put through the Senate.

Senator GALLACHER: Chair, can I just seek some advice. Are we able to go past the allotted hour, or are we looking for a spillover day, or are we looking for lots of things on notice?

Senator Payne: I think we are finishing at 11, aren't we?

CHAIR: I think we will be finishing at 11.

Senator LAMBIE: If we cannot finish at 11, does that mean we are coming back?

Senator GALLACHER: But that is not the standing order, with respect.

Senator LAMBIE: Can we bring them back, because an hour is not enough.

CHAIR: We can have that discussion, but we will finish at 11, and then we can discuss whether or not questions go on notice or whether there is an opportunity at some time during the year to bring the department back.

Senator GALLACHER: Okay. I would just like to indicate that, through no fault of the department's, they have been brought on late in the agenda and I am probably unable to complete the brief that I have. So I will put the rest of the questions on the MOU on notice, but I want to go to the issue of privacy breaches. What processes are in place to protect client information? I think you know what I am talking about, where people's files have been sent to the wrong people.

Mr Lewis: That is a very general question. Obviously we seek to protect the privacy of individual information. We do have problems with our ICT that we have described to you in the past, which are that we have a very large number of antiquated systems that we use which house confidential client data. That is a problem for us. It means that it is not as easy as we would like to protect the confidential information of veterans, but we are doing the best we can. It is possible you are talking about a case where wrong information has been conveyed to—

Senator GALLACHER: I will be very specific. I understand there have been 31 identified breaches in 2014-15. Can you clarify what you mean by 'identified', and does it refer to only those breaches—

Mr Lewis: I will ask the principal legal adviser.

Senator GALLACHER: Hang on. I will complete the question, if you like. Does it refer to only those breaches that were the subject of a formal privacy complaint, instances where documents have been returned to the department because they were sent to the wrong person, or all instances where the department has been notified or become aware that information has been disclosed outside of the permitted purposes? There are 31 instances. That is the question.

Ms Spiers: I will start off with the first part of your question, which is how many privacy incidents have been reported versus how many have been found. We have had 54 incidents investigated in the 2014-15 financial year, of which 39 privacy breaches have been found, and 31—which I think is the reference you have—are related to mail. I will explain a couple of things. Your next question was about incidents where mail went to the wrong person and was returned. If the mail goes to the wrong person or to the wrong address—so if I send it to Mr Carmody at Mr Lewis's address—and Mr Lewis returns the envelope without opening, it is actually not a privacy breach, because Mr Carmody's information has not been shared; it is just incorrectly directed mail. However, if the individual opens the mail then they have read the material of the other individual. So I cannot give you a figure on any mail that has been returned incorrectly addressed, because it is not a breach if it has not been opened. As I said, of those cases we have 31 which are mail related. That could be that it was sent to the incorrect address and was opened, or it could be that it was a combination of the first page of Mr Carmody's letter—if I keep with the same example—and the second page of Mr Lewis's details and it went to Mr Carmody, for instance.

Senator GALLACHER: If we could take a layman's view of all this, my electricity bill very rarely gets sent to anybody else.

Ms Spiers: Well, not that you know. It might be, and they return it, and you never—

Senator GALLACHER: No, it comes every three months. How is it possible that we are sending people's files to the wrong address?

Ms Spiers: The reference I was making was not to files. They were mail related. As a rule, we do not send files to the incorrect address. There are rare instances where that happens, and that would clearly be a privacy breach—the file going to the wrong person. But we do not send people's files through the mail as a rule. We send files to our repository, so it would have to have been a misdirected file going to our repository that somehow went wrong.

Mr Lewis: I do not want to harp on it, but your electricity bill would be an automated process. It would be coming from modern ICT, probably with non-intervention of the human hand. We do not operate that way.

Senator LAMBIE: Yes, but your electricity bill does not have psychiatry reports in it either, which have also been sent to other people, haven't they, Mr Lewis?

Mr Lewis: On occasion, unfortunately they have.

Senator LAMBIE: Yes, they have. My word they have.

Mr Carmody: One point I would like to make on the 31 that you are talking about in the 2014-15 financial year is that we sent out over 780,000 mail envelopes in that year. So the breaches are regrettable and clearly a mistake, but there are not very many of them.

Senator GALLACHER: Has there been an increase or a decrease in the number of identified breaches?

Ms Spiers: I can find the page. It will be deep in my folder here. The number, as I recall, was 35 last year. It is a really modest number and it has consistently been a modest number.

Mr Lewis: It is pretty consistent.

Senator GALLACHER: If this is a normal feature of—how many mail items?

Mr Carmody: More than 780,000 in the 2014-15 year.

Senator GALLACHER: Why is it attracting so much angst, if you like, if it is a normal occurrence?

Mr Lewis: I think it legitimately creates angst. Anyone would be horrified if their private information has gone to the wrong location. One is too many. We are not saying that we are comfortable with the fact that there are 31; there should be none. We are doing our best, but we have to put our hand up sometimes and say that we get it wrong.

Senator GALLACHER: These are administrative errors—is that what you categorise them as?

Ms Spiers: It can be a couple of things. It can be simply human error: the letter addressed to one person is put in the envelope of another person. That, as Mr Lewis has said, is because that system is not necessarily automated; it is the manual enveloping of a letter and it is human error, unfortunately. It can be an email going to the wrong address—we have a correct email address but we send the material to another client's email address. They happen; they are very minor. The other one is that sometimes the contracted provider, our mail house provider, which sends out our twice-yearly letters, occasionally has a mismatch with its letters. As I said, if it is the first page of one client's letter going out with the second page of the other client's, as soon as that letter is opened by the first client, the first page is not a breach because it is their information, but the second page is a breach. There is not a systemic cause of these issues, partly because they are relatively small in number. But, as my colleagues have said, all privacy breaches are regrettable and we aim not to have any, but I think it is an aim only.

Senator GALLACHER: Are the majority of client files, applications and claims hard copy or electronic?

Mr Carmody: Mostly hard copy.

Mr Lewis: Obviously we are seeking to start to go digital, but we are basically entirely paper based.

Senator GALLACHER: Is this the source of the issue?

Mr Lewis: We live in the digital age, do we not? So we have a challenge, because we need to deal progressively with clients who would like to interact with the department online. They would like to do online self-service, and we need to progressively transform the department, just like the Public Service needs to transform to meet the needs of our clients.

Ms Spiers: I think, even if we were fully digital and sending emails out, emails can still be a source of error. I have been known to get the title wrong in an email, and you end up sending it to possibly a totally incorrect email address. So I do not think electronic eras alone would actually solve the problem. I think when you have a human aspect to any distribution of information you have the potential that you will get a breach, and I think that is characteristic of what we have—a very minor number of breaches.

Senator GALLACHER: I think we have taken evidence that you are physically sending files to different DVA office locations.

Mr Carmody: That is correct. We discussed that in one of the other hearings. We move a lot of files between locations and we are endeavouring to digitise our processes. As Mr Lewis said, that is going to take us some time because we have to digitise our systems and we have to digitise our file records, and that will take quite some time.

CHAIR: On that note I will draw the evening's program to a conclusion. Thank you all: Minister, officers, Hansard, colleagues and Broadcasting. A reminder: answers to questions on notice are due by close of business on 30 October. We resume at 9 am tomorrow.

Committee adjourned at 23:00