



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE
AND TRADE

ESTIMATES

(Additional Estimates)

WEDNESDAY, 25 FEBRUARY 2009

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**SENATE STANDING COMMITTEE ON
FOREIGN AFFAIRS, DEFENCE AND TRADE**

Wednesday, 25 February 2009

Members: Senator Mark Bishop (*Chair*), Senator Trood (*Deputy Chair*), Senators Cormann, Feeney, Forshaw, Kroger, Ludlum and McEwen

Participating members: Senators Abetz, Adams, Arbib, Barnett, Bernardi, Bilyk, Birmingham, Boswell, Boyce, Brandis, Bob Brown, Carol Brown, Bushby, Cameron, Cash, Colbeck, Jacinta Collins, Coonan, Crossin, Eggleston, Ellison, Farrell, Fielding, Fierravanti-Wells, Fifield, Fisher, Furner, Hanson-Young, Heffernan, Humphries, Hurley, Hutchins, Johnston, Joyce, Lundy, Ian Macdonald, McGauran, McLucas, Marshall, Mason, Milne, Minchin, Moore, Nash, O'Brien, Parry, Payne, Polley, Pratt, Ronaldson, Ryan, Scullion, Siewert, Stephens, Sterle, Troeth, Williams, Wortley and Xenophon

Senators in attendance: Senators Barnett, Birmingham, Bishop, Ferguson, Forshaw, Hutchins, Kroger, Ludlum, McEwen Minchin, Payne and Trood

Committee met at 9.02 am

DEFENCE PORTFOLIO

In Attendance

Senator the Hon. John Faulkner, Special Minister of State

Senator the Hon. Joe Ludwig, Minister for Human Services

Department of Defence

Portfolio overview and budget summary

Mr Nick Warner PSM, Secretary of Defence

Air Chief Marshal Angus Houston AC, AFC, Chief of the Defence Force

Rear Admiral James Goldrick, Acting Vice Chief of the Defence Force

Major General Paul Alexander, Commander, Joint Health

Mr Phillip Prior, Chief Finance Officer

Lieutenant General David Hurley AO, DSC, Vice Chief of the Defence Force

Mr Neville Tomkins, Head, Personnel Services Division, Department of Defence

Mr John Owens, Head, Infrastructure Division, Department of Defence

Outcome 1: Australia's national interests are protected and advanced through the provision of military capabilities and promotion of security and stability

Output group 1.1: Office of the Secretary and Chief of the Defence Force

Output group 1.9: Vice-Chief of the Defence Force

Output group 1.10: Joint Operations Command

Output group 1.12: Chief Finance Officer

Output group 1.14: Superannuation and housing support services for current and retired Defence personnel and other administered items.

Outcome 2: Military operations and other tasks directed by Government to achieve the desired results

Output group 2.1: Operations contributing to the security of the immediate neighbourhood

Output group 2.2: Operations supporting wider interests

Outcome 3: Defence's support to the Australian community and civilian authorities achieves the desired results

Output group 3.1: Defence contribution to support tasks in Australia

Outcome 1

Output Group 1.11: Capability development

Vice Admiral Matt Tripovich AM, CSC, Chief Capability Development

Defence Materiel Organisation

DMO Outcome 1: Defence capabilities are supported through efficient and effective acquisition and through-life support of materiel

DMO Output 1.1: Management of capability acquisition

DMO Output 1.2: Capability sustainment

DMO Output 1.3: Policy advice and management services

Dr Steve Gumley, Chief Executive Officer Defence Materiel Organisation

Rear Admiral Boyd Robinson, Head, Maritime Systems Division

Capital facilities and Defence support

Outcome 1

Output Group 1.6: Defence Support

Mr Martin Bowles, Deputy Secretary Defence Support

People

Outcome 1

Output Group 1.13: People Strategies and Policy

Mr Phil Minns, Deputy Secretary People Strategies and Policy

Remaining Defence output groups

Outcome 1

Output Group 1.2: Navy capabilities

Vice Admiral Russ Crane AM, CSM, RAN, Chief of Navy

Output Group 1.3: Army capabilities

Lieutenant General Ken Gillespie AO, DSC, CSM, Chief of Army

Output Group 1.4: Air Force capabilities

Air Marshal Mark Binskin AM, Chief of Air Force

Output Group 1.5: Intelligence capabilities

Mr Stephen Merchant, Deputy Secretary Intelligence, Security & International Policy

Output Group 1.7: Defence science and technology

Professor Robert Clark, Chief Defence Scientist

Output Group 1.8: Chief Information Officer

Mr Greg Farr, Chief Information Officer

Defence Housing Australia

Mr Michael Del Gigante, Managing Director

Mr Robert Groom, Chief Financial Officer

Mr Peter Howman, Chief Operating Officer**Department of Veterans' Affairs****Portfolio overview****Corporate and general matters**

Outcome 1: Eligible persons (including veterans, serving and former defence force members, war widows and widowers, certain Australian Federal Police personnel with overseas service) and their dependents have access to appropriate income support and compensation in recognition of the effects of their service.

1.1: Means tested income support, pension and allowances

1.2: Compensation pensions, allowances etc

1.3: Veterans' Review Board

1.4: Defence Home Loans Scheme

1.5: Incapacity payments, non-economic lump sums ... through SRCA

1.6: Administer individual merit reviews of SRCA decisions

1.7: Incapacity payments, non-economic lump sums through MRCA

1.8: Administer individual merit reviews of MRCA decisions

Mr Ian Campbell PSM, Secretary

Mr Gary Collins, Acting Deputy President

Mr Ken Douglas, General Manager, Service Delivery

Mr Barry Telford, General Manager, Policy and Development

Mr Sean Farrelly, National Manager, Compensation and Income Support Policy

Dr Graeme Killer AO, Principal Medical Adviser

Outcome 2: Eligible persons (including veterans, serving and former defence force members, war widows and widowers, certain Australian Federal Police personnel with overseas service) and their dependents have access to health and other care services that promote and maintain self-sufficiency, wellbeing and quality of life.

2.1: Arrangement for delivery of services

2.2: Counselling and referral services

2.3: Deliver medical, rehabilitation ... under SRCA and related legislation

2.4: Deliver medical, rehabilitation ... under MRCA.

Mr Ian Campbell PSM, Secretary

Mr Gary Collins, Acting Deputy President

Mr Ken Douglas, General Manager, Service Delivery

Mr Barry Telford, General Manager, Policy and Development

Dr Graeme Killer AO, Principal Medical Adviser

Outcome 3: The service and sacrifice of the men and women who served Australia and its allies in wars, conflicts and peace operations are acknowledged and commemorated.

3.1: Develop and implement commemorative initiatives

3.2: Maintain, construct and refurbish war graves and post war commemorations

3.3: Coordinate and manage the delivery of commemorative and related activities at Gallipoli.

Mr Ian Campbell PSM, Secretary

Mr Gary Collins, Acting Deputy President

Ms Kerry Blackburn, General Manager, Commemorations and War Graves

Major General Paul Stevens AO (Rtd), Director, Office of Australian War Graves

Outcome 4: The veteran and defence and certain Australian Federal Police communities have access to advice and information about benefits, entitlements and services.

4.1: Communication, community support to the veteran community and providers, including veterans' local support groups.

4.2: Advice and information to members of the defence force community ... under the SRCA

4.3: Advice and information to members of the defence force community ... under the MRCA.

Mr Ian Campbell, Secretary

Mr Gary Collins, Acting Deputy President

Mr Neil Bayles, Acting General Manager, Business Integrity

Mr Ken Douglas, General Manager, Service Delivery

Dr Graeme Killer AO, Principal Medical Adviser

Mr Barry Telford, General Manager, Policy and Development

Outcome 5: Serving and former defence force members and dependents have access to support services provides through joint arrangements between DVA and Defence.

5.1: Joint Defence/DVA projects.

Mr Ian Campbell, Secretary

Mr Gary Collins, Acting Deputy President

Mr Ken Douglas, General Manager, Service Delivery

Dr Graeme Killer AO, Principal Medical Adviser

Mr Barry Telford, General Manager, Policy and Development

Output group 6: Provision of services to the Parliament, Ministerial services and the development of policy and internal operating regulations—attributed to outcomes 1 to 5.

Mr Ian Campbell, PSM, Secretary

Mr Gary Collins, Acting Deputy President

Ms Jo Schumann, General Manager, Corporate

Mr Neil Bayles, Acting General Manager, Business Integrity

Mr Ken Douglas, General Manager, Service Delivery

Mr Barry Telford, General Manager, Policy and Development

Ms Kim Loveday, National Manager, Parliamentary and Communication

Ms Kerry Blackburn, General Manager, Commemorations and War Graves

Ms Carolyn Spiers, Principal Legal Adviser

Mr Neil Bayles, National Manager of the Investigation Practice Group

Mr Graeme Rochow, Chief Finance Officer

Australian War Memorial

Outcome 1: Australians remember, interpret and understand the Australian experience of war and its enduring impact on Australian society through maintenance and development, on their behalf, of the national memorial and a national collection of historical material, and through commemorative ceremonies, exhibitions, research, interpretation and dissemination.

Major General Steve Gower AO, AO (Mil) (Rtd), Director

Ms Rhonda Adler, Assistant Director, Branch Head, Corporate Services

Ms Helen Withnell, Assistant Director, Branch Head Public Programs

Ms Nola Anderson, Assistant Director, Branch Head National Collection

Ms Leanne Patterson, Chief Finance Officer

CHAIR (Senator Mark Bishop)—I declare open this meeting of the Senate Standing Committee on Foreign Affairs, Defence and Trade. I welcome Senator Faulkner, representing the Minister for Defence; Air Chief Marshal Angus Houston, Chief of the Defence Force; Mr Nick Warner, Secretary of the Department of Defence; officers of the Defence organisation; and also General Gillespie, Chief of Army.

Today the committee will consider additional estimates for the Defence organisation. When written questions on notice are received, the chair will state for the record the name of the senator who submitted the questions. The questions will be forwarded to the department for answer. I remind senators to provide their written questions on notice to the secretariat by close of business Tuesday, 3 March. The committee has resolved that Thursday, 9 April 2009 is the return date of answers to questions taken on notice at these hearings. Please note that, under standing order 26, the committee must take all evidence in public session. This includes answers to questions on notice.

Witnesses are reminded that the evidence given to the committee is 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. The giving of false or misleading evidence to the committee may constitute a contempt of the Senate. The Senate, by resolution in 1999, endorsed the following test of relevance of questions at estimates hearings:

Any questions going to the operation of financial positions of the department and agencies which are seeking funds in the estimates are relevant questions for the purposes of estimates.

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. An officer of a department of the Commonwealth or of a state shall not be asked to give opinions on matters of policy. He or she shall be given reasonable opportunity to refer questions asked of the officers 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 policy or factual questions about when and how policies were adopted.

If a witness objects to answering a question, the witness should state the ground on which the objection is taken and the committee will determine whether it will insist on an answer

having regard to the ground which is claimed. Any claim that it would be contrary to the public interest to answer a question must be made by the minister and should be accompanied by a statement setting out the basis of the claim. Minister, do you have an opening statement?

Senator Faulkner—I do not, but CDF certainly does.

CHAIR—I now invite CDF to make an opening statement.

Air Chief Marshal Houston—This morning I would like to begin by providing an update on ADF operations: Iraq, Afghanistan, East Timor, the Solomon Islands and the ADF response to the recent bushfires in Victoria. I will then provide an update on the condition of Navy clearance diver, Paul de Gelder, who was attacked by a shark in Sydney Harbour whilst taking part in Exercise Kondari, and comment on the progress made in regard to special forces pay remediation. I then look forward to your questions on other matters.

Our operational tempo continues to be demanding. In mid-February we had 4,500 people deployed on operations. Of these, 3,200 were on operations overseas, 500 on domestic maritime security activities, and 800 supporting the Victorian bushfire relief effort. Of these 4,500 people, 324 were reservists deployed overseas, and another 362 reservists were in Victoria for Operation Victoria Bushfire Assist.

Turning now towards Iraq, the committee will be aware that our military commitments in the Middle East were recently modified following the expiration of the United Nations Security Council mandate 1790 at the end of 2008. Just prior to the expiration of the mandate, a motion was passed by the Iraqi parliament for the orderly withdrawal of remaining non-US coalition forces by the end of July. Following the passage of this resolution, Australia negotiated a memorandum of understanding with Iraq which extends our contribution of military staff officers embedded within coalition headquarters to 31 July 2009. Subject to government consideration, after this date the ADF will continue to support Iraq in a number of ways, including through a small staff deployed to the United Nations Assistance Mission in Iraq, and a security detachment to provide protection to the Australian Embassy and its staff in Baghdad.

While 2009 will remain a challenging period for the Iraqi government, the desire of the Iraqi parliament to draw down all non-US forces by 31 July is a strong indication of the Iraqi government's improved capacity to manage its own security affairs. Essentially, the security situation in Iraq has improved substantially over the last 18 months. Despite periodic escalations, there has been a downward trend in sectarian violence and in attacks on coalition forces.

It is also pleasing to note that the recent provincial elections have been completed without reports of major violence and with record voter turnout—including, for the first time, the majority of Sunni communities. This is yet another very positive sign that conditions for peace and stability are greatly improving.

2009 will also be an important year for the government of the Islamic Republic of Afghanistan and for the International Security Assistance Force in Afghanistan. Earlier this month, I accompanied the Minister for Defence to a working session for International Security Assistance Force defence ministers in Krakow, Poland. This informal meeting was attended by defence ministers from the United States, the Netherlands, the United Kingdom,

Canada, Poland, New Zealand, the Czech Republic, France, Germany, Afghanistan and many other nations. This meeting provided the minister with an opportunity to engage with the major troop-contributing countries operating in Afghanistan. As the defence minister recently noted: 'The ISAF meetings continue to be a significant forum to review progress made by international coalition forces in Afghanistan.'

While in Krakow, the defence minister conducted successful bilateral meetings with various counterparts, including United States Secretary of Defense, Robert Gates; Dutch Minister of Defence, Eimert van Middelkoop; British Secretary of State for Defence, John Hutton; Canadian Minister of National Defence, Peter MacKay; and Afghan Minister for Defence, General Wardak. In addition to these meetings, I conducted successful counterpart calls with United Kingdom Chief of Defence Staff, Air Chief Marshal Sir Jock Stirrup, and Dutch Chief of Defence Staff, General Peter van Uhm.

During these calls, the minister and I reiterated the need for a sustained and comprehensive international commitment in Afghanistan that emphasises security, development, governance and engagement with Afghanistan's regional partners—particularly Pakistan. We also stressed the importance of ensuring that non-NATO partners continue to have the opportunity to participate in Afghanistan planning meetings. We also took the opportunity to discuss the upcoming Afghan presidential and provincial elections, and the ongoing development and expansion of Afghanistan's national security forces.

I will now expand on both of these issues for the committee. Firstly, the elections. The Afghanistan government has recently announced that it will hold its presidential and provincial council elections in August 2009. There can be little doubt that extremist elements in Afghanistan will try to interfere with these elections. Of note, however, is the fact that security for these elections will be provided primarily by the Afghan national security forces, with ISAF elements providing some logistic support and, only in extremis, security assistance. The ADF Operational Mentor and Liaison Team have played an important supporting role to the Afghan national army during the voter registration process. This ADF element will continue to play a crucial supporting role as it works to provide security in major district centres in the lead up to, and conduct of, the Afghan elections. Through this important work, the ADF is working together with the ANA to reassure the population and ensure a secure environment in which the population can vote.

Secondly, in terms of the expansion of Afghanistan's national security forces, I am very pleased to be able to report that the US and ISAF have recently accelerated the training and development of the security forces. I welcome these efforts as I firmly believe a larger domestic security force, combined with increased US and ISAF troop commitments, will ultimately lead to a more capable Afghanistan national security force—one that is capable of defending local communities from insurgent intimidation. However, I do note that similar progress is also necessary with police and civil agencies.

In terms of ADF progress, the committee can be very pleased with the way in which the ADF's many and varied tasks are continuing and the way in which our people are conducting themselves. The Special Operations Task Group has had significant success. Over the last 18 months, our special forces have conducted successful operations against senior Taliban leadership, resulting in the death of key Taliban insurgent planners and the capture of others.

This has significantly degraded the Taliban's ability to conduct insurgency operations in the province. The resulting improvement in security conditions has allowed space for development and training activities to continue in Oruzgan.

Our mentoring and reconstruction task force continues to provide local construction and development support. Some of their recent achievements include the strengthening and reopening of bridges in Zabol on highway 1, prior to the onset of winter; continued construction support to major roads and crossings that will link Tarin Kowt with Chora, Dorafshan and Mirabad; and continued support to schools and health facilities in Tarin Kowt, including the ongoing construction of a provincial health training centre which will be used to train health professionals for employment across Oruzgan. Our Operational Mentor and Liaison Team—which was integrated into an Afghan National Army Kandak, or battalion, during November 2008—is now assisting that kandak to conduct security operations, under the direction of Afghan authorities.

The ADF Control and Reporting Centre is continuing to provide airspace management, coordination and deconfliction in support of coalition air operations over Afghanistan. This capability is scheduled to redeploy to Australia at the end of July this year—ending a two-year air defence commitment from the RAAF Surveillance and Response Group. We also continue to assist agencies such as AusAID and the Australian Federal Police who are providing support in Afghanistan as part of Australia's whole-of-government commitment. These agencies are assisting Afghanistan to develop their national police and tackle narcotics trafficking.

On a much sadder note, I am sure the committee would be aware of the recent engagement between Special Operations Task Group soldiers and insurgents that resulted in the death—regrettably—of five children and the injury of two adults and two children. An investigation is currently underway into the situation. However, I can confirm that members of the Special Operations Task Group were conducting a deliberate operation to clear a number of compounds of interest in the province of Oruzgan. The death of civilians and noncombatants during any conflict is very regrettable. And I must stress that Australian forces deploy with rules of engagement which are designed to minimise the loss of life and ensure compliance with Australia's domestic and international legal obligations. We take all reasonable steps to ensure that our engagement of Taliban extremist forces do not put the lives of civilians or noncombatants in jeopardy. I wish I could say the same thing about the Taliban.

The Taliban are a ruthless and brutal foe who, through their callous disregard for human life, continue to pose a serious threat to the people of Afghanistan, the ADF and coalition forces. They routinely employ tactics that place innocent Afghans at risk, by forcing them to fight on their behalf and by choosing to conduct operations from amongst the population. This intentionally places the lives of innocent civilians at risk. The ADF, on the other hand, conducts carefully planned operations, which involve assessing the risk of civilian casualties and positively identifying enemy forces before contact is initiated. In fact, I can share with you that, on a number of occasions, our offensive actions have been aborted due to the potential risk to civilians. I will wait for the investigation to conclude before commenting specifically on this particular incident, but I want to put on the record that I have great faith in

our deployed men and women. And I have even greater faith in their desire to protect civilians and noncombatants, particularly children.

I am sure the members of the committee were as delighted as I was when, in January, Trooper Mark Donaldson became the first Australian in almost 40 years to receive the Victoria Cross. Trooper Donaldson was awarded this highest of honours for his exceptional gallantry in a fire fight in Afghanistan last year. His valour is an inspiration to us all.

Finally, I remind the committee that we have lost two fine soldiers in Afghanistan since we last convened. Lieutenant Michael Fussell died in November when an improvised explosive device detonated during a patrol and Private Greg Sher died in January in an indirect fire attack. I can assure you the loss of these dedicated and professional soldiers makes all the deployed ADF men and women ever more committed to achieving our tasks in Afghanistan.

In terms of East Timor, I intend to keep my comments brief. We remain committed to working with other Australian government agencies and the international community to provide the conditions and institutions necessary for East Timor's development. It has been just over one year since the attacks on President Horta and Prime Minister Gusmao.

There is no doubt that these attacks were a setback for this young country but one I believe East Timor has now overcome. Since these attacks, outbreaks of violence have been avoided and significant progress has been made. In fact, the continued improvement of the security situation in East Timor satisfied conditions for a force reduction, with 100 soldiers returning to Australia last month. Our current commitment in East Timor is 650 personnel.

The final two operations I would like to highlight are significant because our contribution to them is largely made up of reservists. Firstly, we continue to provide about 140 military personnel to the DFAT led Regional Assistance Mission to the Solomon Islands, or RAMSI. They are providing security response support to the RAMSI Participating Police Force and the Solomon Islands police force. In conjunction with our RAMSI partners, including 45 personnel from New Zealand and liaison officers from Tonga and Papua New Guinea, the ADF has maintained a stable security environment to enable national programs focused on peace, reconciliation, economic recovery, law and order, and good governance.

Reservists are also a large component of our contribution to the recent bushfire effort in Victoria. As you are all aware, the fires were a terrible catastrophe for our nation. I know that you would have been as shocked as I was to see the level of devastation in these small communities and the anguish of the people who have suffered losses in this tragedy.

Sadly, people in Defence were directly affected. Some of our colleagues lost family, friends and cherished possessions. I have instructed any ADF member directly affected by this event to take the time they need to look after their family and friends. Of those in Defence unaffected by the tragedy, I have asked that they support their colleagues who have to take some time away from work.

In terms of ADF support to the disaster effort, I am very proud of the assistance provided by the ADF. At present, we are contributing about 180 people who are providing specialist and emergency support. We have just got another request through the emergency management authority for another 90 people to do search work for the Victorian coroner. These numbers are down from a peak of about 800 personnel and indicate that local people in the fire affected

areas are beginning to re-establish their communities and local businesses and that state government agencies are now re-established. This has resulted in a decreased reliance on ADF resources and has allowed for a gradual drawdown of troops and assets from the area.

However, the ADF does stand ready to provide further support should the fire situation deteriorate over the coming days and we will continue to provide assistance for as long as it is required. I note that Major General John Cantwell has been seconded to the Victorian government as the Chief Operating Officer of the Victorian Bushfire Reconstruction and Recovery Authority. At this time, he is acting head until Chief Commissioner Christine Nixon takes charge in March. John is a very fine Army officer whose skills will be invaluable to rebuilding these devastated communities.

The weekend before last I spent two days, one of which was with the Prime Minister, visiting those affected by the fires, as well as visiting ADF people deployed to this bushfire crisis response. As already noted, a large number of people on this operation are reservists, and I applaud their efforts in what have been some very demanding activities. I particularly note that some of our people were involved in ground search activities. They were unfortunately exposed to some horrific and emotionally devastating scenes. I note for the committee that Defence's medical and counselling teams continue to support our people involved in this operation. All defence personnel who served in this operation will be provided ongoing support once they return to their units or civilian work.

Of course, ADF support to the bushfires was just one part of a much larger effort. I would particularly like to congratulate the more than 4,000 firefighters from the Country Fire Authority and the Department of Sustainability and Environment. I would also like to congratulate the Victoria Police and the State Coroner's Office of Victoria. On behalf of all the men and women of the ADF, I commend them on a difficult job very well done.

That concludes the operational aspect of my opening statement. I would now like to update the committee on the condition of Able Seaman Clearance Diver Paul Degelder. Able Seaman Degelder was attacked by a shark in Sydney Harbour on 11 February. At the time, he was taking part in exercise Kondari, which was a trial run of new technologies designed to protect Australia's ports, naval bases and ships against terrorist attack. Able Seaman Degelder remains an in-patient at the Navy ward at St Vincent's Hospital. Despite the seriousness of his injuries, primarily the loss of his right hand and right leg from just above the knee, he is recovering quickly and is in fine spirits. You probably saw that, in his most recent media statement on 18 February, Able Seaman Degelder thanked those who came to his aid immediately after the shark attack. I echo his sentiments and applaud the efforts of Leading Seaman Clearance Diver Jeremy Thomas, Able Seaman Clearance Diver Ryan Dart and Seaman Clearance Diver Arthur McLachlin for ensuring their friend and colleague was quickly removed from the water and received immediate lifesaving first aid. Able Seaman Degelder continues to receive support from family, friends and colleagues, and his morale appears to be good. It is anticipated that he will remain an in-patient at the Navy ward for at least another three to four weeks. After this time, he will receive hospital based rehabilitation and other ongoing care, as required.

The best location for his ongoing treatment is currently being explored, with a view to his return to the Navy workforce when it is appropriate. However, at this time, our priority is his

physical and mental rehabilitation. I would like to take this opportunity to wish Paul Degelder and his family the very best as they embark upon this long road of recovery.

I conclude my statement with a brief comment on what I imagine will be the first line of questioning from the committee. During the last Senate estimates, it was brought to my attention that there was a problem with payments received by some members of the special forces. I admit that the Chief of Army and I were taken by surprise by this issue. At that time, we undertook to investigate and resolve the problem, and steps were taken to implement the minister's direction to cease debt recovery. I can assure you that the Chief of Army is personally engaged in this issue and progress has been and is being made. Indeed, we have completely resolved the way ahead. The Chief of Army and I are keen to discuss this subject with the committee in some depth in order to clarify the situation and highlight the progress that has been made. In fact, the Chief of Army has a statement that he is eager to read to you, which will explain in great detail exactly how this issue is being resolved. However, before you hear from the Chief of Army, I would like to conclude by assuring the committee that, during the remediation period, no soldier is to be financially disadvantaged—I say that again: no soldier is to be financially disadvantaged—until all proficiencies have been audited, deficiencies identified and adequate training opportunities provided to enable affected soldiers to demonstrate proficiency. This is consistent with the Chief of Army directive that has been issued, and I table a copy of this directive for the committee now.

I would also like to add that the leaked email regarding this subject was sent by a senior soldier who was very well intentioned. Indeed, he was trying to sort out the issue appropriately within the chain of command. However, despite his best efforts, some individuals were going around him and his words reflect, I think, his deep frustration.

That concludes my opening statement. I thank you for the opportunity to address these topics at the outset of the hearing. I now look forward to expanding on any of my remarks or to address any other topics the committee desires.

CHAIR—Thank you, CDF. I think, General Gillespie, you have a statement to make?

Lt. Gen. Gillespie—As the Chief of the Defence Force has just stated, I am keen to discuss this subject with the committee so that I can clarify the situation and highlight the progress that has been made and outline how the issue will be handled in the coming weeks. First, let me state that I have been very disappointed to read and hear assertions that Army does not care about its soldiers and that, somehow, it would purportedly place its members into financial hardship through the way it administers them. I can assure you that nothing is further from the truth. Let me also state at the very beginning of my statement that I have been under no misapprehension of this house's intention that no soldier suffer from financial detriment as a result of this issue. As an immediate result of the issue becoming apparent at the last estimates, I was given very clear and unambiguous direction from the minister in this regard.

The issue of remediating pay anomalies for special forces personnel—which has arisen through the implementation of the Defence Force Remuneration Tribunal determinations—has been particularly complex and, at times, very frustrating. At all times, in trying to resolve this issue, I and my Army officials have had nothing but the affected soldiers' welfare at the forefront of our approach. You will recall that in March 2007 and March 2008 the

remuneration tribunal handed down decisions in relation to special forces pay, with an effective date of August 2007. These remuneration tribunal determinations included everything that we asked for. They did not include a transition period, simply because we did not ask for one. We assessed at the time that all personnel had attained the required competencies to match the requested workplace value. This, as is evident, turned out to be an incorrect assessment and is the principal cause of this whole issue.

The Defence Force Remuneration Tribunal determinations rolled into salary components that were previously paid as allowances. These allowances were previously appropriately authorised by the Special Operations Commander Australia. When the allowances became part of salary—when the determinations were implemented in August 2008—authorisation was effected through an automatic process that matches proficiencies recorded in our HR information system, called PMKeys, against pay points. A number of anomalies were identified and unit action was taken to remediate them. I would like to reinforce at this point that any criticism of the Defence Force Remuneration Tribunal, in this matter, is unfounded. I admire the tribunal's processes and, in particular, I value the support that they have given Army through this process.

In October last year, the issue of special forces pay anomalies was raised here in this chamber. I advised that potentially 105 people were affected and that Army was still working through the issue to resolve the matter. In early December, I provided formal advice to the government on a remediation plan for affected personnel, which I was informed at the time were six special forces personnel. This advice was subsequently withdrawn by me when a continuing audit indicated that a further three people may be potentially affected. On 23 December, the Special Operations Commander Australia advised the Deputy Chief of Army that, despite considerable effort to identify affected personnel, he needed further technical assistance to adequately audit his command.

With a building sense of frustration, I then directed the Director-General Personnel Army to conduct a 100 per cent audit of records of all personnel who had served in special forces since August 2007 and who were in receipt of special forces allowances. As a measure of my concern over this issue, I had personnel from both Special Operations Command and Army Headquarters recalled from Christmas leave. This audit was completed on 31 January 2009. Of the approximately 1350 records audited, about 380 were found to have anomalies that may impact on remuneration.

The Special Operations Commander was tasked to investigate, by April 2009, each individual case with a view to providing a consolidated list of individuals that may need waivers and/or act of grace payments. The 100 per cent audit had identified that most of the anomalies occurred in the proficiency recording of what we call category B personnel. These are support personnel, such as signallers, who work in the special forces units, but who receive additional remuneration to their primary trade pay when they complete special forces reinforcement training. Prior to the Defence Force Remuneration Tribunal determination, this additional remuneration was paid as an allowance and appropriately authorised by the Special Operations Commander. But now, as I have previously mentioned, it is based purely on automated matching of attained proficiencies with pay points.

Realising that we may have many category B personnel who, despite competently performing at designated levels throughout the special forces, may not have formally attained the full range of competency, I sought advice on whether I had the authority to implement a transition period and rectify the issue. I was informed such authority could only be granted through what is called a section 58B ministerial determination. On progressing the option of a 58B ministerial determination, I was advised by the appropriate delegate within Defence that it would be more appropriate to seek a transition period from the Defence Force Remuneration Tribunal itself.

While this option was being pursued, I separately sought formal advice from the Defence General Counsel within Defence Legal on whether I could simply use my command authority to resolve this issue. The general counsel advice, which I received on 16 February 2009, revealed that in fact it was open to me to take ownership of this issue and to take administrative action to address the concerns. I immediately chose this course of action as being the most appropriate and timely course of action to meet the aim of looking after our people.

On 18 February 2009, I issued the directive tabled by the Chief of the Defence Force this morning. It outlines the administrative action that Army is now taking to remediate all trade competencies and pay anomalies in order to bring this unacceptable matter to a close. It establishes a transition period during which no soldier will be financially disadvantaged until all proficiencies have been audited, deficiencies identified and adequate training opportunities provided to enable affected soldiers to demonstrate proficiency. This effectively removes any discussion about debt. There is no debt; soldiers will be remunerated at the same levels they were before we implemented these DFRT determinations; and the transition period will provide the time needed for them to attain the required formal qualifications. While the policy issue of debt—and the suspension of all debts—has been resolved, complete remediation of the issue will take some months to achieve.

I would like to emphasise at this point that the length of this transition period will be designated by me after advice from Special Operations Commander. The Special Operations Commander has until 11 May of this year to recommend to me a training remediation plan for each affected soldier, taking into consideration operational commitments and training capacity. If soldiers fail to attain the required formal competencies by the completion of the designated time line, the soldier will have his pay adjusted from that time, with no retrospectivity. Let me emphasise this: no retrospectivity—that is, no debt. We will then have their records completely matching their attained level of proficiency.

Army is presently communicating the content of this competency remediation directive to affected members, but again I state it will not be until 11 May that individually tailored training remediation plans will be constructed. Communication on the specifics of this plan to all affected personnel will then follow.

I want to take this opportunity to quote excerpts from my directive of 18 February. The directive, which is a lawful order to my staff and commanders, personalises and attributes exacting accountability. The mission I directed was this: 'Special Operations Commander is to complete a detailed audit of all special forces personnel against employment specifications

impacted by DFRT Determinations by 27 April 2009, in order to remediate trade-pay and training anomalies.’

I provided a clear intent, which was as follows:

During the remediation period, no soldier is to be financially disadvantaged until all proficiencies have been audited, deficiencies identified and adequate training opportunities provided to enable affected soldiers to demonstrate proficiency.

All remediation action is to be command driven and afforded significant priority in order to reduce the impact on personnel and their families.

I further directed the following: ‘Special Operations Commander is to formally advise me on the outcomes of his work—which was phase II of this work—by not later than 27 April 2009,’ and:

Outcomes of this audit are to be presented by name against the following three classifications;

- a. Classification 1: those personnel, who are qualified, have been fully assessed, but whose proficiencies are not recorded on PMKeyS;
- b. Classification 2: those personnel, who can demonstrate, through the Recognition of Current Competencies ... or Recognition of Prior Learning ... processes, that they meet the assessment criteria to have their proficiencies recorded on PMKeyS; and
- c. Classification 3: those personnel, who require additional training and trade assessment to comply with the range of determined competencies.

It continued:

Finalisation of this audit sets the pre-conditions for the administrative action needed to remediate all anomalies, including establishing an appropriate timeline for the provision of additional training, re-training where appropriate and trade assessment.

In the directive, I then directed the following tasks be undertaken by the Special Operations Commander: provide outcomes of the special forces trade audit to me not later than 27 April 2009, in order that the three classifications detailed in paragraph 10 were clear to me; for members in classification 1, enter proficiencies into PMKeyS by not later than 11 May 2009; for members in classification 2, provide me a decision brief on recommended recognition of current competencies or recognition of prior learning action by not later than 11 May 2009; within seven days of receiving my decision in this regard, ensure approved RCC/RPL are correctly entered into PMKeyS in accordance with Personnel Development and Training business processes; for members in classification 3, provide me with a training-competency remediation plan by not later than 11 May, including the implications to trade and pay grades if full competencies are not achieved—this remediation plan is to recommend a time line for each individual to attain required competencies, after due consideration of operational commitments and training capacity, including the need for re-testing where appropriate. Re-testing is to be conducted in accordance with current policy. The plan is to also outline any related The Army Resource Plan implications; provide me, but not later than 1 June, confirmation that all affected members have been advised in accordance with subparagraph 6 outlined above; and provide me monthly updates, through the Director General Personnel Army, by the 5th of each month, on outstanding action to effect remediation by affected member.

I further directed that, among the many tasks to be completed by my Director General Personnel Army, he was to produce by 1 August a defence instruction (Army) on the management of Army pay cases that clearly articulates the Army-wide processes that are to be followed in order to prevent a similar occurrence.

I concluded my directive by stating the following:

DFRT determinations in 07 and 08 recognised the high workplace value that SF—

that is, special forces—

personnel provide to achieve Army's overall directed capability. It is now Army's responsibility to ensure that all members are provided adequate competency training and detailed administrative support to enable them to be remunerated at the appropriate pay grade level. The current remediation process will be command-driven and has my direct focus. SOCAUST—

that is, the Special Operations Commander Australia, Major General McOwan—

is responsible for the trade competency remediation for all Special Forces personnel, to ensure member pay is not adversely affected through the incorrect recording of trade competency assessments. DGPERS-A—

that is, the Director-General Personnel-Army—

is to provide support through technical guidance on the correct recording of competencies and pay skill variations into PMKeyS.

With regard to the leaked email from the regimental sergeant major of the Special Air Service Regiment, let me say that this was done to ensure this matter is managed in an appropriate way. The email was sent out because of a very senior soldier's frustration with actions being taken outside the chain of command that have compromised my expressed intent to resolve the issue. The important parts of the email deal with identifying a single point of contact, and a genuine desire for soldiers to raise their concerns in the appropriate manner. I would not anticipate any disciplinary action being taken against people who are genuinely concerned about their pay. I would ask, however, that these people give the chain of command all the pertinent detail of their concerns so that this matter can be brought to a proper conclusion.

Let me also state at this point that I understand there will be special force members that currently possess documentation that states they have debts related to the implementation of these two remuneration tribunal determinations. Soldiers in possession of this debt documentation that was raised before I intervened should now use their chain of command to have the matter addressed.

Let me conclude by being very clear: there will be special force members who incur debts during this period for matters unrelated to the implementation of these two DFRT determinations—for example, the overpayment of deployment allowances. These debts will be recovered. This special forces pay issue and all the subsequent public debate has led some soldiers to believe that all debts will be waived. This is not the case. In this regard, special force soldiers are no different to any other soldier, and legitimate debts will be recovered.

Finally, I say to all soldiers that the chain of command is, in fact, your ally. I cannot assist you if you proceed outside this avenue of assistance to air your concerns. I have done, and

will continue to do, everything within my power and authority to assist you, as indeed I do for every soldier in the Australian Army.

CHAIR—Thank you very much for that detailed commentary. We will now go to questions.

Senator FERGUSON—Can I say to both the CDF and the Chief of Army that in my almost 17 years as a member of estimates committees, and a long time on this committee, it is the first time I have ever been at a committee where we have had more than three-quarters of an hour of opening statements. The opening statement, particularly by Lieutenant General Gillespie, was detailed. It is impossible for us as committee members to digest all the things that were said in that statement and to be able to question it. I have always believed that the object of estimates is for those at the table to respond to issues and questions that are put by members of the committee, rather than us being faced with a document or statement that covers such a broad area with so much detail in it. Without being able to read that and digest it, it is almost impossible for us to respond to an opening statement that is as lengthy as that. I would register some disappointment. If a statement as comprehensive as that is to be made, it should be provided to the committee beforehand, rather than at the commencement of estimates, where 50 minutes of our questioning time has already elapsed.

CHAIR—Minister, do you care to respond?

Senator Faulkner—I have also been here a long time.

Senator FERGUSON—A bit longer.

Senator Faulkner—Yes, a bit longer. It feels like it some days, I can assure you, and probably today is one of those days. But as you know it is a tradition on this committee, particularly in relation to examination of the estimates of the Department of Defence, for both CDF and the secretary of the department to regularly give a comprehensive opening statement. On this occasion, because General Gillespie has made a detailed statement about an issue of concern to the committee, Mr Warner has not made an opening statement, and I would ask you to take that into account. It is always of benefit for as much information to be provided to the committee as possible and I can assure you I know that is the spirit in which both CDF and Chief of Army have provided their contributions to you.

I understand the point that you make about the necessity to get across detail but there will be no attempt by me or any of the senior defence officials at the table to do anything other than enable a full examination of all the issues that have been raised, I can assure you, Senator, and I suspect a considerable number that have not been raised.

Senator JOHNSTON—Air Chief Marshal, could I commence by asking for an undertaking from you that no soldier who has consulted his member of parliament—namely me or the member for Curtin—or the minister's office will suffer any retribution, adverse comment upon his record or any negative impact whatsoever for going outside the chain of command on this issue? I ask that question as an opening question because I have in front of me a payslip that has written at the bottom 'zero dollars'. That payslip, you will be surprised to know, was issued last month, on 22 January. It sought to recover the sum of \$9,133 from the particular soldier who has been battling with this problem since May. At the end of the day, I trust and hope you will give me the undertaking I need so that we can move on from

this very unsatisfactory matter, and these men, their wives and families can get on with the important job we have tasked them to do.

Air Chief Marshal Houston—Nothing is more important to me than the welfare of the people of the Australian Defence Force and their families. You have my undertaking that there will be no retribution. As General Gillespie has told you in some detail, all we are interested in is getting to the bottom of this matter, resolving it to everybody's satisfaction and ensuring that these people get their just rewards—rewards that have been earned by distinguished, professional and dedicated service. So you have my word that we will not pursue these people in any way.

We spoke to you after the last hearing and we said, 'If you hear anything, please let us know.' I find it a little frustrating that these issues come up in this forum, which is a highly political forum, when perhaps we could have these issues raised with the Chief of Army or me so that we could address the issues in a normal, professional way.

We have been seized with the need to resolve this issue for a long time. I have been to the Defence Force Remuneration Tribunal. I had them review the determination. They had a look at it and they put out another determination which unfortunately only took in the SAS frontline combat troops; it did not take in the support troops. We were only left with the option that General Gillespie has briefed you on in order to resolve the issue and move ahead. I would stress to you that there has been a lot of misinformation in the media. Nobody will be financially disadvantaged by this issue—and you have my word on that, too. It is important that we get the facts on the record that that is the way we are proceeding. We have a way ahead that will resolve this situation to your complete satisfaction, I hope, and—more importantly from my point of view—to the complete satisfaction of the Australian government.

CHAIR—I wonder if the tabling statements of CDF and Chief of Army could be provided to the secretariat staff for circulation to senators.

Air Chief Marshal Houston—Certainly. We can give you all of the information and the directive and we can come back to this later in the day, if you wish, when you have had a chance to have a look at the documentation we have provided.

Senator JOHNSTON—CDF, I thank you very much for that undertaking. There are a lot of people streaming this particular estimates hearing now who will be very thankful and relieved by that. It was only last Friday that I received authority to proceed with what we have proceeded with. I was the last resort. What has been happening below senior levels of management and command since October has been most ungratifying.

I take no comfort in doing what I have done with respect to this matter. It seems to me, following General Gillespie's statement, that we still do not understand the essence of the problem and that is that these men are virtually all fully qualified. The fact that the computer system does not show that is not to be taken as evidence that they are not qualified. This audit is effectively questioning their standing. We have to come to terms with the fact that we do not take the computer's word as law. I cannot believe we are saying, as the minister has said, that it is a computer problem. Personnel issues can never be reduced to a computer problem.

Air Chief Marshal Houston—The essence of what General Gillespie has briefed you on is that the approach we are taking is that we are assuming everybody is qualified at this stage. Everybody is qualified. As General Gillespie briefed you, everybody will be paid as if they have the competency and as if they have the qualification. What we have to do is go through a process to make sure that everybody has the competency amongst those support staff, and that requires an audit of competency.

Let me put it another way. Over the years I have been given flying allowance. If I were paid flying allowance and I was not a pilot, there would be a problem. Fundamentally, what the Army audit is all about is ensuring that competencies and remuneration are aligned in accordance with the requirements of the Financial Management and Accountability Act. So we have to go through that process and we have to do it in the right way in accordance with the guidelines that we are obliged to follow.

Senator JOHNSTON—The remuneration tribunal had one submission and it was an ADF submission. It apparently followed the submission. There has been no such similar problem for the last 25 years with the management of this regiment. For some unknown reason, at the stroke of a pen we have rendered qualifications illegitimate. That is the issue. For any number of reasons, I cannot accept that an audit going through and having them file recognition of current competency forms—as we are asking them to do—is going to achieve a rectification of the mischief here, which is that someone above them has said, ‘We must now follow a procedure because it has been ordained by the tribunal that these competencies, which we have accepted for, in some circumstances, 10 years, are now not acceptable.’ That is the issue, surely.

Air Chief Marshal Houston—No, it is not. I think this word ‘mischief’ is not the right word here. We are seized with the need to sort this problem out. Chief of Army has given you a comprehensive insight into the way we are doing it. If you have a look at the directive he has put out, it makes very clear where some of the problems are. We are obliged in the way we pay people to follow the Commonwealth’s guidelines on remuneration. There is no getting around that. You seem to be suggesting to me: ‘All these people have been around for a long time—just pay them all and everything will be fine.’ Unfortunately, we cannot do that.

There is an issue—the minister mentioned there is an issue—with our information systems. Fundamentally, one of the issues here is the fact that competencies are recorded on a different system from the system that we use to pay people. They are disconnected; they are two totally different systems, and a lot of the complexities of this issue are tied up with that fact. In fact, I might get General Gillespie to just run you through some of the complexities of the issue so that you get a better understanding of what we are grappling with at the moment.

Senator JOHNSTON—Before he does that, can I ask this: from what you have said, what has gone on before 9 August 2007 has obviously been problematic on the basis of your assessment in terms of their entitlement to pay and conditions—is that correct?

Lieutenant General Gillespie—No, it is not correct.

Senator JOHNSTON—Well, if it was right then, why could it not be right now?

Lieutenant General Gillespie—The process that we had before the determination was about allowances. I have made the observation on a number of occasions, appropriately

authorised by the Commander Special Operations Command. There was a mandrolic solution taken to recognise people's competencies.

Senator JOHNSTON—Sorry—'mandrolic'?

Lieutenant General Gillespie—'Mandrolic' means we did not have much computer help in this process. It was a hand-only issue.

Senator JOHNSTON—Maybe we need to go back to that.

Lieutenant General Gillespie—We rolled those allowances through the determination into salary. The determination of the Defence Force Remuneration Tribunal is a legal determination. It is not a 'nice-to-have'; it is a legal determination. Therefore, I have a responsibility to make sure that the determination they made in terms of competencies is reflected in the workforce and how I pay them. That is my accountability both in that sense and under the Financial Management Act. I think that the plan I have put forward here and that we have adopted in Army actually does that, and does it neatly.

The starting point of my remediation plan was not to challenge the competencies of the people but to assume that—because of the vagaries of our system, the disconnectedness of two computer systems and the fact that the administrative system necessary for us to make the computer entries et cetera is suboptimal in Army—their competencies are accurate. We will audit to make sure that they are, and where they are not we will give the people the training and time necessary to do it. That meets my legal obligation under the DFRT determination.

It is not a matter of willy-nilly here. There are legal obligations both under the Financial Management Act, for which I am audited, and the Defence Force Remuneration Tribunal, which is a legal body, to make sure that we do the things properly. The computer systems, I have got to tell you, frustrate the hell out of me. What we have is a process whereby entry into PMKeys is anything other than easy and takes time. So I suspect, and one of the reasons why I have assumed that people have got the competencies, that there is a latent catch-up in this area. If I find that there is not, then we have built a process in to make sure that people are given the appropriate opportunity to be trained and qualified without detriment to their pay.

Senator JOHNSTON—How long is that time going to be and when does it commence?

Lt Gen. Gillespie—You have heard me say that most of the executive action is focused on me getting enough detail for me to make clear decisions by 11 May.

Senator JOHNSTON—And no soldier will have his wages and salary, as being received on 9 August 2007, reduced in the interim or in the prospective period?

Lt Gen. Gillespie—You have heard CDF and I say that about three times this morning. That is our intent. I also said quite clearly during the process that, because of the vagaries of our pay system and the computers and how they work, I am confident that there are actually people out there with salary adjustments that I desperately need them to take out of the public domain with you and introduce them to me so that I can fix the issue. If I have got them working through the chain of the command, then I can address it, but whilst they are unknown to me—we discussed this at the last estimates in this process; people write to you, you treat it with privacy—I do not even know what the issue is.

Senator JOHNSTON—I assure you that you have all of them. The regiment is fully availed of all of the concerns of each of these soldiers.

Lt Gen. Gillespie—In that case, I am comfortable, because I need the regiment to be fully availed so that we can do what it is that I have set out to do.

Senator JOHNSTON—When you say that no soldier will be financially disadvantaged, does that include the soldiers' superannuation and death benefit standing?

Lt Gen. Gillespie—No disadvantage. That was the demand of the house and the demand of the—

Senator JOHNSTON—We are clarifying that the contingent liabilities of the Commonwealth to these men for superannuation and death benefits are included in the 'no disadvantage' and that the 'no disadvantage' or 'no detriment' clause that prevailed on 9 August 2007 is still current?

Air Chief Marshall Houston—It was an allowance previously. When it is rolled into salary, there is actually an advantage from a superannuation point of view. So, in actual fact, they will gain financial benefit in superannuation terms, because the allowance is now being rolled into salary. That is what we are trying to achieve here.

Senator JOHNSTON—I think that is great.

Lt Gen. Gillespie—Can I make a very clear distinction here. The problem started with remediation being seen as people not having the competencies and, therefore, debt recovery action was commenced. What I am saying to you very clearly is that debt recovery is not an option in the way ahead for this process. If you like, on the first occasion it is suspected that the people did not have the competencies and, therefore, adjusted their pay and they accrued debt. I am telling you that the solution going forward is that debt is not an issue. We assume that the competencies are gained and are correct. And, as we work our way through the processes, if we find a couple of people that the principle does not adhere to then we will train them, we will get them formally qualified and we will not garnish their pay.

Senator JOHNSTON—The money that we have taken off them to this point in time will be repaid and the interest payments that they have incurred and paid from their pay will be repaid to them and restored to them?

Lt Gen. Gillespie—The money will be repaid. I could not give you an answer off the top of my head on interest issues.

Senator JOHNSTON—If the debt is being repaid, I take it that it is debt and interest. I take it that you would want to see that repaid to them?

Lt Gen. Gillespie—I would like to, but I do not understand the implications of it just yet, so I will not give you an off-the-cuff answer.

Air Chief Marshal Houston—The debt will be repaid in accordance with Commonwealth guidelines. As you know, we are bound by those guidelines and we do not have any flexibility in the way we effect those payments. So, yes, we will pay them, but, in terms of interest, I do not know off the top of my head whether that is included or not. Perhaps we could take it on notice.

Senator JOHNSTON—All right. I think there was a directive of 18 November.

Lt Gen. Gillespie—I think the Special Operations Commander directive might have been then, yes.

Senator JOHNSTON—What did that direct?

Lt Gen. Gillespie—I do not have the directive here. It is a directive that was issued by General McOwan and I do not have it with me.

Senator JOHNSTON—I think the suggestion was that there would be a ceasing of debt recovery.

Lt Gen. Gillespie—As a result of the last estimates, we gave pretty clear instructions that debt recovery was to cease. Did that happen neatly at a given point in time? No, it did not. Why? Again I will go back to the vagaries of the pay system. Our pay system is quite antiquated. It needs line-by-line programming for the issues to be resolved and it takes a fortnight for one entry to be issued before it is affected at the other end. So we had some disconnects in that process. My view is that that should now be resolved, but because of the way this has been conducted over time I suspect that there are still a couple of people who need to have their debts readdressed through the chain of command.

Senator JOHNSTON—I make the point that on 18 November you allegedly ceased debt recovery but on 22 January it is still going on. That causes me great concern.

Lt Gen. Gillespie—It causes me concern if it is going on, but I do not necessarily know because I do not have access to what you have to know whether the debt was related to this determination or it was related to something else to do with Special Forces pay.

Senator JOHNSTON—Can I give you a copy of the salary advice?

Lt Gen. Gillespie—Again, I made it very clear in my statement that I have enough suspicion to think that there are people out there who still have these things against them, and I need to know what they are so that I can fix them.

CHAIR—Do you want to table the document, Senator?

Senator JOHNSTON—I want to show him; I do not necessarily want to table it.

CHAIR—You are seeking to provide a document to General Gillespie but you are not seeking to table it—

Senator JOHNSTON—It is an aide-memoire to assist him with understanding what I am talking about.

CHAIR—Okay then.

Lt Gen. Gillespie—Senator, it tells me about debt recovery action, but it does not tell me what the debt recovery is about.

Senator JOHNSTON—No. That exacerbates the problem, I would have thought.

Lt Gen. Gillespie—As a debating point, I do not know whether this is the recovery of overpayment of allowances. It says here, 'Pay in advance recovery,' which indicates that the soldier at some point had been paid in advance. The way that that happens is that as the

fortnight rolls over it is a debt recovery, so there is a clearly auditable path there. This is an interesting case study, but it does not tell me that it is associated with this issue.

Senator JOHNSTON—I can tell you what it is associated with. He has been told that his qualifications have been rendered illegitimate by the tribunal's ruling and that he is indebted to the Commonwealth dating back to 9 August, and there is the money—\$18,263, \$9,131 of which is the commencement. His pay, as you can see at the bottom, which he happily opened on that particular fortnight, is \$0.00. Correct me if I am wrong, but he may well have actually been in Afghanistan at the time of receiving that.

Lt Gen. Gillespie—Can I say that that in fact is sort of misleading in this process in the same way as the debt recovery can be misleading if I do not know what it is about. It says that entitlements, including adjustment this fortnight, is \$0.00, so if he had been paid in advance for that fortnight the document would show that he got nothing on that pay.

Senator JOHNSTON—I can tell you he did not. He was told that he received \$0.00 because of the debt recovery dating back to 9 August for competencies.

Lt Gen. Gillespie—If that is the case, and if I and the regiment have the issue, we will fix it as I have outlined.

Senator JOHNSTON—All I am saying is that it appears to me that when you issue a directive very little happens. This is some two months after that directive.

Lt Gen. Gillespie—I am not surprised, because the staff that we have working at this have been working their proverbial butt off to understand the whole of the issue. Now that we are getting to the end of the audit process—and you have got to understand what the audit process is: it is an audit process of a computer system on which we know the information is not as detailed as it should be, it is an audit of a pay system which is quite separate from the other, and because of those disconnects it is an audit of many, many files, course applications, course results, and those sorts of things; so it has taken a dedicated team of people a long time to get us to where we are—we are in a position, with a clear plan to go forward, where those people can fix these issues where they exist.

Senator JOHNSTON—Is a common occurrence that a serviceperson would receive zero pay?

Lt Gen. Gillespie—No. It can happen for a couple of reasons. One of them is as I have described: if you have been paid in advance, the document talks about the normal fortnightly entitlement. In this one, for example, it talks about a normal fortnightly payment of about \$2,000 and says, 'The payment this fortnight is zero.' But it does say that there was a payment-in-advance recovery. I suspect that in this case the sum of zero is because he had been paid that fortnight's pay previously. It can also have a zero zero statement at the bottom if the net pay that a person draws, when all those deductions are taken out, equals zero. But that is not the whole story: if you go up to fortnightly allotments and those sorts of things, you can find that people have allotments to bank accounts, to other financial institutions et cetera. So the sum at the bottom might say zero for this fortnight, but if you look through the document you can find that the person has not been left destitute, as I have heard.

Senator JOHNSTON—You can see that he has had debt recovery payments of sizeable amounts taken from his salary here.

Lt Gen. Gillespie—I can see debt recovery and I can see counterrecoveries in this. I can see that he has been paid in the positive over \$11,000 in one area, and, in the negative, \$9,000 et cetera. I would need to understand what that debt was about. It is not as simple as all of the recovery sums being the total of it—there is a net effect of this. As I said, right now, I can see that that one says, ‘Debt recovery payment: zero’, ‘Miscellaneous adjustment pay’ and ‘Commencement of debt recovery’—and then a cancellation of a good whack of that debt recovery. So it is not as simple as it would seem—that the soldier was left without money. If the soldier has been left without money, then for him and for the chain of command that is something that we can fix very easily if people bring it to us.

Senator JOHNSTON—How many soldiers are affected by this problem?

Lt Gen. Gillespie—I am uncertain of the actual number. The audit is still going on. They have until 11 May to do that, but potentially about 150 people. I say ‘potentially’ because, as we go through their records and do recognition of prior learning et cetera, I expect that number to drop substantially.

Senator JOHNSTON—And they are not all signallers?

Lt Gen. Gillespie—They are not all signallers.

Senator JOHNSTON—There are some troopers?

Lt Gen. Gillespie—Yes.

Senator JOHNSTON—You talked about debts which will be recovered through the audit process. Can you quantify, classify and describe what those debts will be?

Lt Gen. Gillespie—Yes.

Senator JOHNSTON—So we are clear, when wages are taken it is not about the remuneration ruling; it is about the matters you are about to tell me about.

Lt Gen. Gillespie—The real issue is that we are talking about a pay case determination and a set of effects for which I have outlined a remediation plan. People doing their normal day-to-day business in the organisation accrue debts, not necessarily through their own fault but sometimes because of how they conduct their business. A common one is when people redeploy from overseas, where they are on a tax-free salary and get deployment allowance, and they come back home: on the date they arrive back in Australia, there is a cease action. If that cease action does not happen, people can accrue a debt because they are paid money that they are not entitled to. I describe that as being a legitimate debt which people would have to reimburse.

Senator JOHNSTON—So that is a failure to adjust the tax status of the person when he returns from active duty and is overpaid by virtue of an error?

Lt Gen. Gillespie—That is right.

Senator JOHNSTON—That is one. What else is there?

Lt Gen. Gillespie—In my own case, I recently had a determination that said that a cessation of superannuation had been conducted incorrectly in my pay account and I had a debt of about \$23,000 and would I pay that back. There are ways in every business where you can accrue debt. There can be debt recovery action taken for your visiting the clothing store and buying goods on your pay account. It will appear as a recovery action at the bottom. The point that I was trying to make here is that, because of the debate that has been happening, we need to separate the issue of the DFRT determination and debt and legitimate debt which people will be required to pay back.

Senator JOHNSTON—So no wages and salaries will be affected through the competency issue, but debts incurred in the ordinary course of business or through administrative oversight will be recovered?

Lt Gen. Gillespie—That is correct.

Senator JOHNSTON—But administrative oversight does not relate to this remuneration tribunal ruling and that is flowing from it?

Lt Gen. Gillespie—That is correct.

Senator JOHNSTON—Thank you. May I ask how many times you have met with the minister on this subject since 22 October.

Lt Gen. Gillespie—Perhaps on three or four occasions, but there have been many more phone calls on this issue.

Senator JOHNSTON—Do you know the dates of those meetings?

Lt Gen. Gillespie—Not off the top of my head.

Senator JOHNSTON—I suggest that many of them would have been since 10 February.

Lt Gen. Gillespie—In fact, I think there has been one meeting since 10 February; the rest of them would have been before Christmas, when he was making his intent to me quite clear.

Senator JOHNSTON—So in December he made his intent quite clear?

Lt Gen. Gillespie—Straight after the estimates that we had in October, and, as I became frustrated with some of the responses that we were getting, and he became frustrated with my responses, there were quite a few communications by telephone et cetera.

Senator Ferguson interjecting—

Senator Faulkner—I will treat that as an editorial comment, so I will not respond to it.

Senator FERGUSON—Which you were very good at!

Senator JOHNSTON—So effectively we do not know how many personnel are affected by this problem, but we anticipate that at a date in April, according to your statement—

Lt Gen. Gillespie—That date was 11 May.

Senator JOHNSTON—On 11 May we will know exactly how many people are affected?

Lt Gen. Gillespie—That is my intent.

Senator JOHNSTON—What does this say about the wider service personnel beyond Special Forces? Are we going to need to conduct audits of all personnel with respect to qualifications and wages and salaries?

Lt Gen. Gillespie—You can guarantee that I am looking at whether it is an issue right now. I have staff looking to see whether or not I have other sleepers out there so that we do not have an October estimates where you surprise me.

Senator JOHNSTON—I know you were surprised—I accept that. You have a lot of things on your plate. This has been around since May. I underline the point that it was a big step for these men to come to me. And might I say they have informed their superior officers of everything discussed with me—they are that sincere and earnest it is staggering. They are so loyal to their regiment. This has been around since May. Can I say that if there is a wider problem we need to get it on the table and deal with it.

CHAIR—Did the original determination have specific application only to the regiment and the SAS people under discussion or did it have more general application to all Army personnel in receipt of both wages and allowances?

Lt Gen. Gillespie—No, this was a determination to do with the Special Forces group.

CHAIR—The Special Forces group only?

Lt Gen. Gillespie—There had been two determinations: one to do with commandos and one to do with the broader group, so it did not have an implication for the rest of Army. It was a case to do with the special forces.

CHAIR—But it is both special forces in the west and on the east coast as well?

Lt Gen. Gillespie—Yes.

Senator JOHNSTON—Can I thank you General for the way that you have answered my questions today. I am satisfied that things are moving ahead positively. I have what I need for my satisfaction that these men will be looked after properly. Can you assist the committee by providing, prior to next estimates, a written report as to how many and how the rectification of this matter is progressing?

Lt Gen. Gillespie—Certainly.

Senator TROOD—For my own deeper understanding of this matter, you said in your statement that a 100 per cent audit of records was undertaken by the Director-General, Personnel, Army, and that was completed on 31 January, as I understand it. You are now saying that another audit is being undertaken. I assume from that that the first audit was insufficient to provide you with the information you needed to understand the nature of the problem. Is that correct? Why are we doing two audits here?

Lt Gen. Gillespie—The audit had several facets to it. The first of them was to deal with a small number of people who had complained through the chain of command that they had an issue.

Senator TROOD—So that was the first one, was it?

Lt Gen. Gillespie—And, as the senator said, that had really started back in May last year when the unit started to do remedial action. It did not reach a crescendo, if you like, until

estimates, when I went and had a look and we found the size of the problem. As we investigated those people and I demanded a little bit more information we found that there were some other people who were affected. So on 23 December I said 'Enough is enough; let's do the whole lot.' What I got at the end of January was a very clear indication as to the extent of the problem and the potential for people to be affected. What I needed then was continuation of that work to arrive at exactly who, so that by 11 May there would be nobody who would pop up out of the woodwork that I did not know about. We have been through the process once, twice and three times and we are sure that we have got the problem scoped.

Senator TROOD—So the audit that will be completed by May is a continuation of the process that was begun in December, is that right?

Lt Gen. Gillespie—Yes.

Senator TROOD—It was to identify precisely the people who were affected. Can you give the committee any idea about the general number of people we might be looking at here?

Lt Gen. Gillespie—I did mention that in response—

Senator TROOD—You mentioned several figures: 105 et cetera.

Lt Gen. Gillespie—No, I just recently mentioned to Senator Johnston that the number of people who we believe are affected is in the order of 150. I am not going to lock that down to a set number because we are continuing to work it. And I expect that as we do recognition of prior learning, current competencies et cetera that number will drop considerably.

CHAIR—I have one further question. In your statement you said the DFRT determinations:

... included everything that we asked for. They did not include a transition period, simply because we did not ask for one.

As you would be aware, when wages and allowances are rolled into salary, a no-reduction principle is often applied. I take it that that did not apply when the original determination was brought down by the DFRT.

Lt Gen. Gillespie—It can happen in two ways. We can seek a non-reduction period because we know administrative work is necessary, or the remuneration tribunal can dictate that there is one. On this occasion they asked if we wanted it and we said no.

Proceedings suspended from 10.29 am to 10.48 am

CHAIR—We will resume the examination of estimates by the Senate Standing Committee on Foreign Affairs, Defence and Trade. I understand Senator Johnston wants to ask a question.

Senator JOHNSTON—I do want to move on to Afghanistan but, having spent so much time on this issue with the Chief of Army, I feel it is appropriate that I ask the minister: Minister, can you tell us what action and role the Minister for Defence—and I note now, the Prime Minister—has had with respect to this action? Can you tell us what directives have been issued and what direct involvement both of those people have had with respect to the resolution of this issue?

Senator Faulkner—I think I can give you some information. But I would say at the outset that I am not sure that what I can say to you is complete. You would appreciate that, I

suppose, as a minister representing the Minister for Defence at the table I am not fully apprised of this, but I certainly will assist you where I can. I might need to draw on assistance from officials, if you wanted to progress any these matters. What I am aware of, and I think has been reinforced in the hearing here today, is that in October last year—and let me make it absolutely clear, that followed an examination on this issue at this estimates hearing—the Minister for Defence instructed that debt recovery action should cease. I am certainly aware that both CDF and Chief of Army have reinforced that today. I also note, as you have of course, that the Chief of Army then directed that all debt recovery action would cease from 13 November. From that time, as you know, Army have been conducting the audit, which you have asked questions about, to find out how many people have been affected.

You asked me about the Prime Minister. The Prime Minister, like the defence minister, has given an assurance that no soldier will be financially disadvantaged by the process of implementing the DFRT's determination on this issue of pay for special forces members. The other thing I think I can say to you is that I can assure you that dealing with fixing this issue is indeed a very high priority for the Minister for Defence. I certainly do have that level of knowledge. Obviously I do not have all the details at my fingertips in relation to all actions that are being taken, but I certainly hope that assists you.

Senator JOHNSTON—Do you know, Minister, if the Minister for Defence visited Campbell Barracks at all—or, indeed, Swanbourne—with respect to this issue?

Senator Faulkner—I certainly do not know that. I will seek some advice from CDF or any other witnesses at the table, if they can assist you. But I do not think you would be surprised to learn that I do not have that knowledge. Let me see if someone can assist you.

Senator JOHNSTON—Much obliged.

Air Chief Marshal Houston—I think we will have to take that on notice. I cannot remember the minister going, but I need to check.

Senator JOHNSTON—Chair, could I go on to Afghanistan?

CHAIR—There being no further questions on this issue, we will go on to Afghanistan.

Senator JOHNSTON—Air Chief Marshal, what assessment have we made of the necessary strength for Oruzgan province, given—and please correct me if I am wrong in this—that we are assuming responsibility for that province on the departure of the Dutch next year? I believe it is 630,000 people and 23,400 square kilometres. I have heard some commentators talk of the manpower level necessary. What is the situation now and what do you anticipate it requires to be into the future to be at strength—that is, secure?

Air Chief Marshal Houston—That is quite a complex question. I think, first of all, what you will see in southern Afghanistan is that a much more regional approach will be applied to military operations across the south. So to some extent your question about how many for Oruzgan is really tied up with the surge that is about to take effect, where 17,000 additional troops are going to go into Afghanistan. A lot of those will go into the south—what I call the Pushtan south; the provinces of Helmand, Kandahar, Oruzgan and Zabul. You will also see a vast increase in the number of helicopters that are going to go into the Pushtan south, including some helicopter elements going into our province. So in terms of just focusing on

Oruzgan, it is probably not what we would do. We are part of a coalition. Our forces are under the operational control of Commander ISAF, General McKiernan. General McKiernan is essentially developing a concept under his operational plan, his campaign plan, which looks at how all of the forces will be applied right across Afghanistan. But most importantly, his operational plan integrates the plans for Regional Command South, which of course incorporates those four provinces that I previously mentioned, including Oruzgan.

The Dutch have indicated in the past that they would pull out by the end of 2010, in fact cease operations around August 2010, but I guess that is a long way away and we will just have to wait and see what they actually do. In terms of leadership in the province, there are obviously possibilities, but I think the leadership of the province in the future is probably not going to be as important as perhaps it was in the past when there was a more provincial approach to the military operations that were conducted by ISAF. So I think what you are going to see is a more regional approach, and to some extent leadership in the province will not be the way it was when the Dutch moved in in the first instance.

Senator JOHNSTON—Where will the province be commanded from? What is the central strategic position? Is it Kandahar, Tarin Kowt, or one of the other provincial towns?

Air Chief Marshal Houston—Commander ISAF commands all of the forces in Afghanistan from Kabul. He does that through a number of regional command areas. In our case, through the commander of Regional Command South, who lives in Kandahar with his headquarters. There is obviously a provincial reconstruction team established within Oruzgan. It is at Camp Russell, and it is there because it is in close proximity to the provincial capital, Tarin Kowt. In our province, we essentially work for the Dutch task force in Oruzgan.

Senator JOHNSTON—When do you anticipate the regional nature of the strategic command and approach to this province or this region will come into force? Firstly, when are you expecting to see the plan? Secondly, when do you think it will be implemented?

Air Chief Marshal Houston—I think it is already coming into play. With 17,000 new American troops, I think you will see a lot of the empty spaces start to fill up and a greater capacity to clear and hold the ground. Also, closely associated with that is the development of the Afghan national army. That is a crucial part of all of this, and that is why so much effort and resource is going into the training and development and also the mentoring of the Afghan national army. If we and everybody else there can do our bit in developing the Afghan national army, we are going to end up in a situation—with the increase in American forces, the ISAFs, the increase in the Afghan national army and also increases in the Afghan national police over time—where we will have an ability to really put into effect General McKiernan's counter insurgency approach, which is shape, clear, hold and build. His campaign plan really reinforces the importance of doing that.

Senator JOHNSTON—Are you saying that we will no longer have an area, region or province that will be our responsibility into the future?

Air Chief Marshal Houston—I think you know at the moment the Dutch lead in Oruzgan, we support them, but there is also a number of smaller nations that are there as well. The provinces will still be there and there will probably still be a requirement for a provincial

reconstruction team, but I think over time what you will see is the regions become the fighting area rather than the provinces.

Senator JOHNSTON—What I think the committee would be interested in is looking at the strength deployed vis a vis area and population, such that we can ascertain the capacity of that strength—whether it is overstrength, understrength or at strength. Several commentators have disclosed what strength is in terms of this particular country: 20 well-trained NATO soldiers per 1,000 people. I want to benchmark and understand our contribution such that we can be comfortable and confident that we are secure with respect to our deployment. Could you tell me what basis of calculation, with respect to that type of analysis, we are undertaking such that the committee could be satisfied that we are at strength?

Air Chief Marshal Houston—First of all I would say that is not the way it would be done. Let me put it another way. What you are seeing at the moment, right now there are 56,420 coalition troops, foreign troops, in Afghanistan. With the reinforcement of the 17,000, you will end up with 72,000 American, European, ISAF troops. On top of that, there is a lot of work going on to develop the Afghan national army. The eventual target in the Afghan national army is 134,000. That is still some time away, but I think you can see that in the fullness of time we are probably going to see something in excess of 200,000 troops there who will be involved in this counter insurgency and implementing the concept that the operational commander, General McKiernan, has developed. In terms of what will happen, right now, if you have a look at what has been happening in Pushtan south up until now, the coalition dominates particular territory. For example, in Oruzgan we are very prominent in what I would call the Tarin Kowt bowl, but we have a lot of other areas which are ungoverned spaces which provide sanctuary for the Taliban. With the increase in troop numbers, that will provide a really good launch pad to do the clear, hold and then build and deliver services to the people of Afghanistan. That will take place over time, and to a large extent the number of troops that you have will determine how much of the area of Afghanistan you can prevail over.

Senator JOHNSTON—What concerns me about the 200,000 plus 72,000 calculation is that RAND Corporation, for instance, in their analysis said 20 NATO soldiers per 1,000 population. We would be far and away below their assessment, and indeed some other assessments, with respect to what is required. What I am rather more concerned about is not the broader picture, but our picture. I am asking you to give us some evaluation of the current circumstances we are confronting by population and area in terms of strength.

Air Chief Marshal Houston—Again, most of these reinforcements that are coming from the United States will go into the south and the east. There are lots of areas, such as the northern part of Afghanistan that probably do not need extensive reinforcement. Where you need the forces on the ground are in the more demanding areas. Most of the incidents happen in 10 per cent of the districts. Those 10 per cent of the districts are in the Pashtun south—the provinces where we are—and in the east. So my assessment is that with the build-up of American forces—and who knows how many more will follow—and the development of the Afghan national army, I think you are going to see a really good platform to achieve success in the long term in Afghanistan, and particularly in our area.

Senator JOHNSTON—Of the 17,000, how many are going to be relevant to our area of operations?

Air Chief Marshal Houston—At this stage, I am not aware of that, because I think the first priority for the operational commander is to focus on the border with Pakistan. That is one thing that we have seen since General McKiernan went into the job—and, by the way, I have a very fine opinion of General McKiernan. I think he is a very capable and very talented general and we have seen lots of good things happen since he got into the job. His campaign plan has given a coherence to the military operations that are being conducted. It has been really good to see. So a lot of those troops will probably go into the southern part of the Pashtun south and along the border. General McKiernan is also spending a lot of time engaging the Pakistanis and the Afghan national army in a joint coordinated approach on the border.

Senator JOHNSTON—Helicopters are another issue that I see that the Americans are providing. How many helicopters of the, I think, 98 additional helicopters that are going to the Uruzgan region are we going to have access to, and what are the conditions of that access?

Air Chief Marshal Houston—What is going in is a combat aviation brigade which consists of about 100 helicopters and just under 3,000 people. A lot of those helicopters are going into the south. What the breakup is between the south and the east I do not know. That will be up to General McKiernan. But, associated with that, I would stress that we are also redeploying our rotary wing group and we will contribute two Chinooks, which is a substantial contribution in terms of Afghanistan because that is the helicopter of choice for all the forces that are deployed there. Our Chinooks will be co-located with the combat aviation brigade that goes in, and the way the helicopters are operated is that they are pooled and they are available to satisfy the highest operational priorities. What that means is that, if our people are doing a particularly demanding operation, which attracts that sort of priority, we will get the helicopter support.

In addition to that, one of the other things that is going on is a dramatic increase in the number of aero-medical evacuation helicopters. That is probably to be expected, given the huge increase in huge numbers. But it is a large increase. It also includes three field surgical teams that will be deployed throughout the area. There will be a much more extensive aero-medical evacuation service available to the forces that are deployed in the south.

Senator JOHNSTON—Thank you for that. Could you take us through what we have available to us now and what you anticipate being available to us following the deployment of these additional helicopters. How many are you expecting will be deployed for aero-medical evacuation?

Air Chief Marshal Houston—Fundamentally, the number of AME helicopters will double over the period, so it will go up to about 30 AME helicopters.

Senator JOHNSTON—So we have 15 available to us now?

Air Chief Marshal Houston—Something like that.

Senator JOHNSTON—Where are they based?

Air Chief Marshal Houston—All over the south.

Senator JOHNSTON—So the flight times to areas of our operations vary depending on where those helicopters are available and located.

Air Chief Marshal Houston—The location of the helicopters has been very carefully planned so that all areas of ISAF operation are reasonably well covered. Daykundi, for example, is a Hazara province to the north of Oruzgan. That part of Afghanistan, the Hazara part, has less violence and fewer issues. As a consequence, there are no AME helicopters up there. But where we have a lot of operational activity, we have helicopters all over the south and indeed the east to ensure that there is responsive support available to troops who are involved in combat operations or indeed reconstruction operations in Afghanistan.

Senator JOHNSTON—I note that in the *Australian* last Friday the minister said that he has been concerned for some time now about aero-medical evacuation times. Are you concerned?

Air Chief Marshal Houston—When we have a look at what has happened over the period that we have been deployed, we have been very well supported by our allies. I have been satisfied with the support that we have been getting. Having said that, the NATO standard is basically two-hours—one hour to provide a resuscitation capability, which could be in the field or in the helicopter, and then two hours to get the individual to hospital. One of the things that this increase in aero-medical evacuation helicopters is designed to achieve is a shortening of that time. The NATO standard is still two hours, but what you will see is a more responsive service than perhaps we have had in the past. I welcome that.

Senator JOHNSTON—Can you confirm that we have an interoperable bandwidth capability to request that aero-medical support when it is required in a reliable and timely way?

Air Chief Marshal Houston—Yes. I am advised that we have not had any major issues with communications in terms of requesting AME support.

Senator JOHNSTON—Are we undergoing any training in or are we aware of the necessary protocols to be interoperable with coalition aero-medical providers? Given that there are so many NATO members, some of whom are providing helicopters, including the Americans, what process do we go through to see that we employ the correct protocols in each of the instances when there is a different country's helicopter available for aero-medical evacuation? Language and other things are obviously of concern.

Air Chief Marshal Houston—Nearly all of the support that we have had on aeromedical evacuation has been provided by our American friends. We are totally interoperable with the Americans. I could go into the detail of it but I probably will not because some of it is a little bit sensitive. But we are well rehearsed and well practised at requesting AME support. Our people are expert at requesting that support when it is needed.

Senator JOHNSTON—Is it exclusively American support?

Air Chief Marshal Houston—It has been up to now but of course, given the way helicopters work, if you happened to have a helicopter that was in the area at the time of an incident it might be that other helicopter that might be used. But in most instances we rely on the AME service provided by our American friends. To give you an example, our Chinooks

have from time to time been involved in AME support. There was a rather unfortunate incident when they first got there whereby a coalition aircraft dropped ordnance on a Canadian company. We happened to be close by and we ended up evacuating most of the wounded. That was because we were well placed to respond. Being a multiple casualty situation where there were, I think, upwards of 25 people wounded, what you needed was a Chinook rather than the standard AME helicopter. So a lot depends on circumstances. It is horses for courses and flexibility has to be applied.

Senator JOHNSTON—Can I talk about security at Camp Russell, CDF. Have we evaluated a C-RAM system?

Air Chief Marshal Houston—We have been looking at C-RAM systems for a long time. For the benefit of everybody here, they are counter-rocket, artillery and mortar systems. C-RAM is a system that has been deployed in certain instances to counter incoming artillery, rocket or mortar fire. Most of the systems that are around at the moment are still developmental. They still have a way to go to be fully effective. There are also some issues with them, some shortcomings with the existing systems. When we were in Iraq we used our old counter-artillery radars to assist with providing a capability to provide warning of incoming rounds. Of course we had a lot more incoming fire in Iraq than we have had in Afghanistan. The system really requires a sense-and-warning capability provided by some sort of 360-degree radar connected to some form of system that will engage incoming artillery, mortar or rockets. We have been watching the development of these capabilities for quite a while. Indeed, some of our people are going to Sweden to see a demonstration of a system that is under development. We will keep them under review.

Senator JOHNSTON—Is it the case that we sent an officer to the United States recently to review a system?

Air Chief Marshal Houston—We have been reviewing the systems that are being developed for some time. I think it is true to say that this is a new, emerging technology. Most of the systems are developmental at this time. We are most interested in that sort of capability.

Senator JOHNSTON—I note that the UK base and the US base both have a deployed multibeam 3D radar which is used not as an interception or defensive capability but simply as a warning system. Is it not the case that we should have such a similar system at Russell?

Air Chief Marshal Houston—The Dutch have a system, one that provides some warning, deployed at the moment.

Senator JOHNSTON—How effective is that given previous results?

Air Chief Marshal Houston—It provides warning.

Senator JOHNSTON—What is the nature of the warning? Is it a siren?

Air Chief Marshal Houston—Basically, if it detects incoming a warning is given. I might add that you have got to look at this not just simply in terms of a radar. There are other things that we have up there that keep an eye out for somebody who might be going to fire at us. We have UAVs. UAVs are a very effective way of providing that warning. In Iraq we were very successful on a couple of occasions in sending UAVs out—same sort of UAVs we have got deployed in Afghanistan—finding people who were setting up a firing position and calling in

an air strike. We were able to neutralise the indirect fire that was being set up. So that option is available to us in Afghanistan. Of course the other thing is that we go out and find the people who are actually doing that work. So it is a system approach to business. It just does not rely on a radar. There are lots of other tactics, techniques and procedures that you can use in these circumstances.

Senator JOHNSTON—I note the capability plan sets 2018 as a date for acquisition of such a system. I take it the Swedish visit indicates that we are bringing that forward and that if we were satisfied as to its capability and reliability we would deploy it.

Air Chief Marshal Houston—I would not characterise it that way. I think what we are looking at is what is available. I mean to some extent we are keeping an eye out for a suitable system. I guess if something effective comes along we will take a close look at it.

Senator JOHNSTON—Can I ask about a Mr Tim Holding. Does the ADF have any relationship with him or is it supporting or has been asked to support any visit to Afghanistan by Mr Tim Holding? Are you familiar with that name?

Air Chief Marshal Houston—I am not familiar with that name, Senator.

Senator JOHNSTON—Is anybody, to your knowledge, in the chain of command aware of that name?

Air Chief Marshal Houston—I am not aware of it. I will take it on notice if you wish.

Senator JOHNSTON—Yes, if you would please. So no request has been received to provide support and close personal protection or anything else for a Mr Tim Holding.

Air Chief Marshal Houston—Not to my knowledge.

Senator JOHNSTON—Recently the minister attended a NATO meeting in Poland. Can I ask how many members of our chain of command attended the meeting with him.

Air Chief Marshal Houston—I was there and I was supported by one military officer, and the minister has a military ADC. So we had three military people there.

Senator JOHNSTON—In closing, when will it be the case that you will be able to tell the committee, in firm terms, what the strategic operational plan with respect to the ongoing insurgency in Afghanistan is insofar as the ADF is concerned? This is given the Americans' change in direction—the surge et cetera.

Air Chief Marshal Houston—Let me just again emphasise that we are part of a NATO-run campaign. We are part of Commander ISAF—General McKiernan's campaign. We are part of the RC South dispositions. We are deployed in Oruzgan, and we work under the task force Oruzgan. One of the things that I would like to get across to you today is that it all comes from the top. You may recall that the Prime Minister went to Bucharest with the Minister for Defence about this time last year—I think it might have been March, April or thereabouts—and the government leaders of the ISAF contributing nations signed up to ISAF's strategic vision. Fundamentally, out of that came a comprehensive strategic, political and military plan, which was signed up to by the NATO ISAF defence ministers in 2008. That brought out the lines of operation used by everybody in Afghanistan. Those three lines of operations are security, governance and development. Out of that comes an OPLAN from the

commander of the joint forces, who lives in the Netherlands in a place called Brunssum. Commander ISAF works through him, back to the Supreme Allied Commander Europe, General Craddock.

The ISAF campaign plan is a very high quality document, and it has been around since General McKiernan got there. Some of our planners, who are embedded in his headquarters, assist him with the development of that plan. What that does in a very effective way is implement this shape, clear, hold, build counterinsurgency concept that is required in the Pushtan south. The RC South OPLAN is integrated into that campaign plan. So it is a totally integrated document. This is something that we welcome because, until this document came on the streets, there was not really anything that we could use to coordinate our efforts in Afghanistan with those of the Dutch and the other people who were in the province with us. That is why General Hindmarsh developed the OPLAN 2012; it was because there was a vacuum there.

What we have now is a comprehensive campaign plan that is totally integrated with the RC South planning activities, and it synergises the military and civilian efforts that are required to put into effect the counterinsurgency concept of General McKiernan's. So it is a high quality document, and we are guided in what we do by it. Of course, the command of the operation comes from General McKiernan, through the chain of command through commander RC South, commander task force Oruzgan and down to our mentoring and reconstruction task force.

The special forces are under the direct operational control of General McKiernan. We have the largest special operations task group available to Commander ISAF in Afghanistan. It is a very highly valued capability, which is used to disrupt the Taliban who operate in our province. I might add that they have been spectacularly successful in keeping the Taliban on the back foot. If we look over the last 18 months or so, we have accounted for 21 Taliban leaders, one way or another, and that has been a very effective strategy.

The special operations task group to enhance the force protection for the Australian and Dutch people who are out there doing the construction, the training, the mentoring and so on. We now have Afghan national army units coming into the province. As a consequence of this, we are able to expand our influence and, if you like, start to hold more ground. What you have been seeing over the last 18 months is us move up, first of all through the Chora Valley, establishing a forward operating base in the Chora Valley and establishing patrol bases on the way up to the Chora Valley and also into the Baluchi Valley. We now have a presence in the Baluchi Valley. Our engineers, who are part of the mentoring and reconstruction task force, have done all the construction to put all of these forward operating bases and patrol bases into place. And of course these are the places where the Afghan national army Kandaks are deployed. Our OMLT, operational mentoring liaison team, go forward and are embedded in those Afghan units. So it is all coming together in a very effective way.

Senator JOHNSTON—With respect to the plan that you have mentioned, when was that published and when was it signed off by the commander in chief, USA? Has it been signed off by all NATO member countries? Does it disclose the requirement for their commitment?

Air Chief Marshal Houston—The plan I referred to is the campaign plan run by commander ISAF. I will take on notice the precise date that it was issued. But, fundamentally, we know this plan quite well, because we had people who were intimately involved in the development of the plan. It has filled a vacuum. One would not expect it to be cleared by government leaders, Defence ministers and the like. It was probably cleared at the commander joint forces level in Brunssum, but I would not have expected it to go much higher than that. General Craddock probably possibly cleared it as well. But in terms of the question of whether we are involved: yes, we are vitally involved, because our people have contributed to the plan, and we are very happy about it.

Senator JOHNSTON—What was the assumption of coalition troop numbers for the plan?

Air Chief Marshal Houston—I am not across that level of detail. The plan probably is effective with a small number of troops or a large number of troops. It is a classical counter-insurgency plan.

Senator JOHNSTON—I am interested to note that you talk about the success we have had with respect to the Taliban, and yet I see last week we had the insurgents actually demolishing government buildings right in the middle of Kabul. I am led to understand that their communications were intercepted leading back into Pakistan, along very similar lines to what occurred in Mumbai. Could you disclose to us what influence you perceive is flowing from Pakistan across the border for these people?

Air Chief Marshal Houston—The border is very porous, and there are forces up in the border areas of Pakistan—Taliban, al-Qaeda, LET, militants, foreign fighters and all sorts of groups who find sanctuary up in those very inhospitable border areas. A lot of the activity that is conducted against the government of Pakistan, and also the government of Afghanistan, is conducted from those tribal lands along the border, and indeed areas in the west of Pakistan, in Balochistan.

Air Chief Marshal Houston—The border is very porous, and there are forces up in the border areas of Pakistan: Taliban, al-Qaeda, LET, militants, foreign fighters—all sorts of groups who find sanctuary up in those very inhospitable border areas. A lot of the activity that is conducted against the government of Pakistan, and also the government of Afghanistan, is conducted from those tribal lands along the border, and indeed areas in the west of Pakistan, in Balochistan. So you cannot consider Afghanistan without also considering Pakistan. Again, I met with General McKiernan about a month ago and was very impressed with his focus on that reality. He has put in place a lot of initiatives to improve the way we operate along the border. As I said, I would expect a lot of those troops to go into the border areas and set up border coordination centres. General McKiernan meets with the Chief of Army from Pakistan, General Kayani, and also with the CDF from Afghanistan, on about a monthly basis. The Pakistanis are patrolling the other side of the border and, again, it is all starting to become joined up.

I think it is true to say that the work that we, the US, the Brits and others are doing in Pakistan is very important because we need to assist Pakistan to develop its counterinsurgency capability and its counterterrorist capability. Of course we are seized with that need and have regular engagement with the Pakistani military. I conduct a strategic dialogue with them once

a year. I will be meeting with them again here in Canberra later in the year. Last year I was in Pakistan—in Islamabad. So there is a lot of activity that is focused on Pakistan and the reality that the threat that is presented out of those tribal territories is as much a threat to Pakistan, in some respects, as it is to Afghanistan—as we have seen with some of the outrages that have occurred in Pakistan.

Senator JOHNSTON—What is the status of the Afghan National Army? How many are in the army? What is their training standard? How close are we getting to being able to put a high degree of responsibility upon their shoulders?

Air Chief Marshall Houston—The Afghan National Army is going well in its raising and its development. I think the development of the Afghan National Army and the development of the Afghan National Police are absolutely key to achieving long-term success in Afghanistan. Our American friends learned a lot in Iraq and they are applying the same lessons learned in Afghanistan. So what you see is a training organisation in Kabul headed up by General Formica with a very sharp focus on everything to do with developing and training the Afghan National Army and the Afghan National Police.

What was achieved last winter is quite extraordinary—the Americans called it a ‘training surge’. I think they spent about \$10 billion on training. The training that is given is supervised by competent members of the coalition. I think there is a lot of ‘training the trainers’ and we are seeing more and more Kandaks come off the production line. The exact number is quite fluid, but it is increasing all the time. If we go back a couple of years, the target was 80,000. The target is now 134,000 and I would anticipate that that target will be achieved in three or four years time. I will take on notice exactly what the numbers are, and I will come back probably a little later this morning or early afternoon.

Senator JOHNSTON—As a final question on this Afghanistan issue, can you give us an appraisal of how you see the status for this year? Is it static, is it improving or is it going to deteriorate?

Air Chief Marshal Houston—I think the consensus is that this will be a very challenging year, for a number of reasons. Firstly, as I said in my opening remarks, there are elections in Afghanistan this year. The presidential election is currently scheduled for 20 August. As I said in my opening remarks I am sure the Taliban—the insurgents—would be as focused on those elections, as we are, and they will attempt to disrupt the process if they can. So providing security for the election will be a very high priority for General McKiernan and also for the Afghan government.

In terms of the campaign season that is about to start in a couple of month’s time I would anticipate that we will see an increase in the number of attacks. I think the preferred tactics that the insurgents will use will be to resort to improvised explosive devices as the weapon of choice, indirect fire and probably a reluctance to take the coalition on in direct firefights. That is how I would see it. I think that it will be a demanding campaign season but this year there will be more helicopters and more combat forces—both Afghan Kandaks that are coming up to speed in some of the provinces and also the American surge. You are going to see a lot more operational activity, a lot more fighting and a lot more violent incidents in the areas that are contested, particularly the Pushtan south.

Senator TROOD—It is very encouraging to hear you now speak of a plan in place as a result of General McKiernan's arrival and there having been a vacuum filled from where we were previously. But I have some questions that arise in light of all that and which were not entirely clear from the responses you gave to Senator Johnston's questions.

First of all I wondered whether or not the arrival of the American forces in the south is going to have any implications for the structure of the command that already exists there. Is it anticipated that there will be changes in the command structure?

Air Chief Marshal Houston—There have been changes in the recent past, which you are probably familiar with as being a rationalisation of the command arrangements. General McKiernan now commands all American forces that are deployed in Afghanistan. The operation Enduring Freedom and the ISAF operations are now joined up at his level. I think that was a very important move.

In terms of the arrival of the American forces, we will see the Regional Command South Headquarters become a larger and more capable headquarters. General McKiernan has put some experts in who are familiar with civil/military operations and they are very focused on what needs to be done on the softer side of the power equation.

In terms of the headquarters, it will remain a two-star headquarters, and it will be interesting to see how it evolves in the immediate future, but at the moment the commander rotates between the nations that are represented in the provinces. At the moment, we have a very capable Dutch general who runs Regional Command South. In November he will be replaced by a British general, and then a year later we will have an American general. Apart from that, I do not anticipate any major command changes.

Senator TROOD—Are any of these changes likely to affect the Australian command structure there?

Air Chief Marshal Houston—No. The issue for us is the one that was alluded to by Senator Johnston—that is, what happens if the Dutch leave and who takes command at that stage.

Senator TROOD—In light of the deployment of American forces in the area and the reference you have made to this wider regional operational plan, are Australian forces likely to range geographically more widely than they have done in the past?

Air Chief Marshal Houston—At the moment we are very focused on an area I call the Tarin Kowt bowl and the valleys that emanate from the bowl, particularly those in the north and north east. I would anticipate that there will be work there for quite some time, so we will be working there for the foreseeable future. I quickly add that from time to time our forces have deployed out of Oruzgan. I mentioned the bridge task we undertook, and of course that was just before Christmas. There was a problem with some of the bridges in the province of Zabol, so we went down and did the repair work. Previous to that, in August last year we had a 400-kilometre deployment from Tarin Kowt to repair bridges that had been taken down by the Taliban on Highway 1, which is the main supply route from Pakistan into Kandahar. It is also our supply line. We provided engineers to repair those bridges in a contested environment in both Zabol and in the province of Ghazni. Our guys did that wonderfully well and the mission was achieved much more quickly than we had anticipated and was done to

everybody's complete satisfaction. That not only took them out of the province but also took them into RC East because Ghazni is part of RC East.

Senator TROOD—So those kinds of operations are likely to continue where necessary. Does it follow from that and the arrival of a greater American force that there may be more combined operations between Australia and American forces?

Air Chief Marshal Houston—While we have been in Afghanistan, we have done a lot of operations through the years with others. At the moment we work very closely with the Dutch and just about everything we do is Australian-Dutch. I am talking about the Mentoring and Reconstruction Task Force in the main, and if an American unit is passing through part of our area on a clearing operation our special forces would support them and the Mentoring and Reconstruction Task Force would support them. Fundamentally, that is part and parcel of what you do in a coalition like this. At the moment, we are working very closely with the Afghans—we have Afghans with us on all of our operations—and that will be an increasing feature of our operations into the future.

Senator TROOD—I wanted to ask you about that matter because I am interested to know whether or not the arrival of the American forces might lead to a greater proportion of the Australian mission being expanded towards the training dimension of it, which you have frequently emphasised as being a very important part of our mission. Is that a likely consequence?

Air Chief Marshal Houston—What we are doing at the moment is very much focused on training and development, and I think that will continue. In fact, everything we are doing is very useful to the coalition because, to a large extent, the engineers enable the Afghan Kandaks because we create the structures, the forward operating bases and the patrol bases which are used by the Kandaks that we are helping to train. It enables them to go in and do the holding part of the strategy. We are able to then expand our influence further and further out from Tarin Kowt. In terms of what is likely to happen in the longer term, it probably means that, as the ink spot, if you like, expands out from Tarin Kowt we will start to get further and further out from Tarin Kowt.

Senator TROOD—Do we have an aim or objective as to the number of effective operational units we wish to create at the moment, or is it premature to think in those terms?

Air Chief Marshal Houston—Again, all of that is coordinated by the operational commander, General McKiernan—obviously working very closely with General Formica. As General Formica turns them out of the training system, they need to be developed. In the first instance they need to walk before they run, so you employ them in tasks that are not overly demanding and continue the training process using those operational, mentoring and liaison teams. Over time, you build their capability, competence and confidence, and they become a very effective fighting unit.

Senator TROOD—Which is what we were doing in Iraq, as I understand it. When you gave evidence to the committee in the past in relation to Iraq you were able to tell us that there were some particular objectives in relation to the number of units that you were trying to create. Have you set any objectives for Australian forces in the area or are they part of wider regional objectives?

Air Chief Marshal Houston—They are part of a wider plan. When you look at the coalition you realise that we have just over 1,000 people in Afghanistan. We are really, in relative terms, making a substantial contribution—the ninth largest. Compared to the Americans, and increasingly the Afghans, our contribution is quite small. In terms of our ability to dictate what we want to train this particular element or that particular element, where we are at at the moment is providing an OMLT for a Kandak that is being raised in our province. I would expect us to be doing that for quite some time to come. There will be more Kandaks that come and there will be an ongoing requirement to develop and raise those Kandaks to operational capability.

Senator TROOD—You have spoken about the operational activities—the secure development governance dimension of it. You have spoken about the shape, clear, hold and build strategy. What seems to me to be absent from your analysis, CDF, is what the overall strategic objective is here. That seems to be shifting. You spoke about the highest level but, as I listen to some of the policy statements coming out of Washington and elsewhere, there seems to be a general review taking place as to what NATO's and the IFF's broad strategic objectives are in Afghanistan. They seem to have shifted from something which might be characterised as a very comprehensive strategy to try and reconstruct Afghanistan with a stable democratic government to something which is rather less than that at the moment, which has been characterised by various participants in the debate as being, in some cases, not much more than subduing the Taliban to a point where it does not pose a threat to American Western interests, broadly. I would be grateful if you could clarify what you understand the overall strategy to be and whether or not you regard that as an adequate strategy for our deployment there?

Air Chief Marshal Houston—First of all, I guess the reason I did not go there is that I do happen to have before me a highly classified document that is headed *Australian strategic objectives for Afghanistan* but, before I go there though, I think what I should do is indicate that this is a time of transition. It is a time of transition because we have a new administration in Washington that is very focused on Afghanistan. There are a large number of reviews; four going on at the moment. Those four reviews are going to now be brought together by a team led by a fellow called Riedel who over the next 60 days will bring together the outcome of all of those reviews. What has been embarked on here is really a clean-sheet-of-paper approach to the issue of Afghanistan. I think you have probably heard already with some of the testimony that Dr Gates has given in the congress that, instead of going for a Western style democracy with a Westminster face or whatever, we are not going there anymore, probably. What we are probably looking at are more achievable objectives and coming up with something that is a practical objective in the longer term.

I think, in terms of what the objective is, it is quite clear in my mind what our objectives are here. Why we are in this coalition is that we do not want to see Afghanistan used as a terrorist safe haven where they can do their training and then mount operations around the world like the attacks we have seen in the past in the United States and Bali. What we want to see is an Afghanistan that can exist in a secure way. It might not be a full-blown democracy. It might be something more practical. It might be something that reflects the tribal culture from

whence it came. I think that all of that is on the table at the moment of just what is achievable in Afghanistan.

Obviously we want to create a viable state that can exist in that part of the world. It is a very challenging part of the world and that is part of the objective. Fundamentally what we do not want to see is groups like al-Qaeda able to operate with impunity in a place like Afghanistan. That means a government in Afghanistan that is probably democratic in nature but not probably in the form of a European democracy or the form of a classical Western democracy. It is more likely to be a democratic form of government which is more in line with the culture of Afghans.

Senator TROOD—I am grateful to you, CDF, for providing that outline. It seems to me that it is the clearest statement of Australia's strategic objectives in Afghanistan that we have heard for a long time, and certainly more than we have heard from the minister's contribution to this particular debate. Do you regard this as a more realistic strategic objective than the one we previously had when we went into Afghanistan?

Air Chief Marshall Houston—Are you saying the objective we had previously?

Senator TROOD—It seems to me, and perhaps we have different perspectives on this, that the objective we had when we went into Afghanistan originally—I do not mean shortly after the September 11 attacks but more recently—was a much more grand plan in relation to the future of the Afghanistan state. It now seems to me, as you have characterised it, from my own understanding of the evolving strategy and from Mr Riedel's contribution, that there is a more modest expectation about a future Afghanistan, what it would look like and what sort of security environment we will have there which will protect our interests. It seems to me that that is a rather more modest expectation about Afghanistan's future than the one we previously had. The question I have now is whether that is a more realistic expectation than the one we originally had.

Air Chief Marshall Houston—This is still in development.

Senator TROOD—I understand that.

Air Chief Marshall Houston—It is quite clear from statements made by people like Dr Gates that that seems to be where it is headed. I think that, whatever they define, it needs to be achievable. The creation of a European-style democracy in Afghanistan is probably an unrealistic expectation. I do not think it is achievable. It needs to be something that is achievable within the cultural setting in which we find ourselves in Afghanistan.

Senator TROOD—Are you confident that the Australian Defence Force can make a substantial contribution to that particular objective with the resources that are available to it?

Air Chief Marshall Houston—Absolutely. I think we are contributing substantially. We are in one of the more demanding parts of Afghanistan. Our people have been doing a really fine job over a long period of time. The work that the Mentoring and Reconstruction Task Force is doing has been very useful. In Tarin Kowt we have done a lot of reconstruction work; we have been improving the hospitals, the various government buildings, the schools and the roads. We have built a causeway across the waterway just outside of Tarin Kowt. All of that has been very well received. Of course, we also have the trade school, which has trained 500

young Afghans in trade skills. This means they now have a very useful livelihood, which will be good for Afghanistan because they will be able to use the skills they have gained to assist in the reconstruction of the country.

On the mentoring side, we are contributing to the training. We also have people in Kabul who are embedded within the headquarters and in the institutions. We have two people who are teaching counterinsurgency in one of the training schools in Kabul, and we are contributing substantially to where we need to go in the future. We are very happy with the leadership coming out of the International Security Assistance Force, ISAF. I think General McKiernan is a very capable and competent individual, and we like his style.

Senator TROOD—That is always rather helpful when you are dealing with these circumstances. Once this review in Washington is concluded, are you anticipating that that might result in calls for or expectations of increased Australian participation in Afghanistan?

Air Chief Marshal Houston—I guess that remains to be seen.

Senator TROOD—Indeed it does, but I am asking whether or not you have an expectation. Being a person with considerable foresight, as I know you to be, I am sure you are able to answer that question.

Air Chief Marshal Houston—It is hypothetical, and, frankly, it is a matter for government anyway. So let us wait and see.

Senator TROOD—There is an element of hypothesis about it. Perhaps I can ask you if you are preparing for the possibility that there may be some need for Australia to make a further contribution after this has concluded.

Senator Faulkner—I do not think you have acknowledged that the question is a hypothetical one. You received a response from CDF. As you know and I know and every member of the committee knows, this is a decision that is appropriately made by government and it is not appropriate for CDF to speculate on it.

Senator TROOD—What I also know, Minister, is that as long as I have been on this committee, which I admit it is a relatively short time compared to some, and as long as CDF has been coming before the committee, he has made the point that the Australian Defence Force is constantly preparing for challenges which may lie ahead of it, and the request that may be made of it by government.

Senator FORSHAW—Then you know the answer.

Senator TROOD—I assume that, in the context of that preparedness, he has perhaps turned his mind, at least briefly, to the possibility that a request might be made.

Senator Faulkner—That is a good try, Senator, and in a way it reminds me of myself.

Senator TROOD—I am not sure I am flattered by that, Minister.

Senator Faulkner—I would be if I were you. It is the most generous thing I have said to a member of a committee for a very long time.

Senator TROOD—It is certainly the most generous thing you have said to a member of the opposition!

Senator Faulkner—But I can assure you that if there was a minister at the table who was listening to any of my questions, they would intercede at the time I interceded and made the sort of response I did, as you well know.

Senator LUDLAM—I want to pick up there. Can we take it categorically then that defence has not been asked by the government to prepare any sort of evaluation of whether Australia could make a larger troop commitment to Afghanistan?

Air Chief Marshal Houston—No, we have not been asked.

Senator LUDLAM—Is it still the expectation that Dutch forces will be withdrawing from Afghanistan in the near future?

Air Chief Marshal Houston—That is a bit of a vexed issue. If you have a look at what is on the public record, the Dutch parliament have indicated that the authorisation for the deployment finishes in August 2010. If my memory serves me correctly, there is an intent to leave Afghanistan at that stage. But those sorts of indications were made a long time ago, and, with the arrival of a new administration in Washington, we will just wait and see. It is a long time since that statement was made. The Dutch have been, I think, very effective in Oruzgan. They have worked very well with us and have done a great job. From my point view, to walk away now, having achieved so much, would be a disappointment for us because we worked so well with them and they have achieved so much.

Senator Faulkner—I can add to that. In answer to Senator Trood, I talked about something being a matter for government, which is an appropriate thing to say. This is also a matter for the Dutch government, as you would appreciate. I think that point is worth reinforcing here. You often hear ministers at the table say, ‘This is a matter for government’, meaning a matter for the Australian government, but we need to acknowledge that there is another sovereign government involved here that makes decisions in its own interests. It is proper for me to say that in that way and not speculate on it further, in the same spirit of the little interchange between myself and Senator Trood.

Senator LUDLAM—That is okay. I was just wondering. The decision might have been taken some time ago, but this speculation has been ongoing. I am wondering if that is figuring into your forward planning, because I understand the Dutch play quite a significant role in supporting the ADF commitment there.

Air Chief Marshal Houston—All I will say is we prepare for every eventuality.

CHAIR—Are there further questions arising out of the opening statement by CDF?

Senator TROOD—I have questions about East Timor. CDF, you mentioned East Timor briefly in your remarks. I want to clarify whether or not we are now down to 650 as a force in East Timor. Is that correct? I understood the number was going to be reduced by early this year. Have we reached that point?

Air Chief Marshal Houston—We have reached that point now. We pulled a company out very early in the new year, and we now have 650 people deployed in Timor.

Senator TROOD—Is it likely they are going to remain for the foreseeable future, or are there plans to reduce the force even further at this stage?

Air Chief Marshal Houston—The reason we pulled the company out was because things had stabilised, as indicated in my opening address. Everything we do is based on the conditions that are on the ground. So, again, we will see how things go in Timor over time. I would imagine the government will assess those conditions and, based on our advice, we will make judgements perhaps when we draw down further. At this stage, no further decisions have been made.

Senator TROOD—You are generally reassured by the direction of events in Timor, unlike Afghanistan, for example?

Air Chief Marshal Houston—Since the outrage on 11 February last year, things have gone pretty well. Things have been good and there has not been any extensive violence. I think the government is doing a good job, and things are going along very nicely at the moment.

Senator TROOD—There have been some references in the press to some complaints about Australian soldiers in East Timor, about their behaviour at the end of last year in relation to some families as I understand it. There is a headline in one newspaper about ‘East Timor uneasiness on troops’. I was wondering if you had anything to say on that subject?

Air Chief Marshal Houston—I am not sure about the circumstances you refer to.

Senator TROOD—Apparently, there have been some complaints about the behaviour of Australian soldiers in East Timor. I am not sure whether or not these are recent, but they seem to be complaints from the end of last year. I wondered whether or not any further complaints had to come to your attention. Perhaps this was a misreporting of the behaviour. Let me put it this way: do you have any reason for concern about the behaviour of Australian forces in East Timor?

Air Chief Marshal Houston—From time to time we will have something happen, usually a consequence of youthful exuberance, but in the main I am very happy with the professionalism of our people and the way they behave. Indeed, President Ramos-Horta, Prime Minister Gusmao and General Ruak have indicated to me that they are very happy with our presence and the way we conduct ourselves.

Senator TROOD—So there have been no particular incidents that have been drawn to your attention that have required particular investigation?

Air Chief Marshal Houston—No, not at all. From time to time somebody will do something silly—overexuberance is usually involved—but, in terms of circumstances where people have behaved badly towards the population, I am only aware of one incident in the very recent past where there has been any issue at all. That was quite recently. Before that, I cannot recall anything that has been brought to my attention, which indicates, I think, that things have been going quite well. I will certainly have a look at that, if you like.

Senator TROOD—Thank you. I am gratified by your assurance.

[12.16 pm]

Department of Defence

CHAIR—We will turn now to portfolio overview and budget summary—budget, strategic policy, defence reform, ADF operations and military justice matters. Secretary, did you intend to make a statement today?

Mr Warner—Not on this occasion.

CHAIR—In that case we will go straight to questions.

Air Chief Marshal Houston—Before you start, could I put a matter on the record—I have the answer now. I was asked if the minister had visited the SASR, and the answer to the question is, yes, he did. He visited the SASR in the week following the October estimates. The date was 27 October and he was there for a number of hours. He had discussions with the soldiers and discussed pay issues with them. He also had afternoon tea with them. He engaged the SAS families at that time and again pay was discussed.

CHAIR—Thank you.

Senator TROOD—I have a question that is related to Afghanistan but could be covered in this area. I wanted to clarify this with the CDF: the additional estimates has a figure of \$3 million for Australia's contribution to helicopter augmentation. Is that a figure attributable to the deployment of further Australian helicopters or is it an actual payment that is being made to this activity?

Air Chief Marshal Houston—No, it is a contribution a NATO fund—I am pretty sure it is a NATO fund—which is designed to facilitate the training of Afghan helicopter pilots and the like and also provide the means to put electronic warfare self-protection on helicopters and so on. So it is a contribution to enhance the helicopter capability in Afghanistan. I think most of the money is going into training, but some is also going into the equipping of helicopters.

Senator TROOD—So that is part of a contribution that is being requested by all of the participants in Afghanistan?

Air Chief Marshal Houston—Yes.

Senator TROOD—And the \$3 million that we are contributing is what proportion of the overall fund?

Air Chief Marshal Houston—I will take that on notice, if I can. I am not sure that I will have the answer to your question, but we will have a look.

Senator TROOD—Thank you.

Senator LUDLAM—Chair, I seek your guidance. Is this a good time to ask about the defence white paper?

Senator Faulkner—Go for it, Senator. It is fine. It fits here as well as anywhere else.

CHAIR—All right. We will go to that now.

Senator LUDLAM—I have a couple of different topics, but we can start here. It was reported yesterday that the defence white paper, which I believe is still due around April—is that your understanding?

Mr Warner—I think that at last estimates it was noted that the white paper is on track to emerge during the budget process.

Senator LUDLAM—So it is due in early May?

Mr Warner—Yes, during the budget process.

Senator Ludlam—The speculation, which I am sure you are aware of, is that the paper will include the recommendation to allocate \$25 billion to \$35 billion for submarines. Is that something you are able to confirm?

Mr Warner—We are not of course in a position, as you would understand, to talk about what is in the white paper. It is still under preparation; it is yet to go to government. The government still has to consider it and make decisions based on the recommendations from Defence.

Senator JOHNSTON—I must say, it is a nice number!

Senator LUDLAM—We probably will not get into an argument about that here.

Senator Faulkner—That is not an original line, Senator. It was last heard of as ‘a nice set of numbers’, I think.

Senator LUDLAM—There has been speculation on this since 2007, I believe. Do you have any idea how that figure was leaked and why that rumour is so persistent?

Senator Faulkner—First of all, let me say that there is an interesting assumption in that question. I will certainly ask Mr Warner to provide a proper answer for you, but, at the outset, I do not accept the insinuation contained in the question in relation to ‘leak’. Nevertheless, having said that—I do not want to get bogged down in those matters—I will ask Mr Warner to respond to those elements of your question that he can. The other point is that it is a little difficult to hear your questions. We are all struggling a bit. As you know, the sound system in the main committee room is not great. I now ask Mr Warner to deal with the substantive issues that you have raised.

Mr Warner—Unfortunately, I do not think there is much more that I can add. There are lots of rumours around. No decisions have been taken by government.

Senator LUDLAM—This is a fairly persistent rumour. The use of the word ‘leak’—

Senator Faulkner—Persistent not, it remains a rumour.

Senator LUDLAM—Okay. So you are not able to tell us anything. This is fairly specific.

Mr Warner—There is nothing I can add.

Senator LUDLAM—Moving on, in the PM’s first national security statement last year he announced that the government would also be releasing a counterterrorism white paper. Can you update us as to your understanding of progress?

Mr Warner—No, I cannot. That is not Defence business, I am afraid.

Senator LUDLAM—Okay. Is there any relationship or coordination that you are aware of between the two processes that are guiding the white paper?

Mr Warner—I am not aware of where the white paper on counterterrorism is up to, I am afraid. Therefore, I cannot provide you with any details on that. Obviously, Defence works very closely with a range of departments, including the Prime Minister's department, in the preparation of our own white paper. There is obviously coordination, cooperation and conversation about counterterrorism and how that would fit into the white paper, but, as the white paper has not yet been completed and has not gone to government, there is nothing that I can tell you on that aspect.

Senator LUDLAM—You have actually partially answered the question. So you are inputting into the process of the white paper on counterterrorism?

Mr Warner—No, I did not say that. I said that we work with other departments and agencies in preparing our own white paper. Clearly, terrorism and counterterrorism are part of the strategic environment and inform our own white paper.

Senator LUDLAM—So the Defence white paper will address counterterrorism to some degree?

Mr Warner—It is part of the strategic environment that we are dealing with and that we are living in.

Senator LUDLAM—One of the other things that the Prime Minister mentioned in his national security statement was e-security; is that something that Defence will address in the white paper?

Mr Warner—In a broad sense, yes.

Senator LUDLAM—Climate change was also addressed in some degree of detail; is that something that figures into your thinking?

Mr Warner—In a broad sense, yes.

Senator LUDLAM—What about oil depletion?

Mr Warner—I am sorry, but would you repeat the question.

Senator Faulkner—Senator Ludlam, it is very hard to hear you down here so I apologise. We are doing our best. It is not your fault, it is just that the sound system is not good and it is hard to pick up what you are saying.

Senator LUDLAM—I will make sure that I speak into the microphone. Can you tell us how Defence is addressing the challenges of oil depletion, either in the white paper or outside that process, for its own operations?

Mr Warner—Again, I cannot go into any detail about what is or is not in the white paper. In a broader sense, obviously Defence is very interested in the price of oil, and the price of oil is of course somewhat dependent upon the amount of oil produced and the amount of oil that remains. That is an important consideration in the formation of our budget and as we look forward over the next 10 and, in a white paper sense, 20 years.

Senator LUDLAM—There are two related issues here. Firstly, there are the impacts of fossil fuel depletion on the operations of the ADF. You may not have this in your back pocket, but do you have an idea of what the fuel bill for your operations is?

Mr Warner—I do not.

Mr Prior—I do not have the exact figure but, in an order of magnitude, it would be approaching somewhere near \$500 million a year in total.

Senator LUDLAM—Half a billion dollars a year?

Mr Prior—You will understand that that is a broad estimate, and that it is across all fuel types in the year.

Senator LUDLAM—Thank you for providing that. I would appreciate it if you could provide us with a definitive figure at some stage.

Senator Faulkner—Senator, that element of your question we will need to take on notice.

Senator LUDLAM—That is okay; it is an order of magnitude.

Senator Faulkner—You have a picture of it, an order of magnitude, as Mr Prior has said. We will take on notice to provide you with a more precise figure and come back to the committee on that.

Senator LUDLAM—I appreciate that. That probably makes you one of the largest single purchasers of hydrocarbons in the country, or certainly at least across the Public Service. What are you doing to address—I am sorry?

Senator Faulkner—It was an aside, Senator. I said that it is certainly bigger than my fuel bill.

Senator LUDLAM—Substantially.

Senator Faulkner—And yours, I suspect. That was a sotto voce comment, Senator.

Senator LUDLAM—Your microphone is actually working quite well.

Senator Faulkner—That is good. I am pleased to hear that, and it is particularly appropriate, with all the pearls of wisdom that go through it, Senator.

Senator LUDLAM—Yes. Moving on, can you tell us what Defence is doing? You have, roughly, a half-billion fuel budget every year. What are you doing to address looming increases in the oil price, which have been fleshed out in Senate inquiries and, obviously, in a great number of newspaper columns devoted to oil depletion? What is the strategy of Defence?

Mr Warner—I am sure you would be aware, Senator, that the government has put in place an external audit of Defence's budget and management, the so-called Pappas audit. That report, which covers in a broad sense this question that you are putting forward, is before government at the moment and I am obviously not in a position at this stage to go into the findings and recommendations of that review.

Senator LUDLAM—Just to be clear, you are telling us that you are explicitly inquiring into the oil vulnerability of the ADF?

Mr Warner—No, I am saying to you that half a billion dollars a year is a very significant proportion of our budget. If you look back nine months ago, when the price of oil was sitting at about \$150 a barrel and we were all unsure where it was going to go, we and the auditors sat down and looked at this issue and its implications for Defence in the short term, and

indeed over the period of the white paper, which goes out to 2030. Now the price of a barrel of oil is down below \$40 we, like everyone, are wondering what the trend is, where it will go next. So it is a matter that we pay close attention to; we have thought about it a lot. But I am not in a position to be able to actually share the details of that thinking with you today.

Senator LUDLAM—Okay, but I can take it that it is going to be addressed to some degree in the white paper? You have just said it is feeding into that process.

Mr Warner—It will be addressed in the broad range of papers that go with, surround or support the white paper. The companion reviews that we have done within Defence also support the external audit. So, in a broad sense, the answer to your question is yes, but only in the broad sense.

CHAIR—Thank you, Mr Warner. For the information of officials, I have been advised that under this heading of ‘Portfolio overview and budget summary’ Senator Barnett wants to pursue some issues after lunch related to obesity.

Senator Faulkner—And if any other senator has a specific area and cares to come to me or officials and flag something, I am very happy to try and ensure that we can best assist.

Senator JOHNSTON—Can I say for the benefit of the minister and the chief financial officer that portfolio additional estimates pages 21, 23 and 27 are the areas that I want to focus on with respect to fluctuations of currency, and also the own-source revenue fluctuations and equity injection appropriation.

Senator Faulkner—I very much appreciate you flagging that. Over the luncheon break we will make the best efforts to assure you will get the best advice we can to assist you on that. Thank Senator Barnett for flagging that also. It means we can have a more meaningful dialogue with the committee.

Proceedings suspended from 12.32 pm to 1.31 pm

CHAIR—Some senators have advised that they have material they wish to raise under the Portfolio Overview heading and I am advised by the secretariat that the witnesses are on their way. In the meantime we will continue with questions.

Senator JOHNSTON—Mr Prior, with respect to foreign exchange, can you tell me what programs have been most affected by the fluctuations over the last 12 months in our exchange rate?

Mr Prior—The most affected programs are our major capital equipment programs, both the approved ones where the funds have been put to DMO and the unapproved ones that sit in our defence capability plan.

Senator JOHNSTON—When you analyse that—I am looking at page 21—what assumptions are you using to determine the fluctuations in foreign exchange? What is the base rate that you have determined for 2008-09, for instance?

Mr Prior—The rates that we use are given to us by the Department of Treasury via the Department of Finance and Deregulation. They are not rates that we make assumptions about ourselves; they are determined by them. To answer your question I am in a little bit of a

difficulty in that I am not aware where those rates are published. I am not aware that they are published by Treasury anywhere, so I am not sure—

CHAIR—And they are not in the PAES?

Mr Prior—They are not in the PAES and they are not in the budget papers either. That may be a convention of Treasury for some particular reason.

CHAIR—Subject to the minister's view, we might take that particular question on notice and see if it is able to be answered.

Senator Faulkner—I think the issue here is that while we are happy to assist I have to flag with you, Chair, and with Senator Johnston that it actually may not be a question for Defence. I think the way to do this is, in taking it on notice, if I could just have an understanding that this might actually be something we will need to ask the committee secretary to perhaps pass through to Treasury—if that suits, Senator Johnston.

Senator JOHNSTON—It does suit me. It is just that I am interested in this line item in table 1.2.5—foreign exchange movements—and we have a forward estimate, for example, in any of the out years of a substantial benefit. How do we go about tracking how that is formulated?

Mr Prior—In a process sense, Senator, we, like other agencies before any budget update and before publication of the budget position, receive advice from Treasury via Finance on exchange rate estimates across all the various currencies that we deal in. Within Defence we have a tracking system to track likely expenditure in various currencies into the future. We therefore apply currency movements to those various estimates going forward into the future. Without going to the actual rate I think everyone would be aware that the Australian exchange rate in the last six to eight months has dropped quite dramatically. It was up near parity, I think, at one point and down near a much lower rate now.

Senator JOHNSTON—August, I think, was the crucial month.

Mr Prior—Indeed. Without going to the exact exchange rate, when you have a budget for capital that we have, you can imagine the extent of foreign exchange that we deal with and it is a big swing variable.

Senator JOHNSTON—My next question is probably the obvious. Is this line item based upon pre-August or post-August exchange figures from Treasury and/or Finance? When did you do it?

Mr Prior—This update was based on the estimates given to us by Treasury before publication. If you want the exact date I will have to refer to my colleague.

Senator JOHNSTON—I do not need the exact date, I just need to know, with reference to the collapse of our currency, to what it is now? You can see what I am getting at.

Mr Prior—My recollection is that it was around August/September.

Senator JOHNSTON—So you think possibly on the post-GFC side.

Mr Prior—I would not know precisely, Senator.

Senator JOHNSTON—It is pretty important—

Mr Prior—Can I take that on notice and get you an exact date which might be more helpful to you.

Senator JOHNSTON—Sure. What I want to know is: how reliable is that total of \$4.453 billion?

Mr Prior—Senator, again that depends very much on the assumptions, which is what you are driving to.

Senator JOHNSTON—You bet it does. You and I both agree. Indeed, it is crucial.

Mr Prior—Defence is a recipient of those forecasts from the Department of the Treasury and how reliable they are is really a question that has to go to the Department of the Treasury because it is their construction, not ours.

Senator JOHNSTON—What mechanism do we use, if I were to say to you that clearly that is wrong, what do we do about that?

Mr Prior—The Department of Defence, and as this line item demonstrates, are on a funding arrangement which is on a no-win no-loss for foreign exchange. To the extent that foreign exchange moves, those movements are reflected in an arrangement whereby the funding is either increased or decreased to respond to those movements.

Senator JOHNSTON—So our \$22 billion annual budget wafts around according to the end result of that fluctuation?

Mr Prior—It is influenced by that fluctuation, yes.

Senator JOHNSTON—So that if we went right down to, say, US\$0.40?

Mr Prior—If the Department of the Treasury provide us with a revised estimate which was lower or higher, we would adjust our appropriation requirements accordingly.

Senator JOHNSTON—When are we likely to see the current figures, the current status, reflected? In June estimates?

Mr Prior—It will be because the next time the publication in the budget sense will be on budget night and then the next estimates will see the impact of that.

Senator JOHNSTON—Please assure me that you have a bit of a handle on that fluctuation now. I know it is only \$4 billion but I think we must be getting close to understanding that that line item is probably pretty way out.

Mr Prior—As you would imagine we monitor fuel prices daily, we monitor exchange rates daily and we monitor a number of things. In terms of budget construction it is something that we do in consultation with Treasury.

Senator JOHNSTON—Do you know as a percentage of our budget what we spend overseas every year?

Mr Prior—I do not have that off the top of my head. A lot of what we spend overseas is through DMO.

Senator JOHNSTON—Let us say that DMO is us for the moment. They are not an executive agency yet but we will call them us for the time being. I would like to know how

much we have spent overseas for the last five years in dollar terms per annum and the percentages that equate to our annual expenditure on that basis.

Mr Prior—Yes.

Senator JOHNSTON—In the ELF, you say that they have been some changes—reprogramming of the Enhanced Land Force. Can you tell me what the changes have been, how they have affected the budget and what that line is all about?

Mr Prior—I can give you some dollars around that but I think the story as to what is happening with that would be better heard from the Chief of Army.

Senator JOHNSTON—I always like to hear from Chief of Army, as you know.

Senator Faulkner—He is coming forward, so it is clearly happy to assist.

Lt Gen. Gillespie—The only reprogramming of import in the ELF process has been the slippage by one year of the accommodation for the 3rd Battalion in Townsville.

Senator JOHNSTON—What is the dollar figure on that?

Lt Gen. Gillespie—I have the impact here, but I have not got the dollar amount on that. I will have to get that for you.

Senator JOHNSTON—I am happy to wait until April for that. Track it down and give it to me as if it were a question on notice. Can I go back to Mr Prior. Why has there been an adjustment in this financial year for the efficiency dividend of \$8.5 million? Should that not have come out in previous budget papers?

Mr Prior—It should have. It was an error in calculation that we discovered prior to this publication. It was just the way we were applying the efficiency dividend. In previous hearings I have gone into some detail about how that efficiency dividend applies. Like other departments—

Senator JOHNSTON—I suppose that is my fault for not spotting it, is it?

Mr Prior—No, to be fair, I don't think anyone would have spotted it. It is quite a complicated calculation, given the efficiency dividend is applied to only certain elements of the Defence budget. It is in calibrating in those elements. We review those calculations periodically with the Department of Finance and Deregulation, and in one of those periodic reviews we found that it was not applied precisely.

Senator JOHNSTON—What should have been included in the last round of estimates?

Mr Prior—Those amounts should have shown as being part of the efficiency dividend.

Senator JOHNSTON—Can you give me a figure?

Mr Prior—I do not have that efficiency dividend.

Senator JOHNSTON—I am happy for you to take that on notice. We missed an annualisation of the efficiency dividend for 2007-08. I would like to know the number.

Mr Prior—Okay.

Senator JOHNSTON—\$29.4 million was provided for reconciliation of 2007-08 operations. What is that about?

Mr Prior—The Department of Defence is funded on a no-win, no-loss basis for operations. The way the mechanism works is at the end of each year there is a stocktake, if you like, done with Department of Finance and Deregulation of the actual costs. To the extent that costs were greater than the budget, the estimate we had previously, then our appropriation is topped up to repay us, if you like. To the extent that it goes the other way, then we put that surplus back to the government.

Senator JOHNSTON—That is Solomon Islands, East Timor—?

Mr Prior—All operations are on the same basis. This is the composite of all of those. So to the extent that some might have been overrun—

Senator JOHNSTON—Is something like Relex in that calculation?

Mr Prior—Can I just confirm?

Air Chief Marshal Houston—Resolute is in there.

Senator JOHNSTON—So all of the maritime operations are included as foreign operations?

Air Chief Marshal Houston—No, Resolute is different I think.

Senator JOHNSTON—Admiral Goldrick knows what I am talking about. I am talking about our Northern Command operations and what have you. They are not in there. So, if we had an influx of boats and we had to do more things than normal, that cost would be separate to what we are talking about here?

Mr Prior—That is right.

Air Chief Marshal Houston—Yes.

Senator JOHNSTON—So it is only foreign operations?

Mr Prior—That is correct.

Senator JOHNSTON—So, Iraq, Afghanistan et cetera?

Mr Prior—Correct.

Mr Prior—That is correct—except, of course, to the extent that there might be an operation that emerges, which would be determined at the time.

Senator JOHNSTON—But if one did, we know that there is not going to be an impact on the budget?

Mr Prior—Under the current funding arrangements.

Senator JOHNSTON—‘Under the current funding arrangements’. What are the current funding arrangements called?

Mr Prior—We refer to it as ‘no-win, no-loss’.

Senator JOHNSTON—So the no-win, no-loss description means that no matter what happens, at the end of the day, whatever we have to do, we don’t cop it in the neck in terms of our budget?

Mr Prior—That is correct. To be very clear, it is the net additional costs. So to the extent that folk are being remunerated, the fact that they are overseas in operation, their base pay would be something that we would have to pay anyway. But the additional costs of them being in operation—

Senator JOHNSTON—Transport, supplies, logistics—the whole thing.

Mr Prior—Exactly.

Senator JOHNSTON—Can I go to page 23. Why has there been a reduction of Defence's own-source revenue of \$23.3 million. If you go across the bottom line—you know which one which what I am talking about?

Mr Prior—Page 23?

Senator JOHNSTON—Yes. Own-source revenue. If you aggregate the thing across the bottom there, there has been a reduction.

Mr Prior—Own-source revenue is a combination of a number of line items such as, fuel sales, recoveries of costs for other countries that might use our facilities or infrastructure, and recoveries from the DMO organisation in relation to the way we provide military folk to their organisation. That is a combination of some variations in those line items. I do not have the specifics about that, but it is cross those sorts of items.

Senator JOHNSTON—That is fine. That is enough. On page 27, with respect to equity injections, have we sought a determination from Finance to decrease the equity injection appropriation?

Mr Prior—Equity injections in the Defence budget context are essentially for capital type items. To understand what is happening with equity injections, it is a combination of table 1.1.1 and 1.2.1. The equity injection reduction is made up of the sorts of things we have just been referring to. The foreign exchange movement was a positive, but the reprogramming of ELF was a negative. The reprogramming of the approved major capital investment program of some \$514 million is articulated in the tables. Another item which adds into that line to bring you to that \$576 million are some legacy accounting classification issues that have been in the budget for many years, which total some \$278 million. It was a reduction in the equity injection but an increase in the departmental appropriation. It just offsetting itself. They are the items that make up that reduction.

Senator JOHNSTON—Thank you very much. Chair, I am finished with my discussions of the budget with Mr Prior.

Lt Gen. Gillespie—Could I give you a better answer on the ELF issue that you raised before. The issue of ELF as I described it is that we have a physical slip of the accommodation in Townsville by 12 months. It is principally due to industry capacity to progress the project at the speed we want. The ELF was broken into two stages. The first stage of ELF did not include provision of funding for the net personal operating costs. They are considered separately in the wider NPOC DMFP for Defence and in that category. But, more importantly, the whole issue of ELF and its funding and how we progress that has been part of the Defence budget review, the companion reviews and the white paper process.

Where we are going with that part of it I am not at liberty to say in this area. I think that is probably a more fulsome answer than the one that I gave you before.

CHAIR—Thank you, General.

Senator BARNETT—I thank the committee for its indulgence to allow me to ask these questions at this time. Air Chief Marshal, I indicated I would like to ask some questions regarding obesity and overweight in the Australian Defence Force and specifically their impact on capability and otherwise. To kick them off, I was wondering if you or an officer could advise the rates of obesity and overweight in the Australian Defence Force and if we could break that down in terms of obesity, firstly, and overweight, secondly, for men and women and then by categories for Army, Navy and Air Force and then operational personnel and non-operational personnel.

Air Chief Marshal Houston—I will get General Alexander to answer what he can. I do not know if he has that much detail, but I will let him run with the issue.

Major Gen. Alexander—I would like to start with the comment that when I provide these particular statistics in relation to our numbers and percentages they relate to BMI. You would be aware that when we are talking about BMI we are not necessarily talking about obesity. I think we need to be very clear about that fact. We in the Defence Force use the body mass index as a screening tool and, as with other defence forces around the world and with large organisations, it has been found to be an effective screening tool. But it is certainly not the way we manage individuals within the Defence Force because a BMI that may or may not be raised does not impact on their operational capability necessarily or on their health and wellbeing or on their fitness to serve. That is done on an individual basis. Having said that, I will provide you with the information that I have for the most recent 12-month calendar year.

Senator BARNETT—So effective 2007-08 or 2008-09?

Major Gen. Alexander—For the 2008 calendar year is the information that I believe I have.

Senator BARNETT—Okay, thank you.

Major Gen. Alexander—Over the last 12 months there were 104 personnel that were considered for medical discharge by the medical discharge board process, which is called the medical employment classification review board process. They were considered where obesity was one of the reasons stated on the list of health conditions, so that was the reason for them coming forward to that board.

Senator BARNETT—The main reason or one of the reasons?

Major Gen. Alexander—One of the reasons. I will go through some 2004 data which I think is a better indicator of the classifications that we use. But this is the most recent 12-month data. So it is 104 that were considered for medical discharge, and that represents 0.2 per cent of the ADF population in broad terms. Say you are looking at the studies that were done in relation to the primary cause of medical discharges or downgrading for medical reasons. I would like to also add that because someone gets downgraded it does not necessarily mean that they will automatically be discharged. There are other processes in place whereby people may seek waivers or the services may elect to keep an individual

because of operational requirements. But these are the reasons that are coming through the health system for downgrading. We did a study in 2004 which looked at the primary reasons for downgrading.

Senator BARNETT—I am happy to have a look at the 2004 information. If we can just go through the statistics for 2008, the most recent statistics, that would be most appreciated and then you can answer the questions that I have put.

Major Gen. Alexander—The 2004 data I have, and if we break that up into services—

Senator BARNETT—Do you have 2008 data?

Major Gen. Alexander—I mean 2008 data is what I gave you.

Senator BARNETT—With respect, the data you have given us relates to those who have been considered for medical discharge. I am happy to go through the question again. I would like the statistics for the most recent—

Major Gen. Alexander—I have 104 personnel that are being considered for medical discharge. The break-up in services is 54 were Navy, and I do not have the other two services available at this stage.

Senator BARNETT—Okay, take it on notice.

Major Gen. Alexander—The other questions that you asked?

Senator BARNETT—I would like to know the obesity—

Senator Faulkner—Senator, I can assure you we will give you as much assistance here as we can and we do appreciate the fact that you flagged this with us. But you do have to understand, as I am sure you do, that there might be some of these questions that you are asking where General Alexander does not have to hand answers to your questions. Obviously, we will try to provide them. Any information that we have got will be provided, but I am sure you appreciate that there might be some elements here that we will not be able to assist you with immediately.

Senator BARNETT—Thank you very much, Minister. I appreciate that. General Alexander would also be aware of recent reports in the last week regarding these issues, so I am sure he is aware of at least some of them—so he would be aware at least.

Major Gen. Alexander—I have those. Those particular statistics, the ones that were in the press, are in front of me.

Senator BARNETT—Let us go to the facts because we cannot rely on the press for facts exactly, can we? So let us go to the facts for 2008—obesity levels in the ADF, overweight levels in the ADF, broken down into men and women; Army, Navy and Air Force; and operational personnel and non-operational personnel.

Major Gen. Alexander—The information I have is available to you now. If we are looking at a BMI above 30 per cent, so therefore we are using a screening figure—the tool that I indicated previously—14 per cent of the ADF population, in my statistics, are above the BMI of 30. I would like to add that our databases are not completely robust in this matter. That was an analysis of a database that we have with one of our electronic health systems and that revealed it for approximately one-third of our ADF facilities only. It is the only representation

that I can provide without going through individual records, and it is on the basis of one-third of our health facilities.

Senator BARNETT—Does that mean one-third of your personnel were assessed or one-third of the—

Major Gen. Alexander—No, one-third of the health facilities.

Senator BARNETT—Nevertheless, this is your best estimate.

Major Gen. Alexander—It is the best estimate.

Senator BARNETT—Okay, please continue.

Major Gen. Alexander—So that is the total number, 14 per cent with a BMI of over 30. I have here 54 of those 104 were Navy. I can get the other breakdown of the two services for you. In addition, there were a number of people that went through an ADF rehabilitation program over that period. In other words,—

Senator BARNETT—General, I will go slowly.

Major Gen. Alexander—These are the statistics I have available.

Senator BARNETT—What are the numbers of members of the Australian Defence Force that are classified as having a BMI over 30?

Major Gen. Alexander—14 per cent on the statistics that I have.

Senator BARNETT—Give me a number, please, of the total.

Major Gen. Alexander—14 per cent.

Senator BARNETT—Yes. Could you give me a number, please,? How many is that?

Major Gen. Alexander—14 per cent of 53,000.

Senator BARNETT—So is that 7,500?

Senator Faulkner—It is fairly close to that, Senator, but not precisely right.

Senator BARNETT—Well, that is why we are here—isn't it?—to get the exact figures. I have been given a percentage and I am just asking for—

Senator Faulkner—With due respect, Senator, as you would appreciate when you make these calculations you will end up with a round figure. You appreciate that 14 per cent itself is a very round figure.

Senator BARNETT—A very round figure, Minister.

Senator Faulkner—Yes, exactly. I was wondering whether you would pick up how droll the comment was. It is 14 per cent of ADF personnel. We will need to get a figure for the precise number of ADF personnel and multiply it by 0.14. In the time I have taken to explain that process, CDF has done the calculation.

Senator BARNETT—Tremendous! Congratulations, Air Chief Marshal!

Air Chief Marshal Houston—Senator, I can tell you that there are, as of 1 February, 53,886 people in the ADF—and I invite you to do the maths.

Senator BARNETT—Thank you for that; I will. If we can go back, do you have the number of those overweight—so that is those with a BMI of 25 or more. If you not, I am happy for you to take it on notice.

Major Gen. Alexander—No, I don't have that number.

Senator BARNETT—So if you would take it on notice.

Major Gen. Alexander—I will take it on notice.

Senator BARNETT—Thank you. In terms of the 14 per cent, which I calculated at around 7,500 of the 53,886, could you break it down, please, in terms of men and women, as in gender?

Major Gen. Alexander—No, I can't do that. I may not even be able to have that information for you, depending on our databases, unless it was done manually, which may take an extended period and a large amount of effort.

Senator BARNETT—So you will take it on notice and do the best you can.

Major Gen. Alexander—I will take it on notice and do what I can.

Senator BARNETT—Thank you.

Senator JOHNSTON—But the major general is saying that he may not be able to give an answer?

Major Gen. Alexander—I may not be able to.

Senator Faulkner—If the information can be provided, we certainly will do so—that is the point.

Senator BARNETT—Excellent. In terms of the Navy-Army-Air Force, could you do a breakdown of the 14 per cent?

Major Gen. Alexander—I do not have those numbers of the break-up of the three services. I will again take that on notice and obtain information if and when I can.

Senator BARNETT—Operational personnel and non-operational personnel?

Major Gen. Alexander—All operational personnel are medically fit to be on operations, so the BMI is not relevant in that situation because they are on operations. Whether their BMI is 25 or 30 is not irrelevant; they are fit for operations. The point is—

Senator BARNETT—That is not answering the question, with respect.

Major Gen. Alexander—I will not be able to provide you information in relation to BMI for personnel on operations.

CHAIR—Can you be fit for operations and have a BMI higher than 30?

Major Gen. Alexander—Absolutely.

Senator Faulkner—And clearly you can be fit for parliament, too, Senator.

Senator BARNETT—Let's continue. You indicated in your opening statement that 104 have been considered for medical discharge, with one of the reasons being obesity. How many have been discharged?

Major Gen. Alexander—I cannot provide that information. I can provide you with the 2004 accurate data in relation to discharges. Do you require that information?

Senator BARNETT—Could we go back to 2004 and the same questions in terms of obesity and overweight amongst the Australian Defence Force. Do you have that information for 2004?

Major Gen. Alexander—No, I have the information and percentages in relation to 2008. The 2004 study that was done in relation to prime reasons for discharge was a large study—we cannot do it every year.

Senator BARNETT—Okay, fire away on 2004.

Major Gen. Alexander—The prime reason for discharge in 57 per cent of cases was musculoskeletal. The prime reason in 20 per cent of cases was mental health related.

Senator BARNETT—Sorry to butt in, I do apologise. The musculoskeletal condition is a complication of obesity—correct?

Major Gen. Alexander—Yes, but this is the prime reason. The prime reason for discharge in six per cent of cases was metabolic disorder. That would include weight related disorders. My estimation of the number of discharges on health reasons in 2004 is approximately 500. So 500 times six per cent or a lesser number would give you approximately 30 members in 2004 who were discharged with the prime reason being weight related or obesity.

Senator BARNETT—Are obesity and overweight a problem for the Australian Defence Force? Is it an issue that you looking at? When I ask that question I am aware of the University of Queensland report that I understand you have recently commissioned to investigate the impact of the changes in 2006 and the impact of the obesity. Would you respond to that.

Major Gen. Alexander—It is certainly a problem, as it is for the Australian community. We have an Australian community that, using the same BMI standards, has a weight excess in excess of 20 per cent. That is the same in the US—20 per cent. We are concerned about it. The policy you identified in relation to recruitment was changed in 2005. It was again reviewed in 2006, but the initial change was in 2005, where all individuals who were otherwise fit and well and were able to pass an entry fitness test and whose BMI was between 30 and 33 were accepted for training.

Senator BARNETT—And until then it was 30?

Major Gen. Alexander—Until then it was 30. The study was commissioned early in 2007.

Senator BARNETT—Is that the University of Queensland study?

Major Gen. Alexander—Yes, it is indeed—the Centre for Military and Veterans Health. And it will be completed in 2010. The purpose of that study is to determine whether, with respect to those recruits we are now brining on with BMIs between 30 and 33, we are subjecting them to any additional health risks or to any additional problems, and also whether they are being as effective—in other words, are they passing training, are they going through the military system as effectively as those with a lower BMI?

Senator BARNETT—Do you have any preliminary results? It was 2007. We are now in 2009, you must have learned something to date.

Major Gen. Alexander—No preliminary results at this stage.

Senator BARNETT—Is there any interim report?

Major Gen. Alexander— I would expect an interim report within six months.

Senator BARNETT—Have you not received an interim report to date?

Major Gen. Alexander—There is no data at this stage that is statistically significant. I cannot report on a study where there is no data that is of any significance at this time.

Senator BARNETT—Are the terms of reference available? I presume they are on the public record.

Major Gen. Alexander—Yes, the terms of reference are available and they can be provided on notice.

Senator BARNETT—Thank you. If there is an interim report, could that be provided to the committee? I am happy for you to take that on notice if you want to check with your minister.

Senator Faulkner—I think that, subject to the approval of the defence minister, that is perfectly reasonable and—

Major Gen. Alexander—Sorry to interrupt you, Senator. It is a University of Queensland study. I do not have any right to release any of the information in relation to an interim report. It is not owned by Defence.

Senator BARNETT—But you are paying for it, aren't you?

Major Gen. Alexander—That is correct, but they are undertaking the studies on our behalf.

Senator BARNETT—That is a very strange response, but anyway perhaps if you would take a look at that—

Major Gen. Alexander—It is no different to any other research.

Senator Faulkner—I am sure that Major General Alexander speaks here about the issue of intellectual property and the like. But the point is that, if there is a report in the possession of Defence, regardless of what its origins might be, if it is able to be tabled, as I indicated I will undertake to ask the Minister for Defence to give it his consideration in a positive way. In other words, if we can help the committee on this, we will try to do so.

Senator BARNETT—Thank you. How many ADF personnel have been recruited with a BMI of between 30 and 33 since the change? Are you happy to take that on notice? If you do not have that figure with you, I am happy for you to take it on notice.

Major Gen. Alexander—I will have to take it on notice.

Senator BARNETT—Thank you. What is the average weight—

Senator JOHNSTON—There is a possibility that you will not have that figure, isn't there?

Major Gen. Alexander—There is a possibility I will not have that figure, but I will take it on notice and provide whatever answer I can. Those statistics in relation to the trial will be available at the end of the trial, but the total numbers I will take on notice and provide that information should it be available.

Senator BARNETT—The guidelines changed in 2005. I am asking about the numbers—

Major Gen. Alexander—What I am saying about that particular information on the BMIs is that, once somebody is fit to be recruited, that particular health information will lie on a person's medical record. Unless I go through and analyse every single medical record for recruits or new Defence personnel between the period of the policy change and now, I will not be able to obtain that information.

Senator BARNETT—If it is possible, I am sure you will. But if it is not possible, I am sure you will not.

Major Gen. Alexander—If it is not possible, I will not be able to.

Senator BARNETT—Indeed. We are aware of the usual functions for departmental officers, and I appreciate your assistance and willingness to help the committee. What is the average weight of Australian Defence Force personnel?

Major Gen. Alexander—Do you want it in kilos?

Senator BARNETT—Yes, and I want to compare it with 2000 on a decade-by-decade basis, if we could.

Major Gen. Alexander—I will not be able to provide that information. We do not have statistics in relation to weights of members of the Defence Force that we can just obtain, again unless it is through an analysis of each paper based individual health records.

Senator BARNETT—You don't do a medical check once a year and check the height and weight of personnel?

Major Gen. Alexander—Those are paper based records, and again I would have to go to each and every individual health record within the Defence Force to obtain that information.

Senator BARNETT—It is amazing you are not aware of the average weight across—

Major Gen. Alexander—No, it is the fact that we currently have a paper based system. When we move to an electronic based system, that information will be more readily available.

Senator BARNETT—All right. Perhaps I could put it another way. As you have indicated, obesity is an issue not just for the Defence Force but for the country. The reason that we do surveys and have an analysis of the level of obesity and its impact on our nation is to assist us in tackling the obesity epidemic in terms of preparing policies, strategies and initiatives. When Australia is one of the fattest nations on earth, behind the US, the UK and Mexico, this is a very important issue. The Australian government has made obesity a national health priority—to tackle the epidemic across the nation. I am sure it is an objective of the ADF, as it is, we know, an objective of the Australian government.

Major Gen. Alexander—It is a high priority, though. We have an active management program which is based on health and wellness, not on BMI. So if, through the normal review process—when an individual comes to us on a 12-monthly basis for a health and fitness

review, or even on a more frequent basis—it comes to our knowledge that a person's BMI is above 30, that person is actively reviewed to determine whether there are any health issues in relation to that individual. If there are health issues in relation to that individual, those health issues are actively managed through a comprehensive rehabilitation program.

Senator BARNETT—Can you tell us what is involved in an active review. It is a health and rehabilitation program; can you describe that or can you table it?

Major Gen. Alexander—We conduct annual health examinations for all individuals within the Australian Defence Force. It is a paper based review where people come into a medical centre and answer a number of questions. Blood pressure is checked, height and weight are checked and a BMI is determined. In cases where a BMI is above 30, a medical review will be undertaken to determine whether there are any health and wellness aspects to that BMI.

Senator BARNETT—Are they then put on a health and fitness regime—say, a three-month regime—to make sure the BMI is under 30 and they are healthy and fit?

Major Gen. Alexander—Each case is individually managed at the direction of the medical practitioner who is looking after that individual. So it is determined on a case-by-case basis. If there are health issues, the health issues will be actively managed. As I said before, a BMI may be above 30 but that person may be absolutely fit and well and there will be no need to actively manage that individual. It is only if a health issue is identified.

Senator BARNETT—How many of those have occurred in the last 12 months?

Major Gen. Alexander—Over the last 12 months, 183 people have been referred to the rehabilitation program for active management. That was for the fiscal year 2007-08.

Senator BARNETT—And the year before?

Major Gen. Alexander—I do not have the year before's data.

Senator BARNETT—Are you happy to take that on notice—the data for the year before?

Major Gen. Alexander—I will take that on notice. I will be able to obtain that for you.

Senator BARNETT—Thanks very much. I am aware that Monash University did some research in 2002 that found that 20 per cent of the ADF did not exercise. I read a report of that; is that accurate?

Major Gen. Alexander—I am not aware of that report. A 2002 report by Monash University?

Senator BARNETT—Monash University.

Major Gen. Alexander—I would have to obtain a copy of the report and have a look at it.

Senator BARNETT—All right. Could you look at that and clarify if that is the case.

Major Gen. Alexander—I think the CDF—

Senator BARNETT—Does that concern you or not?

Major Gen. Alexander—You are saying that the report said that 20 per cent of the Australian Defence Force do not exercise?

Senator BARNETT—Correct.

Major Gen. Alexander—I find that quite—

Air Chief Marshal Houston—Senator, I find that very surprising. I do not have anything to respond to you with that is authoritative but, intuitively, I just do not think that that would be right. But we will have a look at that.

Senator BARNETT—Thank you. Are you aware of comparable rates? I am thinking of the US, the UK and Mexico. Australia is seen as one of the fattest nations on earth so, in terms of our defence forces, do you have some rates comparing the US? I read a report on the weekend that, of the 1.5 million defense personnel in the US, for example, 70,000 have a BMI in excess of 30, which is some 4.6 per cent. Here in Australia we have a rate of some 14 per cent. Do you have figures that are comparable with the US and the UK? It brings to mind the question of whether, being one of the fattest nations on earth, our Defence Force is one of the fattest defence forces on the globe.

CHAIR—Senator, is your question a comparative question between nations or an absolute question of whether we have the fattest defence forces?

Senator Faulkner—With due respect, Chair, I do not know how you could answer one element of the comment without dealing with the other.

Senator BARNETT—If you could answer both questions, that would be helpful.

CHAIR—What is your question, Senator?

Senator BARNETT—Are you aware of the comparable rates of obesity in other defence forces, specifically in the US, the UK and Mexico?

Major Gen. Alexander—I am not aware of any studies in Mexico. I am aware that studies have been done in the UK and in the US. I do not have those studies to hand, nor am I aware of the absolute percentages or whether they are comparable studies to our own. In other words, are we comparing apples with apples? A study is a study: it depends upon how it has been formulated, and what may be a result of the studies of some other countries may not compare with our own.

Senator BARNETT—Air Chief Marshall, if it were correct that the US rates are some 4.6 per cent and ours are in or around 14 per cent, would that concern you?

Air Chief Marshall Houston—Absolutely it would. Rather than talk in terms of hypotheticals I would like to have some solid data. The fitness of our people is vitally important to me and to the service chiefs, and we will have a close look at the issues you have raised.

Senator BARNETT—Are there any initiatives or programs that you anticipate being launched or considered in the future to address the problem of obesity as it has been referred to in the hearings today?

Air Chief Marshall Houston—Again, I think it is an issue we need to look at. I would need more authoritative data to fully understand the extent of the issue, if indeed there is an issue. Some of our people are very big in the upper body, and in a lot of cases that is just the way they are built, and a lot of them are extremely fit. I see a lot of those sorts of people in and around particularly the Army. From where I sit, the fact that they have a BMI of over 30

may not be a bad indicator. I think a lot depends on frame and the way somebody is built. It does not necessarily follow that, because someone has a BMI of 30, there is a major issue there. That is why I would like to explore the issue in a little more detail. Your questioning today has certainly aroused my interest, and we will have a close look at some of the issues you have raised.

Senator BARNETT—Thank you. My thanks to you, Chair, and to the committee.

Senator LUDLAM—I want to finish up on what we were discussing directly before lunch. We had established that the fuel bill for the services right across the portfolio was in the order of about \$500 million and we had established that, while there is no strategy yet for addressing peak oil or very rapidly increasing energy prices, you were thinking about it and that thinking is feeding into the white paper. Have you calculated the greenhouse gas emissions from your operations and the burning of that fuel? What are your strategies for reducing those?

Mr Prior—Before we answer that, I will give you the precise number in our current budget for fuel. I said that it was in the broad magnitude of \$500 million. This year's estimate is \$469.7 million.

Senator LUDLAM—What is that in tonnes of oil and gas? I should have asked you that before lunch.

Mr Prior—On a broad order of magnitude, it would be around 450 million litres. I would have got you that number for you had I know that you were going to ask about it, but I do not have that with me.

Senator LUDLAM—That is my mistake. Thanks for clarifying. If you are going back to check that on notice—and I do not expect you to have this now—can you give us a sense of the growth rates over the last couple of years.

Mr Prior—We can certainly take that on notice. To be clear on what you are after, you want fuel usage—

Senator LUDLAM—You have just given us a—

Mr Prior—Dollar value.

Senator LUDLAM—dollar value. Could you provide what that relates to in terms of the amount of oil and gas consumed by Defence and the growth rates over the last couple of years.

Mr Prior—To be very precise, you would be aware that there are many different types of oils and distillates.

Senator LUDLAM—Absolutely.

Mr Prior—Are you after all of them or just the main ones?

Senator LUDLAM—I am presuming that the figure you have given me there is the totality right across Defence.

Mr Prior—It is. That is our fuel budget. So would you like the complete break down?

Senator LUDLAM—If you can provide it, yes—if that material is to hand. I am not asking you to do the primary research, but, if the material exists, yes.

Mr Prior—And for the last two years?

Senator LUDLAM—Growth rates of that total figure over the last five years—just trends.

Mr Prior—So the growth rate in the dollar value over the last five years?

Senator LUDLAM—Dollar value and the overall volume. Thanks.

CHAIR—Use of fuel by ADF forces.

Senator LUDLAM—Yes. I am just trying to get a sense of trends—whether you are going up, down or sideways.

CHAIR—In Australia?

Senator LUDLAM—No, across their operations—including overseas ones.

Mr Prior—We will try to give you a picture.

Senator LUDLAM—Thank you. The second question goes to your climate strategies.

Mr Bowles—In relation to the emission of greenhouse gas, we use approximately 1.64 million tonnes of CO₂. In the 2007-08 period, we achieved a 2.06 per cent reduction in total energy consumption.

Senator LUDLAM—Thanks. That includes Australian bases and your operations here. What about overseas deployments?

Mr Bowles—That is in the Australian context.

Senator LUDLAM—Do you calculate the greenhouse gas emissions of overseas deployments?

Air Chief Marshal Houston—Can you repeat your question, please, Senator?

Senator LUDLAM—The officer gave us a figure and a reduction percentage for your CO₂ emissions in Australia. I am wondering whether Defence calculates the greenhouse gas impacts of its operations offshore.

Air Chief Marshal Houston—We do not measure it. But what we are doing is becoming much more aware of the need to use best cruising speeds to cut back on the amount of fuel that we use. The Navy, for example, uses state yellow to go for the most economical fuel usage when they go from point A to point B. That usually involves their overseas deployments as well. Transport aeroplanes always cruise at the most economical speed, which means that they use the least amount of fuel for the distance that they fly.

Senator LUDLAM—Okay. But you are not calculating an overall greenhouse footprint for Defence?

Air Chief Marshal Houston—Not at this stage. I guess that is something that we are going to have to have a close look at in the near future.

Senator LUDLAM—I have two more questions. I want to ask about the National Security Adviser, Duncan Lewis.

Mr Warner—Before you leave fuel, we now are in a position to answer in detail some of those questions that you had rather than take them on notice, if that would be acceptable to the chair and to you.

CHAIR—That is sensible, Mr Warner.

Rear Adm. Robinson—I only walked in at the end of the question. I think one question was about the average usage over the last five years. Is that correct?

Senator LUDLAM—Yes, and trends in growth or otherwise.

Rear Adm. Robinson—We have found that the usage over the last six years has generally not changed. It has varied by five per cent or so. It has been steady at about 420 megalitres per year, with a maximum variance of eight per cent. But over that same period the crude oil price has fluctuated substantially with a variance of 280 per cent. So our biggest challenge is being able to predict the volatility—which is not just the price of oil but the exchange rate. For example, last year the Australian dollar went up as the price of oil went up, so any offset we might have expected was not there. We are running close to the wire this year on the budget, with the fuel, but since the price of oil has dropped we think we can get by this year. But it just highlights how we have to keep managing it. The other point I would make for the benefit of the members is that the price that is quoted on your TV screens in the morning is generally the West Texas Intermediate. That is running now at something like \$34. We buy our oil based on the Singapore plats and that is quite a different price. It is quite a bit higher now, so you cannot really make a judgment based on the trends from what is reported on the TV. Can I have the other question again, please.

Senator LUDLAM—You just quoted megalitres—that is of fuel oils and so on right across Defence operations in all categories?

Rear Adm. Robinson—Yes, and the breakdown is—

Senator LUDLAM—Just table it, if you like. I do not want to tie up the committee's time.

Rear Adm. Robinson—I will table it.

Senator LUDLAM—I appreciate that. I will explain the reason for this rather obscure line of questioning. CSIRO were positing \$200 a barrel for oil over the next couple of years. I am just wondering how on earth that would fit in with a customer as large as you.

Rear Adm. Robinson—It would present some difficulties, but the point I would make is that the ADF use is about one per cent of the nation's fuel usage. We participate in the government committee run by the Department of Resources, Energy and Tourism on managing fuel. There is fuel emergency legislation, which we are part of, obviously. I am not trying to say that we would not do anything about it, but I think when the oil price gets to \$200 a barrel there are going to be more people than us in the community having to figure out how to move forward with it.

Senator LUDLAM—Other people in the community can catch the bus. I am not sure that Defence is quite going to be in that position though.

Rear Adm. Robinson—I agree.

Senator LUDLAM—Does Defence have first call on oil and gas supplies in the event of an oil shock?

Rear Adm. Robinson—I am not an expert on the legislation, but it is dependent on the circumstances. Obviously, local fire and other emergency services do have their own place in the pecking order, so it would depend on what Defence is doing. We maintain a certain level of stock to cover fluctuations as part of our own preparedness activities, but I really cannot speculate on where we would fit in the pecking order.

Senator LUDLAM—Could you provide to the committee, on notice, your understanding of the administrative arrangements in the event of an oil shock—very rapidly increased prices? What are the administrative arrangements, as you see them, for Defence's call on fuel and oil supplies and so on.

Rear Adm. Robinson—I can do that.

Senator LUDLAM—I did have a question about the newly announced National Security Adviser. I realise it is not an officer of Defence. I was just wondering if you could inform us about the relationship, the reporting arrangements and so on.

Air Vice Marshall Houston—The relationship is a very close relationship. We work very closely with the National Security Adviser in a whole raft of different areas. The National Security Adviser is the Chair of the Strategic Policy Coordination Group and in that capacity he looks, in conjunction with that committee, at all the strategic issues that are confronting Defence and other departments. To a large extent, he coordinates the whole-of-government response to a crisis in the first instance or, indeed, the whole-of-government response to a set of circumstances that we are dealing with in the national security arena. We have a very close relationship with him at that level, and the secretary and I meet with him on a weekly basis to make sure we are all connected. When we go into the National Security Committee of Cabinet and the Secretaries Committee of National Security, again we work very closely with him on the submissions that are taken through the process to the National Security Committee. It is a very close relationship and one that works very well.

Senator LUDLAM—The last question I have while we are on the portfolio overview relates partly to some material that was published in the 2007-08 annual report and also to material that has been heard in confidence by this committee, through the inquiry into military justice. The 2007-08 annual report cites 765 complaints of unacceptable behaviour, as it is termed. I do not want to go into any of the details shared with the committee on a confidential basis through our inquiry, but the accounts that we have received of practices such as bastardisation in the Defence Force—particularly at Duntroon—are pretty shocking, hair-raising and quite unacceptable. It has been alleged that a number of senior officers still serving with the ADF participate in these practices of quite organised sounding intimidation of people there and at other locations. How seriously are you tackling issues such as bastardisation, and through what efforts in particular?

Air Chief Marshal Houston—I have been on the record numerous times and I know that the service chiefs have too. We will not tolerate any form of leadership behaviour which is negative or intimidates our people in any way. Bullying will not be tolerated and any form of adverse leadership—that is what I would call it—is just not acceptable in the modern ADF.

We have made that very clear at all levels of leadership, and I would hope that some of those stories you referred to are very much in the past. To my knowledge, they do not exist at the moment. Certainly, in the Defence Academy, in the Royal Military College, in the naval equivalent's officer training, NCO training establishments, and indeed, in the recruit schools, I see no evidence of those sorts of behaviour that would suggest we have a bastardisation problem.

Senator LUDLAM—That is gratifying to hear. What efforts have you taken with personnel at an officer level, who obviously have quite a degree of control over their subordinates, to change that culture in the ADF?

Air Chief Marshal Houston—When I became CDF back in July 2005, one of the first things I did, was order an audit of all our training establishments. The audit was designed to assess the culture of our training establishments. That was done by three people who were completely independent of the system—they were not serving in the system. They went around our training system, they went to officer training establishments, they went to NCO training establishments and they went to all of our recruit training schools. They gave us a clean bill of health. They said that there was no systemic problem existing in the ADF. However, they did suggest that there might still be a couple of pockets around the ADF where the old behaviours might re-emerge. So we, the leadership of the ADF, have been at pains to ensure that those little pockets have not been the source of further problems in that area.

Senator LUDLAM—I presume then that you reject the assertion that there are senior officers still serving who participate in practices like this.

Air Chief Marshal Houston—Most of those practices go back a long, long way. I cannot say here this afternoon with certainty that every officer in the Defence Force has never been involved in bastardisation. I cannot say that because I do not know. Basically, these practices were still around in the 1970s and into the early 1980s. We have a large number of officers who are still serving who went through that period of time. So I simply do not know.

Senator LUDLAM—Thank you for taking those questions.

CHAIR—Senator Kroger has some questions on your statement on the Victorian bushfires.

Senator KROGER—I want to go back to your opening statement when you discussed your deployment to Victoria. But, first, I want to put on record our appreciation for your swift response to that situation, because I have heard first hand of the tremendous support and assistance you provided in the strategic approach to dealing with the crisis in Victoria during and following on from the bushfires. What was the number of the initial deployment?

Air Chief Marshal Houston—The way the deployment unfolded was based on requests that came through Emergency Management Australia. The way the system works is, in any crisis like bushfires or floods, we have a direct link from whoever the state authority is to Emergency Management Australia. Emergency Management Australia, if they think the task is something that we can do in the ADF, will put a request on the ADF through Headquarters Joint Operations Command. It is a direct link, and it is one that ensures that there is no unnecessary bureaucracy interfering with the process. It is a very responsive process.

Senator KROGER—How many personnel are currently deployed in Victoria?

Air Chief Marshal Houston—We have 180 deployed at the moment, but we have had another request from Emergency Management Australia for another 90 people to search, I guess, ruined houses to look for people who are still unaccounted for.

Senator KROGER—Presumably those personnel are particularly experienced in that kind of work?

Air Chief Marshal Houston—I understand that, as part of that, there will be a hazard management team. The other people would be, I guess, people who can provide search skills. But I am not across the detail of precisely what has been asked for in terms of the skills of the people who will be involved.

Senator KROGER—Has there been any indication of the time frame involved in that search?

Air Chief Marshal Houston—I have not got that detail. I will take that on notice if you do not mind, Senator.

Senator KROGER—That would be really helpful. In the requests that have come through, has there been a request for personnel to continue in a support capacity? I know they set up camps on ovals and those sorts of things. Has there been a request for that type of support in addition to the search?

Air Chief Marshal Houston—I guess the skills, the capability that the ADF possesses is best used in the immediate response phase of a tragedy like the bushfire. As we move from response into reconstruction, we find that we become less useful because capability within the normal business sector comes into play and is usually more appropriately used for reconstruction.

Senator KROGER—So do you have any idea or estimate of how long ADF personnel will continue to be a very active and supportive presence on the ground?

Air Chief Marshal Houston—I would say that we would certainly be there for another two to four weeks. We still have psychological teams deployed, health teams deployed. We have been providing these community service hubs in the affected communities—as you know, Marysville in particular is probably the worst affected community—and I imagine we will be there for that period of time. General Cantwell will probably be there for many more weeks. He will become the chief operating officer and I imagine he will certainly be there through to the middle of the year. In terms of other capabilities, we are available if required. But I think, with the phase we are going into, most of what is required can be provided by the wider community, and that is a more efficient use of resources. In terms of the search teams that I mentioned earlier, they will undergo two days of training with people who understand and are expert in the business of the sort of search that has to be conducted. They will spend at least two weeks on the task.

Senator KROGER—Thank you.

CHAIR—We are still on portfolio overview and budget summary

Air Chief Marshal Houston—Chair, can I just put a couple of things on the record?

CHAIR—Yes.

Air Chief Marshal Houston—In regard to the question about Tim Holding approaching defence, defence has no record of a visit request for Mr Tim Holding. And in regard to the Afghan army numbers, there are approximately 68,000 Afghan army troops at this point. These figures were sourced from 15 January 2008 ISAF mission review.

Senator JOHNSTON—I would like to go to Navy now, if I may. Admiral, what are the circumstances surrounding HMAS *Perth*? I am not sure you are aware of it, but I have been advised, and I hope that it is wrong, that this vessel has sustained some serious mechanical difficulty and is currently tied up exclusively for training purposes.

Vice Adm. Crane—I am not aware of any damage to HMAS *Perth*. HMAS *Perth* is currently undertaking a refit activity for modernisation for this year. At the end of this year, she will come out for a short period of time to do some baseline work to establish the performance of the combat system that is fitted in HMAS *Perth* before she moves into the next activity, the antiship missile defence upgrade program.

Senator JOHNSTON—Can you tell me where she is now?

Vice Adm. Crane—She is in the west at the moment.

Senator JOHNSTON—Do you know how long she has been there?

Vice Adm. Crane—I would have to check, but I think she has been there since before Christmas.

Senator JOHNSTON—And I am told that she is not seaworthy.

Vice Adm. Crane—That is correct. HMAS *Perth* is in a maintenance activity which lasts most of the year.

Senator JOHNSTON—What is being maintained?

Vice Adm. Crane—She is upgrading her combat system as well as taking advantage of that availability to upgrade mechanical systems.

Senator JOHNSTON—It is the mechanical systems, I think, that are the problem.

Vice Adm. Crane—This is a routine upgrade program, Senator. There is no specific incident or issue. This is part of a routine refit program for HMAS *Perth*.

Senator JOHNSTON—If there were a serious mechanical incident issue, would you be advised?

Vice Adm. Crane—That would depend on how serious it was.

Senator JOHNSTON—A drive train problem.

Vice Adm. Crane—If it were a particularly serious one, yes, I would expect to be advised.

Senator JOHNSTON—I am wondering if you could make some inquiries as to whether there is such a problem.

Vice Adm. Crane—I will take that on notice.

Senator JOHNSTON—Taking it on notice is interesting, but I am concerned. This information came to me very recently and I would like you to make contact with the person

who is in charge of the maintenance program for an update as to whether there is any serious issue arising from that because I am led to believe that there has been.

Vice Adm. Crane—Senator, I will make some inquiries and I will get back to you before the end of the day.

Senator JOHNSTON—I am much obliged. Have we got a costing to Navy on the movement of our 100 submariners to Canada for their set-out training?

Vice Adm. Crane—Yes, we do, Senator. All up the pressurised element of their escape training that we are going to conduct in two parcels in Canada for the first six months of this year is roughly \$1.5 million.

Senator JOHNSTON—That is airfares and accommodation.

Vice Adm. Crane—That is all costs.

Senator JOHNSTON—We have how many participants going to the north, to Canada?

Vice Adm. Crane—There are roughly 92 personnel currently programmed to undertake that pressurised training in Canada.

Senator JOHNSTON—Of the entire submarine available workforce or personnel, 92 out of how many have to go to Canada?

Vice Adm. Crane—We have a figure of 420 qualified submariners at the moment in Navy. A number of those 92 are trainees so they would not be within that figure of 420.

Senator JOHNSTON—I believe we have manning capacity. I think last estimates you said three boats and I think it is now down to two boats.

Vice Adm. Crane—No, that is incorrect, Senator.

Senator JOHNSTON—How many personnel can you put into the water?

Vice Adm. Crane—At the moment I have 420 qualified submariners.

Senator JOHNSTON—That includes reservists and whole lot of others.

Vice Adm. Crane—I am able to man three vessels.

Senator JOHNSTON—How many men in a vessel?

Vice Adm. Crane—We have just enhanced the crew size of our submarines as a result of some review activity and we have grown the crew size in our Collins submarines from 46 to 58.

Senator JOHNSTON—Fifty-eight.

Vice Adm. Crane—Correct.

Senator JOHNSTON—Goodness me. Let's pause to deal with that. Where are we putting the other 13? Forty-five was the original intent, I believe, for that vessel.

Vice Adm. Crane—Perhaps I could go back and help you through our thinking as to how we got to that number. As a result of some activity in the second part of last year we put in place a submarine workforce sustainability review. That review was delivered to me in October. That review contained a number of recommendations—29, in fact—but the bottom

line was to inform me that one of the reasons we were having difficulty with our submarine manning was the workload in the submarine. It made a recommendation that we needed to look seriously at the numbers of people in our submarines to try and reduce the workload on the people that were there.

We did an initial survey of work patterns in the vessel and determined that we needed to increase the numbers of crews in the submarine from what was 46 up to 58. At the same time we also put in place what is called a submarine support group, which is now resident in the Submarine Force Element Group in Western Australia. That consists of 20 people, and the aim of that group is to assist the submarine, when it is alongside, with maintenance activities when it is in its home port and when it is deployed, if required. So the whole process was aimed at trying to reduce the amount of pressure that was on the submarine crew of 46. That is why it has grown to 58.

Senator JOHNSTON—Where are we putting them on board—underneath the torpedoes?

Vice Adm. Crane—They are not all on board. We have the ability for the commanding officer and his command team to rotate. Of those 58, he can use his people to relieve people that need to be ashore for particular periods of time. Instead of having to reach back into the shore-based organisation we actually have people, who are allocated to that crew, who the commanding officer can call on.

Senator JOHNSTON—These vessels are away for several months at a time.

Vice Adm. Crane—They can be. It very much depends on the mission of the vessel at the time.

Senator JOHNSTON—The flexi-crew system is not relevant to that, is it?

Vice Adm. Crane—As I see it, the way ahead for our submarine crewing is not what you would describe as flexi-crewing. What we are going to do is to divorce crews from hulls. So we will have, if you like, a crew that will be able to rotate to available hulls. We may well have more crews than we have submarine hulls available. That allows us more appropriately to manage the operational reliefs as we rotate people into the submarine. It means that we have more people on line and we are not stressing the submarine crew, simply because we can generate more availability out of the submarine hull. So we have divorced the hull and the crew.

Senator JOHNSTON—You are telling me that 98 of the 174 that you have—I am multiplying your 58 by three—are going to Canada.

Vice Adm. Crane—I think the figure I mentioned was 92 or thereabouts.

Senator JOHNSTON—So 92 from 174 are going to Canada.

Vice Adm. Crane—That is not quite right. A number of those going to Canada are trainees. So they are not allocated to the crews at this stage. They are not allocated to those three crews but, as part of their training for their submarine qualification, they need to undergo that pressurised escape training in Canada as well.

Senator JOHNSTON—How many trainees are going?

Vice Adm. Crane—I have about 100 trainees.

Senator JOHNSTON—How many of the 92 are trainees?

Vice Adm. Crane—I do not have that; I would have to take that on notice.

Senator JOHNSTON—You have received Admiral Moffitt's review, and you have received the pulse report with respect to this particular FEG.

Vice Adm. Crane—Yes, I have.

Senator JOHNSTON—Tell me what the medium- and long-term plans are with respect to the management of what is, apparently—you can tell me—a very difficult situation. We have three boats of six, able to be manned.

Vice Adm. Crane—The way we are approaching this is to initially stabilise the workforce in the submarine community, then to recover it and then, ultimately, to grow it.

Senator JOHNSTON—Have we stabilised yet?

Vice Adm. Crane—I think we have, and I have some evidence of that. On 1 January 2008 I had a supply of 429 submariners against a demand target of 660. Twelve months later, on 1 January this year, my demand requirements have gone up by two, so 662, and the supply number has remained the same, 429. So, over a period of 12 months, despite quite significant separation rates in the early part of last year, we have managed to stay stable.

Senator JOHNSTON—We are 231 short.

Vice Adm. Crane—Yes—well, now we are 233 short because we have grown by two in terms of demand. It is my contention that we have stabilised, although I think we need to continue to watch it very carefully. We now need to move into the recovery phase. Within that number we still have some very critical categories, although I am pleased to say that in the majority of those categories the separation rates are falling, so we are beginning to see signs that things are improving. So I think we have stabilised and we are now moving into the recovery phase. As a result of that submarine workforce remediation or review, we have taken a number of actions, and they all go to recovering the workforce, into the next phase. So there is room for optimism, but we continue to manage it very carefully.

Senator JOHNSTON—So we are at two-thirds strength, as an objective assessment of this particular FEG, and we are involved in sending 92, including trainees, to Canada for their accreditation for SETF?

Vice Adm. Crane—That is correct.

Senator JOHNSTON—Do you think that having to send 92 personnel to Canada to acquire their SETF accreditation is helpful in the stabilisation of your two-thirds strength FEG?

Vice Adm. Crane—Senator, it is extremely helpful because unless I do it I do not have the ability to get those people safely to sea. So it is an activity which I must have. And if you will—

Senator JOHNSTON—That is right. One of the most important aspects of the reviews that have been undertaken that I have mentioned is the time away from home of members of the submarine force.

Vice Adm. Crane—Yes.

Senator JOHNSTON—We have a multimillion dollar facility at *Stirling* that is a short stroll from the wharf at *Stirling*, and we are sending these men, what, 12,000 miles away to get their training? Please tell me that it is not helpful.

Vice Adm. Crane—Your question was: is it helpful? My response was that if I did not have this opportunity available to me I would be in a world of hurt in terms of training—

Senator JOHNSTON—You would have 92 less than 429.

Vice Adm. Crane—In terms of training my way out of our current predicament.

Senator JOHNSTON—Okay.

Vice Adm. Crane—Is it the optimum way to do this? No, it is not. My preference would be for them to do exactly as you said, and that is to walk up to our own facility and conduct that training there.

Senator JOHNSTON—Is there any structural problem with the facility?

Vice Adm. Crane—No. To my knowledge, there is no structural problem with the facility. It is currently in what we term wet lay-up, awaiting a solution to the provision of the training.

Senator JOHNSTON—‘A solution to the provision of the training’? Please take that a little further for me: the provision of the training is not available because of?

Vice Adm. Crane—I might have to ask for some help here because I do not manage that training; that is done for me by the Defence Materiel Organisation.

Senator JOHNSTON—So the commodore in charge of this FEG has no control over the contractual management of SETF, yet SETF is vital in terms of accreditation to the manning levels you endure?

Vice Adm. Crane—The commodore who is the commander of the force element group has a large stakeholder role in establishing the numbers to pass through the facility, but the contractual arrangements for the operation of the facility are a matter for the Defence Materiel Organisation.

Senator JOHNSTON—The reason we are sending our 92 personnel to Canada is not to do with structural anomalies or problems with respect to the facility, which is world class and has been used by other nations over a long period in addition to us, but because of a contractual dispute. I know that Admiral Robinson wants to take that further. Tell me what the story is.

Rear Adm. Robinson—The Submarine Escape Training Facility has for some time now been contracted, so the training has been delivered by contractors. The five-year contract expired in June last year. About 12 months before that we took steps to start a process to retender that contract.

Senator JOHNSTON—I will just interrupt you there, if you do not mind. Had there been any problem during the five-year program with respect to the accreditation of our own submariners and the SETF facilities?

Rear Adm. Robinson—There was a period when the SETF was not available because of some maintenance being done by the contractor. Other than that, by and large—

Senator JOHNSTON—We were satisfied with the progress of the contract and, notwithstanding the maintenance period, our submariners all maintained their hours?

Rear Adm. Robinson—By and large. When you say, ‘We were satisfied,’ there was a provision in that contract to extend it. I chose not to do that because I thought we should retender it. But the sailors were being qualified.

Senator JOHNSTON—When it expired we retendered it. The new successful tenderer sought to take it over. Take it from there—what happened?

Rear Adm. Robinson—We ran the tender process. We had a number of compliant tenderers. We put this contract out in conjunction with the escape and rescue service, as had been done previously. The contractors were rated on their ability to perform both services. A preferred tenderer came out of that and we started negotiations with them. At that time we found out that the submarine escape vehicle, the *Remora*, which had had repairs to its lifting apparatus, could not be recertified by the class authority that was doing that—the third party. Because of that we thought there may be a delay in getting the contract in place because we felt that we should then separate the submarine rescue part of the contract from the escape training facility contract.

Senator JOHNSTON—You are saying that the tender contract included the *Remora* and the SETF?

Rear Adm. Robinson—Yes.

Senator JOHNSTON—And that the *Remora* was a problem which washed across to affect contractually the operation of SETF?

Rear Adm. Robinson—I was not prepared to let a contract to a contractor and pay them a considerable amount of money to not operate a system that we were not able to provide them. So I arranged to de-scope the contract. The tenderer agreed to de-scope the contract.

Senator JOHNSTON—So we now have nobody operating SETF?

Rear Adm. Robinson—I will go through the process. Your statement is correct. We got to the point of negotiations where I was not happy with the adjustment to the price from that preferred tenderer.

Senator JOHNSTON—To not manage the *Remora*?

Rear Adm. Robinson—When we separated the contract into the provision of two services—escape training separate from rescue—we said to the contractor, ‘We’ll de-scope it and we will expect you to adjust your price accordingly.’ The preferred tenderer did not adjust the price in the way we thought he should have. A considerable amount of money was being charged that we thought was not warranted. In addition, we got to the point where we decided that we could not then go and start talking to any of the other tenderers who may also have tendered for the service.

To ensure that we did not leave a gap for Navy training we made approaches to other providers—our allies. We had two overseas countries willing to help us. This was a backup plan, which we should have—it is prudent planning. We had Norway and Canada prepared to give us the training. We then knew that with that up our sleeve we could continue negotiating

with this contractor and not be backed into a corner of paying an exorbitant price, which the Commonwealth would have to pay, for a service. We cancelled the tender in December. I was not prepared to enter into a contract that did not represent value for money for the Commonwealth. Had there been no other avenue for training those submariners, it may have been a different issue and I would have been sitting in front of this committee perhaps justifying why I had awarded a contract at a high rate.

Senator JOHNSTON—But the other avenue is in Canada.

Rear Adm. Robinson—That is correct. That is a temporary arrangement while we get a contract in place.

Senator JOHNSTON—So we should never have tendered to include the *Remora*. Is that what you are telling me?

Rear Adm. Robinson—You could say that in hindsight.

Senator JOHNSTON—The *Remora* was on the bottom of the ocean for four months. We always had a problem with the *Remora*. Surely everybody acknowledges that. Why did we put the *Remora* in the contract?

Rear Adm. Robinson—Because our remediation plan had the *Remora* back in Australia. The *Remora* is repaired. The vehicle itself is repaired and certified; the lifting apparatus is not. Our plan had given us—

Senator JOHNSTON—So the vehicle is not certified if the lifting apparatus is not certified, though, is it?

Rear Adm. Robinson—That is right. So the entire system is not unable to be used safely—

Senator JOHNSTON—No—the *Remora* itself is functioning but you cannot lift it—

Rear Adm. Robinson—That is correct.

Senator JOHNSTON—So it is pointless, useless, worthless.

Rear Adm. Robinson—That is correct.

Senator JOHNSTON—So our submariners do not have a rescue vehicle?

Rear Adm. Robinson—There is no Australian rescue vehicle. We have made arrangements for an overseas rescue vehicle, under contract.

Senator JOHNSTON—Which is where?

Rear Adm. Robinson—It is in the UK, in Scotland.

Senator JOHNSTON—What is the flying time to get that here should we have an event in the WAXA or the NAXA?

Vice Adm. Crane—I might be able to help you a little bit on that. The vehicle in the UK is, as I understand it, on 12-hour notice to dispatch to Australia should we require it.

Senator JOHNSTON—Who has priority over it?

Vice Adm. Crane—We do. That is in the contract.

Senator JOHNSTON—So the Royal Navy has said, had no matter what happens with their situation, we will have priority?

Vice Adm. Crane—It is not a vehicle that is currently employed by the Royal Navy. The Royal Navy has moved to a NATO solution, so the LR5 vehicle is available to us as a first priority. As I said, they are on 12-hour notice for embarkation. We have run a number of exercises. The most recent was a desktop exercise in January where we had a requirement for support from their system for one of our submarines, fictitiously. The system was available to us on site, over the submarine, within 80 hours.

Senator JOHNSTON—How many hours?

Vice Adm. Crane—Eighty. The ability of the submarine—

Senator JOHNSTON—Life-support systems are not going to last 80 hours, are they?

Vice Adm. Crane—Yes, they do. That was my next point. The ability for the submarine to be able to maintain its survivability and life-support systems is an important part of this. That 80 hours was within the time frame that we needed in order to be able to safely evacuate our people from the submarine.

Senator JOHNSTON—Have we briefed our submariners of this?

Vice Adm. Crane—Yes.

Senator JOHNSTON—Why, if we have got priority, don't we bring the thing out to Australia? That silence worries me.

Vice Adm. Crane—My understanding is that they do have other customers, but the way—

Senator JOHNSTON—But we have got priority. Other customers should be waiting the time.

Vice Adm. Crane—Yes, we do, but that is where the equipment is stationed.

Senator JOHNSTON—This is most unsatisfactory. Let's be blunt: this is terrible.

Vice Adm. Crane—If you are asking me as Chief of Navy, 'What do you want?' I would say I want my own system here and available. We do not have that at the moment, so we have to put in place other options.

Senator JOHNSTON—We cannot use the SETF because of a contractual dispute and a tender stuff-up, to put it bluntly. We have got no *Remora* because it cannot be lifted and we have got priority over a machine in Great Britain for which we have to wait 80 hours or more. This is not good. I cannot believe you are telling me this. Keep going.

Rear Adm. Robinson—The location of the LR5, which is under contract to us, was considered in the assessment of how to best manage this. We could have paid substantially more and had it pre-located in Australia.

Senator JOHNSTON—What is 'substantially more'?

Rear Adm. Robinson—Several million dollars.

Senator JOHNSTON—Several million dollars? We have a budget of \$22 billion here.

Rear Adm. Robinson—That assessment included the fact that the rescue suite is not maintained simply for the Western Australian exercise area. It is maintained to deploy on the Australia station—

Senator JOHNSTON—That is only four or five hours. If we put it in Sydney it does not matter. Tell me you are not going to argue that it should go one side of the country or another. We are waiting on 80 hours.

Rear Adm. Robinson—The difference in mobilising is the flying time from Glasgow to Perth. It is 12 hours wherever it is. If it is sitting in a shed in Western Australia—

Senator JOHNSTON—Yes, but it is 80 hours to get it ready—

Rear Adm. Robinson—No, it is 12 hours to get it to *Stirling* and put it on a boat.

Senator JOHNSTON—Okay.

Rear Adm. Robinson—That assessment was done by and included a number of qualified submariners in this area.

Senator JOHNSTON—And this is all because of a tender mistake?

Rear Adm. Robinson—I maintain it was all because of prudent action in a tender process.

Senator JOHNSTON—I have to tell you that I do not agree with you. I seriously do not agree with you. The first priority has to be the submariners, surely.

Rear Adm. Robinson—I agree with that.

Senator JOHNSTON—Well, you know—

Rear Adm. Robinson—So the priority is to ensure that the equipment is safe and certified to rescue them. There are a number of reasons why it is not, and I made a decision on balance, with advice from experts in this area, to take the course we did—and I accept responsibility for that. We are releasing a new tender for the training next week. We will have that in place in the next couple of months. We are working with Det Norske Veritas, the classification society, to certify the lifting arrangement. If that cannot be done—and it is possible, because there are extreme pressures involved in this—we will have to pursue a different course, which could mean building a new one. But we are putting in place these backup arrangements to do that. It is not a satisfactory arrangement. It is the arrangement that happens to be there now, and I believe it is the best one we can do. If the Chief of Navy wants me to bring it out, I can do that—all I will say is that it will cost us more money; we will take that from some other area of the budget. These are decisions that are made—and I make them. I do not make them lightly, and I manage a big budget.

Senator JOHNSTON—I am not going to second-guess you, but I have to tell you that it does not have a good look to it—any of this. This is our premier force element group.

Rear Adm. Robinson—I agree with you, Senator. I would love nothing better than to have this thing stitched up and sorted out, and that is what we are working on. But sometimes you get to where you are.

Senator JOHNSTON—When is the certification of the lifting equipment going to be finalised—or not finalised, as the case may be? When will you know?

Rear Adm. Robinson—I would hope to know that by midyear.

Senator JOHNSTON—June?

Rear Adm. Robinson—Yes.

Senator JOHNSTON—Goodness gracious me.

Rear Adm. Robinson—We work with these independent agencies, and they are not in the business of certifying equipment if they do not believe it can meet the requirements.

Senator JOHNSTON—What is the cost of a new *Remora*, and how long do we have to wait for one?

Rear Adm. Robinson—A new *Remora* could cost us as much as \$50 million. The company that is best placed to build it is in Canada. It would take a couple of years to build and commission that. The best course of action is still to pursue fixing this lifting arrangement and having it recertified. We are taking parallel courses of action in case we have to move to building a new lifting arrangements. And all the time, of course, there are plenty of people willing to provide their particular solution to us, at a great cost to the Commonwealth. It is not a simple matter that we are managing. I am happy to take advice on how I can better manage it, and I do that.

Senator TROOD—Whose responsibility was it to maintain the lifting arrangement?

Rear Adm. Robinson—The contract specified that the contractor was to maintain the equipment.

Senator TROOD—So it was the responsibility of the contractor whose contract you did not renew. Is that right?

Rear Adm. Robinson—That is right.

Senator TROOD—So they have failed in their contract?

Rear Adm. Robinson—No, because the lifting gear was being repaired following the loss at the time the contract completed. So part of the new contract was for us to return to the new contractor certified equipment for that contractor to use. The equipment was certified at the time of the loss. There are several issues there that I do not think appropriate to discuss, because the Commonwealth is pursuing action to recover damages for the loss. But the classification society, on the basis of information that they had, was not prepared to recertify it after it had been repaired.

Senator TROOD—I see. Admiral Crane, you said that the 80 hours was within the parameters for survivability. What are the parameters insofar as they are available to us?

Vice Adm. Crane—I know it is within the parameters that the submarine can meet for survivability. I cannot give them off the top of my head, but I am certainly happy to get a list of them.

Senator TROOD—Well, are we well within them or are we running close to the edge?

Vice Adm. Crane—Well within them.

Rear Adm. Robinson—As part of this arrangement we undertook to provide additional life-support stores to the submarines. It is substantially longer than 80 hours—I think we

provide stores for up to a week. I can be corrected. That is not ideal, obviously. In some cases, even with this equipment fully operational, we would expect to have to wait that long to get equipment in place, because our submarines operate in various locations.

Senator JOHNSTON—So let me understand this. When we bring out the vehicle from Glasgow, how do we bring it out—C17 ?

Rear Adm. Robinson—It is generally in an Ilyushin aircraft.

Senator JOHNSTON—An Ilyushin aircraft—so we have to charter that?

Rear Adm. Robinson—That is correct.

Senator JOHNSTON—And hope that one is available; make sure the pilots are okay to fly; bring it out with personnel?

Rear Adm. Robinson—That is part of the contract with the company that operates it.

Senator JOHNSTON—So it is their personnel. We have never hooked up that particular design of vehicle to a Collins class submarine previously?

Rear Adm. Robinson—I do not know the answer to that question. I would have to check. Our submarines participate in international exercises on an annual basis. We regularly mate with other countries rescue vehicles. We may well have, but I do not know that—but they are all certified to mate with each others' submarines and rescue vehicles.

Senator JOHNSTON—It is a pretty important consideration, Admiral, I would have thought.

Rear Adm. Robinson—That is correct. One of the things we do on a regular basis is certify both our submarines' escape hatch and mechanism with various countries. The United States Navy is the lead country authorised by the international organisation to certify. They assess all rescue vehicles and all submarines by international agreement and ensure that they are certified to mate with each other.

Senator JOHNSTON—Please tell me we are certified for the vehicle we have contractually acquired in Glasgow with respect to our submarine?

Rear Adm. Robinson—It is certified to do that, but I cannot tell you whether or not it has actually ever mated with a Collins submarine.

Senator JOHNSTON—It is certified? So we have the piece of paper.

Rear Adm. Robinson—I have not seen the piece of paper. I would have to confirm that.

Senator JOHNSTON—Would you please confirm that.

Rear Adm. Robinson—That is the usual arrangement, I can assure you, because I go through it at, I think, five yearly intervals.

Vice Adm. Crane—I have some confidence that that would exist because, as I indicated earlier, this particular vehicle was the vehicle that was used by the Royal Navy and other navies up until just recently. So I would be confident that the mating arrangements that are available on this particular vehicle meet the standard that we currently employ.

Senator JOHNSTON—Can you tell me how long the government has been availed of this situation and how many open sea hours our submarines have been at sea for whilst this occupational health and safety mess has prevailed—and then tell me why we are having trouble getting submariners? Sorry, disregard that last comment.

Rear Adm. Robinson—I can answer part of that. When *Remora* was lost in December in 2006 we immediately advised the government of the loss. We advised the government of the interim arrangements put in place. We advised the government from December 2006 to when we recovered the vehicle in April 2007, and then the status throughout 2007 of its repair in Canada and in Scotland. I am confident and happy that the government has been advised at each stage of the status of the repair, the issues that have prevented it being recertified and the backup plans put in place.

Senator JOHNSTON—Did you ask for an appropriation or for any money to fix this problem? Is it a money fixable problem?

Rear Adm. Robinson—I asked for money and received money to restore the *Remora* to full certification.

Senator JOHNSTON—Except the lowering system.

Rear Adm. Robinson—No, the whole equipment suite.

Senator JOHNSTON—What is the hold up with respect to the certification of the vessel?

Rear Adm. Robinson—The lifting gear is an A-frame that lowers the *Remora*. The stresses caused by the sea as the *Remora* is lifted and lowered are substantially more than the deadweight of the *Remora*—a factor of up to six, I understand. The lifting gear has a series of heave compensation devices, hydraulic mechanisms attached to them. The ones on the LARS are not as substantial as they could be. The issue we are going to now is: can we make modifications to that and have it recertified, or do we have to build a larger frame? We have pioneered this arrangement in submarine rescue. The United States Navy has just commissioned a similar arrangement. They are going through a similar process of establishing certification for this heave compensation. The engineers work on the design and DNV certify it, so the question now is: can we modify the current frame enough to get the certification for the sea states we want—we are asking for a substantial sea state, up to sea state 5, which is quite high—or do we have to build a new system? It is not a simple engineering problem. I am not an engineer. It is quite complex, the stresses on that frame. This is being worked through by competent people with due process to the integrity of it. I am really concerned that it has taken as long as it has, but if we do not get this thing right then we are not going to be well served in the future.

Senator JOHNSTON—When do you think you will be in a position to advise the committee as to the existence of an indigenous Royal Australian Navy controlled rescue system?

Rear Adm. Robinson—As I said, by the middle of the year I will know whether we will use the current system or whether we will have to pursue a different course. I do not know then how long that would take if that is the case. I do not want to prophesise a date, except to say that it is as early as we can practically get it done.

Senator TROOD—It is not soon, is it, Admiral?

Rear Adm. Robinson—It is not soon, but I have to reiterate: we are using the best engineers and designers in the world, who work on this on a daily basis to resolve this issue. Short of throwing it out and starting again, which I said would take longer than restoring this item, we are in for a substantial period of months—six months at least, or at least until the middle of the year—before we can get this. That is why we have these alternative systems under contract.

Senator JOHNSTON—We have had men at sea in submarines since April 2007 in the full knowledge of this problem and we do not have definitive time frame by which it will be resolved. That is the situation with respect to safety in submarines at the moment.

Rear Adm. Robinson—We had a time frame until we ran into this certification problem. That was not something we had foreseen. This is Chief of Navy's to answer, but submarines operate far and wide, so there are other issues.

Senator JOHNSTON—Have our operations been curtailed on the basis of the lack of this safety recovery system?

Vice Adm. Crane—Senator, I was going to go to the second part of your initial question, where I think you were asking what is the effect on open sea hours or something like that.

Senator JOHNSTON—Yes.

Vice Adm. Crane—This system that we are talking about has a maximum operating depth which is much shallower than the areas where our submarines operate. Our submarines generally operate in much deeper water. So the effect on operations is minimal. Where we really need to pay attention is when we are conducting initial licensing trials on our submarines, when we deliberately do that in shallow water with escort vessels and finely honed safety arrangements so that if there is an incident we are able to deal with it quickly and effectively.

Rear Adm. Robinson—Where that occurs in an arrangement like this, we would, under the contract, put the vehicle on a very short notice so that if we did need it it would be here quickly. There have been occasions when, for one reason or another, that notice could not be met, and we have adjusted our licensing trials. We just would not do it until we knew and we were comfortable that we had the necessary safety arrangements in place. So your question in terms of open-sea hours is a complex one, because there are many places that our submarines operate around Australia, and indeed around the world, where they are operating at depths that are well in excess of the maximum operating limits that apply to this sort of recovery system.

Senator JOHNSTON—Can we go back to SETF. Can you tell me when we are likely to be able to use our facility again?

Rear Adm. Robinson—I am putting a tender out on 3 March, I think. We will ask for a one-month turn around on that because there are a number of providers who are keen to provide this service.

Senator JOHNSTON—Including the former five-year contractor?

Rear Adm. Robinson—We initially will not preclude anyone from tendering for that contract. That is why—

Senator JOHNSTON—I asked that because it seems that we did not have a problem.

Rear Adm. Robinson—It is an open tender. I am not going to sole source it because it is—

Senator JOHNSTON—There is a one-month turnaround. How long will it take us to process, after that one month, the applicants?

Rear Adm. Robinson—I think I have something like another month. Some time in May we will have a contract.

Senator JOHNSTON—Will the contract ostensibly be the same as the old contract?

Rear Adm. Robinson—No, the contract will be modified slightly.

Senator JOHNSTON—I mean the contract that was held for the five years, when things were working smoothly.

Rear Adm. Robinson—No, it will not be the same. This contract will be just for the escape training. It will be just for the water workers. Initially I am going to manage the maintenance, rather than pay a contractor to subcontract to someone else the maintenance. At the moment we are managing maintenance of that facility to keep it in certification. So the contract will be modified. It will be water workers who conduct the training in the facility.

Senator JOHNSTON—When is the certification next due for the SETF facility?

Rear Adm. Robinson—I do not know the answer to that. It is a five-yearly process. It is some time off, as I understand it. As part of the certification a new contractor would then have to qualify his water workers. It is not going to happen overnight. No matter what you may be told by the water workers we are not going to let them in that tank without making sure they qualify and retrain.

Senator JOHNSTON—What are our water workers doing while this is not happening?

Rear Adm. Robinson—We paid money to retain them last year during negotiations up to December because at that point there was a vibrant off-shore industry in Western Australia. After December, I think the preferred tenderer continued to retain their services for a month or so. My understanding is that from about January they have been out there in the market place.

Senator JOHNSTON—So we haven't got water workers! We have lost them.

Rear Adm. Robinson—I do not think we have lost them. I think they are out there and that as soon as this tender hits the street there will be quite a bit of interest and there will be a number of bids coming in which may or may not use the same water workers. There are plenty out there. I have heard of other companies willing to enter this market.

Senator JOHNSTON—Weren't our water workers Navy personnel—

Rear Adm. Robinson—Some of them were Navy personnel.

Senator JOHNSTON—with unique skills and abilities to dive down to five storeys in this facility and swim around the bottom and help people and teach them how to escape from submarines?

Rear Adm. Robinson—The Chief of Navy is far better qualified than me to answer that—

Senator JOHNSTON—I know. That is why I am looking at him.

Rear Adm. Robinson—but this is specialised. These contractors come from offshore industries. They are not all from the Navy. They have worked in deep diving, and the oil and gas industry. They still need to learn the particular technique for this breath-held rescue.

Vice Adm. Crane—I may be able to help with this. A number of the contracted water workers were previously members of the Royal Australian Navy, principally in the Clearance Diving Branch, who left the Navy to take on this task. Prior to us doing that, they operated in that facility as members of the Navy, but there was a conscious decision taken to outsource this training some years ago, so we do not have that skill set in the Navy anymore.

CHAIR—Senator Johnston, do you want to pursue this further?

Senator JOHNSTON—No, I am done on this issue.

Vice Adm. Crane—I took a question on notice earlier in relation to the number of trainees in Canada. Of the 92 that are going, two-thirds are trainees and one-third are requalifications of trained personnel. So, that is, two-thirds are new people and one-third are requalifications.

Proceedings suspended from 3.31 pm to 3.51 pm

CHAIR—I understand that, arising out of our discussion on Navy, Senator Kroger has some issues to pursue with ABC Learning centres, but we will go to the CDF first.

Air Chief Marshal Houston—I would like to correct the record. I think I read a date that was wrong. It was in regard to the Afghan army figures. That was a review that was conducted on 15 January 2009. Secondly, the ISAF campaign plan was dated 15 January 2008 and General McKiernan assumed command on 3 June 2008. Of course, the plan is adjusted through time. So there would probably be several amendments to the plan. That is all that I have to say.

CHAIR—Thank you, CDF.

Vice Adm. Crane—Senator Johnston asked me a question in relation to HMAS *Perth* and drive trains. I can report that there was a defect in the drive train that occurred in March 2007. That was repaired in June 2007. HMAS *Perth* is currently alongside in Fleet Base West, undergoing routine maintenance in preparation for a refit in April of this year. There are no operational safety defects on her propulsion system.

CHAIR—Thank you, Admiral.

Senator KROGER—Defence has had a contract with ABC Corporate Care for the management of 18 defence owned childcare centres and priority access over another 20 centres. Firstly, I want to inquire how many children were enrolled in defence owned centres or those centres given priority to ABC Corporate Care?

Mr Bowles—As you pointed out, Senator, we have about 21 defence owned centres that were managed by ABC, and we have priority access into approximately 20 or 21 other centres as well. The majority of children in those centres—approximately 1,100 children—are in the defence owned centres and another 400 to 500 are in the other centres.

Senator KROGER—Because there has, obviously, been significant concern about families impacted by the collapse of ABC Learning, what provisions have been made to support those families whilst they are currently going out to tender?

Mr Bowles—All of the defence owned facilities are still running as per normal. There are no issues in regard to those particular centres. We are currently working with the receiver to look at what the long-term arrangements are for whatever might come at the end of the ABC era. We are confident at this stage that we will be able to novate into our current arrangements some form of future for defence owned centres.

Senator KROGER—From the negotiations that have taken place to date is it your belief that all those centres will remain open?

Mr Bowles—Yes, it is.

Senator KROGER—And is it your understanding that they will all be taken over by the private operators who are bidding for those centres?

Mr Bowles—I cannot talk about who we are actually dealing with in relation to that because it is still part of a process that we need to complete. However, we are confident that the Defence owned centres will be under a new arrangement before long.

Senator KROGER—I understand—and I do not know where your centres fit into this, hence my question—that there are some 240-odd centres that are currently in the process of being bid for and the bidding process for those concludes by 25 February, I believe. Are any of the centres in those 240?

Mr Bowles—As I understand it there are about 262 of those centres in that particular bucket. Our 21 are in that and we are in negotiations with a particular group to novate into our current arrangements.

Senator KROGER—So the 21 you refer to are the 21 that are owned by Defence and not the 21 that you have priority access to?

Mr Bowles—That is correct.

Senator KROGER—Of the 21 that you have priority access to, has equal consideration been given to the process of those centres and the impact it will have on families?

Mr Bowles—We are obviously very interested in what happens with any of the centres that we might have access to either now or in the future. We are interested in that but we have no controlling interest, if you like, in what may happen to those particular child care centres. They are in different hands because you might find a different set of circumstances with those particular ones. However, with our 21 we are intimately involved in what may happen there.

Senator KROGER—In the *Sydney Morning Herald* in November last year it was commented on that personnel with child care problems had been promised by the Defence Force that those personnel affected could work from home. Was that an offer that was made? Obviously we are talking about parents of children!

Mr Bowles—Obviously. All of the Defence owned ones, and the ones that were operated, continued to operate through this period, so there was no real need to go down that pathway. As I understand it, some parts of the organisation did allow some people to work from home

if they had particular child care concerns at a particular point. But I stress that anything that was Defence owned continued to operate through this period.

Senator KROGER—Are you aware of any personnel that have taken up the option of being able to work from home whilst child care arrangements were facilitated?

Mr Bowles—Personally, no.

Senator TROOD—The deadline for resolving these ABC things is, I think, 31 March. Are you confident that the arrangements that you are in the process of concluding will be finalised by that date?

Mr Bowles—Yes, we are still reasonably confident that we can do that. There are obviously a whole range of licensing issues that we need to deal with, but all the indications are at this stage that we will meet the 31 March deadline.

Senator TROOD—That is in relation to these corporate centres?

Mr Bowles—In relation to the 21 Defence owned centres.

Senator TROOD—With the centres to which there is Defence priority access, I assume or at least I hope you are also pressing to ensure that that access remains in place.

Mr Bowles—Yes, we will maintain an interest in anywhere where we would want to have children of defence families. Whether it is in the same place or not may be a question that we need to look at, but obviously someone else is going to make the decisions about the viability or otherwise of those centres. But we will always maintain an interest in anywhere where our members have children.

Senator TROOD—Are you waiting for those matters to be resolved before you do anything or are you in touch with the receivers of ABC to try and ensure that this access continues?

Mr Bowles—Yes.

Senator TROOD—Precisely what are you doing?

Mr Bowles—We are constantly in touch with the receivers on a range of issues here and we are looking at a particular provider in relation to our defence owned centres. There is a significant amount of work going on in the background. Because of the sensitivity, it is not a public issue at this point. I cannot talk about it.

Senator TROOD—No, I see your point and I think both Senator Kroger and I are reassured by your response in relation to the corporate centres. It is the other centres, of which there are quite a few and where defence personnel have previously had priority access, that we are interested in because that is obviously important for those defence personnel.

Mr Bowles—That is correct. Yes, we are intimately involved in trying to understand what their long-term outcome is. If there were any concerns about some of them we would look at alternative arrangements.

Senator TROOD—Has any of the \$56 million that the government has put forward gone into any of the defence related centres?

Mr Bowles—I believe it has in some cases. I cannot be definitive on which ones, though.

Senator TROOD—Has the defence department been requested to make any kind of contribution to the preservation of these centres in the meantime?

Mr Bowles—No.

Senator KROGER—To follow up, who is actually undertaking the negotiation on the behalf of defence on the bidding process of the 21 owned by the defence force?

Mr Bowles—It is managed within my area of defence support through the Defence Community Organisation. It is being managed by the director general of that particular part of defence support.

Senator KROGER—Presumably in that process—and I appreciate the sensitivity of it at this time—you have to be transparent regarding the income generated and the assets of the business and so on so that there is full disclosure of all the ins and outs of each of those individual corporate entities.

Mr Bowles—Anyone we are dealing with needs to fit within the arrangements that we have previously had. That has been one of the ways we have looked at this—by novating it into our current process, therefore not altering the way we do business today. That has been a focus of ours. We are talking with a couple of groups about that way of doing business.

Senator KROGER—Presumably one of those conditions is that all users of those centres are family of defence force members. Are there other conditions that they have to consider in this bidding process that would not otherwise be the case for other independently run childcare centres?

Mr Bowles—I am not sure what you mean. We had a particular arrangement, obviously, with ABC Learning and we are looking to try to maintain the same type of operation with another operator. We are pretty much going down the same path because to novate into a contract you do not change the rules, basically.

Senator KROGER—So would that include things like hours of opening that may be different to other childcare centres and may be particularly pertinent to personnel in the defence force?

Mr Bowles—I do not know specifically how each individual centre would operate, but I would not envisage that there would be significant change from the way we currently do business.

Senator KROGER—As an aside to this, is it an option in the Defence Force for personnel to work from home?

Mr Bowles—Generally that is a decision made by individual parts of the organisation as to whether it is feasible or not. It is not something that—for instance, through any part of our contractual arrangements—we look into that at all. But if someone on my staff, for instance, had a particular issue and if they could work from home I probably would not have a problem with that. But in some parts of my organisation I may have a problem with that. So I would just need to make that assessment, and I think most parts of Defence would be very obliging in how they actually treat some of those issues.

Air Chief Marshal Houston—Senator, we have a lot of people from time to time who work from home. It is usually an arrangement that is made with their supervisor. It quite often happens when people have issues as to children.

Senator KROGER—Thank you.

CHAIR—Thank you, Senator. We are currently dealing with outcomes 1, 2 and 3 and the issues under those headings. We will go to Senator Johnston.

Senator JOHNSTON—Thank you, Chair. I am not sure whether my questions fit within those outcomes but I am sure that Mr Warner might be able to help me. I refer to the Leopard tanks for the RSL. Does that matter come under your bailiwick?

Mr Warner—Probably not, Senator.

Senator JOHNSTON—Is that a DMO matter?

Senator Faulkner—I believe it is a DMO matter. Yes, I am told it is a DMO matter.

Senator JOHNSTON—Right, we will put that off until we get to DMO. Is strategic aviation a DMO matter?

Mr Warner—I think it depends on what issues under that heading you—

Senator JOHNSTON—Quality and value for money.

Mr Warner—Yes, I think it is DMO.

Senator JOHNSTON—And gap year?

Mr Warner—Definitely not DMO.

Senator Faulkner—Even I knew that!

Senator JOHNSTON—So, General Alexander, it seems you are in charge of gap year. It is just that you looked interested!

Major Gen. Alexander—Chair, may I respond to some of the questions that I was previously asked and put the answers on the record?

CHAIR—Yes, you can in a very short moment, General. We might bring forward the officers on gap year and handle that before we go to DMO. General, you now have the floor.

Major Gen. Alexander—Thank you, Chair. I was asked a question in relation to the number of Army and Air Force personnel that were considered for discharge out of a total of 104. Those numbers are: 30 for Army and 20 for Air Force. In relation to the total numbers of personnel with a BMI above 30, the break-up is: male, 1,910; female, 132; Air Force, 532; Navy, 195 and Army, 1, 315. In relation to financial year 2006-07 and in relation to the ADF rehabilitation program, the number is a total of 138. In relation to the number of recruits that have been recruited with a BMI above 30—so the range of 30 to 33—from July 2007 to December 2008 it was 640. During that period a total of 12,559 recruits were recruited. I table the objectives of the CMBH study.

CHAIR—Thank you, General. Senator Ludlam had foreshadowed with me that he wanted to raise two or three matters under outcomes 1, 2 and 3. If his office is watching the monitor,

they might get him here fairly quickly, otherwise until then we will go onto capability development.

Air Chief Marshal Houston—Chair, we are ready to answer questions on gap year.

CHAIR—All right then, we will do gap year. That is good.

Senator JOHNSTON—Mr Minns, thank you for coming to the table. I believe this program is very successful. Can you confirm that?

Mr Minns—Yes, Senator. It is still our view. I guess we wish to evaluate the program more fully, together with some of the other programs under the retention and recruitment initiatives of 2006-07, but it continues at this stage to be an effective way of giving people a first opportunity to experience life in the ADF. We are seeing some conversion rates from gap year participation into enlistment, but of course that was not the entire design of the scheme. It was about people doing the year, perhaps proceeding back to university and then returning to the defence organisation afterwards.

Senator JOHNSTON—Why in May last year did we announce that we wanted to increase the intake by 300, and then not do that?

Mr Minns—We had a view that we wanted to complete the trial of gap year and see how it operated. When we initially started the gap year process and committed to the program, I do not think we had a full appreciation of all the ancillary costs that would drive through the system. The time in which gap year has developed as a program is certainly before I joined Defence. But what I do understand about it is that we moved very quickly and rapidly to make it part of the retention and recruitment initiatives and it is the case that we did not have a full understanding of all the ancillary costs throughout the system.

As we were able to clarify that—and we did that through both normal budget processes and the work that we were undertaking around the workforce companion review and the approach we were taking to the savings program within Defence—we got to a much clearer position as to all the related costs throughout the entire training system. In that process we made some prioritising decisions through the committee processes of Defence. At that point we decided we would try to keep it at the level that it was. From memory, and certainly the CDF would be able to recall this too, we did have some concerns about the impact of gap year on the training pipeline within Air Force. There was a scenario where traditionally Air Force is able to recruit to its annual intake requirement and in a sense gap year was operating to crowd out its normal recruitment efforts at officer level. We saw that as cannibalisation potentially if we vastly increased the gap year participation rate in Air Force. So on that basis that led us to conduct some inquiries about the cost and the mix. Broadly, we decided to stay at a number of around 700 and we actually reallocated the spread across the three services in conjunction with each of the service chiefs.

Senator JOHNSTON—By way of suggestion in passing, I do have some more questions. It would have been advisable to publish that. Many parents are very pleased with that system and when it began to become more difficult to get into I think that achieved outcomes that were a little counterproductive. I think you should have published the reasoning—which I accept; I think it is quite valid, and I think you have answered the question very well. I would

have liked to have seen a publication that said we had these difficulties. Can you tell me, broadly speaking, what the ancillary costs are?

Mr Minns—They are all the costs related to kit and equipment and weapons and rations and accommodation. You can look at some of those and say they are already extant in the relevant service budget, but some are not; they are in fact volume driven. As to the point about being upfront about that context and the reason for the change, we do take that on board. It is a sort of program, particularly in its second year, that is oversubscribed. It is oversubscribed this year again by a significant number. So there is a lot of interest in being considered for it.

Senator JOHNSTON—What concerns me is we are sending mixed messages here. We have a recruitment problem in Navy, and I suppose one in Army. We take in about 3,000 to 5,000 every year. And you are telling me that an additional 300 was going to bring an ancillary cost that we did not want to bear. I accept that. I do not know the costs applicable to each division, but I am sure they are quite sizable. But on the other hand we have all these hollow regiments and hollow companies and we are desperate to get people into our ships and what have you. This seemed like a very good mechanism to achieve that but it seems to be contracting, if you follow me. Is there a website for this thing?

Mr Minns—You can certainly reference the information about the gap year from the Defence jobs website and I think there is a site that relates to gap year in its own right. The issue that we have got—and it is this idea about potential for cannibalisation—is that we have capacity constraints within our training institutions, so there is a throughput issue within our training institutions. If you look at Navy, for example—Admiral Crane would have the exact number—in excess of 2,000 people are engaged in the training force, currently training. So they are not really available to Navy in a trained sense and the training institutions are packed to the rafters. So when we look at gap year and its introduction we have just got to be careful about how much of that experience we promote and encourage for a single year versus people joining and enlisting for career purposes.

The decision we made this year was that staying around the 700-plus mark was the right place to strike the balance. We are aware that when we say no to people in their gap year applications, either because they do not meet the competitive standard or because they apply in the process at a point that is too late and they therefore do not make it, it can be a negative driver for that individual if they really had their heart set on the activity.

Senator JOHNSTON—Them and their parents.

Mr Minns—Yes, I agree. Defence Force Recruiting tries to very carefully run that process and it does take it seriously. In a normal enlistment process there is a difference in the sense that, unless you are applying for a trade category that has a specific training window, you can indicate that you want to enlist and we will talk to you about the best time to do that and there is no cap.

Senator JOHNSTON—Yes.

Mr Minns—If you meet the standard and you are competitive then you are enlisted.

Senator JOHNSTON—And there is a more scheduled intake period?

Mr Minns—That is right. With gap year there is a sense in which if you get across the line and we fill up the 700-odd spots then it is first-in meeting the standard is first enlisted. Defence Force Recruiting has looked carefully at scenarios where we felt some process that we had undertaken had led to an application being slow in being considered, and we have taken those cases where people have brought them to our attention and seen if we could redress that for the individual.

Senator JOHNSTON—How oversubscribed are we, and are we writing to those people who wanted to come in and giving them a further opportunity?

Mr Minns—I am sure we are writing to them. I will just try and see if I have got the level of oversubscription.

Air Chief Marshal Houston—We have currently got 714 in the gap year program this year, so we are 14 oversubscribed. The other thing I would mention is that Air Force has the smallest number and, of course, when you have a look at their current recruiting figures and separation rates that is not surprising. The overall separation rate for Air Force is below seven per cent. They are running at 6.9 per cent.

Senator JOHNSTON—Thank you.

Mr Minns—I could get for you—probably before 6 pm tonight—the number of applications we have received here to date.

Senator JOHNSTON—I appreciate that. I am very interested in this project—I think it has got a lot of potential. I know that Senator Kroger wants to ask a question about this matter.

Senator KROGER—What is the breakdown of male and female participants and also applications? It would be interesting to see what the success rate by gender was there.

Mr Minns—I can get the success conversion rate by gender for you by six o'clock. Broadly speaking, in the order of a third-plus are women joining the gap year. Within Navy it is an even higher number and we have a view that outcome goes to the idea that young women and their parents are taking the view that it is an opportunity to have some level of 'try before you buy'—to experience life in the ADF and to make an evaluation of the progress the organisation has made in the way that it deals with, supports the careers of and generally addresses women in its workforce. We see that as a positive because, whilst most of our recruitment efforts put a lot of energy into trying to influence the parents as key decision influencers for people to enlist, we know that in the end experience—and direct experience—is going to speak volumes.

It is a good sign that we are seeing higher rates of participation by women in the gap year than we are in general enlistment. If gap year runs well and those people join the community and are advocates for the fact that it is a modern organisation with a serious commitment around zero tolerance for harassment and discrimination, then that message will continue to build in the community.

Senator KROGER—I share my colleagues' comments of support, because I think it is a wonderful program. Even for those who do not choose to stay in the force, I think it provides

kids with some tremendous skills which they can translate across and carry over into whatever fields they may pursue. It is a great program.

Senator LUDLAM—I seek your advice, Minister. I have got a couple of questions that I would like to ask about the ADF's involvement in the Northern Territory intervention. Is it appropriate to cover those now or should they be handled on Friday?

Senator Faulkner—Senator, as long as we can facilitate that for you, I would be more than happy to try and cover it now. I will check with officials as to whether we can cover the Northern Territory intervention at this point.

Air Chief Marshal Houston—We will give it a shot.

Senator LUDLAM—I am aware that this might come up again on Friday. I will start with something general. Can you describe the role that Defence is playing in the NT intervention?

Air Chief Marshal Houston—I think our role is now well and truly over. We do not have anybody deployed on the emergency task force at this time.

Senator LUDLAM—When did that wind up?

Air Chief Marshal Houston—That finished quite a while ago—last year.

Senator LUDLAM—For the record, could you provide this for us: at the height of that, how many personnel did you have deployed in supporting that?

Air Chief Marshal Houston—I will come back to you on that, Senator, to make sure I give you an accurate figure.

Senator LUDLAM—That is fine. Similarly for some of these questions: could you let us know the level of cultural awareness training that was provided to the people that you had involved in that deployment and whether that was any sort of requirement for the posting. I presume that if you were sending somebody overseas there would be some sort of cultural awareness training about the environment they would be operating in. Was that provided to the people that you were sending to the Northern Territory? I will leave that there. The other batch of questions I have relate to the Talisman Sabre exercises that are coming up later this year.

Air Chief Marshal Houston—Just as a comment on the cultural training, quite a few of the people who were involved were from Norforce and, of course, are Indigenous people. I will give you a rundown on what we did for the other people.

Senator LUDLAM—The remainder of the questions that I have in this bracket are around the Talisman Sabre exercises for later this year.

Air Chief Marshal Houston—Okay.

CHAIR—Do you want to cover that now?

Air Chief Marshal Houston—Yes, we can.

Senator LUDLAM—I put some questions to Defence on notice that are quite a bit longer than 30 days overdue. They were originally put to the environment minister's department and then they were transferred across. I do not have answers to those yet, so I will put some of them to you now, if I may. I am interested to know, in the broadest sense, given that the

Talisman Sabre exercises involve the movement of some tens of thousands of troops and units from right across Defence, what sort of environmental impact assessment you were required to undertake prior to those exercises taking place.

Air Chief Marshal Houston—Just hold on for a minute and I will see if we have something on that.

Senator Faulkner—Senator, I must say, while the relevant official comes to the table, I certainly was not aware that there were any outstanding answers to questions on notice. This may mean there has been some foul-up in transfer, but certainly the communications that have come through from the Clerk of the Senate indicate that that is not the case. The reason I say this to you is that I am very committed and the government is very committed to try and ensure that those questions are answered. Certainly—and, Chair, you might be able to confirm this—I try to keep fairly careful track of this so that we do not—

CHAIR—I have just spoken to the relevant staff member from the secretariat and I am advised there are no outstanding questions on notice from Defence.

Senator LUDLAM—Just to clarify—

Senator Faulkner—Yes, that is certainly my understanding. As I say, we have a strong commitment to answering them. So this, Senator, might be some sort of administrative foul-up—

Senator LUDLAM—That is okay.

Senator Faulkner—But, certainly, in terms of answers to Senate committee questions on notice, there are no outstanding formal answers required.

Senator LUDLAM—Minister, they were not necessarily arising from estimates processes; they were questions that were put on notice through the normal processes. They are still on the *Notice Paper*, as far as I understand.

Senator Faulkner—So these are Senate questions on notice that you are speaking about?

Senator LUDLAM—That is correct; they did not arise from estimates hearings.

Senator Faulkner—When I last checked, there was a very good response to those also, but I do not have those statistics in front of me, so we will go back and check that.

Senator LUDLAM—That is all right. These ones seem to have fallen through, but that is okay. I will just get some of the answers now, if that is all right.

Mr Owens—The question was on environmental impact assessments for Exercise Talisman Sabre; is that correct?

Senator LUDLAM—That is correct.

Mr Owens—I do not have the precise details, but we have a very extensive program of environmental management for all our major exercises. With Talisman Sabre being our biggest and in one of our most sensitive and important areas, Shoalwater Bay Training Area, we have an extensive program of environmental assessment and management both before and after the exercise.

Senator LUDLAM—Can you just describe the assessment part. What sorts of plans do you put through to the environment minister, for example, for assessment?

Mr Owens—I am not sure if our plans go to the environment minister. We do an extensive study of the type of activity to be undertaken in the training, what impact that will have on the training area, ways of minimising waste and effective waste management throughout the area, ways of remediation and avoidance of sensitive sites—all of that is an extensive environmental management plan for the exercise.

Senator LUDLAM—Is that conducted entirely within Defence? I am not sure if you are telling me that it may not go to the minister's office, but has it been going through the department of environment at all?

Mr Owens—We consult closely with the department of environment on all of these matters and we have extensive obligations under the EPBC Act. It is all part of our broader approach to environmental management, which is very extensive and which I can talk to more generally, if you would like.

Senator LUDLAM—I think that would probably be helpful. I am just trying to ascertain the degree to which the assessment is done in-house by Defence—as opposed to if I were proposing a mining operation at Shoalwater, which would go through the normal processes of environmental assessment.

Mr Owens—Most of the planning and assessment is conducted by Defence, or by consultants working to Defence, but we are in close consultation with the department of environment on all aspects of environmental management.

Senator LUDLAM—Does Defence maintain in-house environmental assessors or people with ecological expertise?

Mr Owens—My Estate Policy and Environment Branch within the Infrastructure Division has a staff of about 70; of those, about 40 to 45 would be environmental officers, most of whom are qualified environmental scientists.

Senator LUDLAM—Okay. Can you sketch for us really briefly, at a high level, what your obligations are under the EPBC Act and how they are assessed.

Mr Owens—Our obligations under the EPBC Act are of course extensive because we are by far the Commonwealth's largest landowner. We need to make provision for the protection of endangered species, both flora and fauna. We have an extensive endangered species database that maps all endangered species right across the three million hectares of the defence estate. We also need to make sure that any of our construction or development activities comply with the requirements of the EPBC Act, including heritage management and contamination management—and asbestos remediation where that is part of it. All of those aspects are covered under our obligations. So we have very high level strategic environmental management plan that is accessible to all personnel and indeed is on the internet.

Senator LUDLAM—Thank you. So what type of documentation do you produce, specifically with the Talisman Sabre exercises, if the community is interested in the environmental impact of those exercises? What is available and in the public domain?

Mr Owens—I would have to take that on notice, specifically with regard to Talisman Sabre. I do know that we consult broadly with the community beforehand. We have qualified environmental managers on-site at Shoalwater Bay all the time and we provide a series of hearings and other means for the public to make their concerns known.

Senator LUDLAM—Okay. Can you give us some examples of the forms of community consultation that you undertake locally, in the areas around where the exercises occur?

Mr Owens—I cannot give you the exact details of that. I would have to take on notice how we do it before each exercise and how we consult with the community in the lead-up to the exercises.

Senator LUDLAM—Yes, if you could provide that for us. Do not worry, necessarily, about going too far back in time. I am just interested in what you are undertaking for the exercises that are taking place this year.

Mr Owens—Sure.

Senator LUDLAM—I would appreciate that. I asked this in October, I will ask it again, and I will ask it every time I manage to get to these committees: can you guarantee for us that depleted uranium munitions will not be deployed or used by any partners or by the ADF during the course of these operations, or exercises?

Air Chief Marshall Houston—We do not use depleted uranium in Australia.

Senator LUDLAM—And as for any of our partners might be involved in those exercises, who do deploy those—

Air Chief Marshall Houston—I will take that on notice, but I am almost 100 per cent certain we had a restriction on the use of depleted uranium in Australia.

Senator LUDLAM—That is my understanding as well. I believe, last time, you did give us a 100 per cent guarantee. Not to verbal you, but I would certainly appreciate that information, because that was—

Air Chief Marshall Houston—I would like to just check how we do it, but I am certain that would be part of the conditions that are laid down to the participation of anybody in the exercise.

Senator LUDLAM—I would appreciate that. I certainly know that some of the American warships that deploy the Phalanx antimissile systems, which may or may not be tested in the course of exercises like this, do use depleted uranium. So if you could provide that to the committee, that would be great. Can you tell us whether nuclear powered vessels take part in the exercises this year?

Air Chief Marshall Houston—Yes, they would. Obviously, they would be off shore, and I guess some of them would visit our ports as well.

Senator LUDLAM—Will these vessels be carrying nuclear weapons?

Air Chief Marshall Houston—The American policy is to neither confirm nor deny, so we would not know

Senator LUDLAM—We do not ask?

Air Chief Marshall Houston—We do not ask.

Senator LUDLAM—Can you tell us when you have an estimation of the cost of these exercises to the Australian taxpayer overall?

Air Chief Marshall Houston—I have seen a figure recently—I will take advice, but I think it is \$15 million in terms of the cost of the ADF contribution. Obviously, there are other elements as well, so I will take that on notice, if you do not mind.

Senator LUDLAM—Thanks. I will leave it there.

Senator BIRMINGHAM—I would like to pursue just a few quick questions with regard to the Force Disposition Program and/or base rationalisations in South Australia, if I could. Perhaps, just at the outset, could we have a brief update on where developments with regard to any of the South Australian bases may be at and on decisions about their future, please.

Mr Bowles—In relation to force disposition around South Australia, the broader issue of force disposition is being looked at, obviously, in the white paper, and that is before government, so we cannot really talk about that. We have done a lot of work in the past, as you are probably aware, around our basing in Australia and, in particular, in South Australia, as you refer to there. But no decisions have been made around a range of those facilities based on the outcome of the white paper.

Senator BIRMINGHAM—So all facilities: Woodside, Keswick, Hampstead et cetera—of course, I do not think there is any doubt over Warradale or Edinburgh—remain operational facilities pending policy decisions that stem from the white paper process?

Mr Bowles—That is correct. We have moved down a pathway with force disposition that is a number of years old now. We have basically incorporated that within the context of the white paper and the broader estate reviews.

Senator BIRMINGHAM—What discussions had been held with the South Australian government regarding alternative uses for the Keswick site?

Mr Bowles—I am unaware of any, personally. That is not to say that there were not some at some level, but I am unaware of them.

Senator BIRMINGHAM—At what stage prior to the latest white paper process being commenced had decisions for disposal of sites like Keswick or Hampstead reached?

Mr Bowles—We had moved down a pathway of doing a range of socioeconomic studies around some sites, and Keswick was definitely in that particular bucket. The socioeconomic studies came out with the view that, probably, they were not in the future basing arrangements for ADF. But, as I said, we have now taken that inside the broader white paper to understand what future basing operation we may want to look at—depending, obviously, on force structure and a whole range of things.

Senator BIRMINGHAM—So in a sense, decisions, or at least, opinion, had been reached that they were not for the long term basing suitability—Keswick being in that list.

Mr Bowles—That is correct.

Senator BIRMINGHAM—However, all of those factors are now being reconsidered?

Mr Bowles—That is correct.

Senator BIRMINGHAM—Thank you, Mr Bowles. That probably suffices for now.

[4.36 pm]

Defence Materiel Organisation

CHAIR—There being no further questions arising out of outcomes 1, 2 and 3 and capability development, we now move to the Defence Materiel Organisation. Welcome, Dr Gumley, again. I will hand over to Senator Johnston.

Senator JOHNSTON—Dr Gumley, how well are we going with the situation with respect to the RSL's receipt of Leopard tanks for memorial purposes?

Dr Gumley—You will recall that there is about 103 Leopard tanks that are being disposed of. About 30 are to go to RSL clubs. It costs about \$20,000 to decommission each tank, which has two parts. One is to make it environmentally safe—remove the oils, lubricants and so on, to clean it—and the other is to ensure that it never fire ammunition again. So, that is work that we have to do before it can be disposed of. As for the actual disposal routine, I would have to bring one of my people here who are responsible for that program.

Senator JOHNSTON—I know that there is going to be a cost. I think that is clear and I accept everything you say about the cost. Is it open to the DMO to accept offers of transport?

Dr Gumley—The policy at the moment is that we will transport it to the nearest transport hub, but then it is up to the individual RSL club to do the last part from the hub back to their station. They would also have to get the concrete pad, or whatever it is they want to put it on, so that it is ready to go.

Senator JOHNSTON—I am just keen to know because a lot of RSL clubs are very keen to fundraise and to get mobile to do all that work. They see it as a point of opportunity.

Dr Gumley—We think it is about a three-year program to decommission all of the Leopards. Clearly, we do the first batch first—the first 30 or so each year—and it would be the current intention that the first 30 would be those that go to the RSL clubs.

Senator JOHNSTON—Good. Thank you. Is there any requirement for the German government to authorise this method of disposal?

Dr Gumley—Yes. When you buy most foreign military armaments—we will hand it over to Mike to talk about it—but normally the foreign government does have a power of approval, to make sure that they are being decommissioned properly. It is in the interests of foreign governments—with any military asset—not to see proliferation to a country they do not approve of. So they are very interested in how we dispose of any assets.

Senator JOHNSTON—Do they have to sign off on the RSL receiving these Leopards?

Brig. Phelps—We have to seek approval from the German government for where we intend to dispose of these vehicles. We have done that through the Defence Disposals and Marketing Agency. We have not yet received a response from the German government.

Senator JOHNSTON—When did we do it?

Brig. Phelps—We did that late last year.

Senator JOHNSTON—Good. Thank you. Can I go on to Strategic Aviation?

CHAIR—You may.

Senator JOHNSTON—Strategic Aviation apparently has the contract for the transport of ADF personnel to and from the MEO?

Air Chief Marshal Houston—That is correct.

Senator JOHNSTON—And how are we benchmarking their performance?

Air Chief Marshal Houston—I do not think we have anybody in the room who has the detail of that, but we have been very satisfied with their performance and we get very good service from them. We have been using them for a long period of time.

Senator JOHNSTON—Who, in fact, are they?

Air Chief Marshal Houston—They are an Australian company that organises aircraft charters.

Senator JOHNSTON—So they are an Australian company that subs to European charter organisations?

Air Chief Marshal Houston—Yes, that in this case organises a charter out of Europe.

Senator JOHNSTON—I have received several complaints from personnel who have indicated that the aircraft are substandard—very old, have broken chairs et cetera; in particular, a Portuguese aircraft.

Air Chief Marshal Houston—The aircraft is an airbus, an A330, so it cannot be that old. In terms of broken seats and so on, we will have a look at that. Perhaps I could just leave it there until the expert in this area arrives. Perhaps he can address your questions of detail. But I am not aware of those sorts of issues.

Senator JOHNSTON—I am happy to do that. Dr Gumley, at what stage are our major projects? As Wedgetail is at the top of our ‘concerned’ list, can we start with that?

Dr Gumley—Yes that is right. I draw the committee’s attention to the major projects report put out by the Australian National Audit Office, which talks about nine of the projects. We have attempted to go into very great detail on the entire history of each of the projects, and inform the parliament as much as we can about where the projects are at and what their prospects are. I would invite people to diagnose the data in the report to have a look at where we are at. At any one time, of course, there will be an update from the date this was tabled, which was last November, to where we are at now. Those updates will keep going. We are going to take it from nine to 15 projects this year, so in November 2009 we will have a thicker report. We gradually want to get to about 30 projects with the ones that are a concern because they are highly complex, highly important to the ADF, or very expensive. That is the criteria we use to select the projects. I invite Air Vice Marshal Deeble to answer your questions on Wedgetail.

Air Vice Marshal Deeble—We have a number of successes on the program in the most recent past, so I will start with some good news—I do not get to do that very often. We have undertaken air-to-air refuelling certification for the AEW&C. It is the first time a Boeing 737 variant has ever been a receiver for air-to-air refuelling, so that is going well. We have entered

into a modified test and evaluation program—I will come back to that in a minute—with Boeing. We have started a formal test on the integrated system and various component parts. We have also completed—just within the last couple of days—the FAA supplemental type certification for the aircraft, so it is a fairly substantial part of our testing process. That was conducted successfully. The program is progressing.

Late last year, we came to loggerheads with Boeing and Northrop Grumman on the performance of the system. We held a summit which included senior management from Defence, Boeing, and Northrop Grumman, and that meeting was basically trying to look at the way forward, and the path forward, for the program. At that summit, it was determined that we would work collaboratively with Boeing to allow them to enter into test—we had some concerns over the maturity of the radar in particular, and the integrated system. That was our primary concern about entering into test. As a consequence, we have signed a deed. Under that deed, Boeing have committed to provide an aircraft in November 2009, and that will be the first tranche of aircraft to support training and some limited operational capability. They have undertaken to provide the remainder of the aircraft between March and the middle of 2010, and those aircraft would then have full operational capability. That will allow us to work through the introduction into service, training and other aspects for the capability.

In entering the test, we also agreed to conduct a modified operational utility demonstration here in Australia. We will be conducting that trial as part of Exercise Arnhem Thunder, which is due to commence after Easter in the April time frame. That will allow us to assess the AEW&C performance in the Australian environment with interoperability with Australian aircraft such as our Hornet fleet, F111s and other assets that will be part of that exercise.

Senator JOHNSTON—What platform will that be on?

Air Vice Marshal Deeble—That will be on the AEW&C aircraft, which will come across from Seattle and participate in that exercise. Again, interoperability will be tested with other Australian assets including the Hornet fleet in particular.

Senator JOHNSTON—When you say ‘interoperability’ you just mean that it will not be using its command and control electronic warfare mechanisms; it will simply be fulfilling the role as it would without using those systems.

Air Vice Marshal Deeble—No, the intention is to exercise as much of the system as we possibly can.

Senator JOHNSTON—In April this year?

Air Vice Marshal Deeble—In April of this year, as it currently stands, and that will then be used to guide another Wedgetail summit, which will be held in June this year. The intent is that we basically use all of that information plus some outputs from the MIT Lincoln lab study, which will be looking at the radar performance and radar issues as they currently stand. That information will be used to make decisions on the path forward for the program.

Senator JOHNSTON—Do we have the full Lincoln lab study report?

Air Vice Marshal Deeble—No. For a number of reasons the Lincoln lab study report could not start until January of this year. We had to work through technology release and the normal ITAR processes for that study to start. At this point I did not want to constrain it in

time; I am more concerned about the quality of the report than limiting it to being done in two months. We anticipate that will be completed at the end of March. I am expecting a back brief from Lincoln labs in the early April time frame.

Senator JOHNSTON—If we are getting information from Lincoln labs, isn't that going to derogate the effectiveness of the evaluation in April?

Air Vice Marshal Deeble—No, I do not believe so. We are taking the system as Boeing are offering it and testing how well it is going to perform in the operational environment. I think the Lincoln labs study will help us understand some of the shortfalls in performance that could occur at that point—I do not want to predict what they may be—and it will add more weight to our understanding exactly what the radar performance is and what its operational utility is.

Senator JOHNSTON—What is the contingency fallback position if its operational performance is very low?

Air Vice Marshal Deeble—I think that is a matter for consideration in the June time frame. Clearly there will be a number of issues that will need to be put on the table. We would be answering the question of whether it would offer operational utility in its current form, and clearly I would be interested in whether there was any path forward for remediation of the shortfalls. At this point I think it would be premature of me, until I get the Lincoln labs report and the output of the operational utility demonstration, to make any prediction as to what they might be.

Senator JOHNSTON—There is some degree of risk that this project may fail completely, is there not?

Air Vice Marshal Deeble—I think that would be a gravestone risk. I do not see it that way. I have evidence already from some studies that we have conducted that there is a path forward for the radar should some of these shortfalls occur. We have already gained some evidence demonstrating the operational utility of this system during DT&E flight test. It would be most remiss of me to state that I can guarantee that at this point. Like any good project manager, I have to be positive, and I believe that this system has great utility. I think the system has the potential to continue to grow into a world-class AEW&C capability, but I am not sitting here saying that we have mitigated all the risks. What I hope I have put in place, having been able to work collaboratively with Boeing and Northrop Grumman, is a series of activities that will allow us to actually quantify exactly the capability that it can provide to the ADF and to Air Force, the risks and the issues that we would need to remediate should there be shortfalls. So I think we have set ourselves up to get objective and quantifiable evidence of exactly where we stand on the project, and we will use that evidence to guide the path forward.

Senator JOHNSTON—Have we lowered the bar in terms of the acceptability of performance?

Air Vice Marshal Deeble—We have made no concessions to Boeing, and neither have they sought any concessions to a reduction in the performance of the capability of the AEW&C at this time.

Senator JOHNSTON—We discussed the commission date last estimates. Can you hypothesise, all things being equal, positively, when would you expect, given your knowledge of the project, that we would commission these aircraft into service?

Air Vice Marshal Deeble—We are working actively with Boeing to deliver an aircraft in November 2009 and for the full capability to be delivered in March 2010. I believe that there is some residual risk that there may be delays to the program, and we are working actively with Boeing in assisting them to deliver those outcomes. At this point in time I think there is some risk. I believe, based on the evidence that we got today, should we get an aircraft in those time frames then we would be able to deliver an initial operational capability by end of year 2011 and a full operational capability by the end of the year 2012. I believe they are the dates that I gave you last time we met. As I said, I think there is some risk that we are working through at the moment that relates to the resolution of technical issues, but again we are working collaboratively with Boeing. The agreement that we stuck at the end of last year has actually seen some significant momentum being regained by the program, so I am positive about the way forward.

Senator JOHNSTON—Thank you very much for that. I do not think you can say any more or do any better than that. I am happy with that response. On the Air Warfare Destroyer—Mr King, I see you sitting there. Maybe it is opportune that we get an update on that.

Mr King—You normally ask me what keeps me awake of a night. I had a prepared answer for that. I am a bit disappointed. I was going to say ‘coffee and Senate estimates’.

Senator Faulkner—How incredibly boring.

Mr King—The Air Warfare Destroyer is still very much in its early days, but there are no negative indications at all at this stage of the program. We completed a preliminary design review last December. That was an important milestone. It was conducted in conjunction with all parties involved in the program. The common user facility that is under construction by the South Australian government is due for completion before midyear. We expect the first Aegis production system for Australia to enter testing in the first half of this year and we will be completing the critical design review in December of this year.

Furthermore, we plan to cut steel later this year and very soon we should be announcing the successful tenderers for the block construction. You may recall that we are going to outsource about two-thirds of the ship construction around Australia outside of Adelaide, and we are in the last throes of the tender evaluation at the moment. That will outsource about \$400 million worth of work around Australia.

I should add, and I think this is often underestimated when we are in these projects, that we have about 700 Australians working on this project now, supplemented by US, Spanish and some British nationals. They do an exceptionally good job in meeting these schedules to bring this ship together. So, as I said last time, there are no adverse indications at all at this stage. Air Vice Marshal Deeble is one type of program manager; I am the other type, which is a little bit pessimistic. I always try to keep an eye on what might go wrong, but my sense is that we are on track for a pretty successful program.

Senator JOHNSTON—LHD?

Mr King—LHD is similar, except that one actually has had a matter which is of interest to us. The shipyard in Spain was struck by a large storm, I think about two months ago. Navantia have advised us that they are assessing the impact on the LHD program. They also said, by the way, that that might have an impact on the AWD Program—because they are still doing some detailed design work for us there in Spain—but subsequent advice on AWD was that there would be no impact, and we are very grateful for the way that Navantia is a reliable and conscientious contractor that does not use these occasions to manufacture a position for themselves. We expect a detailed answer on the LHD impact within a very short period of time from Navantia. We expect a detailed answer on the LHD impact within a very short period of time from Navantia. I know that it did do some damage to the pipe shop. That may have some impact on that program. We do not expect it to be a substantial amount but we are awaiting advice.

Senator JOHNSTON—Dr Gumley, what else have we got that concerns you in terms of projects? An update would be fine.

Dr Gumley—The FFG upgrade project is always interesting. We are at the stage now of considering acceptance of the contract. The Navy is considering accepting it from DMO into service. There are some issues there that we need to work our way through. With a program like that it is quite interesting—

CHAIR—DMO has accepted them, have they?

Dr Gumley—No, we have not fully accepted it yet. It is an interesting situation, where you have a specification written into a contract back in the late nineties. Of course, that is the only thing we can judge the contractor's performance against. It would not be fair to keep moving the goal posts on the contractor. Then we have to take it and get it into service. As you would accept, over an eight- or ten-year period military technology moves on. So there are some issues there about exactly what is going to be accepted into service and how that is going to be done.

CHAIR—What are those issues? Before you answer that, Mr King, if the contracting party has fully complied with the terms of the contract, as amended over the years, I understand that DMO Navy still has a reserve right to reject the particular platform. Can you take the trouble to explain to me why that is the case if the contract, as amended, has been respected by the provider.

Mr King—In a platform like the FFG there are three elements at play. Firstly, there is the element of a contract being placed some many years ago and, although it has been updated, the core capabilities have not been updated in those project amendments. You do not set off with a new launcher, for example, and then change half way through—or very rarely. Contract amendments are generally of a more minor nature. So the core capabilities are as originally contracted. And in that there is what we call a provisional acceptance. I would liken that most to getting a house built, accepting the house because it has a certificate of occupancy, but then having 90 days to note the minor deficiencies. We would not describe defence capability as minor but we are in that process where the core capabilities of the system have been demonstrated by the contractor, generally. There are—and this would apply to every ship

program I have been involved in—then deficiencies noted against that acceptance, which the contractor has an obligation to make right.

Secondly, you are putting the systems in an older ship. So there are legacy equipments in those ships which are not modernised, and they can have some impact. For example, in a recent set of trials we observed an anomaly, but it was an anomaly associated with an older piece of equipment that was still in the ship.

Thirdly—I should not really comment on the operational aspects—obviously, ultimately, the Chief of Navy in response to CDF has to determine the operational capabilities of that ship as delivered with the upgrades in that current state. He has to make determinations about its fitness for purpose and how to use it in the modern environment. That is why, for long running programs, you could have a certain capability that Defence chose on that day, which was contracted for and was delivered reasonably, but the Chief of Navy may form an opinion about how he has to modify the operation of the ship or the suitability of that ship for different environments.

Vice Adm. Crane—As Mr King has described, the important thing from my perspective is that, as the capability manager, my interest is three-fold. When something is presented to me for initial operational release my initial determination must determine whether the equipment is safe, environmentally compliant and fit for service. They are the three things I focus on. If they meet those requirements, then my next obligation is to establish the operating parameters of the equipment or the capability that is being delivered. So that is the fundamental purpose of what we call initial operational release. Having established that we have initial operational release, we then proceed into a set of Navy operational tests and evaluation, which establishes the full operating envelope of the equipment, ultimately leading to operational release. That is the process that we would follow.

CHAIR—Correct me if I am wrong, but I hear you saying that in this case the contract has been paid for, the product is deemed to comply with the terms of the contract as amended, both in substance and minor amendments, is delivered to Navy for initial operating release. You then go through your set of tests and programs, but you still reserve the right to reject the platform if it does not fit your current capability requirement—notwithstanding that the ship, in substance, complies with all the material aspects of the contract, as amended. Did I hear you say that?

Vice Adm. Crane—No, that is not correct. What I am saying is that on presentation to, in my case, me, as the capability manager, I would establish using those three parameters that I talked about as to whether the vessel is fit for initial operational release. Provided it is safe, fit for service and environmentally compliant, I will release it for initial operational release to establish the operating parameters that are available to me. That is not a go, no go issue. We then have a vessel that is in service that we are conducting trials on, and ultimately we will determine its ability to be able to deliver the capability that we need. If it is short of the capability that we need, then we have to go through another process in our capability plans to upgrade it, but we would continue to use the vessel in whatever capability we have.

CHAIR—This is a very lengthy program, the original purchase and the upgrades.

Vice Adm. Crane—Yes.

CHAIR—If, over time, your operational parameters changed so radically—and they could over a period of 10, 15 or 20 years—and the original contract has been so significantly complied with that you cannot reject it on those grounds, you still have the right, in terms of the operational parameters, to send the platform back to have it changed?

Vice Adm. Crane—No, not send the platform back. What I would do, as the capability manager, is raise a requirement for another project to make up the difference between what I have and what I need. If the circumstances were such that the difference was so significant that I was unable to employ the vessel, for instance, then I would need to re-initiate a program through the capability and development process to make up for that gap.

CHAIR—If that did become the case, that the platform that was proposed to be delivered was so not fitting current operational requirements that you came to that conclusion, does that mean that in terms of the consideration that is required to be paid under the original contract as amended, in your mind, would all of those payments have to be made to the provider?

Vice Adm. Crane—In my mind, that is a matter for the DMO. I am dealing with what I am presented with, and what I am really looking at is to what extent is what I am presented with appropriate for the contemporary requirement.

Mr King—I think I can answer that question by using—

CHAIR—You understand the point I am driving out?

Mr King—I do, indeed. You have taken an extreme point on the operational capability to highlight yours. Maybe I could use that to highlight the condition a contractor would find themselves in. If we contracted with a contractor for a billion-dollar program—and I might say we have not paid out the whole contract value yet—and if, in that period of converting ships or aircraft or whatever, a whole new threat emerged from some potentially hostile environment, we could not hold the contractor responsible for foreseeing the need to install a faster missile or a better radar. So the limit has to become a defence matter. We certainly can hold and should hold contractors accountable for delivering what we ask of them—or, indeed, quite often what they offer to us—but I think we have to draw the line in a business sense, because they would only price in an enormous amount of risk otherwise. But so long as they deliver what we have appropriately asked for, the responsibility for how we would manage that emerging issue would have to be very much a cross-defence issue about what the balancing of priorities are.

CHAIR—I understand that response. At this point, where DMO, as the contracting partner, is satisfied that the contract has been complied with, and then we have the issue of Navy or one of the other services for another platform going through and determining whether the platform is satisfactory in terms of modern parameters, is there any conflict between the position you have outlined and the issues that the DMO needs to address in a commercial sense?

Mr King—I am sorry, I do not quite understand.

CHAIR—My understanding is this: DMO contracts for the platform, contracts are negotiated, there are payment provisions in the contract. If DMO comes to the conclusion that the contract has been fully or substantially complied with, that the manufacturer has provided

the product as required to, and hence the contract should be paid off and signed off and concluded, is there any conflict between the position held by the DMO, as a commercial organisation, and the nature of the concerns outlined by Admiral Crane?

Mr King—I do not think there is a conflict, but there is obviously a need for us to work very closely with the capability manager, in this case the Chief of Navy, and for us to explain or to work with them on what the technical capability is. There is a lot more, of course, that goes into a final operational release beyond just fitting equipment. There is crew training, spares and technical manuals and everything else. It can create a point of view difference about what people expect. Of course many of the people manning these ships are not cognisant of the contract, and so expect certain capabilities. That can cause issues of concern. But I think the way we deal with it is that the program manager, on the DMO's behalf, works very closely with the capability manager. In fact, I could use the FFG example. The Chief of Navy and I have appointed a one-star from each organisation to move through all of the initial operational release steps that we need to achieve between us to carry out the program the Chief of Navy just alluded to. There are matters to be dealt with, but I do not see it as a conflict of interest or anything else of that nature.

Senator JOHNSTON—Mr King, I think we are talking about test and evaluation as against contractual matters. HMAS *Sydney* is the first vessel that has been fitted. Where are we at with that vessel now? Has that been received into service and ticked off as tested, evaluated and approved as contractually complete?

Mr King—No. It is not contractually complete, and none of the vessels have been released into initial operation or release. That is the next stage that we are moving to. We have a number of outstanding contractual matters that the contractor has to fit. In the case of the ESM, for instance, there are some matters they have to work on. We are also looking at improving the human-machine interface to make it more user-friendly for the Navy operators, and also some enhanced trading capabilities. But we are still completing the development and testing and acceptance process, and preparing for, in conjunction with the Chief of Navy, the initial operational release.

Senator JOHNSTON—When do you anticipate that will be?

Vice Adm. Crane—From the last advice I had, which was of about a week ago, I would anticipate the first phase of initial operational release for what we call maritime interception operations by the middle of the year.

Senator JOHNSTON—When do you anticipate full release of all phases?

Vice Adm. Crane—I do not have a date for that at the moment.

Senator JOHNSTON—We are still talking about one vessel, aren't we?

Vice Adm. Crane—Initial operational release is certainly about the vessel. But once you have one vessel that has achieved initial operational release then you have very high confidence in the others that follow, provided there are no significant configuration changes, and that is extremely unlikely.

Senator JOHNSTON—So phase 4 will be the fourth vessel of initial operational release—is that right? The whole project?

Vice Adm. Crane—The whole project—no. I see probably three phases, perhaps two, depending on how the trials go. As I say, the first phase of initial operational release for that first set of operations is by the middle of the year and I would hope the next phase will be in the air warfare and undersea warfare environments later in the year.

Senator JOHNSTON—Right, so we have done *Sydney*?

Vice Adm. Crane—None of the vessels have been presented yet for initial operational release. As Mr King said, we are still developing that.

Senator JOHNSTON—That is right, but *Sydney* is the first one, isn't it? Let's just stick with that vessel. In the middle of the year will be initial operational release, right? Then the second phase is undersea et cetera. What is the third phase?

Vice Adm. Crane—The plan that we have at the moment is three-phase. We may have to split undersea and above and air warfare if we need to—I would hope that we do not. I hope that we can do those two together so we will only have two phases.

Mr King—There are three vessels already at preliminary acceptance, so they are on the same baseline. The fourth one, *Newcastle*, will be in June of this year. So in June of this year, as the Admiral said, we would expect all four at the same baseline and all four going through the same process. It will not be like we get one and it is years and years later.

Senator JOHNSTON—Good, that is what I wanted. Do you have an estimation of when the project will be deemed completed?

Mr King—No, I do not at this stage. I think we still have more testing to be done to be certain. I think that the program I outlined to you about 18 months ago is still carrying on down that path. It was a very troubled project to start up with. We are making the milestones that we set out to make when we brought this under close management. There are still a few unknowns that we have got to get finalised but, broadly, those core capabilities are now in the vessels. All vessels will be at the provisional acceptance stage by the middle of the year and the operational release program should be well underway.

Senator JOHNSTON—All right, I am happy with that.

Mr King—You often ask me about projects that worry me. I would like to alert you to one that has been on our list for a little while with the anti-ship missile defence program. This is based on the Australian developed phased array radar technology.

Senator JOHNSTON—The CEA system?

Mr King—Yes, on the Anzac upgrade.

Senator JOHNSTON—On the Anzacs?

Mr King—Yes. Last time I reported to you—and I am able to confirm—that the progress on that program has been technically excellent. The companies are delivering against the schedule without failure. Last year we shipped a trial phase to Western Australia. It was installed on an Anzac class ship, driven back again and reinstalled here in Fyshwick. It passed all tests and, in fact, exceeded them so we are very satisfied with the progress on that project. That has been going on I guess since I have been reporting to you.

One thing I am concerned about on that program though—and we are very alert to this—is that some of the companies in the second tier suppliers to the program operate in the broader marketplace, and the economic downturn, particularly with some overseas orders, has put some small Australian companies under stress. We are having a good look at that—and the minister and the parliamentary secretary have asked us to do so—and make sure that the companies that are key second- and third-tier suppliers to the program are in a secure position. So the observation I make there, unusually, is not about technology; it is about the broader supply base for Australian companies into the ADF.

Senator JOHNSTON—That is a very difficult assessment.

Mr King—It is.

Dr Gumley—Can I add that we are working our way through doing a full financial health assessment. The seven or eight main primes that we deal with are all healthy and, as far as we can work out, do not have excessive debt-to-equity ratios and seem to be making reasonable money and so on. Where we might have some concerns in the future is with some of the second- and third-tier suppliers, and we are working our way through those. We are inviting most of the SMEs, if they have got any problems, to contact us early and have a conversation rather than leave it too late. Fortunately, there does not seem to be that much difficulty at the moment, but I think it is something that it is very prudent to watch because who knows what can happen in this environment.

Senator JOHNSTON—Thank you for that. I make the point that I just touched on with Mr King: if a second-tier company is experiencing difficulty, there is a strong probability, is there not, that they are not going to tell you about it because they want the work. If there is any threat to their security from a financial perspective, that disposition might be advanced or repaired through a contract with the DMO or through the prime. Now, we have a major difficulty in trying to make evaluations and, if we ask questions, straightaway these guys are risking their business if they tell you what difficulties they are confronting, aren't they?

Dr Gumley—I would much rather they tell us early, and then we can work with them to see what it all means, than tell us when it is too late. And it is really going to require maturity from the companies too to work out that we are in this together to make sure we are equipping the ADF, and it is not in our interests to see any of them go broke. So we are contacting companies, we are inviting them to talk to us and we hope that is going to be the best way of maintaining the security of the supply chain.

Senator JOHNSTON—Yes, okay. Fair enough. What other projects do we want—

CHAIR—Before you go there, I just want to pick up on something. Mr King, you said there was not a conflict between you and DMO in terms of delivery of the particular platforms. From your position as CEO of DMO, Dr Gumley, what are the issues that need to be resolved in that discussion? Do you have any comment to make or do you want to leave it alone?

Dr Gumley—I would probably prefer to leave it at the moment because we are working constructively with Navy on the ships. But it was the same thing when we had the Tiger helicopters for Army; it is the same with any capability. There are several phases, and just getting through the contractual phase with the contractor is perhaps two-thirds or three-

quarters of the final work to be done. The services have to do training, doctrine, tactics and learn how to use the assets; we have just set up a supply chain for sustainment. By the time you actually get the first shiny new platform sitting on the runway or in the water, you are probably only three-quarters of the way through a project. So it is just continuing to work on it, and the only way I know to do it is by working together with the services and making sure we get there.

CHAIR—Understood. Thank you, Dr Gumley. Senator Johnston.

Senator JOHNSTON—Thanks, Chair. Dr Gumley, what other projects are you concerned about at the moment? You just mentioned the Tiger helicopters; how are they coming along?

Dr Gumley—I will invite General Fraser up to talk about that. First—and this shows that my briefs are occasionally a little bit out of date—on the Leopard tank, we just heard this morning in fact that the German government has given approval for the disposal of the Leopards. It came through this morning.

Senator JOHNSTON—Love those Germans!

Dr Gumley—With no caveats and no restrictions.

Senator JOHNSTON—Good, good.

Air Chief Marshal Houston—Chair, while we are waiting for General Fraser to get organised, could I just input three things in response to earlier questions. In regard to depleted uranium, we do not allow anybody to use depleted uranium on exercises, and as part of the arrangement they agree to comply with our requirements.

In terms of strategic aviation, I am informed that in terms of the 330 there are a couple of things that have been raised. When the 330 went into its major servicing it was replaced by a DC-10 and we used DC-10 for a short while. When the 330 returned there were a couple of mechanical issues. On the first flight back, the aircraft suffered some air conditioning problems, which were fixed in Darwin. We have received a number of complaints about seats. These have all been investigated but there is nothing to confirm the complaints. In terms of everything else, we have been using this now for a number of years and the 330 is a good service. It has been reliable and it has supported us very well.

Finally, a total of 339 ADF personnel were eventually assigned to Operation Outreach, and another 300 provided direct support to the operation within the area of operations. Other than the NORFORCE personnel, who are mainly Indigenous people, the ADF people who were assigned received induction training on their arrival in the area of operations. This included briefings on the objectives of the intervention, the mission, the intent of the operation and the mission and role of NORFORCE, which is where most of our Indigenous soldiers are. They also underwent an Indigenous cultural awareness course. So fundamentally they were well prepared for the task when they went in to do the operation.

Senator JOHNSTON—Major General Fraser, we have three helicopters issues, I think. We have MRH90, we have armed reconnaissance helicopters and we have the helicopters we might want to have on frigates. Is the last one one of yours or not?

Major Gen. Fraser—The last one is in the white paper issue.

Senator JOHNSTON—Say no more.

Major Gen. Fraser—Clearly we embark Seahawk at the moment, but the future one is wrapped up in the white paper issue. The Tiger helicopter program has made significant progress since we resolved a dispute between the contractor and us in April last year. We have now accepted 15 aircraft. The flying rate has improved. We are still working to continue to improve that rate. We have an operational milestone: in September of this year we believe it will be fully ready for tests and evaluation in the operational units.

Senator JOHNSTON—What date?

Major Gen. Fraser—In September. Where the program has improved significantly is that in June last year we based three aircraft in Darwin. That let the operators gain some control over it. That gave us significant momentum in the development of the aircraft. Indeed, they have qualified on the gun and fired 2,600 rounds on the gun. Across the Tiger capability that we have, we have flown about 3,600 hours at the moment. That is about one-third of the worldwide fleet rate, which is satisfactory progress. The French have recently completed their final certification of their aircraft. You might have seen some reporting that they are contemplating an operation deployment for those aircraft. We have taken the lessons from the French, German and Spanish and the work that they have done and migrated that across to our complete program. So that has improved quite considerably.

I would regard the program as now having reached a level of maturity which you might call ‘off the shelf’. For example, in January we did a major, full software load that we placed into the aircraft. In the past that might have taken some weeks to test and evaluate, but we were able to do it in one sortie. There were some issues that required fixing, but at least it flew as we predicted. As part of the project we set up a software support facility in Brisbane. We were able to work that software through considerable testing before we loaded it into the aircraft, and it performed as we needed it to perform. So we are quite comfortable with the Tiger program’s resolution.

In the MRH90 program we have accepted five aircraft, and the fifth of those was the first Australian manufactured aircraft—that was last year in December. Their flying rate needs to improve to meet the milestones. The first major milestone for that is Navy’s, which is a flight at sea mid next year. For Army the milestone is an operational deployment of four aircraft the year after or potentially having an aircraft deployable capability by mid-2011.

Senator JOHNSTON—What is the issue with it?

Major Gen. Fraser—The rate of effort, the number of hours that we are able to generate to train the crews. So we have worked with the company to make sure that we have appropriate parts. At the moment 25 aircraft have been delivered worldwide, so it is still very new in its program—although I think 529 have been ordered amongst 14 different countries. With that sort of order book the focus was on manufacturing rather than parts to keep the current fleets going. The other nations that had this issue have had the first year of difficulty. The very first year after they have taken acceptance the flying rate has not been to the level that they perhaps would have liked. We are now through that and we are starting to see an increase in rate of effort. But we are working with a contractor and they are fully aware that they will have to maintain a significant increase in the flying rate to achieve what we need to.

Senator JOHNSTON—Thank you. What is the next one you would like to tell me about?

Dr Gumley—I think you might be interested in an update on Vigilair, as one of the critical networking projects for the ADF.

Senator JOHNSTON—Thank you.

Dr Gumley—Ms McKinnie is the division head responsible for that program. She might also comment on the HF modernisation program, which has been a project of concern now for a number of years.

Senator JOHNSTON—JP2043?

Dr Gumley—Yes, JP2043.

Ms McKinnie—The main issue with Vigilair has been the schedule, in particular the schedule being delivered by Boeing, the prime contractor. In October last year we negotiated a settlement with Boeing for delivery of Vigilair. That settlement involved a range of issues, including compensation for delays caused by the Commonwealth and compensation for delays caused by Boeing. We also resolved a number of contractual issues that had been present in the program. We agreed that in October last year. At the moment the schedule will be for a delay of around 45 months. That takes the original date of acceptance from 2007 to 2011.

Senator JOHNSTON—So when we try out the AEWG aircraft in April of this year, Vigilair will not be part of any of that flight operation?

Ms McKinnie—No, I don't think so. But I do not think that was planned in any case.

Senator JOHNSTON—When you say 2011—

Ms McKinnie—That will be for final acceptance. To give you an idea of some of the dates, for the Northern Region Operations Centre we now expect to have acceptance tests occurring in December 2009, from December 2006, which was the contracted date. We expect conditional acceptance at NORTHROC to occur in April 2010 compared with a contract date of March 2007. For the Eastern Region Operations Centre we expect acceptance testing in March 2011, from the original date of June 2007. And conditional acceptance at the Eastern Region Operations Centre we now expect to be June 2011, from a date of November 2007. That leads up to final acceptance in around June 2011.

Senator JOHNSTON—So what was the total value of the contract?

Ms McKinnie—The total value of the contract is around \$130 million.

Senator JOHNSTON—And what are we going to end up paying?

Ms McKinnie—For that contract it will be that original contract price for that scope plus costs associated with accepted delay claims.

Senator JOHNSTON—So there are some scope-creep issues on our side in there.

Ms McKinnie—No scope-creep. As part of the overall program we were required to deliver substantial amounts of government furnished equipment and services. Some of that equipment and services are from Defence, some come from other agencies such as Airservices Australia. Some of them come from projects that are still under development in other areas of

the DMO. We try to ensure that we have all of those services and equipment provided on time, but some of them we simply have not been able to do on time and we have therefore had some impact on the schedule. Those impacts were recognised as part of the settlement that we did and which has now been finalised.

Senator JOHNSTON—Give me a snapshot of the settlement. Are we better off or less well-off after the settlement, given the three-year delay?

Ms McKinnie—We are better off in the sense that we now have a schedule certainty to manage in the contract.

Senator JOHNSTON—We hope we have.

Ms McKinnie—Yes. We are better off in that we have resolved a range of issues that were, if you like, irritants in managing the contract between the two parties. We have established mechanisms under the contract that make it far simpler to manage, particularly where we do have a lot of interaction occurring between the contractors' work program and our work program to deliver government furnished equipment and services. So we have streamlined those processes in the contract and we have also included other rights in the contract that give us, I suppose, a better risk management approach between the risks that we are managing and the risks that Boeing are managing.

Senator JOHNSTON—You said the original cost was \$120 million.

Ms McKinnie—\$130 million.

Senator JOHNSTON—Sorry, \$130 million. We are still paying \$130 million, and that is the wash-up of the settlement, because we were at fault along the way with respect to supplying some equipment, and on the scheduling issues a degree of the fault lies with us?

Ms McKinnie—That is right. We have paid our share of those costs as part of the settlement. Boeing have paid their share of costs in liquidated damages as part of the settlement.

Dr Gumley—They are the ones that are of concern to us. About four per cent of DMO's 200-plus projects are the ones that are being intensively managed. I would advise if there were any others that you were concerned about, Senator.

Senator JOHNSTON—Tell us about the JP 2043, the high frequency modernisation.

Ms McKinnie—I think last time we met we discussed the fact that we had a number of reviews underway on the 2043. One was a technical non-advocate review to determine whether there were any fundamental problems with the project and what we had specified. That review concluded that we have a high-quality system that will ultimately be delivered and recommended that we consider some requirements may be unachievable but add little value to the overall requirement of the Commonwealth.

We also undertook a schedule review. That schedule review identified that the schedule, as it had been proposed by Boeing, seemed to be a reasonable basis on which to move forward. The schedule was then finally presented to us at the end of October last year and, on the basis of that schedule, we recommenced negotiations with Boeing. Those negotiations are still underway and we have not finalised those.

In the meantime, delivery of the system continues and Boeing is continuing the integration and test phase of the final element to be delivered. We have a core system and, on top of that core system, we are adding additional functionality. Boeing is continuing to put that functionality through integration and test in its own facilities and also to provide integration and testing on the operational network.

Senator JOHNSTON—What is our ETA?

Ms McKinnie—The estimated time to complete this schedule is 2011.

Senator JOHNSTON—And the original date was?

Ms McKinnie—The original date, as it was last year, was December 2008.

Senator JOHNSTON—What is the cost differential? Are we paying more for it later or are we paying less for it? Is there some—

Ms McKinnie—The contract price remains the same. A major sticking point in the negotiations is the level of compensation that DMO is seeking for the fact that Boeing is in default.

Senator JOHNSTON—We will keep watching that. That is an ongoing situation?

Ms McKinnie—Yes.

Senator JOHNSTON—Thank you for that. I now want to talk about JSF.

Dr Gumley—Certainly.

Senator JOHNSTON—I want to talk about the indigenous contractual manufacturing. I am given to understand there are 13 aircraft in various states of manufacture in the United States—they may be in Canada. There are a number of Australian manufacturers who are participating in that initial build. Be aware of who they are?

Dr Gumley—Yes, we certainly are. Air Vice Marshal Harvey has a list. You will recall that GKN in Melbourne contributed many thousands of hours of top-quality design effort to the design of the JSF, and of course we are now moving from the design phase to the manufacturing phase and Australian firms are involved.

Senator JOHNSTON—Do we know how many firms are involved?

Air Vice Marshal Harvey—About 25 Australian companies have work to date on contracting the project. I am now in the process of working through responding to the tenders in the production stage of the program.

Senator JOHNSTON—Do you mean beyond the 13 aircraft?

Air Vice Marshal Harvey—There are in fact more aircraft than that. There are 19 development—

Senator JOHNSTON—Sorry, there might be 19.

Air Vice Marshal Harvey—There are 19 test aircraft under build, but they are also into the first two years of production, which adds about another 18 aircraft. You have to take into account that there are parts being produced in the UK and various places in the US as well. There are many aircraft being built in various stages. The number of aircraft in final assembly

is probably 13 or so. The parts we produce are in all of those and in the follow-on activities as well.

Senator JOHNSTON—Do we advise the manufacturers that are involved in this as to the precarious nature of funding from Congress?

Air Vice Marshal Harvey—I would not say that funding is precarious, but on an annual basis Congress review the funding. That is the nature of the US budgeting situation until you get into the multi-year buy. They do fund on an annual basis.

Senator JOHNSTON—You can see what I am getting at. Our people are used to long-term contracts and they are prepared to invest sizeable amounts of money in tooling up for what they anticipate to be a big project. When I visit one or two of them I find that they are planning well into the future, and I say, ‘Of course, you realise that this project comes up for review every year, and congressmen either tick or cross projects and they go or stop year by year.’ Can I tell you, many of them are very, very distressed to find that out. Should we not be telling them that that is the way this works?

Air Vice Marshal Harvey—Certainly to my knowledge we have discussed that with the contractors in Australia as well. They recognise that. However, we are in a transition zone now. Most of our contractors for the build phase are quoting on low-rate initial production lots 4 to 7, which is a four-year span. We push Lockheed Martin hard to give a long-term commitment for production rather than just year by year. One of the key aspects of the consortium buy that we continue to work is to work on that longer term commitment rather than year by year.

Senator JOHNSTON—But we are still at the mercy of an annual tick-off by Congress, are we not?

Air Vice Marshal Harvey—That is true.

Senator JOHNSTON—I think we need to get this up on the table for our people so that they understand, particularly with the change in administration, that, if they are going to invest the millions of dollars that are required to participate in the project—which I am hopeful they will be able to do—we need to identify the risk.

Air Vice Marshal Harvey—That is true, and we do work closely with Australian companies. We work on a daily basis with my industry team discussing that, and that is why we are working hard to put these long-term agreements in place, rather than just annual ones. I think the issue from Congress is not a matter of whether the project is turned on or off on a year-by-year basis; it is the exact number that are produced. The eight other governments coming in as well add some stability to that. There is some doubt about the actual numbers, but it is not a yes or no on an annual basis—it is the exact number.

Senator JOHNSTON—I think we need to be firm on what the status is. Whilst there are other purchasers, if the main purchaser, being the United States, were to pull out, it would be a very serious issue for the ongoing success of the project, would it not?

Air Vice Marshal Harvey—That is absolutely true. The US plans to buy 75 per cent of the aircraft at the current stage.

Senator JOHNSTON—I am asking if we could publicise to our indigenous manufacturers so that they are aware of what we would, I think, all say is quite a unique situation. For instance, I saw an LHD in Pascagoula that was allegedly part of a significant class of vessels but was the first and last of its class.

Dr Gumley—We will undertake to write to the suppliers to JSF. I am surprised they do not know about the US procurement system because most have been involved for a number of years. But just in case they have missed it we will write to them and make sure that is clear.

Senator JOHNSTON—Can I suggest that you be a little careful how you frame it. I do not want to scare the living daylights out of them, but I think they need to realise that in this current economic climate there is an air of uncertainty right across all facets of industry, particularly defence acquisition in the United States.

Air Vice Marshal Harvey—We will reinforce the message to the companies.

Senator JOHNSTON—Are we aware of a company called Paragon in South Australia?

Air Vice Marshal Harvey—Yes, we are. It is a venture capital company.

Senator JOHNSTON—Can you tell me what they are doing?

Air Vice Marshal Harvey—They are looking at investing in a processing capability in Australia. One of the shortfalls we found with Australian industry is a lack of surface finishing capability. We have very good machining companies in Australia that can provide to the world market, but we have a problem with their surface finishing, beyond their machining work, to deliver into the JSF. To date, companies in Australia have been producing parts, which are then going to the US or in some cases, Canada, for surface finishing and then coming back again, which adds a lot of cost, time delay and risk. So we have been trying to put together with the department of industry and state governments a processing capability in country to do that work.

Senator JOHNSTON—Are you saying that there is no indigenous capability in that regard?

Air Vice Marshal Harvey—Not to cover all the processes or on the scale we need for the production phase of this project. Individual companies have some capabilities and there are some capabilities that are not rated to aerospace quality. But we do not have the overall bulk capability we need for the longer term processing.

Senator JOHNSTON—Surely those companies that are not quite up to the mark but are still nevertheless successful participants in that particular area should be given the opportunity to invest and expand?

Air Vice Marshal Harvey—And they certainly have. We did a joint study with the department of industry investigating that and it showed that for the sheer scale of the work involved you needed to start greenfield again. The companies in Australia did not have sufficient experience at this stage to get up to the adcap standard required for the future.

Senator JOHNSTON—Is there a prerequisite that any such commercial capability be reposited in South Australia?

Air Vice Marshal Harvey—There is no such requirement at all; it is purely on a business basis.

Senator JOHNSTON—But the South Australian government has funded this organisation, hasn't it?

Air Vice Marshal Harvey—The South Australian government has not funded this organisation.

Senator JOHNSTON—Paragon?

Air Vice Marshal Harvey—Perhaps in other work but in this case a potential joint arrangement is being looked at with South Australia and Paragon taking part, but the Victorian government has shown an interest as well. But it is still being worked through.

Senator JOHNSTON—But what if Paragon is not actually going to build an indigenous volume based capability that will answer the call of the project but simply be a central point of subcontracting. That is not a happy event, surely.

Air Vice Marshal Harvey—Paragon itself is not looking at building the capability; they are looking at being a partner in the development of that. The proposal is that an existing company in the US that does this work would take the lead in doing the work and Paragon would invest in the capability.

Senator JOHNSTON—The company in the United States is part of Paragon or has similar shareholdings and similar board members, hasn't it?

Air Vice Marshal Harvey—No, the company in the US is quite separate. It is just in this case that they are looking at coming together as a partnership to provide part of the funding.

Senator JOHNSTON—I think we need to keep a weather eye on what is happening here. I am not sure that this is a terribly satisfactory look, particularly when we have small manufacturers who are seeking to do the direct contracting work.

Air Vice Marshal Harvey—Certainly. We do keep a close eye on it. As I say, we work with the department of industry and the state governments on this. But in our investigation, and a funded external study, there was certainly not the current capacity and not really the scope to grow from any existing processing houses to get to the scale we need.

Senator JOHNSTON—Have we discussed that with those that may wish to expand?

Air Vice Marshal Harvey—Yes, we have, and the business case on the way ahead showed that a greenfield site was the best way to go.

Senator JOHNSTON—All right, I will stay tuned. I actually do not have any more questions on these subjects. Thank you, Dr Gumley.

Senator LUDLAM—I have just got a couple of questions, on two subjects. On 17 December, I think, last year the *Jerusalem Post* reported that Israel was interested in purchasing the Australian flying bomb, named with an Aboriginal word meaning the 'kestrel hawk'—the Kerkanya. Is that something that you are familiar with?

Air Chief Marshall Houston—I am having difficulty hearing you. What was the thing that we were—

Senator LUDLAM—I am not sure if the mic was on. It was a report from December last year about the Israeli government wanting to buy an Australian flying bomb, known as the Kerkanya.

Air Chief Marshall Houston—We do not actually know anything of that designation.

Senator LUDLAM—I will move on if your folk want to have a think about that. I have got a couple of other questions.

Air Chief Marshall Houston—I will invite Admiral Tripovich to respond.

Vice Adm. Tripovich—I saw that story as well and it was an unsubstantiated story—that the Israelis have expressed an interest in JDAM-ER. I cannot remember what JDAM stands, but ‘extended range’, anyway.

Air Chief Marshall Houston—Joint Directed Attack Munition—Extended Range.

Vice Adm. Tripovich—So it is what I call a ‘dumb bomb’ and Australia has been doing work with a company on a wing kit to extend its range.

Air Chief Marshall Houston—Sorry, I just have to correct you there. It is not a ‘dumb bomb’—it is a smart bomb.

Vice Adm. Tripovich—Sorry, a ‘smart bomb’.

Air Chief Marshall Houston—Satellite-guided.

Vice Adm. Tripovich—We have been doing some work at being able to extend its range. That is under our Capability and Technology Demonstrator Program and we have reported on that before. There was a story in the paper, I saw it as well, that Israel had expressed interest. We investigated that and we could find no basis for that story. Certainly, nothing had come from the Commonwealth and nothing from the Israeli government to us.

Senator LUDLAM—Okay, just to be clear: that is a project that has been initiated by a private contractor that the Australian governments were assisting with, not the other way around?

Vice Adm. Tripovich—The Capability and Technology Demonstrator Program, which is funded out of the Defence Capability Plan, allows companies to do developmental projects with Defence to demonstrate technologies or capabilities. And, should they be successful, we look to introduce them into service.

Senator LUDLAM—Okay. To your knowledge, Australia is not looking at selling this weapons system to Israel?

Vice Adm. Tripovich—To my knowledge, we have not made any approaches and we have not been approached by the Israelis.

Senator LUDLAM—Great, thank you. Are you aware of where the Aboriginal name—

Vice Adm. Tripovich—I have never heard that name before, quite frankly. We do call it JDAM-ER. I am the sponsor for the project and it does not have an Aboriginal name, to my knowledge.

Senator LUDLAM—Can you tell us whether Defence currently possesses DIME weapons—the Dense Inert Metal Explosive weapons? Do we deploy those?

Vice Adm. Tripovich—That was also a story in a paper. We investigated that story, and I can confirm that we do not have them, nor are we planning to acquire them.

Senator LUDLAM—Okay. Lastly, do we deploy, or are planning on deploying, white phosphorous?

Vice Adm. Tripovich—I have to defer to the people who manage the explosive ordnance.

Mr Klenthis—We do have white phosphorous ammunition in inventory. That ammunition is used specifically as an illumination capability, not in an attack or offensive capability. I can give an absolute assurance of that.

Senator LUDLAM—Can you tell us why we do not use it as a weapon?

Mr Klenthis—The particular munitions themselves, which largely are mortar rounds out of our 81-millimetre mortar system or artillery rounds out of 105- or 155-millimetre howitzers, are specifically designed for parachute deployment—so that they are released above the ground and float down using a parachute device to provide wide area illumination over the battlefield. There are no examples—that I am aware of—of where they are used in a ground burst capability, which is where they would have an offensive effect on troops in the open. So it is strictly illumination capability.

Senator LUDLAM—Illumination? Not elimination?

Mr Klenthis—Yes, wide area illumination over a battlefield. Indeed, I am also aware that some of our old naval gun shells—which are still in inventory, but are being disposed of—provide a similar capability out of former naval gun systems.

Air Chief Marshall Houston—Chair, Could we just provide for the record the information in response to the question on the gap year?

CHAIR—Certainly.

Mr Minns—This is the status as at 1 January 2009 for the 2009 gap year program. For the Navy, we received 808 inquiries, 459 of which were from female inquirers. That gave rise to 474 actual applications, 258 of those applications being from women. At this stage, the process has given rise to 188 letters of offer for Navy gap year—116 of those 188 were to female applicants. For Army, we received 2,303 inquiries, of which 651 were female inquirers. That gave rise to 730 applications, 166 of which were from female applicants. We have, to date, made 308 letters of offer, of which 77 were to female applicants. For Air Force, we received 896 inquiries, 300 of which were from women. That gave rise to 284 applications, 110 of which were from women. So far there have been 114 letters of offer, 51 of which were to women.

In relation to conversion for gap year 2008, I have this data but we are confident in its accuracy for Navy only. To date we have had 10 people transfer to the permanent Navy and a further 25 have been accepted for transfer to the permanent Navy. Of that 35, 23 are women. This does bear out the point we made earlier about the gap year being an opportunity to experience ADF life and to make a judgment and an assessment on the nature of that employment. Those are encouraging results.

[5.53 pm]

CHAIR—We will move on to output 1.5, Intelligence capabilities.

Senator LUDLAM—I have just got two outstanding questions: one relating to Pine Gap and another relating to Defence's involvement in the rendition of Mr Mamdouh Habib. I might start with the Pine Gap ones. It was reported this week that a review of the agreement about Pine Gap between the United States and Australia is under way and a new treaty is in the process of being established. Can you just tell us who, if anyone, is participating in this review from Defence?

Mr Merchant—That report is not correct.

Senator LUDLAM—Could you just enlighten us as to whether there is any form of review under way?

Mr Merchant—No, there is no review.

Senator LUDLAM—There is no review. That wipes out a couple of questions. The committee recently finalised an inquiry into the government's proposal to strengthen the application of the Defence (Special Undertakings) Act 1952 to protect Pine Gap from, in this case, Christian pacifists who had entered the site. There were some answers provided by Defence to the committee's questions asserting that Pine Gap persists with monitoring and compliance of arms control and disarmament agreements. Can you explain to us exactly how Pine Gap contributes to the compliance of disarmament and arms control agreements? Specifically which agreements?

Mr Merchant—Pine Gap collects intelligence by technical means and that can include intelligence on issues that are relevant to the monitoring of arms control agreements, such as nuclear arms limitation agreements between the US and other countries.

Senator LUDLAM—In what capacity does Pine Gap do that?

Mr Merchant—The sorts of capabilities of Pine Gap are highly classified and the exact means by which it contributes to those agreements is not a matter in which there is public discussion.

Senator LUDLAM—Does Defence know, or is that information held by the Americans?

Mr Merchant—Defence knows. It is a joint facility operated by the Australian and US governments.

Senator LUDLAM—Defence is aware of the ways in which that facility helps track arms control and disarmament measures?

Mr Merchant—Absolutely.

Senator LUDLAM—I will bring you back to where we began. The US Consul General Michael Thurston says a new treaty is in the process of being established. Are you formally contradicting that position? And, if you are, we will go to the Consul General and ask him.

Mr Merchant—I am not aware of any new treaty being negotiated. I am not involved in any of the negotiations that were reported, and I would be if there were such a renegotiation of the treaty. The arrangements around Pine Gap are governed by implementing

arrangements; they remain in force. There is no suggestion that I am aware of of any renegotiation being instituted by either side.

Senator LUDLAM—So, in that case, nothing is even foreshadowed and the comments by the Consul General are false?

Mr Merchant—I am not aware of what the Consul General said, but certainly in terms of my involvement, as I said, there is nothing that I have been involved in which would indicate a suggestion of renegotiation of the treaty or implementing arrangements.

Senator Faulkner—Mr Merchant can only respond to your questions on behalf of Defence.

Senator LUDLAM—That is right.

Senator Faulkner—I am sure you appreciate that. It is very difficult to respond to some comments that might have been made by the Consul General. I am not sure which Consul General it is, by the way—

Senator LUDLAM—I think Michael Thurston is his name.

Senator Faulkner—They might well be matters better asked in another portfolio.

Senator LUDLAM—I will forward to you the comments that I am specifically referring to, because I recognise that you do not have them in front of you. Could you check whether negotiations are underway involving Defence—

Senator Faulkner—There is no need for Mr Merchant to do that. Mr Merchant has responsibility for these matters. The CDF and the secretary are here at the table, and they have administrative responsibility for both the ADF and the Department of Defence. The assurances that you have received are clear. This is one where I believe we do not need to go any further.

Senator LUDLAM—I will accept that. Clearly, there is something very strongly amiss, though. Another question on notice, which did not arise from estimates but was formally submitted through the regular process, has not yet been answered by the department relates to the rendition of Mr Mamdouh Habib. In an estimates hearing on 4 June 2008, Defence representatives stated that the department 'Has no record of involvement through meetings or through the provision of advice in the matter of the rendition of Mr Mamdouh Habib'. My question relates to a subsequent freedom of information request which was lodged with Defence and for which the department quoted a cost of \$107, 145 for 1,038 hours of labour to reproduce 85,418 pages. If you have no evidence or documentation on this matter, as was stated in estimates, I am not clear as to what exactly that freedom information request is denying or what this documentation is.

Senator Faulkner—You would appreciate that this is a starting point. It is hardly an inconsistency between stating that Defence might undertake an exhaustive examination of records and then come to a conclusion that they might have no involvement or record of involvement in such a matter. I am no expert on this. I think there is a little bit of a logical inconsistency, which I thought I might point out to you in the question.

Senator LUDLAM—I am sure the applicant for that particular FOI request was not interested in receiving thousands of pages of documents showing an absence of something, so I do not think there is an inconsistency there at all. There is obviously a huge volume of—

Senator Faulkner—We will have to agree to disagree, but I am happy for officials to assist you where they can. I think if you reflect on the *Hansard* record, the point that I make is not unreasonable and a perfectly proper one. When you consider such an exhaustive examination of documents or records and then come to a particular conclusion, this is not unusual.

Senator LUDLAM—The department said they had no record of involvement, but then they are saying that to check whether they have a record of involvement they will need to check 84,000 pages of documents. You do not see an inconsistency there?

Senator Faulkner—I think the question, as you asked it there, contained a logical inconsistency. In fact, there is no inconsistency in stating that Defence has no record of involvement in the matter of rendition of Mr Habib and in having to check a large number of documents in response to an FOI request. I can see the logic of what I am saying, and I can see some illogic in what you are saying, but, regardless of that, if officials at the table can assist you, I am very, very happy to allow that to occur. It is just that perhaps you have a different view of what is logical to what I have. I, as the minister at the table, merely wanted to make that comment to you, as I heard your question. But, anyway, ask a follow-on question. We have got some expert witnesses here who might be able to assist you.

CHAIR—Senator Ludlam, you might go to the crux of the matter, because it is now 6 pm and there are officials from Defence Housing Australia waiting to answer your questions.

Senator LUDLAM—I will go to the crux of the matter: does the department have any record of involvement in the extradition of Mamdouh Habib?

Mr Warner—Perhaps I could answer that. We maintain our position that we have no record of involvement, through meetings or through the provision of advice, on the rendition of Mr Habib.

Senator LUDLAM—Okay. Just to go to the matter that the minister raised just previously, and this has been spelled out in quite a bit of detail in a question that was submitted on notice—not through the estimates process, but through the chamber—that is now overdue and has not been returned to my office. The applicant has not asked to be provided with all this documentation showing that nothing exists; he has been asked whether there is a connection, and yet the department is quoting that they will provide him with 85,000 pages worth of material. The applicant is not interested in being provided with that if there is no evidence in there.

Senator Faulkner—If it assists you on this, I am advised that a draft answer is now with the Minister for Defence, so progress has obviously been made in terms of answering your question. I will make sure that the minister and the minister's office is apprised of the fact that you have raised the matter again today, but I can assure you that officials advise me that a draft answer is with the minister now.

Senator LUDLAM—Thanks, Minister. I will—

Mr Merchant—I might also add, if I could, that there has been further correspondence between the department and Ms O'Brien, who put in the request. She has very helpfully narrowed the terms of her request, particularly the time period for which she is interested in getting documentation. That makes the task of meeting her request much more manageable from our point of view, and there has been further advice given to Ms O'Brien very recently.

Senator LUDLAM—Thanks, Mr Merchant and thanks, Minister. I will leave it there.

[6.06 pm]

Defence Housing Australia

CHAIR—I welcome, from Defence Housing Australia, Mr Michael Del Gigante, Managing Director; Mr Robert Groom, Chief Financial Officer; and Mr Peter Howman, Chief Operating Officer; and those officers from the Department of Defence who remain on hand to provide supplementary information. I believe we are going to kick off with Senator Ferguson.

Senator FERGUSON—Thank you, Chair. This may not take too long, depending on some of the answers—

Senator Faulkner—We certainly would not complain about that, Senator.

Senator FERGUSON—No, I know you would not! I am trying to give you an early mark, Minister. In the government's recent \$42 billion spending package, I understand—I do not have the exact figures in front of me—that there was a certain amount to be spent on new defence housing or the bringing forward of defence housing and, in some cases, repairs. First, am I correct in assuming that?

Mr Del Gigante—There is, in the program, about \$251.6 million for new defence housing.

Senator FERGUSON—Okay. And is that already planned housing that is being brought forward or is it housing that has not been planned?

Mr Del Gigante—No, this is an additional capital program over and above the current, existing program.

Senator FERGUSON—How long do you think it will take before any of these houses are actually built?

Mr Del Gigante—That is a good question, thank you, Senator. Because there was a gap between defence's demand for accommodation and the DHA's ability to meet the total demand pretty quickly, we have land which is already available. We are in the process of going through the procurement process to build houses. So probably the first houses—my colleague will correct me if I am wrong—should be available towards the end of next financial year.

Senator FERGUSON—So when do you anticipate starting on the actual building?

Mr Del Gigante—Pretty soon, probably within the next couple of months—just long enough to go through the process of engaging the builders and getting development approval for those specific houses.

Senator FERGUSON—When you say development approval, I presume you are also including approval of public works via the Public Works Committee?

Mr Del Gigante—Yes, of course, in the cases where the project is of a size that falls within the bailiwick of the Public Works Committee. I think we have already been in touch with the Public Works Committee in areas where we think we have to go through it.

Senator FERGUSON—The main reason I ask is that, having spent about eight years, I think, on the Public Works Committee and having seen many DHA applications, I do not ever recall an application or a request for approval being considered inside of a three-month time frame.

Mr Del Gigante—This is off the top of my head, but I think we have allowed several months for the process of taking the projects through the Public Works Committee. That is included in our planning.

Senator FERGUSON—So you really cannot commence work on any of these houses until that process has taken place, can you?

Mr Del Gigante—My understanding is that the Public Works Committee approves projects in excess of \$15 million. Even though the whole program over two years is \$251 million and it is all across Australia and there are dozens of specific projects, the majority of those individual projects are small projects—10 houses or 20 houses. In a couple of situations where the projects are large, we will go to the Public Works Committee, as required by the law.

Senator FERGUSON—The only thing is that my recollection of the Public Work Committee—and it may be different now; I have not been on it for two or three years—is that they were very reluctant to allow disaggregation of small projects in order to avoid being scrutinised by, or being required to get the approval of, the Public Works Committee. I am wondering whether you are considering having a number of smaller projects going on concurrently in order to avoid the Public Works Committee's scrutiny.

Mr Del Gigante—No; what I am saying is that, from memory, I need to build eight houses in Tasmania and 20 in Melbourne. We do not aggregate them. They are two separate projects. They may go to two or even three different builders. We have a program of different sized and shaped projects. We do not aggregate or disaggregate them for other than operational reasons. For example, in Darwin even though during a year we may build 100 houses, they are divided into stages and different projects. Land is not released all in one day to build 100 houses so you will get 20 houses released at one time, and that is one project. Then three months later you may get another 15 blocks of land, and that would become another project. There is a whole range of sizes and timings of projects.

Senator FERGUSON—That is exactly what the Public Works Committee did not like happening—the disaggregation of a project which might include a total of 100 houses, so that if you do them 15 at a time they all come in under the amount that is required to go to the Public Works committee. Yet they really are part of the same project.

Mr Del Gigante—The way we look at it is that we talk about a program. Underneath that program we have lots of projects, for various technical, operational and other reasons. If you are talking about a program, yes, the whole program over two years is \$250 million, but in reaching that programs there are a large number of individual projects. We report these projects to the Public Works Committee. For projects above \$15 million we go through a

minister and the parliamentary Public Works Committee. For projects that are smaller I think the current requirement is that we inform the Public Works Committee.

Senator FERGUSON—The reason I am asking these questions is that it is part of the so-called stimulus project. If the money is not going to be spent immediately it is unlikely to provide the stimulus that is required in the short term. It is something that will be spent, in a lot of the cases, much further down the track. We are talking about an immediate final crisis but if money and spending is postponed then it will not have the desired effect.

Mr Del Gigante—Of course. Our plan is to spend the money in the way the government has announced it, which is, for DHA, \$201 million—I can check the exact figure—in the first year and the remainder in the second year of the two-year program.

Senator FERGUSON—On another tack, has the current financial situation caused a slow-down in the sale of your properties to private owners for release?

Mr Del Gigante—The answer is yes, but it depends on what it relates to. Relating to our original budget for this year, yes there has been a slow-down. In relation to performance of previous years, no. We are selling to two markets. One market is the individual investor and the other is the institutional investor. There are two markets. The sales to individual investors are going according to our plan. It is still continuing, whereas the institutional investors last year stayed on the sideline. We did a transaction the year before, but not last year.

Senator FERGUSON—What percentage of defence housing is now privately owned and rented back to the defence forces?

Mr Del Gigante—Approximately 65 per cent.

Senator FERGUSON—Sixty-five per cent privately owned.

Mr Del Gigante—Yes.

Senator FERGUSON—And that includes institutional and personal investors?

Mr Del Gigante—Yes. But we lease it back for long periods. So it is sold and leased back to DHA for anywhere between six and 21 years.

Senator FERGUSON—With a guaranteed lease?

Mr Del Gigante—Yes.

Senator FERGUSON—CPI or inflation?

Mr Del Gigante—No, the rent is determined by the market. Every year we get an independent assessment of the rent for that house for the next year. It is adjusted every year.

Senator FERGUSON—And have the rental rates stayed at the same levels they were in previous years?

Mr Del Gigante—No, rents have increased substantially over the last two or three years. Rents have gone up.

Senator FERGUSON—What I meant was they had not dropped at all; that is what I was trying to say. The rent levels have not dropped at all?

Mr Del Gigante—No.

Senator FERGUSON—So there is still the same enthusiasm in the personal investor market? I guess with interest rates where they are they probably make it an attractive investment.

Mr Del Gigante—Yes.

Senator FERGUSON—Are most of the houses that are retained by DHA older houses that have been on the DHA's books for a long time?

Mr Del Gigante—No, it is a mixture. Some of them are strategic type holdings—if they are right next door to a base, for example: once we sell it, we lose control of it over time. Some of them are what we call inventory: once we have finished the construction of houses, it takes some time to sell it to investors. So is a mixture. They are not all old houses. In fact, we do not have a lot of old houses. Over the years, there has been a modernisation of stock, so most of stock is quite modern. There are a few pockets of older style houses left, but they are localised and they are on a couple of bases.

Senator FERGUSON—For instance, I do not live very far from the Port Wakefield proof range in South Australia. Would all of the houses on the proof range still be owned by DHA?

Mr Del Gigante—No. I think if they are on a Defence establishment they are owned by Defence. So there is a—

Senator FERGUSON—So they are owned by Defence?

Mr Del Gigante—Yes. There is a portion—I think about 2,000 or 3,000—of the portfolio that we manage which is on base and is owned by Defence or is in a remote location near a facility that is owned by Defence. So there are three owners: DHA, investors and the defence department.

Senator FERGUSON—Okay.

Senator KROGER—So is most new housing not close to bases anymore?

Mr Del Gigante—It is a mixture. Defence has a policy which requires that the housing be within 30 kilometres of the place of work, of the base. There are a couple of exceptions where it is bit further. We provide housing within that circumference.

Senator FERGUSON—On a personal note—this is for my own information—can I ask: with the transfer of defence forces to Adelaide in the next year or two, are there plans for a significant increase in the amount of defence housing in the northern Adelaide region?

Mr Del Gigante—Yes.

Senator FERGUSON—Do you know where?

Mr Del Gigante—Within 30 kilometres of the base!

Senator FERGUSON—But 30 kilometres north is country.

Mr Del Gigante—No, we are reasonable, obviously. The policy is 30 kilometres, but we put houses where there are communities, there are shops, there is transportation, there are schools. Canberra is probably a good example. There is an HQJOC in Bungendore, but we do not have any houses in Bungendore; we have them in the Canberra region because that is where the infrastructure is—the schools and shops.

CHAIR—Any further questions? Senator Ludlam.

Senator LUDLAM—In relation to defence housing, there were some conditions attached to the energy efficiency, water efficiency and other properties of the housing that is to be constructed under the stimulus package. Can you just let us know to what degree the defence housing will be built to these standards.

Mr Howman—Senator, there are state and local government requirements for sustainability, and we ensure that we fit within the law; and, to that end, we do have a pilot underway that looks at stretching some of the requirements slightly beyond that.

Senator LUDLAM—Okay. Can you give me a little bit more of a description of that?

Mr Howman—Sure. We are looking at various aspects, such as water, biodiversity and energy. An example I will give there is that at two locations, Adelaide and the Riverina, we are building slightly larger water tanks than is required by the local regulations. We are doing that because we want to test the usability of that for a wider program which, if it is successful, we could move forward on.

Senator LUDLAM—One of the aspects of the package that was passed through the parliament in the end was that six-star ratings would be brought forward to, I think, the May COAG meeting. Does that present any particular challenge for you?

Mr Del Gigante—I am not aware of that one. I would have to check whether there were specific requirements imposed as part of the legislation.

Senator LUDLAM—It was not in the bill as it was passed through the parliament, but it was a commitment by the government, so I guess that puts you on notice that that is the case. Do you see that as presenting a particular challenge to Defence or is it something that you would welcome?

Mr Howman—Our standard today is a minimum of five stars and we encourage our builders to go beyond that.

Senator LUDLAM—Thank you.

CHAIR—I thank the officers from DHA. After the break we will move to the Department of Veterans' Affairs.

Proceedings suspended from 6.21 pm to 7.31 pm

Department of Veterans' Affairs

CHAIR—Good evening, Mr Campbell and your officers. Welcome to this set of questions and estimates for the Department of Veterans' Affairs. Welcome, Minister Ludwig. Minister, do you wish to make an opening statement?

Senator Ludwig—No, thank you, Chair.

CHAIR—Mr Campbell?

Mr Campbell—No, Chair.

CHAIR—On that basis, I will hand over to Senator Kroger.

Senator KROGER—At the last estimates, a question came up in relation to the then government's proposed changes to partner entitlements. There was much discussion about that, in particular in relation to the number that would be affected by it. Since those estimates the government has amended its plans for changes to the partner service pension. Can you tell me how many partners will now have their entitlements removed?

Mr Campbell—I might ask Mr Telford to take issue with the detail of that.

Mr Telford—There are roughly 560 affected by the changes. However, as you allude to, there were changes in respect of particular groups who may have been forced into a separated situation as a result of some domestic violence or other domestic situation beyond their control. As you know, the legislation was amended to take care of that. We wrote to all the individuals who were possibly affected by this, providing them with a form to fill in to provide information and background details on what may or may not have been the circumstances which resulted in their being separated. Of the 560, we provided 334 questionnaires to those partners, and 127 of those have been returned. We will be examining those over the coming months to see the circumstances and what will happen with those particular cases.

Senator KROGER—I presume the questionnaire you are referring to is one that ascertains the basis of the domestic situation—that is, whether or not they are living together. Is it of a personal nature? Or is the questionnaire of a more general nature? What is the basis of the questionnaire?

Mr Telford—The basis of the questionnaire is for them to establish that in fact their separation was due to some circumstances of domestic violence of some sort or other or some mental trauma as a result of their husband's service in a conflict of some sort that resulted in their separation.

Senator KROGER—My limited involvement in this area leads me to believe that these things are quite discretionary and in many instances it is very hard to prove that one's poor health is attributable to service. What is the process of consideration? Once these questionnaires have been received, what are the guidelines that you have set up to provide for what are considered to be discretionary circumstances? What process will you use to investigate those?

Mr Telford—There will be no black and white rules. As you would appreciate, the circumstances for each individual will be totally different. The partner may decide to provide reports. Orders may have been out against the husband at one point in time; there may have been situations where there has been hospitalisation, either of them or their child, resulting or something of that nature. It is a questionnaire which allows them to demonstrate, in the way that they feel most comfortable and to prove—to the extent that is possible—that indeed there have been circumstances that have resulted in their separation. The detail they want to go into, the level of evidence that they provide and the timeframe—all of that—is really up to the individual.

When those forms are received by the department, we have a special group of individuals who will be looking at those carefully to try to understand the circumstances. They will look

through the history of the mental health of the husband, other circumstances and the timeframe. It is not black and white; there is no hard and fast rule.

Senator KROGER—What are you looking at? Did you say that 127 have been returned?

Mr Telford—Yes.

Senator KROGER—Of the 334 questionnaires, 127 have been returned to date. Given that there is a lot of grey here—as you said, it is not black and white—in dealing with them, do you anticipate that they will be invited in or in fact visited to discuss it and explore their concerns and issues and to validate the bases of their questionnaire returns?

Mr Telford—It is a bit early, really. It does not come into effect until 1 July 2009, so there is still time. Obviously, two-thirds of them are still considering their circumstances and situation and whether they will place some of their details on record. They also need to make decisions about their financial circumstances and a whole lot of other things. We will be looking at these very carefully and will have a particular process for those which are rejected. We will have a quality assurance arrangement—as we do across all of these claims. We will want to have a closer look at the rejected ones to make sure that we have a consistent approach to how we are assessing the evidence that the individuals have provided and their circumstances. Whether that will result in some phone calls to or some discussions with the individuals is yet to be determined or known.

Senator KROGER—Given the intensive nature of the considerations that need to be made, has a separate budget been put together by the department to cover the costs of however many staff that are involved in sending out the questionnaires, managing them and giving them consideration?

Mr Telford—There will be no additional staff. This will be absorbed within our normal process of looking at pension claims.

Senator KROGER—I understand from what you say that the entitlements do not change until 1 July 2009—which for many of these people is not far away if they are going to have a change to their income. Have any transitional arrangements been considered or made for those who may no longer be eligible?

Mr Telford—No, not at this point in time. It will depend upon when the questionnaires and material are received back in the department and the time we have to assess those. Some of them are going to be straightforward and very easy assessments to make, if the person provides details of apprehended violence orders and the like or various medical reports on abuse and so forth. That will be quite straightforward and easy. But others may take a bit of extra time, and we will see as we approach 1 July what discretion we may or may not have to deal with some of the complex or more vexed cases.

Senator KROGER—Have you got any sense at this point in time of what kinds of numbers you are looking at—of that 560—that will have changes to their benefits?

Mr Telford—No, we do not.

Senator KROGER—In relation to the reduction of payments, do you have any indication in your estimates of what the reduction in payment is going to be for those who are losing their partner service pension and going onto another form of income support?

Mr Telford—They will be dropping back onto a Centrelink payment of one sort or another, depending upon their circumstances. I do not have those details with me at the moment.

Senator KROGER—It would be interesting to do the math to see what the difference is in outgoings, to see what the real difference will be from a government and departmental level for those currently on the partnership entitlements arrangements who as of 1 July may no longer be eligible and will go on Centrelink. In a response to a question on notice in the House of Reps it was estimated that 340 to 365 former Vietnam vets would be losing their partner service pension. Of the remainder—the couple of hundred others that we are talking about—what other conflicts or circumstances were they receiving their partner service pension for?

Mr Telford—I do not quite understand the question.

Senator KROGER—Of the 560 that you have suggested are receiving the partner service pension, 365 I understand are former partners of Vietnam vets. I was seeking your advice as to what category, if you like, the other 195—

Mr Telford—I do not have that.

Senator KROGER—fell into.

Mr Telford—For other conflicts, I do not know. I can take that on notice, though.

Senator KROGER—That would be interesting to know. I have no further questions.

Senator JOHNSTON—Mr Campbell, I have some general questions. Forgive me: I am not as immersed in the intricacies of Veterans' Affairs as I might be, so when I get the titles of things and the acronyms wrong, please bear with me.

Senator Ludwig—I will see if I can correct you too!

Senator JOHNSTON—A lot of veterans have said to me that they are very concerned that all of the information coming out of the department is presumptuous of people having computers. They are telling me that a very large proportion of them, particularly older veterans, do not have computers and do not have computer skills. How do we go about accommodating that with respect to the ongoing issues that we all have in this area?

Mr Campbell—I probably would dispute the basic premise. We, like most service delivery agencies, are using computers and the internet—and we are using the internet increasingly. But in terms of Commonwealth agencies we are probably almost in the vanguard of still using paper based activities as well. I would need to have the particular examples. I am aware of a couple of cases where there has been a concern voiced that we are no longer mailing out fact sheets. That might be the one you are talking about.

Senator JOHNSTON—I think it is. 'Referral to the website' I think is the broad heading that I would use.

Mr Campbell—Yes. We say, 'Okay, the website is there,' but all of our staff are under instructions that if a person does not have access to the website then the fact sheets should be mailed out. The only other point I could add to this is that we have had a couple of cases that I am aware of where there was a bit of confusion between either the veteran or their family and

the officer because they wanted all the fact sheets mailed out, and that is probably not a very sensible activity for us, nor for the recipient of them. So in those cases there was discussion about which ones they wanted, because we have many fact sheets. Certainly, if you have got particular cases with names, I am willing to go back and speak to the appropriate officer who dealt with them. But I would argue that we are still, if you like, very much a paper driven agency, even though we are going to the web and web based activities.

Senator JOHNSTON—Do you have the demographic analysis of your clientele?

Mr Campbell—Yes.

Senator JOHNSTON—Do you know how many you have got over the age of, say, 70?

Mr Campbell—We know exactly how many we have over the age of 70, how many we have over the age of 80—yes, all demographics, and we know gender as well.

Senator JOHNSTON—Can you tell me what percentage of your recipients are over the age of 70.

Mr Campbell—Not off the top of my head, but I am sure there is somebody sitting around in the room who has that figure.

Senator JOHNSTON—I reckon Mr Douglas has got that figure.

Mr Campbell—Mr Douglas has got it.

Senator JOHNSTON—He has never let me down before!

Mr Campbell—Yes, he is pretty good!

Mr Douglas—I cannot tell you the total, but I can break it down by the piece of legislation.

Senator JOHNSTON—All right.

Mr Douglas—In the biggest share of our client group, which is under the Veterans' Entitlements Act, we have 10½ per cent aged between 75 and 79; 26½ per cent, 80 to 84; 22.7 per cent, 85 to 89; and seven per cent, 90 or over. So that is approximately 60 to 70 per cent. Under the Safety, Rehabilitation and Compensation Act, only about five per cent are aged over 75, maybe 10 per cent aged over 70. The Military Rehabilitation and Compensation Act is only five years old, so of course there are none older than 70.

Senator JOHNSTON—So the first group is the group we would want to focus on.

Mr Douglas—Yes.

Senator JOHNSTON—I suppose it is very expensive to deal with that quite sizable percentage aged over 70 in terms of paper—as you say, in terms of postage and all that sort of stuff. It is very easy to just handle a database and send things out to an address that you think is satisfactory. Is that right?

Mr Campbell—No. I do not want to be misunderstood, Senator. We are aware of the circumstances that you are raising—we think we are; we do not know the individuals concerned, and it is in Western Australia, if I understand correctly.

Senator JOHNSTON—That is right.

Mr Campbell—We have not had any other complaints anywhere around the country that we are aware of. What we do know is that if a request is made for the fact sheet and sending it electronically is not appropriate or not suitable then we do send it by mail. And there is not a cost issue there. The point I made about cost was that, if a person wants a fact sheet and we are sending it to them, we would actually like to know what the issue is that they are dealing with so we can send them the appropriate fact sheet or fact sheets rather than send them every one we have, because that in itself can be daunting for some of the people from the age group we are talking about.

Senator JOHNSTON—Okay. I think you have said enough that I have some information available to people who have a problem, and maybe it is something I can deal with.

Mr Campbell—But if, in the case of the Western Australians, they do have some concerns then they should go to the deputy commissioner in our Perth office and she will see what she can do.

Senator JOHNSTON—All right. More broadly—I have got outcome 1 in front of me—I see that we have got some staff reductions projected over the next three years.

Mr Campbell—Yes.

Senator JOHNSTON—Can you tell me what the extent of those reductions will be, what positions and areas of operation they will affect and which states will be most affected.

Mr Campbell—At the risk of making this a difficult answer, the answer is: no, I cannot tell you where, which program areas or indeed which states. Let me just expand on that, because I am not trying to be unhelpful.

Senator JOHNSTON—I am not sure the question was the right question, but we will battle on. You know what I mean.

Mr Campbell—I understand where the question is coming from. The question is coming from the fact that our resourcing is decreasing. That is ultimately being driven by the number of veterans, because we are an agency where a large number of the people that we provide services to are World War II veterans or widows of World War II veterans. Unfortunately—it is a fact of life—they are leaving us in numbers. As a consequence of that, our resourcing will fall and it will continue to fall, I suspect, for a number of years. It will always be gradual, but there will be a fall. The reason I cannot answer your question explicitly is that, as a general point, a decrease in funding does not always result in a decrease in staff. It does depend on how efficiently you do things and whether you change the way you do things. That is one point.

The second reason I am a bit hesitant to give you exact answers is that before Christmas I commissioned a review of the administrative changes that occurred in the department from 2006 to 2008, which were called 1DVA. I am expecting that that review, which I will be getting very shortly, by an independent person from outside the department will give me some indicators about what tweaking—and I use the word tweaking, not fundamental change; I do not want anyone to misunderstand me—we might need to do to the changes of 2006-07. When you make changes like we did in those days, tweaking occurs after a couple of years. Once we get that review, my senior colleagues and I will work through what to do with regard

to any structural issues or any other issues to do with how we provide our services and in what states they might be affected. So I am not trying to avoid your question and, at the risk of leading with my chin, I will probably be in a better position to talk to you about that in some detail at the next hearing.

Senator JOHNSTON—Thank you for that answer, I appreciate it. Does the review have a name?

Mr Campbell—Yes. Is being done by a gentleman called Ian Lindenmeyer.

Senator JOHNSTON—So it is the Lindenmeyer review.

Mr Campbell—Yes, he is a former senior public servant in the Commonwealth Public Service.

Senator JOHNSTON—Do you anticipate releasing that review to the public? You are thinking about it, I take it.

Mr Campbell—I have not received it yet, so it is a bit hard. I am thinking about it. Certainly the commitment I have given to all staff is that I will release the recommendations, but I am not sure whether there will be parts of the report that I might consider confidential. But I have given an undertaking to staff that the recommendations will be made public to them, so that becomes a public document, as far as I am concerned.

Senator JOHNSTON—Thank you for that. What date are we expecting that?

Mr Campbell—I am expecting it either late this week or early next week.

Senator JOHNSTON—Very good. So by next estimates we should be able to deal with that review in terms of whether you are going to release any of the recommendations or be able to discuss at large with interested parties the subject matter.

Mr Campbell—Given that I have undertaken to give all staff the recommendations, I consider that as publicly releasing them, so I would have no trouble doing that at the next hearing. Then I would be in a position to talk through the findings of the report and where the department is going with them.

Senator KROGER—What were the parameters of the review? I missed that.

Mr Campbell—If we go back a little bit, in 2003 and 2004 the agency started to recognise that the decrease in numbers of World War II veterans was going to be steady but quite substantial over a period of time. So the organisation set up a service delivery review and went through a whole process of working a way forward. We are an unusual Commonwealth agency. Most Commonwealth agencies grow. We grew for quite a period of time, but we are now getting smaller, and thank goodness we will continue to get smaller because it means certain things about operational requirements.

In 2006 we introduced the result of that, which was called IDVA. It was a process that went to a more national management model. Broadly, the terms of reference of the Lindenmeyer review are to review how well we have done that and whether there is any tweaking required. I used the term tweaking both times because, essentially, everybody considers we are on the right track, I think, but tweaking is probably almost inevitable after something as fundamental.

Senator JOHNSTON—I turn to the area of litigation. The department, I expect, is involved in litigation for any number of reasons in defending claims from those who perceive they have an entitlement that has not been met, and what have you. Do we have an analysis of litigation as to, firstly, jurisdictional areas? Do we spend most of our time in Administrative Appeals Tribunal hearings, do we spend our time in the Federal Court or beyond? What is the situation?

Mr Campbell—Before I ask Ms Spiers to speak in detail, we have one earlier layer before the AAT or the Federal Court which is the Veterans Review Board, which is where the vast bulk of—I would not call it litigation—appeals go to. That is the first step outside the department.

Ms Spiers—As I understand your question, you want to understand what proportion of our litigation expenses are for each piece of legislation or type of forum in terms of the AAT or the Federal Court.

Senator JOHNSTON—Yes. I would like to know what jurisdictions we spend most of our time in in litigation, what the common thread of the issues is and what are the costs.

Ms Spiers—What we have publicly on our website we have to disclose every year—the expenditure on legal services. For the last financial year that was just over \$10 million. The question you have asked is slightly difficult to answer, only because, as Mr Campbell has indicated, part of our legislation has a review step called the Veterans Review Board. It is a very non-litigious environment. In fact, it is quite deliberately designed for the Repatriation Commission not to attend. It is for the applicant, usually the veteran, to have their say before an independent panel which usually includes a services member on the Veterans Review Board. So the department does not see that as a litigious environment, nor do we see the Administrative Appeals Tribunal as litigious. Our three major acts—the Veterans Entitlements Act, the Military Rehabilitation and Compensation Act and the part of the Safety, Rehabilitation and Compensation Act that we administer—all have rights of review to the Administrative Appeals Tribunal. We do not see that as a litigious environment. Clearly, we are represented there for various appeals which either the commission instigates or we defend a matter when the applicant is one of our clients. We are still bound by the rules of the Legal Services Direction, which is issued by Attorney-General's in terms of how we present our matters and how we assist the tribunal in making the correct or preferable decision.

Senator JOHNSTON—You mean you have to be a model litigant?

Ms Spiers—Exactly.

Senator JOHNSTON—I am appreciating your answer. You obviously know this subject very deeply. At the board level, would we retain the services of a practitioner or would we have an experienced departmental officer represent the department?

Ms Spiers—We have neither. Quite deliberately, the setup of the Veterans Review Board excludes legal practitioners attending those matters. For instance, if the veteran wants a commission decision and go to the Veterans Review Board, he or she cannot have a lawyer with them; they can have an assistant or—

Senator JOHNSTON—A best friend or whomever.

Ms Spiers—Exactly, and they may be legally qualified, but they are not there as a lawyer representing the individual. As I mentioned before, the Repatriation Commission does not, except in exceptionally rare cases, even make a submission to the Veterans Review Board—we do not attend.

Senator JOHNSTON—So it is an ex parte hearing, in other words?

Ms Spiers—Exactly. Although those cases are clearly based on the law, it is a fact based case. It allows the applicant to have his or her day in an environment that is supportive, and they get to explain why they think the commission decision is incorrect. It is an informal process in terms of how the boards operate. The department is responsible for providing material to the board. In fact, it provides the original documents, the files, to the board for their viewing but does not actively participate in general in those cases. As I said, in my time in Veterans' Affairs I can probably count one or two cases where we have actively wanted to appeal or make representations. So, in the scheme of things, it is negligible.

Senator JOHNSTON—The board gives written decisions?

Ms Spiers—That is correct—in the majority of cases. And it gives reasons.

Senator JOHNSTON—And the commission and/or the applicant has the right of appealing that through to the Administrative Appeals Tribunal?

Ms Spiers—That is correct.

Senator JOHNSTON—Do you have any analysis of any common thread of areas of legislation, by percentage or anything like that, with respect to board matters?

Ms Spiers—I do not have that information before me. I am happy to take that issue on notice. If we can provide that information, I am happy to do that.

Senator JOHNSTON—We would appreciate that. Going onto the Administrative Appeals Tribunal, does the commission have representation—

Mr Campbell—Senator, I think I need to make one additional point here. We administer two pieces of legislation—the Veterans Entitlements Act and the Military Rehabilitation and Compensation Act. The point of the strict line of departmental consideration, departmental review, VRB, AAT—if that is the next case—is under the VEA. For the Military Rehabilitation and Compensation Act, it is an either/or situation when the departmental decision-making process is finished.

Senator JOHNSTON—What do you mean?

Mr Campbell—It is either the VRB or the AAT.

Senator JOHNSTON—That is on the rehabilitation side?

Mr Campbell—That is for the Military Rehabilitation and Compensation Act. That is the second act that we administer.

Ms Spiers—And the third act, the Safety, Rehabilitation and Compensation Act, does not have the Veterans Review Board element as a review right.

Senator JOHNSTON—It just goes straight to the AAT?

Ms Spiers—Correct. It has an internal right of review, but it goes to the AAT.

Senator JOHNSTON—You can see what I would like to know. To cut to the chase: could you tell me the common threads when you are not represented and it is ex parte, and the break-up of the common threads, the commonalities of issues, in the AAT for the first and third of those acts?

Ms Spiers—The Veterans Entitlements Act and the Military Rehabilitation and Compensation Act?

Senator JOHNSTON—I think so. You said the cost was \$10 million.

Ms Spiers—That is the cost of legal services—

Senator JOHNSTON—So lease fees for premises and all sorts of things are bound up in that?

Ms Spiers—It is for legal advice about lease fees, yes. That money is predominantly used by a part of DVA that has external lawyers representing the department at the Administrative Appeals Tribunal. We have a different model for who is represented or who represents the Repatriation Commission or the Military Rehabilitation and Compensation Commission at the Administrative Appeals Tribunal.

Senator JOHNSTON—Excluding all of the tribunals and all of that, what proportion of the \$10 million is not related to applicant appeals?

Ms Spiers—Are you asking for details of where the commission actually appeals, or—

Senator JOHNSTON—No. Let me use the word ‘litigious’ again—though I know that it is the wrong word. How much of the \$10 million is for non-litigious legal fees? Is it \$1 million, \$2 million?

Ms Spiers—No. It is very minor amount. Of that cost, it would be in the order of about \$100,000 or maybe \$150,000. That would be for things like property services and leases. It is quite minor.

Senator JOHNSTON—So a significant amount—over 90 per cent—of the cost is with respect to dealing with applicants’ applications and appeals.

Ms Spiers—Predominantly.

Senator JOHNSTON—This is a broad issue. Forgive me for jumping around a bit; I am trying to stick to our program but I am finding that I do not understand what some of these headings mean. I have had a number of inquiries from New Zealanders and Brits who have been engaged and fighting alongside Australians in Vietnam or elsewhere. Some of the New Zealanders are now Australian citizens. What are the circumstances and the protocols, government by government, with respect to veterans affairs? What is the story there? Whenever I go to an RSL I have a whole lot of, particularly, former UK citizens who say there is an issue. Where are we with that? I can see it is a bit of a bottomless pit for us to be carrying the can for other countries.

Mr Collins—The tradition within the Department of Veterans’ Affairs and in the veteran community generally has always been that each country is responsible for the compensation for its own veterans irrespective of who they served with. Even if we served with our allies in Vietnam, for example, those allies’ own governments are responsible for any injuries or

incapacity that they suffered as a result of that service even though they may live in Australia now. So, in essence, it is back to the home government. However, having said that, we do have some benefits for our Commonwealth and allied veterans as part of our current legislation, which includes the provision that, if they meet residency tests and they have qualifying service—that is, they did serve in a theatre of war—they are eligible for income support, or service pension as we call it, at the same age as their Australian counterparts—in other words, five years earlier than they would get it if they were part of the general community. Also, in fairly recent years—going back about 10 years or so—we have extended pharmaceutical benefits to them as well. So they get a card—it is called an orange card—and with that they get access to concessional pharmaceuticals.

Mr Douglas—In addition, many of them have their health treatment costs for their accepted disabilities covered by their own countries. So within particular limits we will arrange access to health treatment, pay the costs and then seek reimbursement from the particular countries. Depending on the nature of the treatment required, it might require us to seek prior approval from their particular country.

Senator JOHNSTON—Thank you for that. I thought that was the case. Tell me: do we have a document or does the website have all of the protocol, agreements and all of that laid out somewhere where I can see what the thresholds and parameters are for eligibility for these things?

Mr Collins—I am fairly sure there is a fact sheet, but I would need to—

Mr Campbell—There might actually be several fact sheets, because we have a lot. What we will do is to take it on notice to provide to the committee the documentation we have, including any links for IT. So we will give you both paper copies and links.

Senator JOHNSTON—I would very much appreciate that. Can you tell me what countries we predominantly focus upon in that area?

Mr Collins—Mainly British.

Senator JOHNSTON—British?

Mr Collins—British, New Zealand, Canadian and some Vietnam veterans.

Senator JOHNSTON—Okay. I would really be obliged for that, because I am not sure whether these fellows understood that there was something available for them. That is good. Thank you very much. I have a lot of questions which I will put on notice. I want to move on to other areas if the committee is happy with that—

CHAIR—Indeed. Proceed, Senator Johnston.

Senator JOHNSTON—because I think we are rapidly moving through this, such that the department might be very happy.

Senator Ludwig—The minister might be!

Senator JOHNSTON—How often has the Prime Minister's Advisory Council on Ex-Service Matters met?

Mr Campbell—The prime ministerial advisory council met for the first time in October last year for a two-day meeting in Parliament House. Its next scheduled meeting is for 19 and

20 March in Canberra. But they did have a teleconference about four weeks ago. It was in about the second or third week of January, and they discussed a number of issues. I would count that as a meeting, even though it was done by teleconference. With these things we are trying to move to an increased number of teleconferences to keep costs down.

Senator JOHNSTON—That is excellent. Can you tell me whether there are minutes and whether the minutes are to be published anywhere? Or is it a confidential agenda?

Mr Campbell—It is not confidential. There are minutes, and those minutes are circulated to all members of the committee. I need to seek confirmation that they are then made public. I am not sure I have anybody here who can do that.

Senator JOHNSTON—I am happy for you to take that on notice.

Mr Campbell—We might check that while we are here and try and answer before the meeting is over.

Senator JOHNSTON—Lovely. I would appreciate that. Can you tell me a little bit about how the council functions? How does a matter come before the council? Are you responsible for those matters? You are probably on the committee, are you?

Mr Campbell—No, I am not on the committee. It is prime ministerial.

Senator JOHNSTON—Are you ex officio or anything like that?

Mr Campbell—I did attend the first meeting for quite a bit of time.

Senator JOHNSTON—I think you told me that last time.

Mr Campbell—But equally I am quite comfortable if they wish to discuss things when I am not there. I am relaxed by that. It is not an ex officio arrangement. At the moment, the issues that they have considered have been referrals from the Minister for Veterans' Affairs. The minister made it quite clear last year that there were a number of issues that were, if you like, on the government's agenda that he wanted considered. He is referring those to me. The question of other matters coming in I think is something that we will start to tease out as time unfolds and they become more comfortable with their role.

Senator JOHNSTON—Is it anticipated the government or the minister will disclose to us what has been referred?

Mr Campbell—I think the minister has been quite open about that. He has referred proposed consultation arrangements between the commission, the department, the minister and the ex-service community—and it is quite clear he has done that—and they have discussed that. He has also made clear that he will also raise with the advisory council issues such as the review of the Military Rehabilitation and Compensation Act and the consideration of the Clarke report.

Senator JOHNSTON—Is there any particular time frame by which the advisory council will consider an issue?

Mr Campbell—No. I think it will depend on case by case. It will depend on the issue. As I said, the last issue they considered by a teleconference hook-up. Other issues they will consider when they meet late next month.

Senator JOHNSTON—Is it anticipated that the council will provide any sort of annual report or any documentation as to their meetings, what they have discussed and their recommendations?

Mr Campbell—This puts me in an awkward position, because I am not a member of the committee. Certainly there is no statutory requirement for an annual report. Annual reports are usually driven by statute. After each meeting, I am sure that the chair, Dr Allan Hawke, will provide advice to the minister on what took place at the meeting. I am sure that will happen, and that will include any responses to referrals from the minister and other issues they wish to raise with him or with the Prime Minister.

Senator JOHNSTON—Very good.

Senator KROGER—I am just trying to clarify this in my own mind. What is the structure? What is the process of the advisory council? Is it essentially a consultative body that gets its brief from the minister? Is it one that actually will look at policy? Does it have a formal brief?

Mr Campbell—It has formal briefs. I think we provided the committee after the last meeting with the terms of reference, and I do not have them here in front of me. It is essentially a body that has wide-ranging representation of the veteran community both in terms of conflict representation and age and gender representation. It is very wide ranging.

It is an advisory body—obviously, it has no decision-making powers—to the minister and the Prime Minister on issues of importance and great interest to the veteran community or people within the veteran community. I have given three examples of issues. One is the consultative mechanisms generally between the government, the department, the veteran community and individual veterans. The second one is advice on the review of the Military Rehabilitation and Compensation Act, which came into effect on 1 July 2004, so we have an act that is now 4½ years old—it is timely that that be reviewed—and also providing advice to the government on their review of the Clarke report recommendations. The Clarke report came down in 2003. In 2004, the then government responded, picking up some recommendations and not others. So the current government, in the lead-up to the 2007 election, committed to reviewing the recommendations which had not been picked up. The minister will consult and seek the views of the advisory council in that context. I think they are three good examples of the activity. Like any new body, it will also find its way forward as they become comfortable.

Senator KROGER—Thanks, and I can look up *Hansard* for your contribution at the last estimates, if you provided that.

Mr Campbell—If we did not provide the terms of reference, I am quite happy to do so.

Mr Telford—On the minister's site, there is a link to all of the documentation—the terms of reference, the individuals and their bios and so forth. That is where it all can be accessed very quickly.

Mr Campbell—For our hearing on 22 October we provided the terms of reference in answer to question 1 to Senator Johnston.

Senator JOHNSTON—Can I go on to inquiries and reviews. You have answered my first question with respect to the unresponded matters contained within the Clarke review. I note the minister, in a recent radio interview, indicated a further inquiry into issues surrounding military compensation. Are there any details with respect to that review or inquiry, such as terms of reference or when the inquiry is likely to be completed?

Mr Campbell—That is the other one that I was referring to in my answer to Senator Kroger, the review of the Military Rehabilitation and Compensation Act. No, the terms of reference have not yet been finalised but I would expect and hope that they would be available and for the process to have started by the end of the financial year.

Senator JOHNSTON—Very good. What about a review into the Repatriation Pharmaceutical Benefits Scheme?

Mr Campbell—That is the review which the opposition, now in government, when they made that commitment, made quite clear would occur probably in the third year of this government's term.

Senator JOHNSTON—And we are still sticking to that?

Mr Campbell—At this stage.

Senator JOHNSTON—There is a Vietnam veterans health study. How many people have signed up for that?

Mr Campbell—Mr Telford has the figures in front of him.

Mr Telford—There are several groups that we are looking to recruit for the family studies program. There is an optimal target that we want to reach and then there is a minimum target on which we are advised by our methodologists as to what we need to have to make it robust. Of the Vietnam veterans, as at 19 February, we were looking for an optimal 5,000 and minimum 3,000 and we have 2,743 veterans signed up. For the veterans children, we were looking for an optimal 5,000 and minimum of 1,800 and we have 3,001 of those registered.

Senator JOHNSTON—That is interesting.

Mr Telford—So those two categories are going well. We have two other groups. We have a control group of 'Vietnam era' veterans—that is, those who were in the Army but did not actually serve in Vietnam.

Senator JOHNSTON—Uniformed personnel who never went to Vietnam.

Mr Telford—That is right. And we are matching them with another group. We have an optimal figure of 5,000 and a minimum figure of 3,000. To date, we have only 1,783 of those. For their children, which again are a critical control group, the optimal number is 5,000 and the minimum number is 1,800. But we have only 970 registered. We have been engaged in very comprehensive publicity campaigns, through a range of media and ex-service organisations and the like, to try and get those two control groups bumped up because that is where, at the moment, we are lacking the numbers. We are starting to put in place new strategies around telephones and other mechanisms to try and track them down. The difficulty, of course, is that we cannot approach the children, even if we know them, because of privacy issues. We have to go through the veterans themselves to ask them to volunteer to pass the

names of those children on. So it is a very complex piece of study roll compilation. But we are pushing along. We are very encouraged, particularly by the study group, and we are now working hard to get the control group up to the numbers that we need.

Senator JOHNSTON—Is it the case that a substantial number of the children are in fact ‘of majority’? Do you follow what I mean? I mean that they are adults.

Mr Telford—Absolutely.

Senator JOHNSTON—How long have we been seeking to get our studies going? How long have we been chasing our groups?

Mr Telford—We started on 31 May 2008. Since that time, we have sent out 10,148 letters of invitation to randomly selected veterans and another 11,386 letters to the control group. We have been following that up, as I said, through various mechanisms—the follow-up letters and so forth—since that time. And we are engaging on another follow-up now.

Senator JOHNSTON—Can you tell me what the end result will be if you do not meet your threshold? Is that the other strategy that you are talking about?

Mr Telford—No. I am saying that—

Mr Campbell—We are confident that we will meet the threshold.

Senator JOHNSTON—Eventually?

Mr Campbell—We are confident that we will meet the threshold and that we will get there. At this stage, there is no plan B if we do not because we are confident that we will get there.

Senator JOHNSTON—So it is just a question of time—when more and more people are availed of the importance of the task?

Mr Campbell—It is a question of time. There is publicity time—for example, we got General Cosgrove to write a letter to a number of people. We will keep on trying tactics like that.

Senator JOHNSTON—Can I ask a question about the transition from military life to civilian life? Do you have responsibility, to some extent, for that?

Mr Campbell—Yes, to some extent—in partnership with the Department of Defence.

Senator JOHNSTON—What do we give to enlisted personnel who want to leave the ADF prior to discharge?

Mr Douglas—We have predominantly become involved with those who are medically discharging. In the event of medical discharge, we have a service known as the Transition Management Service. We invite them to an interview and sit down with them and explain the arrangements associated with their transition, including how they go about the process of lodging a claim. In addition, we have a service called Stepping Out, which we launched during the last 12 months or so. This is a seminar service offered by the VVCS. It is designed to provide some transition seminars for serving members—and they can invite their families if they want—to help them make the transition. We are also involved with the Department of Defence, through its integrated people support scheme, which is attempting to target those

who are leaving for other than medical discharge reasons to explain the various services and how to access them and to give them contact numbers and details to follow up after those sessions if they want to.

Mr JOHNSON—Are you permitted to access military bases, defence facilities, to deliver this information?

Mr Douglas—Indeed. We work very closely with the Department of Defence. In fact, particularly in the major deployment bases around Townsville and Darwin, we have worked very hard to develop very close relationships with the base command structures. In fact, in Darwin we are extremely fortunate in that the head of our compensation process in the area happens to be the partner of the sergeant major, which is a terrific—

Senator JOHNSTON—A terrific thing. I do not have any further questions on administrative and other veterans type matters. I would like to go on to—I am happy to be dissuaded—memorials and war graves, which you might be pleased to know.

CHAIR—Proceed with that.

Senator KROGER—Before we move on, your comment about seeking more people interested in being in control groups in the house study made me think about an earlier question, Mr Cameron, in relation to the pension partners scheme. Regarding the questionnaires that have been sent out to the 560-odd group, a number have not been returned. Are those questionnaires being followed up?

Mr Telford—Are we talking about the partner service pension or the family study?

Senator KROGER—The partner service pension. Sorry—from your response to the other question, I wondered about what we were doing to ensure that there was some follow-up.

Mr Telford—I actually cannot answer that question. The reason is that there are clearly some sensitivities around that. We will have to look at the remaining number that are not coming through. We will have to make a decision about whether we follow it up. It is a difficult matter to say, ‘We sent you questionnaire asking whether you were involved in domestic violence. We are following up to see whether you were or not.’ You can see the difficult position we would find ourselves in.

Senator KROGER—The person who answered the questions earlier said that only 127 were returned out of the 560 that had been sent out.

Mr Campbell—No—I think you will find that 334 were sent out.

Senator KROGER—There were 334 questionnaires sent out but only 127 were returned.

Mr Campbell—So 207 have not been returned. Over one-third have been returned and about 60 per cent—or a high 50 per cent—have not been returned at this stage. Of course, as Mr Telford pointed out at the time, people might be thinking about sending those back because the legislative changes, as you know, do not take effect until 1 July.

Senator KROGER—But it would be important to make sure that there is appropriate follow-up because, given the significance of the issue, it would be terrible if they did not and just put it into the too-hard basket or in the bottom drawer because it was too painful to deal with, and then, come 1 July, they lost their entitlement without any redress.

Mr Telford—You make a fair point, Senator. What I was saying was that we are not at a point yet where we need to do that, as the secretary said. But, when we do get to that stage, we will have to think very carefully about how we are going to do that—whether it is a one-on-one situation or some other strategy which we need to put in place. We will need to think that through carefully because we do not want to be seen to be harassing or bringing it up. Some people might have decided to move on. The other thing of course is that, we have had quite a number of replies coming back saying, ‘We’ve reconciled’ or ‘We’ve divorced’ or what have you. The circumstances change and they make a decision on reconciliation, divorce or some other situation based upon those circumstances. It is very tricky. We are conscious of the point you make.

The other thing is that, with some of the letters we have sent out, we have had quite a number of replies saying, ‘We’ve reconciled’ or ‘We’ve divorced.’ So the circumstances are changing and they make a decision on reconciliation, divorce or some other situation based upon those circumstances. It is very tricky but we are conscious of the point you make.

Mr Campbell—With regard to the advisory council, what will happen is what happened after their most recent conference. The issue discussed will be released but because they are providing advice to government the fine details will not be released.

Senator JOHNSTON—I think that is perfectly legitimate. Just the issues would be adequate. Concerning nominal rolls, as you can see, I occasionally frequent the odd RSL meeting and field a number of these inquiries. I was told that the nominal rolls are not kept up to date and particularly with respect to the Korean, Malaysian and Borneo theatres that those nominal rolls are inaccurate and a lot of personnel who served are not on the nominal rolls. Is that an issue you are aware of?

Mr Telford—No, I am not. I am aware of general issues about who is and is not on the nominal roll, how they claim they should be but are not, and a whole range of those issues. I have no detail I can provide you on what you just mentioned.

Mr Campbell—The issue may well be not an incomplete roll but those operations where there is a roll and where there is not. We have a roll for Korea but we do not have a roll for Borneo or Malaysia. So I suspect the issue which has been raised with you is not an incomplete roll for that operation but the fact that there is no roll at all.

Senator JOHNSTON—My instructions are not kept up to date. So there is no roll for Malaysia or Borneo.

Mr Campbell—No.

Senator JOHNSTON—Then how do we get on the roll for Korea? What is the threshold issue?

Mr Telford—We search the records we have from Defence and other sources. So you do not get on the roll in that sense. Then an interim roll is published and widely disseminated for individuals to come back and add themselves to the list if they have been missed off for whatever reason. There are issues about what is correct and what is not correct on the record, people have the capacity to change those and we make decisions about various issues.

Senator JOHNSTON—Is that a reviewable decision?

Mr Telford—No, they are matters of fact. Concerning the point about being up to date, I am not sure what is meant by being up to date because there are various categories and information contained on the nominal rolls and, as I said, they are matters of fact.

Mr Campbell—Perhaps we could be helpful after the hearing. If you would like to give us the names of the people who have raised the concerns, we will investigate.

Senator JOHNSTON—I will get the names and write to you about them.

Mr Campbell—If you could do that, we will then investigate to see what the issue is.

Senator JOHNSTON—There is a process whereby you can take issue with what is or is not upon the roll when you are dissatisfied with—

Mr Telford—And people do all the time.

Senator JOHNSTON—Concerning war memorials and war graves: has there been any damage to our memorials in Gaza and Beersheba as a result of the recent military action in Gaza?

Major Gen. Stevens—The war cemetery in Gaza did suffer some damage. The reports we get from the Commonwealth War Graves Commission indicate that 363 headstones in the cemetery were damaged and that 10 of those headstones belonged to Australians. We have seen pictures of what look to me like mortar craters in the turf of the cemetery, which was part of the reason that the damage occurred.

Senator JOHNSTON—What are we going to do about them?

Major Gen. Stevens—The Commonwealth War Graves Commission are responsible for the repairs to this. They are in the process of identifying all those headstones and getting replacement headstones made, which will then be shipped to the cemetery. The damaged headstones will be replaced and the turf will be repaired.

Senator JOHNSTON—I have been to the memorial site at Beersheba, and several countries have headstones there. Are we going to unilaterally do repairs to the headstones of our fallen soldiers, or are we going to consult others?

Major Gen. Stevens—No. Like the other Commonwealth countries, we are members of the Commonwealth War Graves Commission. The commission operates in our name. The Commonwealth War Graves Commission will make repairs to the headstones of everybody in the cemetery. That will be part of their budget, of course, and the costs may be passed on to us. I understand that they are looking at who caused the damage, and they may ask the country that caused the damage to make a payment. That has happened before. It happened in the Gaza cemetery in a previous action. In that case, Israel did in fact make reparations for the damage that was caused.

CHAIR—There was no damage at Beersheba, was there?

Major Gen. Stevens—Beersheba is outside the conflict area. There is a second war cemetery in the Gaza strip, at a place called Deir el Belah. There was no damage to the cemetery during this particular action. That cemetery was in fact damaged last year by a bomb which was locally placed, if you like, on the Cross of Sacrifice—and it destroyed the Cross of Sacrifice.

Senator JOHNSTON—Do we have a costing?

Major Gen. Stevens—The Commonwealth War Graves Commission estimates that it will cost £95,000 to repair Gaza.

Senator JOHNSTON—Is that pounds, or euros?

Major Gen. Stevens—Pounds.

Senator JOHNSTON—British pounds?

Major Gen. Stevens—British pounds?

Senator JOHNSTON—That is approximately A\$200,000.

Major Gen. Stevens—It is about that, yes.

Senator JOHNSTON—For how many headstones?

Major Gen. Stevens—There were 363 headstones damaged, 10 of which are the headstones of Australian soldiers.

Senator JOHNSTON—So we would be prorated for 10?

Major Gen. Stevens—Yes, we would.

Senator JOHNSTON—How is the replacement of the interpretive centre at Villers-Bretonneux coming along?

Major Gen. Stevens—What we are doing, on behalf of the minister, is investigating ways that we can do interpretation on the Western Front. Previously we had been given money to study a centre and then begin to develop a single centre. But, as we developed that, the cost of doing so—the number of visitors to the area and those sorts of calculations—made us and the minister look at that to see if it was viable. The minister has asked us to look at alternative concepts based on the museums that already exist on Australian battlefields—which, in the main, are sponsored by local communities—to see if we can somehow strengthen those and build on those to provide the interpretation in partnership. What we would end up with is an interpretive trail, if you like, and that is what we are doing at the moment.

Senator JOHNSTON—How much of the Villers-Bretonneux money have we spent?

Major Gen. Stevens—The only money we have been given for Villers-Bretonneux was \$2.8 million to do some preliminary work. Of that, we have spent just over \$1 million, and we have approval to spend another half a million dollars. So we will probably return about \$1.5 million of the \$2.8 million.

Senator JOHNSTON—When do you think you will have a plan for that site?

Major Gen. Stevens—I think we will have a plan for interpretation on the Western Front shortly, but that is up to the minister and how it proceeds through the—

Senator JOHNSTON—When you say ‘shortly’, do you mean several months, several weeks or several days?

Mr Campbell—If I could come in here, the proposition that was put forward prior to the election by the former government was, as Major General Stevens says, posted to examine—not to actually fund—an interpretative centre. Major General Stevens has gone through the

process that the department and the minister have been working through but, of course, any decision on what is actually going to be in France and Belgium is a matter for government and a matter of the timing of government processes. I do not think that either of us is in a position to actually foreshadow when the government might take a decision on that.

Senator JOHNSTON—Two governments.

Mr Campbell—Sorry?

Senator JOHNSTON—Two governments, possibly.

Mr Campbell—Why two governments?

Senator JOHNSTON—Well, the French government—

Mr Campbell—Yes, certainly, but I thought you were asking about where the Australian government was going to be.

Senator JOHNSTON—I just want to know when a plan would be finalised—

Mr Campbell—My point is that that is a matter for government consideration. There is the issue of the proposal put forward by the previous government for which they provided a small amount of funding for investigation. We and the minister have been looking at potential options, but what is finally decided will be a government decision and I cannot second-guess when government might take that decision.

Senator JOHNSTON—So we are waiting on a decision?

Mr Campbell—There is government consideration and then there will be a government decision, but I do not want to leave you with the impression that there is something sitting in front of the government at the moment, because there is ongoing thinking as well.

Senator JOHNSTON—So it is a little bit up in the air, okay. What are we spending annually on monuments and memorials here in Canberra with respect to vandalism?

Major Gen. Stevens—I might have to seek assistance here from my colleague from the commemorations area, Ms Blackburn, because the explanation is that the Office of Australian War Graves deals with war graves in Australia and memorials overseas, whereas memorials in Australia are dealt with by the commemorations area.

Mr Campbell—Perhaps if we could add one point here: if you are referring to the issues concerning the New Zealand memorial of a little while ago on Anzac Parade—

Senator JOHNSTON—I might be, but I am not sure.

Mr Campbell—If you were, that is the responsibility of the National Capital Authority, not of us. I just put that on the table and hand over to Ms Blackburn.

Senator JOHNSTON—That is interesting. It is a very big jurisdictional issue, isn't it really?

Mr Campbell—That is why I am trying to help.

Senator JOHNSTON—That's good!

Ms Blackburn—I can only reiterate the secretary's comments. That is a matter for the National Capital Authority.

Senator JOHNSTON—That is the New Zealand memorial and the damage that that sustained?

Ms Blackburn—That applies to any maintenance or repair of memorials along Anzac Parade.

Senator JOHNSTON—So it is all memorials on Anzac Parade?

Ms Blackburn—Yes.

Mr Campbell—And any in the grounds of the War Memorial are the responsibility of the War Memorial, obviously.

Senator JOHNSTON—So that is the National Capital Authority?

Mr Campbell—The National Capital Authority is responsible for those on Anzac Parade, as Ms Blackburn and I have said, and anything within the precincts of the Australian War Memorial is obviously the responsibility of the Australian War Memorial.

Senator JOHNSTON—Which is not you?

Mr Campbell—I think they are scheduled to speak after us, if I am correct, Chair?

CHAIR—You are right, Mr Campbell.

Mr Campbell—So I am quite happy to finish up quickly so that the director can come forward.

Senator JOHNSTON—I think you are right. I think I am out of your jurisdiction now.

[8.44 pm]

Australian War Memorial

CHAIR—Welcome Major General Gower and officers from the Australian War Memorial. We will proceed to questions.

Senator JOHNSTON—The National Service Memorial in Canberra. Is that your responsibility?

Major Gen. Gower—It certainly is.

Senator JOHNSTON—Thank you. I am relieved at that. Can you tell me how that is coming along.

Major Gen. Gower—I believe it is going very well.

Senator JOHNSTON—Good.

Major Gen. Gower—The design has essentially been finalised. It is quite a striking design by leading Australian architect Richard Johnson. It meets with the approval of the National Servicemen's Association, with whom we have consulted. We have taken great pains to do that. I believe there is some final discussion about the inscriptions on the plaques that remains to be finalised. As for timing, it is dependent on a major project, which will commence shortly after Anzac Day—the approved project of the underground car park to the east of the main building. It is intended that when that is completed, in the area closest to the memorial side, that will be the site of the National Service Memorial. So I would anticipate it probably being

completed and ready for dedication some time in the second half of 2010, assuming there is no problems with the construction of the precursor underground car park.

Senator JOHNSTON—That is excellent. Thank you for that.

Senator TROOD—Good to see you, General Gower.

Major Gen. Gower—Good evening, Senator.

Senator TROOD—So this is not on Anzac Parade; it is beside the war memorial itself. Is that right?

Major Gen. Gower—Yes, that is correct. We do have a sculpture garden to the west of the main building—

Senator TROOD—I think I am familiar with it.

Major Gen. Gower—In accordance with the National Capital Authority planning, we had a master plan that they approved. This particular memorial really would not fit into that area. A number of memorials have been dedicated and unveiled in recent years, and the area to the eastern side is a very prestigious area. I think you are aware of the general layout of the western precinct. If you can envisage something landscaped to that style on the eastern side, that will be the site of the National Service Memorial. We are looking forward to realising that project, and I know the national servicemen from both schemes are eagerly looking forward to it.

Senator TROOD—Thank you.

Senator JOHNSTON—Has the Australian War Memorial sustained any damage with respect to vandalism in the last 12 months?

Major Gen. Gower—I am contemplating, just to make sure I do not mislead you. I do not believe there has been any vandalism in the last year. We did have an attempted break-in, I think the year before, which our security systems picked up.

Senator JOHNSTON—Okay. With respect to budgetary matters, has there been any projected reduction in budget allocations for the Australian War Memorial?

Major Gen. Gower—The finalisation of our budget is a little bit up in the air, currently, pending advice from the Department of Finance and Deregulation as to the future of non-cash funding—this is depreciation funding—and also the future of the efficiency dividend. We are planning a number of options. So, when we get advice regarding both those aspects, we will be in a position to put forward a budget for consideration by our council in May. We are in the process of starting the budgetary process currently.

Senator JOHNSTON—Okay. A number of veterans have raised with me the issue of terminology at the Australian War Memorial, specifically citing the use of the protocol expressions ‘killed in action’, ‘wounded in action’ or ‘injured’. They want me to ask you: is there a standard protocol for all nomenclature of that type on exhibits and publications?

Major Gen. Gower—Thank you for asking that question. In the development of galleries, we have a very lengthy process which starts with a concept being developed for the new galleries in consultation with veterans. But veterans are not our only stakeholder group. We believe the story of the Australian War Memorial must be shared with all Australians and

communicated to those Australians in language they understand. So engaging all Australians is very important. However, I am quite aware that particular words have particular meanings to veterans, being a veteran myself. We go by source documents, essentially. I expect the historians and curators associated with the development of new galleries, which are overseen very closely by council, to observe the highest standards of scholarship. The matter that I believe you are alluding to relates to an incident in 1968 where a Caribou aircraft's windscreen had been struck by enemy fire.

Senator JOHNSTON—That is correct.

Major Gen. Gower—Only one person lodged a complaint about that, and right throughout the development we have consultation. In fact, we had a six-week preview before the Prime Minister opened the galleries in February of last year.

Senator JOHNSTON—He must have been from Western Australia.

Major Gen. Gower—No, a local man. After consideration by our gallery development team—we don't do things on whims—it was decided not to take any further action. The scholarship of the historian involved was accepted and the sources had been consulted. As a result of that person not being satisfied by our response, he took it upon himself—and good luck to him—to circulate his views very widely within a certain section of the veteran community. As a consequence, about 30 comments were received by us. As a result, and we take comments like that seriously, I asked the historian to check the sources again. She advised me that the report of the incident by the commanding officer of 35 Squadron RAAF, who owned the Caribou at the time, says 'injured', as do the medical reports, according to defence archives. We are not in the business of changing historical evidence. We base it on the historical facts. 'Injured' was the term used. You can make a case—and I am sympathetic to the case—that it may well be 'wounded', but that is what the source says and we do not have plans to change it because it is historically, factually correct and we are not in the business of interpretation.

Senator JOHNSTON—I am perfectly satisfied with that explanation and I do not have any further questions for you.

CHAIR—There being no further questions, thank you, Major General Gower and your officers, for attending this evening. I thank the minister for attending. This concludes the deliberations of estimates for the Department of Veterans' Affairs.

Committee adjourned at 8.53 pm