



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION
COMMITTEE

ESTIMATES

(Additional Estimates)

WEDNESDAY, 18 FEBRUARY 2004

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BY AUTHORITY OF THE SENATE

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SENATE**FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION COMMITTEE****Wednesday, 18 February 2004**

Members: Senator Sandy Macdonald (*Chair*), Senator Hogg (*Deputy Chair*), Senators Chris Evans, Ferguson, Payne and Ridgeway

Senators in attendance: Senators Bartlett, Mark Bishop, Jacinta Collins, Chris Evans, Faulkner, Ferguson, Greig, Hogg, Johnston, Sandy Macdonald, Payne and Robert Ray

Committee met at 9.04 a.m.

DEFENCE PORTFOLIO**In Attendance**

Senator Hill, Minister for Defence

Senator Minchin, Minister for Finance and Administration

Department of Defence**Portfolio overview and major corporate issues****Portfolio overview**

Mr Ric Smith, AO, PSM, Secretary of Defence

General Peter Cosgrove, AC, MC, Chief of the Defence Force

Budget summary (financial statements and improvement initiatives)

Mr Lloyd Bennett, Chief Finance Officer

Mr George Veitch, First Assistant Secretary, Budgets and Financial Planning

Mr Jon Collings, Assistant Secretary, Planning and Budgeting

Capital development

Lieutenant General David Hurley, AO, Chief, Capability Development

Air Vice Marshal Kerry Clarke, Acting Vice Chief of the Defence Force

Dr Ralph Neumann, First Assistant Secretary, Capability, Investment and Resources

Capital budget (major capital equipment and projects and major capital facilities)**Major capital equipment and projects**

Air Vice Marshal Norman Gray, Acting Under Secretary, Defence Materiel

Dr Ian Williams, Head, Land Systems

Major General Peter Haddad, AO, Commander, Joint Logistics

Air Vice Marshal John Monaghan, AM, Head, Aerospace Systems

Ms Shireane McKinnie, Head, Electronic Systems

Ms Ann Thorpe, Head, Materiel Finance

Commodore Trevor Ruting, RAN, Acting Head, Maritime Systems

Mr Peter Morris, Acting Head, Industry

Mr John Peters, Acting Head, Management Information Systems

Ms Mary Kelaher, Director General, Materiel People and Performance

Group Captain Geoff Brown, Acting Head of Airborne Surveillance and Control

Air Commodore John Harvey, Director General, New Air Combat Capability

Major capital facilities

Mr David Kenny, Acting Deputy Secretary, Corporate Services

Mr Mike Pezzullo, Acting Head, Infrastructure
Brigadier Peter Hutchinson, Director-General, Infrastructure Asset Development

Outcome 1: Command of operations in defence of Australia and its interests

Output 1.1—Command of operations

Output 1.2—Defence Force Military Operations and Exercises

Output 1.3—Contribution to National Support Tasks

Rear Admiral Mark Bonser, CSC, RAN, Commander Australian Theatre
Air Commodore Kevin Paule (representing VCDF on Operational issues)
Mr Kevin Pippard, Director, Business Management Australian Theatre

Outcome 2: Navy capability for the defence of Australia and its interests

Output 2.1—Capability for major surface combatant operations

Output 2.2—Capability for naval aviation operations

Output 2.3—Capability for patrol boat operations

Output 2.4—Capability for submarine operations

Output 2.5—Capability for afloat support

Output 2.6—Capability for mine warfare

Output 2.7—Capability for amphibious lift

Output 2.8—Capability for hydrographic and oceanographic operations

Vice Admiral Chris Ritchie, AO, RAN, Chief of Navy
Rear Admiral Rowan Moffitt, RAN, Deputy Chief of Navy
Mr Stephen Wearn, Director General, Navy Business Management
Air Commodore Tony Austin, Director General, Defence Health Service

Outcome 3: Army capability for the defence of Australia and its interests

Output 3.1—Capability for special forces operations

Output 3.2—Capability for mechanised operations

Output 3.3—Capability for light infantry operations

Output 3.4—Capability for army aviation operations

Output 3.5—Capability for ground based air defence

Output 3.6—Capability for combat support operations

Output 3.7—Capability for regional surveillance

Output 3.8—Capability for operational logistic support to land forces

Output 3.9—Capability for motorised infantry operations

Output 3.10—Capability for protective operations

Lieutenant General Peter Leahy, AO, Chief of Army
Mr Lance Williamson, Director General, Corporate Management and Planning—Army

Outcome 4: Air Force capability for the defence of Australia and its interests

Output 4.1—Capability for air combat

Output 4.2—Capability for combat support of air operations

Output 4.3—Capability for strategic surveillance

Output 4.4—Capability for maritime patrol aircraft

Output 4.5—Capability for airlift

Air Marshal Angus Houston, AO, AFC, Chief of the Air Force
Ms Grace Carlisle, Assistant Secretary Resource Planning—Air Force

Outcome 5: Strategic policy for the defence of Australia and its interests

Output 5.1—Strategic and international policy, activities and engagement

Output 5.2—Military strategy and strategic operations

Mr Shane Carmody, Deputy Secretary, Strategy
Mr Mark Cunliffe, First Assistant Secretary, Ministerial Services and Public Affairs
Mr Murray Domney, Director General, Media and Community Relations

Outcome 6: Intelligence for the defence of Australia and its interests**Output 6.1—Intelligence**

Mr Ron Bonighton, Deputy Secretary, Intelligence and Security
Mr Frank Lewincamp, Director, Defence Intelligence Organisation
Mr Steve Merchant, Director, Defence Signals Directorate
Ms Margot McCarthy, Head, Defence Security Authority

Outcome 7: Superannuation and housing support services for current and retired defence personnel**Output 7.1—Superannuation and housing support services for current and retired defence personnel**

Ms Alice Dobes, Assistant Secretary, Treasury and Tax Management
Mr Lloyd Bennett, Chief Finance Officer
Mr George Veitch, First Assistant Secretary, Budgets and Financial Planning
Mr Jon Collings, Assistant Secretary, Planning and Budgeting

Business processes**Defence Science**

Dr Tim McKenna, First Assistant Secretary, Science Policy

Inspector General

Mr Claude Neumann, Inspector General

Public Affairs (moved to Outcome 5)**Chief Information Officer**

Air Vice Marshal Julie Hammer, Acting Chief Information Officer

Corporate Services

Mr David Kenny, Acting Deputy Secretary, Corporate Services
Mr Mike Pezzullo, Acting Head, Infrastructure
Air Commodore Simon Harvey, Director General, The Defence Legal Service
Brigadier Mike Swan, Acting Head, National Operations

People**Defence Personnel**

RADM Brian Adams, Head, Defence Personnel Executive
Mr Peter Sharp, First Assistant Secretary, Personnel

Department of Veterans' Affairs**Portfolio overview**

Dr Neil Johnston, Secretary

Corporate and general matters**Outcome 1: Eligible veterans, their war widows and widowers and dependents have access to appropriate compensation and income support in recognition of the effects of war service****1.1—Means tested income support, pension and allowances****1.2—Compensation pensions, allowances et cetera****1.3—Veterans' Review Board****1.4—Defence Home Loans Scheme**

Mr Bill Maxwell, Division Head, Compensation and Support
Mr Ken Douglas, Division Head, Health
Mr Barry Telford, Principal Adviser Rehabilitation, Compensation and Support
Ms Peta Stevenson, Acting Branch Head, Defence Links, Compensation and Support
Dr Keith Horsley, Director, Health Studies
Mr David Hollaway, Acting, Branch Head, Disability Compensation, Compensation and Support

Ms Jeanette Ricketts, Acting Branch Head, Income Support, Compensation and Support
Mr Wayne Penniall, Branch Head, Aged and Community Care, Health
Mr Paul Pirani, Branch Head, Legal Service, Compensation and Support
Mr Arthur Edgar, Branch Head, A New Military Compensation Scheme, Compensation and Support

Mr Mal Pearce, Branch Head, Military Compensation, Department of Defence

Outcome 2: Eligible veterans, their war widows and widowers and 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

Mr Ken Douglas, Division Head, Health

Mr Roger Winzenberg, Branch Head, Health Services, Health

Mr Wes Kilham, Branch Head, Younger Veterans and VVCS, Health

Mr Gino La Barbera, Director, Contract Advisory Unit, Hospitals and Business Development, Health

Mr John Fely, Director, Health IT Development, Health Infrastructure, Health

Mr Peter McManus, Director, DMIS Project, Health Infrastructure, Health

Mr Wayne Penniall, Branch Head, Aged and Community Care, Health

Dr Keith Horsley, Director, Health Studies

Dr Graeme Killer, 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—Commemorative activities

3.2—War cemeteries, memorials and post-war commemorations

Ms Kerry Blackburn, Division Head, Corporate

Mr Kevin Bell, Acting Branch Head, Commemorations, Corporate

Air Vice-Marshal Gary Beck, AO (Retd), Director, Office of Australian War Graves

Outcome 4: The needs of the veteran community are identified, they are well informed of community and specific services and they are able to access such services

4.1—Communication and community support To the provider and veteran community

Mr Ken Douglas, Division Head, Health

Ms Kerry Blackburn, Division Head, Corporate

Ms Carol Bates, Branch Head Strategic Support Branch, Corporate

Mr Wayne Penniall, Branch Head, Housing and Aged Care, Health

Outcome 5: Current and former members of the Australian Defence Force who suffer an injury or disease which is causally related to employment in the ADF are provided with compensation and rehabilitation benefits and services

5.1—Incapacity payments, non-economic lump sums

5.2—Medical, rehabilitation and other related services

5.3—Individual Merits Review

5.4—Advisory and information services

Mr Bill Maxwell, Division Head, Compensation and Support

Mr Barry Telford, Principal Adviser Rehabilitation, Compensation and Support

Mr David Hollaway, Acting, Branch Head, Disability Compensation, Compensation and Support

Mr Arthur Edgar, Branch Head, Military Compensation, Compensation and Support

Ms Peta Stevenson, Acting Branch Head, Defence Links, Compensation and Support

Dr Keith Horsley, Director, Health Studies

Mr Mal Pearce, Branch Head, Military Compensation, Department of Defence

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

Dr Neil Johnston, Secretary

Ms Kerry Blackburn, Division Head, Corporate

Ms Carolyn Spiers, Branch Head, People Services, Corporate

Mr Sean Farrelly, Branch Head, Resources Branch, Corporate

Ms Gail Urbanski, Branch Head, Parliamentary and Corporate Affairs, Corporate

Mr Paul Pirani, Branch Head, Legal Service, Compensation and Support

Mr Bob Hay, Chief Information Officer, Corporate

Ms Karin Malmberg, Director, Resources Branch, Corporate

Mr Dermott Walsh, Director, Output Pricing and Ownership, Corporate

CHAIR—I declare open this meeting of the Senate Foreign Affairs, Defence and Trade Legislation Committee. I welcome Senator Hill, the Minister for Defence; General Cosgrove, the Chief of the Defence Force; Mr Ric Smith, Secretary of the Department of Defence; and officers of the Defence organisation. The committee has before it particulars of proposed additional expenditure for the year ending 30 June 2004, documents A and B, and the portfolio additional statements for the Defence portfolio.

The committee will consider particulars of proposed additional expenditure for the Department of Defence and, after the dinner break, the Department of Veterans' Affairs. Today the committee will consider the estimates for Defence, beginning with the portfolio view and major corporate issues. We will then move onto outputs, business processes and people. 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 an answer. The committee has resolved that the deadline for the provision of answers to questions taken on notice at these hearings is Thursday, 1 April 2004. Witnesses are reminded that the evidence given to the committee is protected by parliamentary privilege. I also remind witnesses that the giving of false or misleading evidence to the committee may constitute a contempt of the parliament. For the hearing today, the committee will adjourn for lunch between 12.30 and 1.30 p.m. and for dinner between approximately 7.30 and 8.30 p.m. We will take tea breaks at approximately 10.30, 3.30 and 9.00 p.m., or as required.

Minister, for the record, I note that, of the 40-odd questions on notice to the Defence organisation from budget supplementary estimates, 36 were delivered to the committee on 4 February, with the answers to the remaining four questions delivered to the committee on Monday, 16 February. The deadline set for the return of answers was 11 December. Whilst the committee appreciates the pressures placed on all of us towards the end of last year and during the shutdown period, it considers this delay a little excessive. The committee would appreciate receiving the answers to questions taken on notice during these estimates in a more timely fashion. Minister, do you or any of your officers wish to make an opening statement?

Senator Hill—Thank you. Firstly, in relation to answers to questions, we will seek to do better in the future. I am a little surprised at those dates, and I will follow that up. My recollection is that I approved most of those answers some time before that.

I do not normally make an opening statement, but I would like to on this occasion. I want to make a few comments concerning the Senate inquiry into military justice, because I believe that a number of the same issues will be raised today. I have said before that the military justice system must be rigorous, fair and accountable to the public and that the Senate inquiry is part of that public accountability. I recently told a defence legal conference that the Senate inquiry should be seen as part of that process. I said that the parliament has the right to assess whether the rules that relate to personal behaviour within the military and their application accord with contemporary expectations.

However, I am now deeply concerned about the path the committee appears to be taking. Last week the committee decided to publish 15 of the submissions it had received, most focusing on the experiences of individual families. Whilst this is not an uncommon practice, this is an inquiry unlike most others undertaken by the parliament. The issues are highly emotive and extremely personal. Some of the accusations being levelled at individuals and institutions are of the worst kind—rape, bullying, neglect, incompetence. Those that are based on substance and supported by evidence should certainly be treated with the utmost seriousness—rigorously tested by the committee—and the right lessons should be drawn from them. But releasing submissions without testing the veracity of the information they contain fails to recognise the impact that they will have on the men and women of the ADF.

The committee, for example, agreed to publish a submission which claims that there have been anywhere between 10 and 100 victims of gang rape at ADFA and that the perpetrators of these crimes are still within the ranks of the ADF. The claim was completely unsubstantiated. Even the author of the submission acknowledges his estimate is based solely on rumours he had heard almost 20 years ago. This of course would not be accepted in any court in this land. Yet in posting it on the web site, with the protection of parliamentary privilege, the committee has given these claims and others in the same submission wide public exposure and an unjustified degree of implied credibility. The media went into a feeding frenzy with the opportunity. In fact there have been no reported allegations, I am advised, of gang rapes at ADFA in the 18 years of its existence. Rape is not an issue for military justice; rape prosecutions occur in civil courts. Rapists are pursued by civil police and presented before civil judges. The result has been a slur against all the men and women in the ADF, whose integrity has now been put in question on the basis of rumour and untested speculation.

A number of the released submissions are from family members still struggling to cope with the tragic loss of a loved one through suicide. Their emotions are still raw and their grief understandable. This committee needs to be mindful of the extraordinarily sensitive environment in which it is operating. The very tragic issue of a small number of suicides in the ADF should not cast a long shadow over all who serve. Any suicide is a tragedy, and the families of ADF members who suicide should certainly be given prompt and honest answers to the questions they will inevitably ask. Where failures in the military justice system have contributed to a suicide, those who failed should be brought to account. Where it is evident that the system can be improved, it should be improved. But we should also put the issue in context. The bigger picture is that military service and training is, by its very nature, physically and mentally demanding. Personnel need to be trained for the prospect of war

fighting and how to protect themselves in the most extreme circumstances. This is not a benign environment; it is stressful. All of this is often taking place a long way from home.

The ADF leadership acknowledges the challenges it poses for young people. The ADF has moved with the times, changing its training practices, and has built up its support mechanisms. If more can be done, it should be done—and General Cosgrove can attest to this. Again, however, the context is important. It must be acknowledged that the suicide of young people is not a problem unique to the ADF; it is a considerable problem in the wider Australian community. The issue as it affects the ADF should be seen and in part measured in that context. Individuals and families have the right to air their stories and to have the military justice system scrutinised to ensure that it is fair and just. The ADF should not be immune from criticism, but such shortcomings should follow thorough and objective process. What I want to underline is the paramount importance of fair and just treatment for all those involved in the inquiry—for those individuals and families who give evidence; for the ADF members who try to ensure the equitable and effective dispensation of military justice; and for all the other men and women of the ADF, who do not deserve to be maligned by unsubstantiated claims such as those made about ADFA.

CHAIR—Thank you. As chair of the legislation committee, I appreciate your comments and the committee will note your comments. These are matters which are more directed towards the references committee. This is the legislation committee, as you are aware, and the references committee comprises different senators. So I think the appropriate way to handle your opening statement—as I said, I appreciate it—is for this committee to note your comments and move on.

Senator FERGUSON—Mr Chair, I think you could also make sure that the minister's statement is circulated to all the members of that committee now that it has been made.

CHAIR—Yes, thank you, Senator Ferguson.

Senator CHRIS EVANS—I have no problems with what the minister has said, but I think it is appropriate as a submission to the committee inquiring into military justice. If the minister wants to make that submission then he ought to make that. I understand that General Cosgrove is going to make an opening submission on the first day of that inquiry on 1 March putting the ADF view. I think he is the opening witness. If the minister wants to make that submission available to the committee, that is obviously something they would take seriously.

Senator Hill—The problem with that is—that is all very well but—the committee has already taken pre-emptive action to colour the environment.

Senator CHRIS EVANS—With respect, Minister, that is not right. That is a slur on the committee; that is not right. What they did was to publish the submissions.

Senator Hill—I am part of this Senate also and I have been here for 23 years. The parliament has a responsibility to the people as well. My concern in part, Mr Chairman, is that I understand the committee is planning to release further submissions without having them first tested. If this is going to be a drip-feed for some purpose to suit Senator Evans's inquiry—as evidenced by the press release that he put out in conjunction with the release of those submissions—then I think it is very unfortunate.

CHAIR—Thank you, Minister.

Senator CHRIS EVANS—I just want to respond to that, Mr Chairman. I think that is a slur on the committee. I am happy if the minister wants to have a go at me—that is his business. But there is no drip-feed. What the committee did was to release submissions in accordance with common practice. There is an issue, which I concede, about those submissions. I do not know how one goes about testing or vetting submissions and deciding which you release and which you do not, because then you run into difficulties about accusations of censorship et cetera. But I do accept the general point that in a highly emotive area submissions may well make claims which cannot, or may not, be substantiated.

I would be interested in having a debate with the minister and the chief about how we go about dealing with those issues in the inquiry. I am very sensitive to that. I am not sure what the answer is. I would appreciate any constructive advice. But as to the suggestion we are going to vet submissions and decide which ones we will make public and which we will not, I would be interested in how we would justify that, how we would test submissions before releasing them and how we would have that testing process without having them as documents which people could debate. But I do object to the suggestion that there is a drip-feed or that there has been any process adopted by the committee other than has normally been adopted. It was carried unanimously to release in the resolutions. There was no argument put that they should not be released. It was in accordance with normal Senate practice. If the minister wants to make a submission about that we would obviously have a look at those issues. I think there are a range of difficulties about how we would do that but that is obviously something the committee would have to consider at the time and see if there is a way through those problems.

Senator FERGUSON—I would disagree with Senator Evans as to what is normal Senate practice because in the Senate references committees that I have chaired in the past it has quite often been the case that submissions were not released until after a public hearing so that they did not become a matter of public comment before there was an opportunity to question the people involved. On a number of committees I have been on, submissions to an inquiry were not made public until after the public hearing was held.

CHAIR—I do not know whether we can take this debate any further at this point. Minister, your comments are pertinent and noted and they will be circulated to the references committee, and they are now on the public record so I think the purpose of your opening statement has been served.

Senator CHRIS EVANS—The traditional starting point has been to ask the CDF to give us a bit of an overview of operational issues. Given the high operational tempo and the large number of troops still overseas, Colonel Cosgrove, I thought that was probably still the best place to start. Before we get into the financial matters I was wondering whether you could give us a bit of an understanding of the current deployments in Iraq and the Solomon Islands and how people were going et cetera.

Gen. Cosgrove—I propose to deal first with Iraq, then the Solomon Islands and then perhaps East Timor. I will not describe other operations in detail unless the committee would like to hear of the smaller operations. The committee will be aware that Australia continues to

have a defence contribution as part of our whole of government effort in postwar Iraq. Operation Catalyst came into effect on 16 July 2003 and currently comprises about 810 personnel, including an Australian joint task force headquarters for command of ADF elements deployed in the Middle East.

The headquarters is responsible for operations Catalyst and Slipper, the latter being Australia's contribution to the war on terror. It also includes a naval component of about 240 personnel, which is the crew of HMAS *Melbourne*. It includes an RAAF C130 Hercules detachment of about 120 personnel, with two transport aircraft, ground crew and other support elements. It includes an air traffic control detachment and support personnel at Baghdad International Airport and combined air operations staff totalling around 60 personnel. It includes a security detachment of about 80 people, including armoured vehicles. It includes an integrated explosive ordnance detachment to provide protection and escort for Australian government personnel working in our representative office in Baghdad. It includes up to 15 analysts and technical experts in Iraq supporting the Iraq survey group. It includes an Australian contribution to coalition headquarters and units and combined logistics and communications elements comprising about 90 personnel. It includes an RAAF P3 Orion detachment of about 160 personnel, with two aircraft and associated command and support elements supporting both the rehabilitation operation in Iraq and the coalition operation against terrorism. It also includes one military adviser to the UN Special Representative of the Secretary-General in Iraq.

Defence has also contributed specialist personnel and assets to Iraq's rehabilitation. This includes four ADF officers with the Coalition Provisional Authority: two working in Baghdad and two working in the authority's provisional office in al-Hilla. There are four ADF personnel working with the coalition military assistance and training team to assist in the development of the Iraqi defence force, and we have three Defence civilians providing policy advice to the Coalition Provisional Authority's office of national security affairs. We have one temporary military liaison officer supporting the Australian representative office in Baghdad, performing essentially the role of a defence attache.

The government announced on 23 January that Australia would contribute a new Iraqi navy training team consisting of 12 people. The training team will deploy for about eight months. It is likely to begin in early March 2004, following the construction of facilities and the development of appropriate support elements for the training which will take place at the port city of Umm Qasr. The government also announced that the air traffic control detachment would remain deployed into Iraq until at least May 2004. Mr Chairman, that is all I would say for now on Iraq. I will pause there to see if you have any questions.

CHAIR—Thank you, General Cosgrove.

Senator CHRIS EVANS—General Cosgrove, could you give us a sense of what rotations have been approved? That is a status report. I would just like to get a sense of who is expected to be replaced and when, what decisions have been made and what decisions are yet to be made.

Gen. Cosgrove—Those individuals who are there filling billets that keep rolling will by and large do a six-month tour of duty and then come home. From time to time people stay a

little shorter or a little longer time, but it is basically for six months. Apart from the notice the government has given publicly that the air traffic control detachment will remain deployed into Iraq until at least May 2004, the others are under consideration on virtually a constant basis to see that all the other force elements are of an appropriate nature for the government's continued objectives. Therefore, there are no other decisions to be announced at this stage.

Senator HOGG—The strength of the air traffic controllers has not been diminished, has it?

Gen. Cosgrove—No.

Senator HOGG—It has been kept at the same level?

Gen. Cosgrove—It is at about 60 and it is at about the same capability. I could not tell you whether or not it was up or down by one or two, but it is our intent to continue to operate Baghdad International Airport, in this case, until May.

Senator HOGG—What progress is being made in relation to the private providers that were going to replace those people?

Gen. Cosgrove—They are still being trained. They are going to be brought through a process of some kind of cohabitation with our air traffickers. Then there is an equipment issue to provide a civilian suite of air traffic control equipment. That is all according to a coalition timetable, and we do not have definitive dates on that. Those people are not being trained under Australian auspices.

Senator HOGG—Who is responsible for the training and who is responsible for bringing them together?

Gen. Cosgrove—I am not sure of that, but it is under coalition auspices. Shall we say the CPA would have overall responsibility for that?

Senator CHRIS EVANS—Just so that I am clear, when will these various units be pulled out in the absence of a decision? What are the rollover dates for these various units, or are they all there pending any further decisions?

Gen. Cosgrove—We have a plan that, under the six-month rule or policy, HMAS *Melbourne* would finish up in early May, but government has not announced its intention for post HMAS *Melbourne*.

Senator CHRIS EVANS—So a decision as to whether the *Melbourne* will be replaced by another ship has yet to be made—

Gen. Cosgrove—There has been no announcement on that.

Senator CHRIS EVANS—for instance, the security detail? When does a decision on that have to be made?

Gen. Cosgrove—In relation to that, it is ongoing—the size and shape and the fundamental requirement—but we have not put a horizon on that that has been publicly announced, because it seems logical that you do that month by month as you watch the security situation in Baghdad. I can tell you that, as of now, we are content that it is about right, and any changes would be for other reasons.

Senator CHRIS EVANS—What about the Hercules and the Orions?

Gen. Cosgrove—There has been no decision to extend or not extend those beyond what is already on the record.

Senator CHRIS EVANS—I am not trying to put words in your mouth, but is it fair to describe them as an ongoing commitment pending any further government decision?

Gen. Cosgrove—We review it and provide advice to government routinely on the utility of the capability. As we stand now, they are making a great contribution, so it is a question for government to digest.

Senator CHRIS EVANS—But it is fair to say that there is no end date on any of those commitments announced or planned at this stage?

Gen. Cosgrove—Not as we sit here.

Senator HOGG—What is the status of the Iraq Survey Group? What are they engaged in at this stage?

Senator Hill—Predominantly in answering questions in relation to weapons of mass destruction.

Senator HOGG—Are they still actively involved in the search for weapons of mass destruction?

Senator Hill—Yes.

Senator HOGG—How much longer will that proceed?

Senator Hill—They do not have an end date as such. They are working towards a further report at the moment. If they are to stay after 1 July, it would presumably be at the invitation of the new governing authority.

Senator HOGG—So there is no ongoing commitment to the Iraq Survey Group in respect of our government?

Senator Hill—There is no end date, but the status of all foreign nationals in the country will in some way change after 1 July.

Senator CHRIS EVANS—If there is a provisional government, it will be a decision for them as to whether they are invited to stay—is that what you are saying?

Senator Hill—In relation to any foreigner in the country it will at least in part be a decision of the new governing authority. That is not totally unqualified, because it is arguable that existing Security Council resolutions give authority that goes beyond that date, but these are issues that are currently being negotiated within Iraq and within the United Nations and between the parties in the coalition.

Senator CHRIS EVANS—What is the current Australian commitment to the inspection group? Is it 12?

Senator Hill—We have about a dozen, I think, still. Their tasks have changed somewhat as the individuals have changed. It is on the record that we had some specialists in the conventional weapons area in there at an early time. Their task has been completed and they have been rotated out, and those rotated in have had other areas of speciality.

Senator CHRIS EVANS—Are they physically now searching sites for weapons of mass destruction—is that fair description of what they are doing? Or are they conducting interviews of Iraqi citizens?

Senator Hill—It depends on the individual. Some physically search sites; some are analysts. They fulfil a range of tasks according to their specialisation.

Senator CHRIS EVANS—Who is in command of that group currently? Who is supervising their work?

Senator Hill—The Iraq Survey Group is now being headed up by an individual by the name of—

Mr Bonighton—Ron Bonighton, Deputy Secretary, Intelligence and Security.

Senator Hill—Ron Bonighton!

Mr Bonighton—Ron Bonighton is not heading up the Iraq Survey Group.

Senator CHRIS EVANS—That is in your spare time.

Senator Hill—That is not what I thought was the answer.

Mr Bonighton—The name has just slipped past me for a moment.

Senator Hill—Dayton, isn't it?

Mr Bonighton—Dayton is the second-in-command. There is a new appointee. I will ask Mr Lewincamp to give me the name and whether the man is yet in country.

Mr Lewincamp—The Iraq Survey Group is commanded by Major General Keith Dayton from the United States. There is a separate appointment of special adviser in relation to that group which was previously filled by David Kay and it is about to be filled by Charles Duelfer, who I think arrived in country last week.

Senator CHRIS EVANS—Who is the senior Australian representative currently?

Mr Lewincamp—It is a lieutenant colonel. Shall I name him?

Gen. Cosgrove—Do you need the name?

Senator CHRIS EVANS—Not necessarily; I was just trying to get a sense of the seniority. If there is a particular sensitivity about it—

Gen. Cosgrove—Not a particular sensitivity; I just sort of arc up a bit when we mention names unless it is really necessary.

Mr Lewincamp—It is a lieutenant colonel who works in the operational headquarters of the Iraq Survey Group.

Senator HOGG—Could I get some appreciation of the time required to prepare another group to replace the existing group that we have in the Iraq Survey Group if the commitment goes beyond 1 July? I imagine they are a fairly specialised group of people.

Senator Hill—As I said, the tasks have varied as work has been completed. Work on the exploitation of conventional weapons of the former regime has largely been completed, I understand, and those who were working within the Iraq Survey Group on that task have therefore moved on. The work related to weapons of mass destruction has not been completed

and therefore that work continues and the staff are rotated. I am not suggesting there would be a wholesale change of personnel on 1 July; I am just suggesting the status of those personnel may change.

Senator HOGG—All right.

Senator CHRIS EVANS—General Cosgrove, perhaps you can press on and then we can come back to the financial issues.

Gen. Cosgrove—I might just mention Afghanistan briefly and then go on to the Solomons. Australia continues to support the establishment of a free and well governed Afghanistan. Between September 2001 and June 2004, Australia expects to have contributed over \$A85 million in humanitarian and reconstruction assistance to Afghanistan. This assistance covers areas such as medical assistance, mine action, food security, basic education, assistance to displaced Afghans, drug control and strengthening civil society. Australia also provides a military liaison office within the United Nations Assistance Mission in Afghanistan; a lieutenant colonel deployed to Kabul last April and will be in country for 12 months. In September 2003, an ADF de-mining officer at rank major was embedded in Headquarters Coalition Joint Task Force as part of Operation Slipper. I note here—though it is not within our portfolio—that a member of the Australian Federal Police has also been appointed police adviser to the United Nations Assistance Mission in Afghanistan. I will move on to the Solomons unless you have questions.

CHAIR—Please continue.

Gen. Cosgrove—At the request of the Solomon Islands government, the Australian led regional assistance mission to the Solomon Islands deployed to the Solomon Islands on 24 July last year. It is essentially a civilian effort, supported by a substantial military component. The role of the military component has been to provide security support for the participating police force and to provide logistics and operational support to the overall effort. The ADF is operating alongside coalition military partners from New Zealand, Fiji, Papua New Guinea and Tonga. At its peak, the Australian military contingent comprised 1,400 Navy, Army and Air Force personnel. On 20 November last year, on the basis of positive trends in the restoration of law and order, the Australian government decided to withdraw a number of the elements of the military component. There are now approximately 520 ADF personnel deployed to the Solomon Islands. The government obviously remains committed to providing ADF support to RAMSI for as long as is needed. The situation in the Solomon Islands and the requirement for military support are subject to regular review.

Senator CHRIS EVANS—Can I ask what that means and what is your expectation for the commitment to the Solomons—in general terms; I am not asking for specific dates? That is still a fairly substantial commitment—520 ADF troops.

Gen. Cosgrove—We have a few things in play. We must continue to support Mr Warner and Deputy Commissioner McDevitt and the whole-of-government and international effort. On the other hand, we are also eager to replace those capabilities which can be easily replaced by civilian companies as quickly as we can. That is a matter of negotiation, and we continue to do that. In relation to what you might call the combat elements, those elements which are particularly there to support police operations, again that is a negotiated issue between us,

other departments, the coalition members and ultimately Mr Warner and Deputy Commissioner McDevitt. We will be seeking such progress in the law and order situation in RAMSI as to have their confidence that this can be done. I do not want to put a time on it because that prejudices that level of confidence—except to say that we can sustain this commitment for a while yet; there is no detriment to other things we wish to do. And we want to withdraw the combat elements at the earliest proper moment, but it is a matter of negotiation. All of this is in the context that this is a tremendously successful mission, and we for one do not want to jeopardise it. Nor do we want to stay longer than is necessary.

Senator CHRIS EVANS—What combat elements do you still have in the Solomons, using your terminology?

Gen. Cosgrove—Quite reduced. The ground elements are, from Australia's point of view, headquarters, some logistics still, a battalion type headquarters, an infantry company headquarters and a rifle platoon. That is an Australian rifle platoon. The other—

Senator CHRIS EVANS—So there is only one rifle platoon?

Gen. Cosgrove—Yes. That is why I am saying that the combat elements are sustainable. As well as that, there continue to be some naval vessels and some Caribou aircraft. I would not quite be describing them as combat capabilities, but they support the operation very importantly. And there are some New Zealand helicopters. As soon as we have access to appropriately certified civilian helicopters, the New Zealand helicopters will be able to return home, and we have a target date for that.

Senator CHRIS EVANS—Are the naval elements mine hunters or patrol boats?

Gen. Cosgrove—We have a couple of small war vessels there. I will just defer to the Chief of Navy to remind me of the nature of the vessel. He says one patrol boat and one heavy landing craft. He has given me even more information. The patrol boat will be relieved by a mine hunter. The mine hunters are proving particularly good at that style of operation.

Senator CHRIS EVANS—Thank you.

Gen. Cosgrove—I might move on to Timor if that suits the chair.

CHAIR—Senator Payne has a question.

Senator PAYNE—Could you clarify a point? Did you say that the New Zealand Army helicopters were being replaced by civilian helicopters?

Gen. Cosgrove—Yes, I did. The intent is that, when appropriately certified civilian helicopters are available, that will release the New Zealand Air Force helicopters to return to New Zealand.

Senator PAYNE—‘Appropriately certified’ would mean with an artificial horizon?

Gen. Cosgrove—You are getting into the technical aspects there.

Senator PAYNE—It is a point very close to my heart, having returned to the A quad in a civilian helicopter when my colleagues went off in the Iroquois.

Gen. Cosgrove—We want them to be able to operate over the water into the sometimes fairly rudimentary landing zones, and by day and night. In that sense, there is a certification issue.

Senator PAYNE—To do with the weather conditions in particular, I understand.

Gen. Cosgrove—I believe so, yes. What the RAMSI mission wants to know is that it has something that looks very much like the military capability.

CHAIR—We unfortunately had to leave Senator Payne behind, General Cosgrove.

Senator PAYNE—I think it was a conspiracy myself! Thank you, General.

Gen. Cosgrove—Shall I move on to East Timor?

CHAIR—Certainly.

Gen. Cosgrove—Australia continues to provide assistance to the United Nations Mission of Support in East Timor, UNMISET, and that is to the peacekeeping force. In line with current UN draw down planning, 440 ADF personnel will remain as part of this force until expiry of the mandate in May 2004. We see that East Timor has come a long way with UN and international community support. The security environment has significantly stabilised, important gains have been made in institutional development and East Timor's integration into the region is generally proceeding well. However, although the security situation is calm, East Timor's stability is still vulnerable. We believe that the international community must continue to take care to ensure that the significant progress made to date in building a secure nation is not forfeited. There is a clear need for a UN mission presence in East Timor beyond the expiry of the current mission's mandate in May 2004. It is my understanding that Australia will be looking to the Security Council to provide for a modest successor UN mission to continue the work. We know that the Security Council will convene very shortly to discuss how East Timor's needs can best be met post UNMISET. A number of options will be considered there. Australia is committed to the security of East Timor and we will consider our options in light of the decision adopted by the Security Council. When I say 'we' there, of course I refer to the government, not to the ADF.

Notwithstanding the possible withdrawal of the UN peacekeeping force in East Timor, Australia's defence cooperation program in East Timor will endure. Our defence cooperation program is assisting East Timor to address its longer-term needs by developing a modest, sustainable and affordable defence force appropriate to East Timor's needs. Our assistance program is similar to those in place with our other regional defence partners. It includes education and training courses, the provision of advisers to both the defence force and the Ministry of Defence, and infrastructure projects such as the Metinaro training facility and the national military communications network. Thank you.

Senator CHRIS EVANS—I suspect this question will go to the minister. Could you flesh out the attitude to ongoing military contribution to Timor post mandate? I just want to get a sense of what the government are thinking about what might be required and what sort of commitment we might make. I gather from what General Cosgrove was saying that that will be in part determined by a new Security Council resolution, but have the government adopted an attitude about whether they see an ongoing role? I know that the Timorese government was

talking about wanting us to stay. I just want to get a sense of where the thinking is at and what an ongoing commitment might be.

Senator Hill—We see an ongoing need to support East Timor as it seeks to mature its institutions. Therefore the question really needs to be answered in two parts. One part is an ongoing bilateral commitment the major part of which, from a Defence point of view, is support in training of the East Timor defence force. The other part is a role we would expect to play within any succeeding UN mission. The construct of that mission is a Security Council decision. The component parts of that are still subject to debate. There was an exploratory mission sent to East Timor to report back to the United Nations. There is negotiation on that at the moment. We see the challenge as predominantly a law and order challenge. We do not see a threat from outside East Timor. Relations between East Timor and Indonesia are good. The border, however, needs to be effectively policed. So that is the emphasis of our submission to the United Nations process. That does not mean that there is not any military need—there will certainly be a need for defence liaison offices for some time—but the extent to which there should be a military peacekeeping force after the May changeover is something that is still subject to debate.

Senator CHRIS EVANS—If there was to be a peacekeeping force after May, would it be envisaged that Australia would make the same sort of percentage contribution as we have to the other UN mandate?

Senator Hill—That would have to be decided by government, but I think it is a reasonable assumption.

Senator CHRIS EVANS—I want to ask about the bilateral commitment to the support of the new East Timorese military. What do we envisaged that commitment looking like over the next few years?

Gen. Cosgrove—I think it is going to have quite a deal of similarity to some of our other bilateral DCP activities. That will be characterised by, I imagine, lots of young men and women from the East Timor defence force being offered training places here in Australia on our courses and by a continuation—as long as the East Timorese think that this is a good idea—of training team type people in East Timor to help with the further development of the East Timor defence force.

Senator CHRIS EVANS—What is the size of the training commitment currently?

Gen. Cosgrove—I might need to check that figure, but I think there are about 28 members in our training team.

Mr Carmody—The current commitment is 30 ADF personnel providing training and support to the East Timor defence force. This includes the training support team, at Mentinaro and Los Palos, officers seconded to the office of defence force development as specialist advisers and personnel attached to the office of the defence attache to coordinate the activity. It is 30 in total.

Senator CHRIS EVANS—General Cosgrove, it would be fair to say that you would see that sort of commitment continuing for a while, given the view about it remaining unchanged?

Gen. Cosgrove—As you know, we tend to get into longer-term relationships just to ensure that there is a little bit of tenure and stability in these relationships so I would imagine it would be around that level, but it should be responsive. As with each other DCP arrangement, we have an annual consultation—sometimes even more frequently than that—to discuss what we are doing and what might be done in the future. But that commitment is one of our more significant offshore commitments with the training team, and I would imagine that we would keep that going for a while if that is suitable to the East Timorese.

Senator CHRIS EVANS—Minister, do I take it, from what you were saying about seeing the challenge as more of a law and order challenge than a military security challenge, that the thinking is that the border patrol issues could be managed by a police authority rather than a military authority? Is that a fair characterisation?

Senator Hill—Yes, that is. The principal issues along the border are smuggling—among customs type issues—and a few law and order issues but not issues of incursions by militia.

Senator CHRIS EVANS—So the development of that border response would involve police and customs officials rather than necessarily any military officers?

Senator Hill—That is way we see it.

Senator CHRIS EVANS—When do you anticipate the UN Security Council determining these matters?

Senator Hill—I think there is a date in March.

Mr Carmody—I think the view is that the first time the Security Council get the paperwork of the review is late February, but I do not know how long. The question of when the decision is determined is a separate issue. It might be determined straight away or they might actually put it out for further consultation.

Senator Hill—It is very current.

Senator CHRIS EVANS—Mr Carmody, do you want to give us further particulars or have you discounted Mr Lewincamp's contribution.

Mr Carmody—I would never discount Mr Lewincamp's contribution. He agrees that it is late February that the paperwork is going through.

Senator CHRIS EVANS—Thank you. Mr Chairman, if there are no more questions of General Cosgrove, I will take up some of the financial issues arising out of those deployments. General Cosgrove might want his bean-counters with him.

Gen. Cosgrove—We would certainly be ready for that.

CHAIR—Please proceed, Senator Evans.

Senator CHRIS EVANS—I will start with operations Bastille, Falconer and Catalyst. I think we have accepted that the funding has been rolled into one. I want to see if I understand correctly what is reflected in the additional estimates statements, which seems to be that there is a total of \$644.7 million over four years to fund the three combined operations. I would like someone to take me through that to make sure that I am clear about that and what it includes and what it does not include. There is a note that makes it clear that the more recent government decision about the PC3 deployment is not included. I wondered then whether the

air traffic controller extension was included and whether the deployment of trainers for the armed forces was also included. I just want an overview of what is in, what is out and how you see that falling out next year, particularly given that I think it is fair to characterise the evidence as being that no decision has been made to end the commitment as yet, so there is a potential for those deployments to continue into the next financial year.

Mr Veitch—The additional estimates and forward estimates include \$644.7 million now spread over four financial years for all three operations in Iraq. For the first two operations, which were to do more with the preparation and deployment and the operation itself and which we termed Bastille and Falconer, the revised estimates are \$444.7 million. In terms of Catalyst, which is the operation or the current commitment to Iraq, the estimates are \$197.2 million. At this stage we are holding a \$6.8 million contingency against possible future commitments or variations in the estimates. All up that totals a \$644.7 million cap that the government originally set for the operations. There has been some rephrasing of that expenditure. It was originally provided over three years but, given the way events have unfolded, it is now being rephased and there is a small element that carries over to 2005-06, mainly to do with remediation of equipment and that sort of thing.

Senator CHRIS EVANS—Can you help me with what is in and what is out in terms of the PC3 deployment, for instance? I know they are very expensive.

Mr Veitch—The original cost estimates of \$644.7 million did not include provision for those, but what we are looking at doing within the capped amount provided for government is seeing if we can accommodate that expenditure. Certainly expenditure to date on the overall three phases of the operation indicates that there may be some capacity in the estimates to absorb some of those, but we are still looking at that. They are matters with which we are dealing with government so I really could not talk any more about that at this stage.

Senator CHRIS EVANS—But if you are not, then that is a question of a bid for the budget round, is it?

Mr Veitch—Yes.

Senator CHRIS EVANS—Just so I am clear, what is not already funded in those figures, putting aside the contingency, which you said was—what?—\$6 million?

Mr Veitch—Yes. The \$6.8 million clearly is available to contribute to those sorts of things, but the extensions or the new announcements that are not covered by the estimates are clearly the extension of the air traffic controllers, the P3C Orions and the third commitment that General Cosgrove talked about. They are things that we are currently addressing with government in the budget round.

Senator CHRIS EVANS—In terms of the forward estimate for 2004-05, what provision have you got for expenditure in that year?

Mr Veitch—We currently have programmed in 2004-05 \$59.3 million plus \$13.8 million the following year. There is the \$6.8 million in contingency that we have yet to spread because we do not know where that would lie, but we have notionally allocated that half and half over those two financial years.

Senator CHRIS EVANS—So where is the best expression of that figure?

Mr Veitch—The best expression of that figure is —

Senator CHRIS EVANS—At table 1.3?

Mr Veitch—I think it is probably at table 1.4, which gives an overall summary of the revisions to the estimates for Bastille, Falconer and Catalyst, which is on page 11 of the PAES. In the third-last line you will see the revised phasings that I have just mentioned.

Senator CHRIS EVANS—Is it fair to say that clearly the \$62.7 million allocation would not maintain or fund the current level of activity we have under Operation Catalyst?

Mr Veitch—It clearly will fund those aspects that have been announced, other than the three General Cosgrove talked about, together with the contingency. There are some prospects that there might be some capacity in other parts of the estimates. We are looking at to what extent we would absorb those costs. We are still working through that at the moment as we get more information to hand.

Senator CHRIS EVANS—We are spending \$282 million this year.

Mr Veitch—Yes, that is our plan.

Senator CHRIS EVANS—We can maintain the same operation for \$62 million next year?

Mr Veitch—Sixty-two million is the current estimate for next year. I think I explained last time we met that a fair proportion of that is to do with returning and remediating equipment, which occurs after the forces come back.

Senator CHRIS EVANS—Yes, that is right. That is why I am asking. It seems to me that, if we were to maintain the current force level in Iraq for any length of time, that forward estimate amount would nowhere near maintain that capability in the field.

Mr Veitch—Clearly, those estimates are based on the current announcements, which end on 30 June, other than the three small extensions that we talked about. Should the government decide at some time to extend our commitment we would go through our normal process of putting a proposal to them for supplementation.

Senator CHRIS EVANS—That is what I am trying to be clear about, so I understand what that covers. As you say, the \$62.7 million covers a lot of the remediation costs. If our forces were to be deployed for longer, that may well go over to the following year. They would be incurred effectively when the forces and equipment were repatriated to Australia.

Mr Veitch—That is correct. It is not uncommon for us to be rephasing money between financial years as events change. We deal with government at each part of the budget cycle on that.

Senator CHRIS EVANS—There is no criticism; I am just trying to understand. The reality is that if government were to make a decision to extend our contribution to Catalyst beyond the end of this financial year then there will have to be supplementation at the budget to cover that.

Senator Hill—We will reach the point where it will be necessary. A couple of points should be made. The first is that the budgeting has been very good in this instance and officials should be congratulated. They are still operating within the original ceiling although the operation has continued well beyond the time that was part of that calculation. Secondly,

there has been prudent financial management in these operations, which is a credit to Defence as well. They have achieved a great deal within the budget limit that was set. Ultimately, we will reach a point where we will need further funding, and if the government has made decisions to deploy for such a period then the department will be supplemented.

Senator CHRIS EVANS—I was just trying to understand what that figure actually covers and what will have to be done in the event of some decisions. The \$13.8 million in the further out year is largely repatriation type costs, is it?

Mr Veitch—Yes.

Senator HOGG—It seems to be a substantial amount of money for repatriation costs out in 2005-06. What are the big-ticket items?

Mr Veitch—The types of equipment we have involved in the operation include ships, Army equipment and P3 aircraft and the like. There are considerable lead times in actually ordering equipment and getting repairs and maintenance work done. In terms of the lead times I think about in Defence, that is not unusual.

Senator Hill—Quarantine costs are very high.

Senator HOGG—I accept that. Going back to the contingency, while you have notionally allocated it to 2003-04 and 2004-05—

Mr Veitch—No, 2004-05 and 2005-06. There is \$3.4 million that I have notionally allocated in both of those years.

Senator CHRIS EVANS—What are the major assumptions underpinning Operation Anode?

Mr Veitch—The government has provided \$133.3 million over two financial years to cover the net additional costs of Operation Anode. The first tranche of that funding, \$58.7 million, was for the establishment and provision of protection and logistic support for the first 90 days of the deployment. Subsequently the government provided a further \$74.6 million for the continued commitments until 24 July 2004. The \$133.3 million is spread over two financial years. At this stage the estimates are \$111 million for this year and \$22.3 million for next year.

Senator CHRIS EVANS—What is the assumption about the \$22.3 million next year? Is that largely repatriation costs or is it a guesstimate of a down-scaled commitment, or what?

Mr Veitch—There are two elements of that. Noting that the withdrawal is progressively occurring and will not finish until after 30 June, there are other elements of costs including that. But remediation costs make up \$9.1 million of that for next year and \$14.2 million over the two years. The remediation costs for Operation Anode, because of the nature of the operation, are considerably less than those for Bastille because of the types of equipment and platforms involved.

Senator CHRIS EVANS—They do not have the same sorts of major platforms, no.

Senator HOGG—I understand that there is a supplementation for the net additional costs. What are the net additional costs? Is that the \$111.1 million?

Mr Veitch—The net additional costs of Anode?

Senator HOGG—Yes, the \$111.1 million that you have been supplemented for.

Mr Veitch—That is for this financial year. That is in the additional estimates, with \$22.3 million for next year. That is the Defence Force component of it. There are other agencies that have elements of costs.

Senator CHRIS EVANS—I was very interested in page 6, on the planned use of cash reserves. There is a good explanation of what is happening with those. I have a couple of questions about resourcing. Could someone take me through the foreign exchange supplementation?

Mr Veitch—There are two adjustments in the additional estimates for foreign exchange. As you know, the Australian dollar, relative to US currency in particular, has appreciated quite considerably. What that means is that the price we pay for equipment from overseas is lower. In the additional estimates we are returning to the Department of Finance and Administration, under our no win, no loss exchange arrangements, \$256.4 million in respect of this year and an adjustment for the favourable rates towards the end of last year of \$38.9 million. I stress that those reductions are not reductions in purchasing power; they are just reflections of the movement in the currency.

Senator CHRIS EVANS—And you do that annually?

Mr Veitch—We go through what I consider to be a very good process with the Department of Finance and Administration: a no win, no loss arrangement whereby we are supplemented when the dollar devalues and we hand back money when it appreciates. We have a fairly sophisticated system with Finance for tracking those adjustments. They are part and parcel of normal business.

Senator HOGG—How come the adjustment for 2002-03 is so late? I presume there would have been an adjustment in the 2002-03 financial year.

Mr Veitch—Again, that is a feature of the system which I think works in our favour. We have an opportunity at additional estimates to adjust for exchange, which we did last year. We also have an opportunity—getting towards the end of the year, as we come into the budget process—to adjust again. But for movements that happen post budget in the last couple of months of the financial year, there is no opportunity to correct those. What we do is have a process where that is done retrospectively. We would carry either the windfall or the loss for a few months over the financial year border and then be reimbursed or return money to government. Again, I am comfortable with that arrangement.

Senator CHRIS EVANS—May I ask a general question. I do not know if Mr Bennett or Mr Smith wants to answer it. There seem to be a lot of adjustments in this documentation beyond what normally happens in additional estimates. I pull out as an example that Military Superannuation Benefits Scheme revenue is now treated as equity rather than non-taxation revenue. There seems to be—I would be happier if you described it—but what I might call procedural changes or accounting changes that are reflected in these documents. Would someone be able to give me an overview of what they represent and what has occurred?

Mr Veitch—Yes, I can. There are a number of factors at play here. The first is our desire, in terms of the presentation of the resourcing of current operations and a range of other things,

to be more transparent to the parliament in our dealings. The second is that we undertook, as a result of the joint parliamentary committee's review of the 2001-02 annual report, to provide more information, and you are starting to see that flow through into the document itself. The third is that in the area of output and outcome reporting we have introduced a new portfolio budgeting system that allows us to better track movements in dollars between outcomes and outputs.

What we are trying to do here is explain those movements, but I must say that in the first year, as we have tried to get better information for you, that has resulted in some variations. If you look at the Navy, Army and Air Force outcomes, you will see variations as we have tried to get the business rules to better reflect the actual cost of those outputs. I see that as an ongoing process of improvement, and that will be aided by some of the work we are doing with our product costing model.

Senator CHRIS EVANS—So the fact that it is incomprehensible to me should not be taken as a lack of intelligence on my part; we should all be struggling with it?

Mr Smith—It is actually intended to help you, Senator.

Senator CHRIS EVANS—I always worry when you are helping me, Mr Smith.

Senator HOGG—When you say that, we worry!

Mr Veitch—The other thing I would say on that point is that we do have to follow an agreed format and template for these documents which is, to some extent, out of our hands. The other thing is that the financial statements themselves, which are buried further back in the document, are necessarily complex, and that just reflects the nature of accrual budgeting and financial reporting.

Senator CHRIS EVANS—I do not want to go into a lot of detail but, for instance, explain to me why the Military Superannuation Benefits Scheme is now treated as equity rather than non-taxation revenue.

Mr Veitch—Pass! I will take that on notice. I will see if I can get the answer to that during the day. What page was that?

Senator CHRIS EVANS—Page 49. I just picked it out as an example of those sorts of adjustments that are not usually in the additional estimates. They seem to be quite large sums of money; I know they are mainly accounting changes rather than changes in expenditure but there seem to be a lot of those. There are a lot of variations for changes in price parameters and things like that.

Mr Veitch—I have given a fairly concise summary at the front which I hoped you would find helpful. What we tried to do in the back part of the document was to flow through how those price and exchange variations and variations in relation to current operations and a range of other things actually affect the seven outcomes.

The other thing I should say about superannuation on page 49 is that this is the first year that superannuation—which is an administered appropriation which is managed by the Department of Finance and Administration on our behalf—has been designated as an outcome in its own right. That again, is a reflection that we are more transparent about the information on superannuation in this document than we have been in previous documents.

Mr Bennett—There was a change during the year where appropriations in respect of funded benefits were recorded under special appropriations rather than equity injections. So there were some changes because of an alignment with the accounting standards to make sure that the moneys were properly recorded.

Senator HOGG—I would like to make a general comment that I have made before in respect particularly of the capital equipment projects and the capital facility projects. It does not matter what page it is on. You tend to list a description of the project, which is good, but when one searches in the description to find out what the actual variation in the budget item is, it is not necessarily explained in that descriptor. I am made a liar by the first capital budget project, the armed reconnaissance helicopter, but when one moves onto the others one finds that there is a good descriptor of what might have changed but it does not necessarily attribute what the actual shift in the cost was and why it happened. Particularly when you read through the capital facilities projects it gives a very nice description of what the project is but if there has been a variation it does not tell you why the variation occurred. It would be helpful if you could implant that in the descriptor. It would make it easier for people like me who are reading it to find out where the variations are in the individual projects.

Mr Veitch—We can certainly undertake to look at that for the next time around.

Senator CHRIS EVANS—I would like to ask a couple of questions. I will use as an example Army outcome 3, on page 38. I want to ask about the service allowance increase. Could someone explain that to me? It is reflected in the various outputs under the various forces.

Mr Veitch—While Mr Sharp is coming to the table I could probably explain the financial part of what we have tried to do in this document. You will principally see that the numbers in the Navy, Army and Air Force outcomes have spread the cost of the outcome of the service allowance case across the various outputs, so each of them has a share of the total cost of that outcome. But in relation to the policy or the case itself, it would be better if Peter Sharp handled that.

Mr Sharp—Could I have the question about service allowance again please, Senator?

Senator CHRIS EVANS—I was just trying to understand the basis for those quite large increases in cost associated with service allowance. Obviously it was a decision of the Defence Force Remuneration Tribunal.

Mr Sharp—That allowance is a general allowance paid to members up to and including the rank of major or its equivalent for what might be called the exigencies of the service: for the requirement to relocate on a regular basis, for some difficult conditions that they live in from time to time, and for operating in a disciplined environment. The allowance is reviewed periodically by the Defence Force Remuneration Tribunal and was reviewed last year. The Defence Force Remuneration Tribunal visited many parts of the country and spoke to commanders and members of the ADF and it made a decision to award an increase of just below 20 per cent.

Senator CHRIS EVANS—When was that effective?

Mr Sharp—3 July.

Senator CHRIS EVANS—3 July last year?

Mr Sharp—Yes.

Senator CHRIS EVANS—So basically it had effect for the full financial year. The total cost is what—in the order of \$50-odd million?

Mr Smith—The total cost for the organisation for the year was, I think, \$86.5 million. It shows up under all outputs. For instance, it is on page 39, with the Army component on page 42, and there is the Air Force component and so on.

Senator CHRIS EVANS—But the total is in the order of \$86 million?

Mr Smith—\$86.5 million.

Senator CHRIS EVANS—While I was looking at that Army thing, I saw that there is also a line item there, ‘a refinement of the budget estimates for salary arrears payments’. Can someone explain that to me? That is \$25.6 million in Army. I presume it is for the three capabilities.

Mr Veitch—I do not have the specific detail with me, but what it relates to is more an accounting adjustment in the way we treat arrears. But I will have to get some information, and I will get that back to you today.

Senator CHRIS EVANS—There is an item on compensation for the lease-back arrangements. Could someone explain that to me? At first blush, it did not make much sense.

Mr Veitch—I am not sure that compensation is the right word; supplementation might be. I will find the number for you as I speak. I think it is about \$20-odd million. Basically we have an arrangement with government that, where we sell properties and lease them back as part of the sale lease-back program, the government supplements Defence for the ongoing lease of those properties. The impact of property sale and lease-back arrangements from the last financial year will add \$24.8 million to the Defence budget this year, and that has been fully supplemented.

Senator CHRIS EVANS—So this is \$24.8 million supplemented to Defence to compensate it for this financial year for it having to lease back properties it previously owned and has now sold?

Mr Veitch—That is right. That element would be recurrent, so we have covered the period—

Senator CHRIS EVANS—I will come to that. So these are properties you sold during the financial year and on which you then become liable for rent during the financial year, but it was not anticipated prior to this budget week?

Mr Veitch—We have an arrangement similar to that which I described for exchange. At each budget milestone we calculate the impact of properties that have been sold in the previous period and leased back. The department of finance would then supplement us, based on government decision, for those amounts. What you are finding here is that the \$24.8 million would catch up for the full year effect this year of things that we did last financial year—of properties sold and leased back from last financial year.

Senator HOGG—How many properties would be involved there?

Mr Veitch—I am not sure of the precise number of properties, but it is something—

Senator CHRIS EVANS—So these are properties you sold in 2002-03?

Mr Veitch—Yes, as part of the property sales program. We have leased some of those properties or buildings back, and government provides us with money for the ongoing lease, for funding—

Senator CHRIS EVANS—I remember a lot of the properties were sold in June, so I can understand how you would not have had a full appreciation of lease-back costs. But that does not represent the total of your lease-back costs; that just represents the additional supplementation for those that were not anticipated.

Mr Veitch—New ones, yes.

Senator CHRIS EVANS—Do you have a figure for your total lease-back costs?

Mr Veitch—I have not got that with me. It certainly is in the budget papers—we had an amount in there—but I could take that on notice for you.

Senator CHRIS EVANS—I appreciate that, but it is a line item each year. As part of your normal bid to government for funding there is a line item of the cost of leaseback arrangements—

Mr Veitch—That is right.

Senator CHRIS EVANS—and that shows up separately from your other rentals. Or does it just get submerged into your other rental costs?

Mr Veitch—It is allocated within our base and we would manage it within the total allocation. The way the process would work is that I get the funding from the department of finance through the budget process. I then allocate it to Alan Henderson's organisation—CSIG—and they manage the ongoing lease payments.

Senator CHRIS EVANS—Sure. But—and I am just trying to be clear—will the lease-back continue to show up as a separate item to other rentals? From the budget papers will I be able to distinguish the cost of lease-back versus the general rental lease costs?

Mr Veitch—You probably could not but we could undertake to have a look at something like that in the future.

Senator CHRIS EVANS—I would appreciate it if you could take on notice what that brings the total lease-back costs for the year to.

Mr Veitch—Yes.

Senator HOGG—And how many buildings are affected—how many property leases are affected. The other thing I would be interested in: does the supplementation run out at any point in time or is the supplementation forever—in other words, so long as you have got the lease?

Mr Veitch—Yes, the supplementation is continuous.

Senator CHRIS EVANS—Can you give me a brief explanation of the fuel excise rebate adjustment?

Mr Veitch—Again, that is just a change in the accounting standards of how we treat the rebate for the diesel fuel excise. Previously we used to net it off against the expense item, but the Audit Office, in looking at our books last year, thought it would be more appropriate to record it as a revenue. So instead of showing a net arrangement we are showing a gross and a revenue to get the same result. It is just reflecting an accounting adjustment. There is no real variation in the funding aspects of the budget for it.

Senator CHRIS EVANS—In terms of these ongoing accounting adjustments, would we expect to see another set in the budget statements this year?

Mr Bennett—Reasonably you will expect some, plus you will continue to see some changes, especially as we move towards the adoption of the international financial reporting standards in 2005.

Senator CHRIS EVANS—What I was asking was this: does this represent a large part of them or are we going to see a large number of amendments over the next three or four budget documents as you move those changes through?

Mr Smith—I suspect that as we move to these international accounting standards you will see a succession of changes over the next couple of years.

Mr Veitch—There is one that I could foreshadow now. That will be in the budget papers as a change in the asset recognition threshold for administrative and IT assets.

Senator CHRIS EVANS—I was keeping an eye out for that one. What does that mean?

Mr Veitch—Again, it just means that the money will be recorded in the books in a different fashion. There is no net variation in the budget numbers themselves; it is just a different accounting treatment. Experience has shown that, as accounting standards change and auditors make their findings, we have to keep up with contemporary practice. I would not postulate that this sort of thing will go away in a hurry.

Senator CHRIS EVANS—There just seemed to be a large number of them on this occasion and I am just trying to get a sense of whether we expect similar sorts of adjustments each time or whether this represents a major crack at it and it will drop off from here on in.

Mr Bennett—I foresee three or four years of solid work in front of us on a lot of these issues, especially with some of the changes afoot that we have to comply with.

Senator CHRIS EVANS—Is that mainly driven by this move to adopt the international standards or partly by the Auditor-General's reports?

Mr Bennett—Partly by the Auditor-General's reports, partly by our own work and, in a year or so, by the adoption of the international standards. In June of this year we will also have to provide a comparative estimate of the impact of those new standards, so you will see yet more information in there.

Proceedings suspended from 10.30 a.m. to 10.51 a.m.

CHAIR—We will continue with questions on the budget summary.

Senator CHRIS EVANS—I want to spend some time looking at some of the capital budget issues. In a minute I want to come to the revised capability plan and the white paper and how they fit in a macro sense, but perhaps we can start with getting a bit of an

understanding of what is going on with capital spending. Do I take it that we have \$800 million worth of not yet approved and approved capital spending that was to occur in 2003-04 now being delayed?

Mr Smith—Sorry, could you just repeat that, Senator Evans?

Senator CHRIS EVANS—I am looking at pages 71 to 73, under the overview of the capital budget, and really trying to get a sense of what seems to be a rescheduling of and a delay in capital spending. I am just trying to make sure that I understand what is occurring here.

Senator Hill—I think we are foreshadowing that there could be that delay, but there may not be to that extent.

Senator CHRIS EVANS—I was perhaps looking for a little more detail than that.

Senator Hill—It depends upon what happens between now and—

Senator CHRIS EVANS—I was looking for a little more accuracy than that, perhaps. What do the budget papers say? I really want to take you through what the assumptions are and what the budget papers are trying to say in terms of the decisions that are reflected.

Senator Hill—That is fine. What I am saying is that it draws the committee's attention to a potential shortfall but we will not know the full extent of that shortfall until the end of the financial year. It depends upon a number of matters that are works in progress.

Senator CHRIS EVANS—Can someone give me an overview of what these figures represent?

Mr Veitch—On page 71?

Senator CHRIS EVANS—Yes. I think it was indicated in the PBS that \$642 million worth of capital equipment projects in the next four years would be rescheduled. Is this a further advance on that; is this the same thing? I am just trying to get someone to take me through what it means.

Mr Veitch—Maybe we can refer to page 71, table 3.10, as a reference point. We will talk firstly about the not yet approved major capital equipment program. You can see that between the budget and the additional estimates that has been reduced by \$162.8 million. But that does not represent a rescheduling; that represents the approval of projects since the budget and their transfer into the approved capital equipment program. A range of projects have been approved. We expect that decisions taken by government between when these papers were done and the end of the financial year will accommodate the remaining \$195.5 million. What we do have in the numbers, and I refer you down to serial No. 5, which is funds being held at the portfolio level, is that we are holding an amount of \$500 million in the approved capital equipment program which represents some rescheduling of approved projects.

Senator CHRIS EVANS—Where is the \$500 million figure?

Mr Veitch—The figure of \$490.5 million that you can see in the table is composed of two numbers—\$500 million for the approved capital program and some adjustments in other capital areas of about minus \$9.5 million. There is \$500 million in approved project funding being held there for rescheduling.

Senator CHRIS EVANS—In layman's terms, just so I am clear, that means that the \$500 million we expected to spend on capital equipment purchases or capital projects in 2003-04 will not be spent in 2003-04?

Senator Hill—We have foreshadowed that possibility.

Senator CHRIS EVANS—I do not want to go into semantics but it is in your budget documents, so I presume that it is a bit more than 'foreshadowed'. You made the comment that that may change but this is your additional budget estimate provided to the parliament, so I take it that it is a bit more than 'foreshadowed'—that it is an expectation, at least at some stage.

Senator Hill—Apart from remedial action that we have in train, how successful that will be will take a few more months to show.

Senator CHRIS EVANS—I am always happy for the minister to put what he wants on the record but I want to be clear about this. Is it fair to describe this as money that was budgeted originally for capital expenditure this year but has been marked as perhaps not being spent this year?

Mr Veitch—At the time the document was prepared, which was about two months ago.

Senator CHRIS EVANS—Is this money part of the money that was deferred from the previous two years or is this in addition to those deferrals?

Mr Veitch—This is additional to the \$642 million that we talked about at the last hearing.

Senator CHRIS EVANS—It is fair to say that the rescheduled or delayed expenditure represents the summation of those figures—the \$500 million and the \$642 million?

Mr Veitch—It is, but there is also the issue that we talked about at the hearing before that: the \$200 million that is being held in the cash receivable. We have proposals before government to reprogram that.

Senator CHRIS EVANS—We have the \$642 million from last year, the \$200 million held in cash and the \$500 million this year. Was there \$60-odd million from 2001-02 that was deferred? The figure I have is \$60 million.

Mr Veitch—If it was deferred it was only rephasing between years. It is a nonongoing amount.

Senator CHRIS EVANS—You are claiming that that \$60 million would have been spent in 2002-03?

Mr Veitch—Yes.

Senator CHRIS EVANS—But you do not say that about the money deferred from last year—the \$642 million?

Mr Veitch—Decisions have not been made in relation to the \$642 million.

Senator CHRIS EVANS—In terms of deferred capital equipment program expenditure, we have \$200 million, \$642 million and \$500 million. Is that fair?

Mr Veitch—Yes.

Senator Hill—What it means is that the expectation at time of the original DCP was greater than what has occurred in the realisation, so the money has been deferred until it will be needed to meet the major capital cost of a series of big dollar items.

Senator CHRIS EVANS—And is it fair to say that all of this is effectively slippage in the sense that it is just money that was anticipated being spent on projects for which the payment schedule has slipped?

Mr Smith—Slippage has a particular usage in this trade: it means spreading the money over the out years, in short. The \$500 million is money that will not be spent this year but will be spent in future years. There is a distinction between the two—perhaps I am not being clear enough about it. Slippage is the figure we anticipated in preparing the budget last year and so we put the money more widely across the out years. This is money which we had still sought to spend this year but will not spend all of.

Mr Veitch—So in all cases it relates to approved projects. It relates to timing changes in the spending of the money against the approved projects caps.

Senator CHRIS EVANS—But it is not necessarily, therefore, all spent next year—it is not necessarily rolled over, is it?

Mr Veitch—We are currently looking at a range of issues with the investment program, which we will be taking to government in the budget context. That will look at the future shape of the investment program. It would take account of things like these rephasings we are talking about now and also decisions that government made in respect of the capability plan, but I would not like to talk about those until the government has made decisions on them.

Mr Smith—We would like to spend all the money that we can but the fact is that we are strongly enjoined to give projects very careful scrutiny, more than ever. That was an important part of the Kinnaird report. We have to do much more work up front to gain greater confidence in the projects and give them much greater visibility among other government departments. So there is a much more rigorous process of project approval. I should say as well that there is a much more rigorous process to ensure that we are not laying out money where the work has not been done—we are fixing not just milestones in time but genuine milestones in performance. Those two factors plus the capacity of industry to deliver affect our ability to spend. I believe that with the new Defence Capability Development Group and the new DMO, which will take effect shortly, we will build up a throughput of projects at a greater pace than we have had and can recoup that spend.

Senator CHRIS EVANS—I am just not sure that I have got this totally clear. What then does the minus \$674.6 million variation in approved major capital equipment represent?

Mr Veitch—That relates to two factors. Firstly, there is the \$500 million we have talked about, which we have taken down and put in the \$490 million line. That is being, as I said, held pending a government decision. Secondly, the other amount principally relates to variations in price and exchange and some issues to do with the timing of some projects—for example, with the AEW project we paid some money ahead of schedule at the end of last financial year and that reflects an adjustment downwards of the estimate. So, if you go back to last year, compared to the forecast outcome we actually spent more on capital reflecting the

fact that the AEWG project was ahead of schedule and we paid that money early. So they are just a range of other adjustments on top of the \$500 million.

Senator CHRIS EVANS—I will have a look at the *Hansard* for the distinction between slippage and deferral which Mr Smith made for me. I understand that it is important from your point of view, but I am not quite sure what the distinction means. What do you think is a fair figure for the total moneys allocated for equipment projects over the last three budgets that have been deferred, delayed, slipped, reprogrammed or whatever the appropriate terminology is?

Mr Veitch—Setting aside just normal minor variations that always occur for price and exchange, timing delays between financial years, it is substantially the amount of money in the three elements that we just talked about.

Senator CHRIS EVANS—So it is \$1.34 billion?

Mr Veitch—That is right.

Senator CHRIS EVANS—How should we describe what happened to that and how it will be allocated?

Mr Veitch—The \$200 million is still sitting in the cash receivable. The \$500 million I am holding and I have got a fence around it so it will not be used for other purposes.

Senator CHRIS EVANS—You might not get out of here alive, Mr Veitch, if you say that!

Mr Veitch—And the minister would want me to say that!

Senator Hill—It is in good hands.

Mr Veitch—The \$642 million is being held by the department of finance pending a decision by government.

Senator CHRIS EVANS—So that is the distinction: money held in good hands and money held by the department of finance! I am sure they noted the distinction you made.

Mr Veitch—They certainly would be watching this. I am sure they would agree with what we are saying. They are very good people.

Senator CHRIS EVANS—I know most of Senator Hill's answers are not designed for me or the rest of the committee; when he explains these things it is designed for the Treasurer and Finance. So it is fair to say that that money will be rephased. Do we have any estimates in these documents as to how much of that will be spent in the next financial year?

Mr Veitch—No, there is no estimate in this document. As I said before, we are currently looking at the total population of projects in the investment program. We will be bringing forward a revised investment program for government decisions in the budget, and that will reflect the changed cash flow profiles of individual projects.

Senator CHRIS EVANS—I know I am going to regret this because I have had a discussion before with the minister about the capability plan in the white paper and how that money is tracked, and I was dissatisfied with the response and the lack of accountability in how we track that. We had that discussion. That might be my view and not one shared by government and that is fine. I suppose my starting point today would be to say: in a global

sense, can someone explain to me the relationship between the moneys programmed for the recently released capability plan and the moneys for the previous capability plan? I think the current capability plan added up to about \$57 million. I was interested in the macrorelationship between the two plans, in terms of the cost of the plans and what costs flow over to the new one. I am putting it inelegantly, but I think you know what I mean.

Senator Hill—We will try. It is not straightforward, because at the time of the first DCP there were ongoing programs that needed to be taken into account and at the time of the second one there were ongoing programs. But it is possible to draw some comparisons, and work is being done in that regard.

Senator CHRIS EVANS—As I understood it, I think there was about \$44 billion in the first program. It is often referred to as \$50 billion, but I thought it added up to about \$44 billion dollars. Is that a fair assessment of the original capability plan?

Air Vice Marshal Clarke—Could you repeat that question, Senator?

Senator CHRIS EVANS—Basically I am trying to get an understanding of how the funding relates between the old capability plan and the new capability plan. I guess the first question is: how much did we envisage the first capability plan costing and how much do we envisage the second one costing?

Senator Hill—I should say that the official who is best able to explain it—although I am sure Air Vice Marshal Clarke would do it very well—and whose job it is to explain it is not here. I think we should rustle him up rather than put an undue burden on others. Could we come back to this in a little while?

Senator CHRIS EVANS—Yes, I am happy to, Minister. No disrespect to the Air Vice Marshal but I am happy to come back to it if that suits you better.

Air Vice Marshal Clarke—It is all right; I have advice.

Senator Hill—I think we have just done him a favour.

Senator CHRIS EVANS—If you are happy, we are happy to defer that discussion.

Mr Smith—Mr Veitch can speak to a certain level of that response and is prepared to do so.

Senator CHRIS EVANS—It might be just as well to wait, if it suits you better.

Mr Smith—Sure. They can do it together.

Senator CHRIS EVANS—I have a series of questions about the white paper, the capability plan, that sort of macro funding, so we may as well do it all at once rather than do it twice. I will ask some questions now about the Kinnaird review. Mr Smith, perhaps you could start by giving us a situation update as to where you are at with all that.

Mr Smith—The Kinnaird report, as you know, had 10 major recommendations and quite a number of lesser ones. Four of those recommendations related specifically to the DMO and six to the other aspects of the acquisition process. We have established an implementation team, led by Dr Ian Williams, and we are working our way through those recommendations, all of which were accepted by the government, with one modification to the recommendation on the nature of the agency. We have, firstly, appointed a CEO, Dr Stephen Gumley, the

current CEO of the Australian Submarine Corporation, where he has done an excellent job. He commences with us next Wednesday, 25 February. We are in the process of finalising the appointment of members of the advisory board. The chairman is appointed—Mr David Mortimer—and one member, Mr Malcolm Kinnaird. Other members, of course, are the Chief of the Defence Force, myself and the secretaries of the Department of Treasury and the Department of Finance and Administration. The remaining two appointees are about to be finalised. The first meeting of that board will be held in very early March.

We have as well appointed Lieutenant General David Hurley as the chief of our Capability Development Group, which was a very specific recommendation of Mr Kinnaird. That group has, as we say, been stood up and is effective now. Their job is to identify the capability gaps, to identify the equipment or systems required to meet them and to ensure full government understanding of them before approval.

At the same time we are going ahead with the development of the DMO business model, which is based around it becoming a prescribed agency, which means that it will be responsible for its own financial management. That requires in the broad a very serious level of due diligence and, in particular, a detailed process to separate the accounts of the DMO from those of the rest of the defence organisation. That is a very big undertaking here. We are talking about \$18 billion in cash movement, \$51 billion in assets and \$6 billion worth of liabilities. We have gone to tender to the major accounting firms to do that; we do not have the skills or resources to do that to audit standards. Our aim will be to have that process completed by the end of the next financial year—that is, 30 June 2005—so that the new prescribed agency, the DMO, can be prescribed as an agency with effect from 1 July.

In the meantime, with Dr Gumley starting next week, I will pass to him a large number of the personnel delegations that I exercise—or delegate them to him—and a large number of the financial delegations that I currently hold, with the aim of giving him as much independence and authority as we can within the portfolio. Sometimes it is said that we are separating DMO from Defence. I would prefer to say that it does of course remain a part of the portfolio and I retain responsibility for it in administrative terms and I will even when it becomes a prescribed agency. I prefer to say, therefore, that what we are doing is redefining, or defining much more sharply, the accountabilities of different parts of the organisation, including for capability development and project delivery.

Senator CHRIS EVANS—Mr Smith, will there be legislation required to effect these changes?

Mr Smith—My understanding is that we introduce an amendment to a regulation. Is that correct, Ian? The FMA Act has a list of prescribed agencies, and we ask the parliament now to include the DMO as one of those. Is that correct, Dr Williams?

Dr Williams—Yes, that is correct. We would need to change the regulations to the FMA Act and we will shortly be starting the process. Included in that would be specifying the date at which it would take effect and, at this stage, we would probably look at the start of the 2005-06 financial year.

Senator CHRIS EVANS—I accept that it is a fairly mammoth undertaking. What happens if you are not ready by the magic date of 1 July 2005?

Mr Smith—I think it is a serious point. We will not go to a prescribed agency status or introduce that amended regulation unless or until we and the auditors are satisfied with the accounts separation process and that due diligence has been done. If it is not done by that date I do not think we will be taking any risks with regard to the auditors; we will have to delay the date. I am not thinking in those terms; I am thinking of a very firm objective.

Senator HOGG—What happens in the interim period?

Mr Smith—In the interim, the new DMO will operate under Dr Gumley's leadership with as much authority as I can give it within the context of my continuing responsibilities under the FMA Act and the Public Service Act. I will be aiming to give him the authority and the flexibility to lead the organisation in the way that we have appointed him to do. I think there is obviously going to be a lot of crossing the river by feeling the stones, a lot of finding our way. Its effectiveness will depend a lot on the working relationships that he and I and that he and the service chiefs establish, and particularly the relationship that he has with Lieutenant General Hurley. But the point is that we want this to work in this new and more identified way, and we are all committed to doing that.

Senator CHRIS EVANS—Can I go back to the selection of Dr Gumley as the new head. Can you take me through the process—I think you appointed an international search company, didn't you?

Mr Smith—Yes, we did. We contacted an executive search firm and placed advertisements in Australia and internationally. Applications closed on 19 November I think. We then had a selection advisory committee chaired by me, including General Cosgrove; the Secretary of the Department of Finance and Administration, Dr Watt; and the Secretary of the Department of Industry, Tourism and Resources, Mr Paterson. We short-listed the 100 or so applications and expressions of interest that were received—some were formal applications, some were not—down to 19 or 20. Our executive search firm then interviewed those people and on that basis we interviewed a smaller group of five candidates. We then added a further candidate to that and re-interviewed each of them—so each had two separate interviews. At the end of that process our committee was at one that Dr Gumley should be selected. We were actually pleased to have had more than one suitable candidate but our conclusion was that Dr Gumley was the best candidate at this time and, happily, he was able to accept that appointment.

Senator CHRIS EVANS—Was Dr Gumley the one you added to the five?

Mr Smith—Yes, he was. He had indicated some interest in the position but had not formally applied and we decided to ask him to add his name to that. The reason he had not applied initially—and I can be frank about this—was that he liked the direction of Kinniard and was very interested. He just wanted to be assured that we were serious about it. He and I had a long discussion and he came away persuaded that we were, and so he applied formally.

Senator CHRIS EVANS—Who reduced the field to the five? Was that you or the agency?

Mr Smith—Our executive search agency gave us recommendations but our committee examined them quite carefully.

Senator CHRIS EVANS—But you did not interview the 19 or 20?

Mr Smith—No.

Senator CHRIS EVANS—So you got down to five.

Mr Smith—We discussed the candidates in our committee—and I think we may have varied the executive search company's original list, but I cannot remember whether we did—and from that discussion we asked the company to have further discussions with each of the 19, and on that basis we shortlisted to five.

Senator CHRIS EVANS—So how did Dr Gumley get added to the list? Was that your initiation or—

Mr Smith—The executive search people had spoken to him at my request, or perhaps he had initiated contact with them—I am not sure of the sequence. At all events, they had a discussion with him and came back and reported that he might be interested.

Senator CHRIS EVANS—At whose initiation did they have a discussion with him?

Mr Smith—I asked them to speak to him, but that was following some contact, if I recall the sequence, that he had made earlier in the process with them. I think that is correct.

Senator CHRIS EVANS—So Dr Gumley had actually made some contact on his own initiative to the executive search company?

Mr Smith—I think that recollection is correct. To tell you the truth, I am not certain whether our executive search person initiated contact with him during November or whether he with them, but we were aware of him quite early as a potential candidate.

Senator CHRIS EVANS—Was he interviewed then with the other five as part of that one process?

Mr Smith—The first five candidates were interviewed in December, then two of them, together with Dr Gumley, were interviewed on 12 January. Dr Gumley was interviewed again maybe a week or 10 days after that. By that time each of them had been interviewed twice.

Senator CHRIS EVANS—Was Dr Gumley the original selection or did you put forward a name before his?

Mr Smith—He was the only selection that our committee made. At various times, as you would imagine, over the two- or three-week period when we were doing that fairly intensely one candidate might have looked to be preferred and then another at a different time, and so we went backwards and forwards in our discussions. But in the end there was without doubt a clear consensus for Dr Gumley.

Senator CHRIS EVANS—So Robert Walmsley was never actually recommended for the job by the committee?

Mr Smith—Not to me and as far as I am aware he was never an applicant.

Senator CHRIS EVANS—So he was not one of the ones that you interviewed as part of the final five?

Mr Smith—Not as a candidate, no.

Senator CHRIS EVANS—What is 'not as a candidate'?

Mr Smith—I think he was a referee for one of the candidates. We did not consider him for the position, nor did he seek to be considered.

Senator CHRIS EVANS—So you made a recommendation to government. Did this appointment go to cabinet or just to the minister?

Mr Smith—No. This is the position of the head of DMO, which I have chosen to describe as chief executive officer of the DMO. It is a position under the Public Service Act. It is now and it will remain so, even after the DMO becomes a prescribed agency, so we were recruiting technically a public servant at the level of SES band 3, with a salary to be determined by me. The decision was one that I made as the delegate as well as the chairman of the selection panel. I of course referred that to the Public Service Commissioner, who had to examine the paperwork and certify that proper process had been followed and that the outcome reflected that proper process. He did certify that. One of the panel members is designated as a representative of the Public Service Commissioner in the process. That was Mr Paterson.

Senator CHRIS EVANS—Do I take it from that that therefore neither cabinet nor the minister was consulted over the appointment?

Mr Smith—I kept the minister informed of what we were doing and who we were interviewing. After the interview process, I introduced each of the candidates to him and indeed to the chairman of the board, who had just been appointed, but the decision was mine and was made by the committee.

Senator CHRIS EVANS—So it was not a decision that had to be ticked off by cabinet or the minister?

Mr Smith—No, it was not and I might say that neither Senator Hill nor Mr Brough sought to influence the decision. They remained interested in where we were at, but that was that.

Senator CHRIS EVANS—Yes, because obviously it was a critical appointment. You say that Dr Gumley is to be appointed at SES band 3. What does that mean, and have you set the salary?

Mr Smith—That means that for Public Service Act purposes he is a band 3 officer, which is a deputy secretary equivalent in Public Service terms. Any person at that level can have an AWA, a salary agreement, at any level. With Dr Gumley's salary we had to negotiate that having regard to the market and what he was being paid.

Senator CHRIS EVANS—Can you tell us what that is?

Mr Smith—As he is an SES officer, we are not actually required to disclose his salary. However, because he and we were aware that there was a lot of public interest in this matter, I sought his agreement to do so, and he has agreed. I can say to you that his salary is \$488,800 a year and he has available up to 15 per cent of that as a performance bonus. That is exactly the package he had as CEO of ASC. That was a figure worked out, I believe, by the ASC board in consultation with the Remuneration Tribunal. We will pay him that with just two additions. We will provide a car for him valued, I am told, at \$21,500 per annum in public service terms and we will provide for him a parking space under our building, which I am told is valued at \$1,569 a year. That is the total of his package. His superannuation at nine per cent is based on the \$488,800. He will live in Melbourne and his commuting and accommodation expenses are included for him to meet.

Senator CHRIS EVANS—They are included for him to meet, did you say?

Mr Smith—He will meet them from his salary. There is no additional payment.

Senator CHRIS EVANS—He will be working out of Canberra, though?

Mr Smith—Yes, he will work here. Three-quarters of the DMO is in other parts of Australia, so he will get around, but he will work here.

Senator CHRIS EVANS—I think it is probably very wise for him to make that figure available; he is on half of what they said he was on, so it is probably in his interests.

Mr Smith—That is right. The only question that remains for people to ask of him is: why have you accepted a much more difficult job at the same money? But we are pleased he has. He wanted to do it and he wanted to do it for five years, and that is the term of the contract I have concluded with him. I am very encouraged that he has taken that view.

Senator HOGG—Briefly, how will the performance bonus be evaluated?

Mr Smith—I will have quite a rigorous performance agreement with him—I have a first draft of it now—which he and I will sit down to review and conclude after he has been in the job for a month. It is much more rigorous than any performance agreement that I have with other staff and probably more rigorous than any in the Public Service. It is based on some commercial models that we obtained. I will make the judgment about how much he should be paid based on reference to those criteria and on consultation with all the stakeholders.

Senator HOGG—Will the criteria be made publicly available?

Mr Smith—No.

Senator HOGG—Who will determine the performance bonus?

Mr Smith—I will.

Senator HOGG—Will there be a performance bonus paid in the first year, when there is a transition?

Mr Smith—We have agreed that there should be five cycles in his performance bonus arrangements. The first cycle will run from 25 February 2004 to 30 June 2005. The second, third and fourth cycles will run for financial years, and I think the last cycle will run from 1 July 2008 to 24 February 2009.

Senator HOGG—That still begs the question: will there be a performance bonus paid in the first year?

Mr Smith—If he performs according to the agreement, a first bonus will be paid at the end of the first cycle.

Senator HOGG—Will the performance bonus be made publicly available?

Mr Smith—I do not believe that is the practice. It will be reflected in our annual report for the following year, but I do not think it is our practice to declare the specific quantum of it.

Senator CHRIS EVANS—You said Dr Gumley starts next week; is that correct?

Mr Smith—Yes, on 25 February.

Senator CHRIS EVANS—What is Defence's role or involvement in the selection of Dr Gumley's replacement at ASC?

Mr Smith—I am not sure I can answer that question.

Senator Hill—That is a decision for the board of ASC, but it would not be surprising if there were a communication with the owners of ASC on the matter.

Senator CHRIS EVANS—Yes. As a representative of the owner, I was interested in your views on whether Defence will be involved in part of that selection process.

Senator Hill—They have a selection process in train at the moment, and we have had some discussions with the chairman of ASC regarding the issue of a replacement CEO.

Senator CHRIS EVANS—But the formal answer is that it is a decision for the board and not one for government—is that right?

Senator Hill—Yes. The government appoints the board, but the board appoints the CEO. You would expect them to confer with government on such an important position.

Senator CHRIS EVANS—But the government is not formally represented in the selection process?

Senator Hill—I am not and I do not think Finance is, but perhaps that ought to be checked with them.

Senator CHRIS EVANS—Perhaps you could take on notice the question of what formal role the government has in the selection of the new head of the ASC. Mr Smith, who was the selection executive recruitment agency or search firm?

Mr Smith—It was a company called Hansen Searson Ford. They were one of four companies that we interviewed and spoke to about accepting the role. We found that they had the best balance for what we wanted in this position.

Senator CHRIS EVANS—I think you told me that once before. What did we end up paying them for taking this role?

Mr Smith—We have paid them the fee we negotiated with them, which was 20 per cent of the first year's remuneration. The amount we have paid is \$102,060. I was going to say that is standard for executive search firms, but I think it is perhaps a bit less than standard. But we were very satisfied with the job they did.

Senator CHRIS EVANS—The totality of the Commonwealth obligation to them was \$102,060?

Mr Smith—Yes.

Senator HOGG—Were there any other costs associated with the interview process?

Mr Smith—There was the cost of the advertisements, which we placed all around Australia and internationally. That came to some \$96,916, including GST. There were some costs involved in bringing people to Canberra for interviews—that was a few thousand dollars, perhaps.

Senator HOGG—So most of those interviewed came from within Australia?

Mr Smith—Most, yes.

Senator HOGG—Were there any people from overseas?

Mr Smith—One person, but I do not wish to go to his name because—

Senator HOGG—No, I was not going to press that.

Senator CHRIS EVANS—You can see why newspapers make profits, can't you?

Mr Smith—I considered it important to go international to see if the best person was going to be there, but it was also very valuable benchmarking for us.

Senator CHRIS EVANS—Do I take it that the Defence Industry Advisory Committee, which was formed in 2000, has been disbanded in favour of this advisory board? Or had it already fallen into disuse?

Mr Smith—The committee has not met for nearly two years, I think. I was not here at the time, but I understand that we and industry felt that the informal consultation we had was serving an adequate purpose. With the new DMO coming together, I think the Minister Assisting the Minister for Defence—that is, Mr Brough—and Dr Gumley will get together and decide on the appropriate form of the consultative body. I think they will be revamping that.

Senator CHRIS EVANS—Sorry, I thought you had established a new body and you were in the process of appointing them.

Mr Smith—The advisory board is to advise the CEO in relation to the management of the new DMO and not in relation to project management or industry relationships. As we try to take the organisation in the direction of the new, more businesslike culture that we are seeking, we believe that senior people from business and industry will have something to offer. They will be a useful sounding board. They will be useful in suggesting directions that the body might go in. I must say, having been a public servant all of my working life, I look forward to having that kind of advice available from people like Mr Mortimer and Mr Kinnaird.

Senator CHRIS EVANS—Let me rephrase the question. Is the Defence Industry Advisory Committee still in existence?

Mr Smith—It is notionally still in existence but it has lapsed, I think; it has not met for some time.

Senator CHRIS EVANS—You are indicating that there has been no formal decision to end its tenure but that is under consideration. Is that right?

Mr Smith—Yes.

Senator CHRIS EVANS—The other two industry appointments to the new advisory committee—

Senator Hill—They are within the whole-of-government process.

Senator CHRIS EVANS—Is that your office, Minister?

Senator Hill—Beyond my offices—of which my offices are a part.

Senator CHRIS EVANS—So it is in the boss's office. I gather that the committee cannot meet until those two appointments are formalised. Is that right?

Senator Hill—That is correct, but there have been informal consultations with Mortimer on the matters.

Senator CHRIS EVANS—Have you fixed the remuneration for this advisory committee? Obviously not for the permanent public servants et cetera, but for the—

Mr Smith—Yes. The remuneration for the chairman of the board will be \$57,000 a year and for the three private sector board members it will be \$24,000 or \$26,000. I will confirm that figure for you. Those figures are the same as those paid for comparable boards—the Austrade board, I think, and maybe the DHA board.

Senator CHRIS EVANS—You did not have to take that to the rem tribunal; you just chose a figure based on comparative boards?

Mr Smith—That is correct.

Senator CHRIS EVANS—Will that get formalised as part of the rem tribunal process?

Mr Smith—I do not think it is subject to reference to the Remuneration Tribunal. I think it was a ministerial call.

Senator HOGG—What is the term of the board?

Mr Smith—Two years for each of the private sector members.

Senator CHRIS EVANS—And the Public Service members will change with the office—I take it that means the Chief of the Defence Force and so on.

Mr Smith—Yes, it is *ex officio*; it goes with the office. An important point that the chairman has established is that the board meetings will be attended by the principals only, not by acting persons or substitutes. There are at least two other people who will be present at board meetings. They will be the CEO, of course, and a representative from the Department of the Prime Minister and Cabinet who will be in the room but not participating as a board member.

Senator CHRIS EVANS—How often do you envisage them meeting?

Mr Smith—I would envisage meetings as required but not less than monthly in the first year, I would think.

Senator CHRIS EVANS—I asked you last time about this major change to the DMO. Have you had any further thoughts about what the employment implications of a reshaped DMO might be? One of the suggestions that has been put to me is that a number of positions currently filled by uniformed officers may be abolished or reallocated as part of the process.

Mr Smith—I do not think it is possible to give it a blanket description. The important thing is that every position there should be filled on merit. In some cases that will be a serving military officer. After all, the services grow professional engineers and it is very likely that they will have competitive candidates. But, if there is a better-qualified civilian, then it will be available to Dr Gumley to appoint them.

Senator CHRIS EVANS—Do I take it therefore that the process of the various service arms choosing their candidate to go into DMO is abolished?

Mr Smith—The services will nominate their candidate, and Dr Gumley will be able to compare that candidate with civilian candidates that he might have.

Senator CHRIS EVANS—I see. So there will not be open selection for those uniformed officers interested?

Mr Smith—If they wish to apply outside of the nomination of their service then they can of course do so and take the position as a civilian.

Senator CHRIS EVANS—Yes, but they could not maintain their commission in that way. They would have to, as you say, apply as if they were off the street.

Mr Smith—There would be an internal competition within the services to establish the best person from their point of view.

Senator CHRIS EVANS—Yes, but if you were not selected as the nominee—for instance, the Army nominee—then you would not be able to maintain your commission and apply for the job? Is that how it works?

Mr Smith—Yes, in effect. If you competed in the Army and the Army chose somebody else as the nominee then a serving military person could take their chances, as it were.

Senator CHRIS EVANS—And is it the intention to maintain the two-year rotation of service officers?

Mr Smith—No, it is not. Indeed it is not unbroken practice now. Already some of our more senior military staff in DMO are on rather longer terms than that—I think two of them extend out to 2007 in two of our more important projects. We would expect to see more of that, especially at senior levels.

Senator CHRIS EVANS—Are you moving therefore to a longer contract term or will that just be done on a case by case basis?

Mr Smith—I think it will be done on a case by case basis, yes.

Senator CHRIS EVANS—What about my first question about the more general issue of employment levels inside DMO, both of service personnel and civilians?

Mr Smith—That is a question that I will leave for discussion with Dr Gumley. My principles in this are that we want the best person for every job, wherever they are to be obtained, but I do not want to see employment costs blow out. So it will be for Dr Gumley to work out how to use his salary money to best effect. That is the issue we will begin discussing in more detail on day one. Needless to say, we had some discussion about that approach with each of the candidates during the interview.

Senator CHRIS EVANS—The assumption being that experienced, well-qualified project manager types command good salaries in the private sector?

Mr Smith—Yes, that is the case. But that is not to say that we do not have good project managers in the Public Service and of course among the service personnel there. They are very highly qualified and effective project managers in many cases who just choose to work in DMO. So it is not always a matter of going to the private sector to get someone better. But, if that becomes Dr Gumley's judgment, he can do that. I have the team back together who can talk to you about the DCP and spending patterns, so I will ask Dr Neumann to join Mr Veitch

and go through the questions that we were not quite in a position to take when you first raised them.

Senator CHRIS EVANS—Thank you.

Mr Veitch—I might commence by giving an overview of the white paper funding and how the capital equipment component fits into that. Dr Neumann will then talk about questions to do with comparing the two DCPs, which I think is the issue you raised before.

Senator CHRIS EVANS—Yes, thank you.

Mr Veitch—I will preface my remarks by pointing out that from page 15 through to page 18 of the annual report we did, for the first time, disclose details of the white paper funding. That was an undertaking I think I gave you from previous hearings.

Senator CHRIS EVANS—I appreciate that, Mr Veitch, and I reassure you that I had it marked. Somebody does read the annual report and does follow these things.

Mr Veitch—I will probably use that as a set piece to talk to, with some other information. You might recall that when the government announced the white paper it gave a funding commitment immediately of \$500 million the first year, \$1 billion the next year and then an average of three per cent real growth over the decade. That at the time amounted to \$23 billion, which we have talked about before. In today's prices that is a tick over \$27 billion.

There were four components to that funding, which we talked about in the document. First of all there was the capital equipment component that amounted to \$18.9 billion. There was a component to recognise the higher price of personnel, principally military personnel, working in the defence organisation, of \$4.6 billion over the decade. There was recognition that the new projects in the DCP needed to bring their operating costs with them and there was an additional \$2.8 billion allocated for that. There was also \$1 billion in that funding package to make adjustments to a range of operating cost baseline funding pressures, principally in the area of logistics. I will talk about the first element first—the \$18.9 billion. It is important to recognise—

Senator CHRIS EVANS—The \$18.9 billion is in today's dollars?

Mr Veitch—Yes.

Senator CHRIS EVANS—That is the figure that was originally \$16.4 billion?

Mr Veitch—Yes, that is correct. It is important to recognise that that \$18.9 billion came in addition to the existing investment program at the time. When the two programs were added together the total investment program—I do not have the precise figures—was very close to \$50 billion over the decade. It represented an \$18.9 billion increase on the previous funding that had been allocated. The way the process works is that the DCP is not separate from the overall investment program; it is in addition to. We think of the Defence Capability Plan now as an amalgam of both the unapproved projects and those projects that are progressively transferred upon approval to DMO for their acquisitions cycle. I like to think of it, and talk about it, in the broad—about the \$50 billion program rather than the various elements of it.

Since that program was announced back in 2000 there have been quite a number of projects—something like 100 new projects have now been approved with an all up project

cost of close on \$17 billion, and that money has been transferred out of DCP or the not yet approved program to the DMO for the acquisition phase. Later Dr Neumann can talk about what the two DCPs might look like.

In terms of the net operating costs that were associated with the cost of introducing new equipment, we have only allocated to date \$133 million of that money. The reason for that is that the projects have only just been approved in the last couple of years and they are not yet rolling out into service. If I could use an example of the AEW&C aircraft that have been approved, it will enter service around 2007 and I have included—with a fence around it—an operating cost element for that when it comes into service.

Mr Smith—The project is approved, not the aircraft.

Mr Veitch—Yes, that is right. If I then turn to personnel costs, it is important to recognise that most of the money made available to Defence as part of that program did not become available until 2004-05 anyway so I am holding the bulk of that money for allocation. There are proposals currently in our 10-year plan talking about how we would use that to allocate to higher costs we are experiencing in the personnel area. The logistics money which I talked about is the fourth component. It has all been allocated. That is out with the various services and DMO.

Senator CHRIS EVANS—You say ‘allocated’. Do you mean allocated over a series of years?

Mr Veitch—Yes. There was some recurrent funding for particular shortfalls that existed at the time. That has been allocated and it is part and parcel of the DMO and the service offices funding base now. For all intents and purposes, for tracking purposes we consider that part of the program to be completed.

Senator CHRIS EVANS—But the money will show up in their line items in the estimates?

Mr Veitch—Yes, it is already in the estimates. What I think I gave an undertaking to do was that in future annual reports I would provide a snapshot at that point in time of how we are tracking against those four components of the white paper funding.

Mr Smith—Before I ask Dr Neumann to respond to the second part of your question, could I just say that Lieutenant General Hurley, the chief of our capability development group, is at the table with Air Vice Marshal Clarke. Air Vice Marshal Clarke and Dr Neumann are the two division heads in General Hurley’s group. Dr Neumann programs the money, Air Vice Marshal Clarke works on the development of the projects and, of course, Mr Veitch holds the money until he is satisfied that they have done what they need to do.

Senator CHRIS EVANS—I thought you were going to say Air Vice Marshal Clarke spends the money!

Senator HOGG—That is what I thought, too.

Mr Smith—Well, they do, of course. This is an important part of Kinnaird. This group will spend money up front in researching projects to make sure we get absolutely what we need in defining our projects.

Dr Neumann—I wonder if you could illuminate the bits of your question that are left and that you would like to be explored now.

Senator CHRIS EVANS—What I really wanted to get a sense of was how the previous capability plan and the recently announced capability plan compare in terms of expenditure—a macro picture of how they relate to each other. I think, when he made the announcement of the capability plan, the minister said there was \$57 billion worth of expenditure in the new plan. I want to understand how we now treat that in the macro sense, with the white paper and the old capability plan—how we track those things, how they compare and when we are talking about apples and apples and when we are talking about apples and pears.

Dr Neumann—There are two components to the major capital equipment. There is what is in the DCP and what has already been approved. The white paper DCP contained all those projects that were yet to be approved and a tranche of projects that had previously been approved by cabinet but that had yet to enter contract and had been reconfirmed. Those were the projects called the ‘prior projects’ in the DCP. So the original DCP, as Mr Veitch said, was about \$50 billion and that DCP was all those projects from 2001 to 2011—those ones which were to be decided upon in that period plus the projects that had previously been decided on in the previous couple of years and had not reached contract at that stage but had been reconfirmed by the government.

That combination was about \$50 billion. I use those words advisedly because every time we get a foreign exchange or a price and exchange basis, the numbers flip around, but I think you are after gross magnitudes. Of that about \$50 billion, around \$8 billion or so constituted those projects that had been previously approved and were reconfirmed by the cabinet. So the new projects that were dealt with for the first time were about \$44 billion to \$45 billion.

Senator CHRIS EVANS—That is where the figure of 44 came from that I had?

Dr Neumann—Yes. That is the \$44 billion. That is for the new projects that were introduced in the DCP. The government’s new DCP for 2004-14 contains only the new projects that are yet to be approved. So all the projects in the original white paper DCP that have been approved—the 100 or so phases, the \$17 billion worth that was transferred to the DMO to purchase—that is excluded from the new DCP, and the new DCP is worth somewhat over \$50 billion.

Senator CHRIS EVANS—Is the 57 figure right?

Dr Neumann—No, it is not a 57 figure. I do not know where that came from. I can tell you where you might have got 57 from: if you added—but I think this is a wrong numbering—

Senator CHRIS EVANS—No, I may have just got it wrong. I thought that was the figure the minister used in his announcement. Was that not right?

Senator Hill—It sounds a little high.

Senator CHRIS EVANS—I am sorry; I am not trying to verbal anyone. I was going from memory.

Senator Hill—I thought the figure was 52.

Dr Neumann—On top of that 52, of course, there is all the funding that is yet to be spent from those projects that were approved. Originally it was \$17 billion worth of approvals. For those projects, some \$4 billion or so has been spent—it may be a touch more now—so there is still well over \$10 billion left in the projects which have recently been approved. But of course we do not pay, apart from up-front payments, until we get substantial delivery so there is quite a bit of money left.

Senator CHRIS EVANS—Thanks for that; that has been helpful. Mr Veitch, what does that mean in terms of our tracking white paper funding, in that sense that we have now got two sets of expenditure?

Mr Veitch—The best way I would characterise it, based on what Dr Neumann just said, is that if you take the first 10 years we now have added on three years, so if you look at it in a 13-year continuum we are now talking about an investment program of \$67 billion over 13 years rather than \$50 billion over 10 years, with that first \$17 billion having already been approved and transferred to the white book. It makes it difficult in terms of tracking back to the original number but it is the best way of characterising it.

To go back to our conversation earlier this morning, within the overall bucket—within that total funding for both the new projects and the ones that have been approved—we have got that rescheduling of the \$1.3 billion sitting there still to be decided. I think I should clarify one of those earlier answers. You were right that there had been a figure of \$60 million from about two or three years ago that was reprogrammed and another figure of \$150 million. They have been reprogrammed and spent and they are behind us now. The numbers that we talked about—the \$1.3 billion—are from last year, this year, forward.

Senator CHRIS EVANS—But the two previous delayed figures have now been spent?

Mr Veitch—Yes. They were rephased right back in the early part. They have been just rephased across one financial year, mainly to reflect timing changes, and they are behind us now, having been fully spent.

Senator CHRIS EVANS—Does the government commitment to a three per cent real increase in expenditure now apply to 13 years or to 10?

Mr Veitch—The funding commitment itself is still only to cover the initial period of 10 years, which ends in 2010-11, but we will be dealing with government, either in this cycle or the next, about what sort of funding commitment the government might be prepared to make beyond 2010-11.

Senator CHRIS EVANS—Are you happy with that answer, Senator Hill?

Senator Hill—You mean in the phasing of money, post—

Senator CHRIS EVANS—It was not clear to me from your press release. I probably should have directed the question to you rather than to Mr Veitch, and I was not trying to get him into strife. I was just trying to get the government response. I was not asking him to second-guess you. The commitment to three per cent real increase in funding—I was asking whether that applied to the now 13-year time frame or only to the first 10.

Senator Hill—In the figures that we have been talking about we have not included it past 2010. That would require a new government decision.

Senator CHRIS EVANS—So there has been no decision taken in relation to the extended capability plan time frame?

Senator Hill—Not the last four years.

Senator CHRIS EVANS—Is it fair to say, though, that the capability plan will not be met by the current allocated funding?

Senator Hill—No, it is not fair to say that.

Senator CHRIS EVANS—How would you describe it then? You have taken a decision, effectively—and, again, I am not trying to put words in your mouth—to increase capability and extend the plan over a further three years.

Senator Hill—Yes.

Senator CHRIS EVANS—And you have not taken a decision about any extension on funding to meet that increased capability or that extension of capability acquisition?

Senator Hill—We have taken a decision, in that we have put in the plan a sum of money that does not include the three per cent escalation rate. If at some time in the future the government makes a decision to continue that commitment that it made for the first 10 years then we will have more money, and that will make it a little easier and might have some effect on the completion of projects, in-service dates and the like. As we have said before, the further out you go the more difficult it is to provide these figures with precision.

Senator CHRIS EVANS—So it is fair to say that there is no commitment to a three per cent real increase in expenditure for those additional three years?

Senator Hill—That is correct. It is not a decision not to do so; the matter has not been addressed as yet.

Senator CHRIS EVANS—That is right; I just wanted to be clear. I accept that it is very hard to make those decisions in the out years, but are you saying to me that the increased capability in the capability plan was released on the basis that it could be met from within those current decisions?

Senator Hill—Yes, that was the submission that was put to cabinet and that was accepted by cabinet. There were reductions as well, of course, that we have not talked about today. There were reductions from the original plan and there are additions under the new plan—

Senator CHRIS EVANS—I want to come to that in a minute.

Senator Hill—and it has been stretched out to include another four years, together with funding on a straight-line basis for the last four of those years. But that is still a substantial sum of money.

Senator CHRIS EVANS—Yes. I was just trying to make sure I understood that. So the submission to cabinet anticipates that that capability contained in the plan can be accomplished on those funding assumptions?

Senator Hill—Yes—and, of course, being a cabinet process, those figures were gone over thoroughly by Finance and Treasury before being debated in cabinet. It is certainly Defence's submission, but it is subject to detailed and careful analysis by the so-called central agencies.

Senator CHRIS EVANS—I know they take a keen interest.

Senator Hill—I am pleased they do.

Senator CHRIS EVANS—That really takes me to the point you raised about things that were in, added to and subtracted from the capability plan. I want to go to some of those assumptions in the new capability plan. I do not know if someone would like to give us an overview of that. As you pointed out, Minister, there was a whole range of capabilities that were in the previous plan that were removed. Could someone give me an explanation for the rationale behind that? Some of them were obvious in the sense that you opted for a different capability, but obviously there have also been some cost saving measures. The mine hunters being put on ice is probably a good example of that. Can someone give me an overview of those assumptions and what drove those decisions?

Air Vice Marshal Clarke—There are really three things that drive change to the capability plan. The first factor is a change in strategic guidance and the circumstances at the time—the difference between 2000 and 2003, for example. The second factor is that as we get to understand the capabilities in the plan we understand the costs better. As you get closer to the delivery and start to talk to industry in some detail you get much more mature cost estimates. The third factor, which is relevant in this case, is our recent operational experience. For example, you might have a system which you have taken into operations and found that it is deficient in some way and that you need to make a change faster than you had anticipated. So those three factors are taken into account as we revise the plan each time.

Senator CHRIS EVANS—Obviously I understand the first two factors. Have you got a good example of the third one?

Air Vice Marshal Clarke—A classic example would be the forward looking infrared system on the FA18s that we took to Iraq. We found that the system was not as successful as it might have been when operating at the altitudes the aeroplanes did. It was okay at lower altitudes but because the threat drove them to medium altitude we found that the target discrimination was not sufficient. As a result of that we have put a proposal in the plan to move the forward looking infrared replacement program forward. That is yet to go to government. They may accept that logic or not but that is the style of change that we might make.

Senator CHRIS EVANS—There seems to me to be about \$4 billion worth of projects that have been cancelled, mainly in the joint projects area.

Senator Hill—I would like to clarify, in case there is a misunderstanding in using the FLIR example, that it has been put in the new DCP at an earlier date but the project detail has not yet been approved by government. So we have taken the decision to bring it forward but it has not gone through the pass system that we have in terms of the detailed project approval.

Senator CHRIS EVANS—One of the things that strikes me is that there are at least 18 projects worth about \$2.2 billion that have been cancelled out of the joint projects area. Can someone give me an overview of the rationale behind that?

Air Vice Marshal Clarke—The set of priority processes that we went through to determine the priorities was quite comprehensive. We took the most likely strategic guidance

in the light of those three factors that I talked about and looked at each of the projects in some detail. Given the guidance factor that we have already talked about, clearly not everything will fit at the time scales you want or had previously envisaged. We then looked at the priorities of each project against the others. As a result of that some projects came forward, some projects moved to the right and some projects were deleted. That is the style of decision-making that we went through.

Senator CHRIS EVANS—Do I take it, for instance, that all those projects that are now cancelled are completely dead or might they reappear in the 2007-17 capability plan?

Air Vice Marshal Clarke—A large number of them have been moved outside the current DCP period—that is correct—but they have not disappeared entirely.

Senator CHRIS EVANS—So someone is perhaps still arguing for them but they have been moved well to the right. Is that right?

Air Vice Marshal Clarke—That is correct; yes.

Senator CHRIS EVANS—But there would be some that have bitten the dust altogether?

Air Vice Marshal Clarke—I would have to check my notes in detail but I think there are a couple that are no longer relevant in the current light.

Senator CHRIS EVANS—In a couple of cases it seems that you have gone for alternative capabilities.

Air Vice Marshal Clarke—That is right; they have been wrapped up in another way.

Senator CHRIS EVANS—By a decision to go for something else?

Air Vice Marshal Clarke—That is correct.

Senator CHRIS EVANS—I must admit I was quite struck by the size of the movements both in and out of the plan. There is quite a deal of expenditure that, as you said, has been deferred or cancelled altogether and there has been quite a deal of new expenditure. It is quite a major shift.

Air Vice Marshal Clarke—I do not think it is a major shift in terms of capability at all. When you look at the sorts of variations and take into account the wrapping up of capabilities in a different way then you find that the effect on capability is quite at the margins rather than significant, as you have put it.

Senator CHRIS EVANS—What changes to the DCP have been driven by re-costing? It seems to me that a number of quite large increases in the costs of particular projects have driven some of the changes.

Senator Hill—There is a percentage gross figure on it, but it certainly referred to specific projects.

Senator CHRIS EVANS—There is JSF, AWD, field vehicles and trailers—all these seem to have quite large cost variations.

Senator Hill—We can give you an explanation of each of those. In some instances, it is an expanded or different capability that appears in the new plan, so you are not necessarily

comparing apples with oranges. The cost may have increased but the capability may have increased as well. I am happy to deal with each of them, if you like.

Senator CHRIS EVANS—Maybe we could start with the JSF, because it is the big-ticket item.

Dr Neumann—There was foreshadowed in the original DCP a third phase which had no price on it because it was not within the period of the original DCP. Time has moved on; it is now within the period of the new DCP, and that third phase now appears. So the plan is as it ever was. The price was not put in the original one because it did not fall within the time frame—it is now shown—but it was foreshadowed originally.

Senator CHRIS EVANS—So you are saying there has been no change in the costing?

Dr Neumann—No change in our plan costing.

Senator CHRIS EVANS—What about the AWD budget?

Dr Neumann—There has been some increase. Clearly the cost bands that we use sometimes lead to exaggerated impressions of how much a cost increases, but there has been an increase. This is because, on reflection as to how long the equipment will be in service and when it will be introduced—which is around 2013, so it will go out to about 2040—we decided that we would need a better growth expansion in it than we originally provisioned for. I think Air Vice Marshal Clarke might want to add something to that.

Air Vice Marshal Clarke—There are two other factors in that case. Specifically, we have now catered for the sorts of weapons we intend to put on that platform and life-of-type spares over those times. So it is the growth in provision in terms of potential, given the time scales and a much more robust understanding of the costs of the combat system as a result of government decision, and then weapons and spares on top of that.

Senator CHRIS EVANS—What about the Army field vehicles and trailers? That seems to be about 50 per cent as well.

Air Vice Marshal Clarke—That is a complex program. Our original intention was that, with a vehicle fleet size of around 16,000 vehicles and trailers, we would be able to refurbish a significant number of them. You will recall that, in the early parts of an already approved project, we did some work on determining whether or not that was possible. Our advice back from that tender documentation was that it was not appropriate and that, therefore, we would need to replace vehicles rather than refurbish them. As a result of that, the project price has changed.

Senator CHRIS EVANS—Dr Neumann, does the change in the exchange variations affect the comparison of the two capability plans?

Dr Neumann—To a small extent but I do not think it would make a gross difference to the sorts of broad comparisons that you are looking at. In some cases, it might have just flipped something across a boundary. If it was towards the top of a boundary and the price and exchange increased it, it might have flipped over. Basically, for the big ones you are looking at, we are giving the answers that there have been—for example, in the air warfare destroyer there is a real effect. There is a real increase in cost for the capability reasons outlined. There is the same thing with trucks, and of course with the trucks the issue there is that, yes, it will

cost more to buy new vehicles than to refurbish old vehicles but of course we will get more life and reduced operating costs. So that solves another issue.

Senator CHRIS EVANS—I see you have gone for bands for delivery dates on this one, rather than year dates. What is the change in rationale there?

Dr Neumann—There are two elements to that, Senator. First, there is a recognition that as we go out in time it is difficult to be precise—and in the original one we were perhaps a bit falsely optimistic about the precision—about the way in which we can put together projects that are quite a way out. And of course there is a spread of equipment too. So to pick a point in time, particularly for the later projects, seemed to us to be quite misleading. Clearly, industry does discuss these matters with us—with the capability systems and with the DMO—and gets a better idea of the expectations as we get closer. But to say that a 2013 project is going to be delivered in 2018 is a bit misleading.

Senator CHRIS EVANS—In terms of a number of what I call ‘savings measures’, are you able to give me details on the savings? For instance, in relation to putting on ice the two mine hunters, have you got a calculation of the savings to the next budget on that? How do you describe what is happening to those two mine hunters? What terminology do you use?

Dr Neumann—They are being laid up so they are not being dispensed with. They are being maintained in a state in which they can be brought into service if we need them.

Senator CHRIS EVANS—So that means they are effectively stored and you have a maintenance program. What sort of time frame would be needed before they could be brought back into service?

Dr Neumann—I do not have the exact details of that.

Lt Gen. Hurley—That is not a particular area we would deal with.

Senator CHRIS EVANS—I will ask someone later on. I am not after a definitive answer; I just wanted some sort of idea of what was meant for that capability, whether it would be a long period or whether it would be a matter of months. What savings are there accruing from these decisions?

Mr Veitch—We will get some details and get back to you on that. We just do not have them to hand at the moment.

Senator CHRIS EVANS—I was interested in the mine hunters, the early retirement of the frigates, the F111s and the decision in relation to *Westralia*—the replacement. I have no idea what those savings from the changed decisions would be.

Senator Hill—Can we take that on notice? I think we have given overall figures. There are a range of issues if we try to break it down into particular projects—although we have our own estimates because in some instances there are existing contracts and the like. I would like to see what we can provide.

Senator CHRIS EVANS—I take that to mean that we will not be getting that today.

Senator Hill—In the case of each individual sector I would like to see what we can provide that is not going to cause difficulty in external relations and the like.

Senator CHRIS EVANS—I will ask about Air 9000, phase 2. That was one where there was a reasonable change in the costings. Can somebody explain that to me?

Air Vice Marshal Clarke—I can do that, at least in the macro sense. The original estimates were based on a separation of the two phases. As you know there are a number of parts of Air 9000. For those which relate to the troop lift helicopters, we have been to tender for additional troop lift helicopters and now we have very firm prices on what they will provide to us for a number of contenders. As a result of that experience and a much more mature understanding of those costs, for phase 4 of Air 9000, which is the refurbishment of the existing Black Hawk fleet, which is our intention, we now have a much more robust set of numbers, and that is why they have changed.

Senator CHRIS EVANS—So you are telling me that the increase in cost does not apply to the early phases?

Air Vice Marshal Clarke—For phase 2 that is correct. There is an increase in cost because we now have tender-quality costs.

Senator CHRIS EVANS—Yes, but I thought the previous explanation given to me at estimates was that, because you were going to combine the phases and have a single supplier, it would be cheaper. That is why I was surprised that it was actually more expensive.

Air Vice Marshal Clarke—We have not yet gone to contract for that and therefore we do not know the synergies between phases 2 and 4. Those negotiations are under way and I do not want to prejudice them in any way.

Senator Hill—I still believe that we can save money through rationalisation of types.

Senator CHRIS EVANS—I understood the logic but I was surprised when the documentation seemed to reflect that, despite that synergy and the arguments that had been led about that, the cost for phase 2 had increased substantially. It seemed to be counterintuitive to what you have been arguing.

Senator Hill—No, that is a separate issue. Certainly there was an underestimate of the cost of the additional troop lift helicopters.

Senator CHRIS EVANS—So we have two factors at work: there was a serious underestimation of the cost of the 12 troop lift helicopters but we still think we will get some savings from combining the phases. Is that a reasonable summary?

Senator Hill—The objective is to get overall savings. Your savings are against doing business in the traditional way, with 10 different helicopter types with all their separate service arrangements. I am still confident, given the way in which the project is designed, that there will be savings over what would otherwise have been the case. But within that, some parts of the project have increased in cost, because I had to go to cabinet and fess up that the original estimate for the equivalent of 12 additional troop lift helicopters was underestimated.

Senator CHRIS EVANS—I think that, on my figures, it is a \$400 million increase between the DCP supplement in 2002 and the figures released the other day. That is considerable.

Air Vice Marshal Clarke—A \$400 million increase—no. The upper band of the current phase 2 cost is \$400 million.

Senator Hill—I cannot remember what the increase was.

Dr Neumann—The original in the DCP is 350 to 450. It is now 750.

Senator CHRIS EVANS—That is purely down to an unrealistic original costing?

Senator Hill—That is correct.

Senator CHRIS EVANS—We have not changed the specification in terms of the numbers of helicopters or types?

Air Vice Marshal Clarke—There has been no significant change in either of those matters.

Senator CHRIS EVANS—When is that project to be delivered?

Air Vice Marshal Clarke—My understanding is that we expect to go to government with a final decision on phase 2 by midyear, but I need to check that with my DMO colleague.

Senator Hill—Mr Smith has reminded me that one part of the explanation for the underestimate was that it seems that issues such as marinising the aircraft and the need to be able to fold the blades, for the most effective operation off ships and the like, were not taken into account in the original estimate.

Proceedings suspended from 12.29 p.m. to 1.36 p.m.

CHAIR—We will proceed with questions concerning Air 9000 under capital development.

Senator CHRIS EVANS—I think we have been talking about the increase in the cost of the project. Could someone take me through the time frames for delivery now expected for phases two, three and four?

Air Vice Marshal Clarke—For phase 2 we are looking at this year as the year of decision, as I said earlier. We expect that we would have the phase 2 decision with government by June.

Senator CHRIS EVANS—I thought you were talking about March for that.

Air Vice Marshal Clarke—I believe that parallel negotiations are under way. As I said, I do not want to break the privilege of those in any way. The time scales will be driven by the rate at which the negotiation for each of those players can be put together.

Senator CHRIS EVANS—I accept that. You are telling me that a decision is not expected before June now; is that the case?

Air Vice Marshal Clarke—We are targeting June; it may well be before that.

Senator CHRIS EVANS—So that is June for a decision on preferred tenderer for phase 2 and phase 4?

Air Vice Marshal Clarke—Phase 2 linked to phase 4; that is the intention. Whether that is successful or not in the negotiations, once again I would not like to say at this time.

Senator CHRIS EVANS—But the government is seeking to award a tender to the successful tenderer for the package of phase 2 and phase 4; is that the government's thinking?

Air Vice Marshal Clarke—It may not be expressed in exactly those terms. That is my concern in answering you directly—I am not trying to avoid your questions.

Senator CHRIS EVANS—Maybe, Air Vice Marshal Clarke, you would like to use your own terms. That is my understanding of what the government was seeking to do. Has that changed?

Air Vice Marshal Clarke—No, the government's intention is exactly that.

Senator CHRIS EVANS—So, given that there is a decision on the successful tenderer in June for phases 2 and 4, what is phase 3?

Air Vice Marshal Clarke—Phase 3 deals with the Seahawk mid-life upgrade.

Senator CHRIS EVANS—So that is not necessarily part of this package?

Air Vice Marshal Clarke—No.

Senator CHRIS EVANS—When is the expected delivery date for the 12 troop-lift helicopters?

Air Vice Marshal Clarke—Once again, that will depend exactly on the negotiation. I understand that there are schedule, cost and linkage issues involved in that. I do not want to say any more than that if I can avoid it. Air Vice Marshal Monaghan is much closer to the matter and has a much greater understanding of the complete propriety than I do.

Senator CHRIS EVANS—Maybe, Air Vice Marshal Monaghan, you could answer the question, then, as to what are now the expectations for the delivery date of the troop-lift helicopters.

Air Vice Marshal Monaghan—I think the answer that was given is as good as we can give. The intention is to bring the 12 helicopters into service as soon as we can. The outcome of the current process of competition between Sikorsky and NH Industries is going to be the arbiter. The companies themselves will tell us how the development programs are going and what their production slots are like.

Senator CHRIS EVANS—So that is very much the question. I read a report the other day that the Sikorsky development and production program was likely to be delayed. I do not expect you to comment on whether that is right or not, but that sort of problem would impact on their ability as to when they could deliver—is that fair?

Air Vice Marshal Monaghan—Absolutely. The project definition phase that we are currently engaged in is making sure that we examine those risk issues in great depth. We are currently engaged in that process.

Senator CHRIS EVANS—I think the capability plan puts phase 2 at 2007-09—is that right?

Air Vice Marshal Monaghan—That is what the plan says, yes. Whatever is possible out of the manufacturers, of course, is what we will deliver. There will be a phased period of delivery. We will deliver the 12 aeroplanes off production at a certain rate. We will also bring in the training system and the logistics systems at a certain rate.

Senator CHRIS EVANS—Given those issues still remain up in the air, why was the decision taken to exclude the third bidder?

Senator Hill—That is a different issue. Can I just add to the last answer. The government's desire is to get additional troop-lift helicopters as soon as possible. We actually wanted to accelerate the earlier in service date. To achieve that we would have had to get an existing helicopter model. As work progressed, quite a persuasive argument was put that the technologies were developing so quickly—taking into account the life of the helicopter and also what we would want from either the upgrade or the replacement of the existing Blackhawk helicopter fleet—that it would be much more sensible economics to look to a new model. The result of that—

Senator CHRIS EVANS—A new model what?

Senator Hill—Not an existing model helicopter. The existing model helicopters, according to my advice, are pretty much already out of date, particularly in terms of the electronic cockpits and the like. There are specialists here that can talk about all the things that I cannot talk about it. The argument was put that it would be a much more sensible program over the space of time to look at the next developmental model as the base helicopter. That has meant that we are struggling to achieve the acceleration of the program that government wished to occur. So we get one advantage and we lose one advantage. I will not go into the context of what then happened, but the three that we are looking at are actually to be described as new model aircraft.

Senator CHRIS EVANS—So that has seen the potential to bring them on earlier undermined. But there is still the commitment to the one option one model decision, and that is still programmed for June. Given that you are moving to new models, why was the decision taken to exclude that third competitor?

Senator Hill—That is a different issue.

Air Vice Marshal Monaghan—The evaluation, obviously, was a balance of a multi-role helicopter across a range of functions, including counterterrorism, special operations, the broad troop-lift role and its ability to operate off ships and landing craft. A balanced assessment said that the aircraft that was offered was not as competitive across that broad range of roles as the other, smaller aircraft were.

Senator CHRIS EVANS—So you have not got down to questions of price or delivery date in that regard; it was purely a scoping of the abilities of the aircraft—is that right?

Air Vice Marshal Monaghan—All of those—price, delivery, the ability to enter into a strategic relationship with the Commonwealth for the broader objectives of the Air 9000 and the whole range of issues that were advice to industry and the RFP—were evaluated. On balance, that aeroplane was considered uncompetitive, as I said, for the multi-role functions that we were trying to put in place.

Senator CHRIS EVANS—How do you now describe what is occurring with the two remaining competitors?

Air Vice Marshal Monaghan—The two remaining competitors in the evaluation process came out to be very close. Because it was an RFP process our hope had been to accelerate the

program in accordance with the wishes. We had hoped that, through the RFP, we would have sufficient discrimination between the competitors to be able to make a choice and would then move to a rapid sole source negotiation to be able to bring forward the purchase. As it turned out, on the basis of the RFP information and the remaining uncertainty, that level of discrimination did not allow a very firm recommendation. So there were two choices: we could have gone with the information we had or we could have entered into another period of project definition and again accelerate it as much as we could to get a discrimination. That is the process we are in now.

Senator CHRIS EVANS—Is it project identification or are you really just trying to get them to compete on price, delivery date et cetera?

Air Vice Marshal Monaghan—The RFP originally was to explore the marketplace in a broader fashion. We had a longer term process than we had planned. That RFP was rapidly developed to give us more definitive answers but it did not have in it draft contracts, for instance. So the quality of the pricings needed to be fixed and the quality of the information on some of the issues—such as the certification risk, which we have already talked about, and a number of other questions—needed to be better refined. That is what we are engaged in now. It will be a rapid process of getting some answers to some questions. Then we will get what amounts to a best and final offer on a very rigidly specified product so that we can get an answer to government that is solidly costed.

Senator CHRIS EVANS—That product will not just be the air troop-lift helicopters; it will be the phase 4 definition as well?

Air Vice Marshal Monaghan—It will look at that because, examined sensibly, it would be suboptimal to select on the basis of the first 12 when the business case is about, in fact, ending up with a fleet of a common type of helicopter across two phases. We will have information on phase 2 but we will have full information on the costs, schedules and risks associated with the phase 2 and phase 4 implementation together.

Senator CHRIS EVANS—Mr Smith, in terms of the complaint that was raised with you about the process, that was by a defence science employee, wasn't it?

Mr Smith—Firstly BAE and then AgustaWestland cited remarks that were attributed to a DSTO employee as part of the basis of their concerns.

Senator CHRIS EVANS—Was the complaint from a DSTO employee or was it from AgustaWestland?

Mr Smith—AgustaWestland—or BAE—had heard from the DSTO employee about an aspect of the selection process that gave them concern, and that aspect of the process was one of the things we had investigated by our inspector-general.

Senator CHRIS EVANS—I am not sure you answered the question. Who made the complaint that you referred to the inspector-general?

Mr Smith—That came from BAE initially and then from AgustaWestland in a letter. It was conveyed to me on 24 October by the representatives of BAE in Canberra, and I received a letter on the subject during the following week from either AgustaWestland or their lawyers—I have forgotten which. But, yes, it was from AgustaWestland.

Senator CHRIS EVANS—Sorry, I do not think I actually asked that question in some questions I put to you on notice. I think I assumed that it was a complaint from the DSTO employee, so I may have misunderstood.

Mr Smith—The complaint cited views attributed to a DSTO employee.

Senator CHRIS EVANS—Did the inspector-general interview that employee?

Mr Smith—The inspector-general interviewed about 30 people in all, I think, including persons who might have included that complainant. We do not know for certain who the complainant is. We are given to understand who it was—that is, the DSTO person—and certainly all of the DSTO people involved in the proposal evaluation team were interviewed.

Senator CHRIS EVANS—But the complaint was couched in terms of an anonymous DSTO employee?

Mr Smith—Yes, an anonymous employee.

Senator CHRIS EVANS—Did the inspector-general conduct the investigation himself?

Mr Smith—Yes.

Senator CHRIS EVANS—And then he reported to you?

Mr Smith—His staff conducted it. He had two investigators who did that and who reported to me.

Senator CHRIS EVANS—And that was a written report?

Mr Smith—A written report.

Senator CHRIS EVANS—And what was its finding?

Mr Smith—Its finding was that the complaint that AgustaWestland had made was not substantiated, that there had not been evidence of bias against their case and that they had not been disadvantaged by the change that had been effected to the RFP after its release.

Senator CHRIS EVANS—Did they make any other findings or commentary that required you to act?

Mr Smith—If the inspector-general is here, he could refresh me on that.

Senator CHRIS EVANS—He could just table a copy of his report if he wants to.

Mr Smith—It think that was the gist of it anyway. We have conveyed that to AgustaWestland and will debrief them in more detail on the investigation in a few days time.

Mr Neumann—The AgustaWestland debrief will occur tomorrow morning.

Senator CHRIS EVANS—Have they been provided with a copy of the report?

Mr Neumann—No.

Senator CHRIS EVANS—Will they be provided with a copy of the report tomorrow?

Mr Neumann—No.

Senator CHRIS EVANS—Were there any other findings that required changes to procedures or that raised concerns about the conduct of the RFP?

Mr Neumann—Not in terms of the conduct of the RFP, but there are some observations about the conduct of particular officials.

Senator CHRIS EVANS—These are Defence officials?

Mr Neumann—Yes.

Senator CHRIS EVANS—And you made recommendations about more appropriate conduct, behaviour et cetera?

Mr Neumann—I think that may be on its way to the secretary's office. I have made some suggestions as to how we might deal with those issues. It is up to the secretary to agree or disagree or to suggest an alternative course of action.

Senator CHRIS EVANS—What was your reaction to those suggestions, Mr Smith?

Mr Smith—I will be interested to see what the inspector-general has to say; I look forward to receiving that information. He says that it is on its way to me.

Senator CHRIS EVANS—You have not received the report?

Mr Smith—I have received the report and acted on it.

Senator CHRIS EVANS—Yes, I thought you had had the report since 9 December or something.

Mr Smith—The inspector-general has said that he has done some follow-up work with them in management action, and that is what I have not received.

Senator Hill—It is related to management processes rather than the conduct issue.

Mr Neumann—It is not the RFP itself.

Senator CHRIS EVANS—Perhaps someone could clarify for me that we are effectively talking about two reports.

Mr Neumann—There was the report that we completed in December that went to the secretary. In that there were certain other actions that do not relate to the actual process of going up for the RFP; they relate to the conduct of officials. Subsequent to that, just recently I sent him a series of options for how to deal with the conduct issues.

Senator CHRIS EVANS—But they go to systemic—

Mr Neumann—No.

Senator CHRIS EVANS—Are they directed then at action to be taken against individuals for their conduct in that matter?

Mr Neumann—They relate to actions that individuals have undertaken that they probably should not have undertaken, in my view.

Senator CHRIS EVANS—In relation to that particular matter?

Mr Neumann—In relation to this particular project.

Senator CHRIS EVANS—Sorry, I was interpreting you before as saying you had some recommendations for procedures but it is more specific than that.

Mr Neumann—Yes, these are about individual actions.

Senator CHRIS EVANS—You have forwarded that to the secretary? You have not yet had the chance to review that, Mr Smith?

Mr Smith—I have not seen it.

Senator CHRIS EVANS—It is not your intention to provide a copy of the inspector-general's report to the complainant?

Mr Smith—No, we do not intend to do that. We will brief the complainant on the findings. I think it is in the interest of good governance that we should have an effective internal mechanism for reviews of this kind and we do not want to jeopardise the chances of those sorts of investigations being completely objective and frank. I think it is better if our audit processes, procedures and techniques are not revealed. But we will respond to the specifics of the complaint in a briefing to them orally.

Senator CHRIS EVANS—Thanks for that.

Senator JOHNSTON—I would like to question the Director-General of Infrastructure Asset Development regarding the location of the defence training area in the shires of Irwin and Three Springs in Western Australia. Does anybody here know anything about that? I am told Brigadier Hutchinson is the person to ask.

Mr Pezzullo—Yes, he works for me. I am the Head of Infrastructure in Defence.

Senator JOHNSTON—Mr Pezzullo, my question is: why are we looking to acquire 70,000 hectares of prime farming land for a Defence training area?

Mr Pezzullo—We are not looking to acquire any particular size of land in the locations you nominated in the preamble to your question. What we are attempting at the moment is in response to a direction from the government through the parliamentary secretary in August 2002, when she directed that the department not proceed with an extension of the range at Lancelin. She has asked us to do an assessment of alternatives in Western Australia that would be suitable for land force training in that area. We have done a first sweep internally but also in consultation with the Western Australian government and potentially affected shires and local government authorities. We have summarised those findings, we have gone back to the government through the parliamentary secretary and we are awaiting instructions.

Senator JOHNSTON—Which shires did you do the sweep through?

Mr Pezzullo—I would have to get the full list for you on notice but it was upwards of a dozen from the notes that I have seen. We coordinated our activities with them through both the Premier's Department in Western Australia and the relevant state instrumentality, the wheat belt development commission of Western Australia.

Senator JOHNSTON—Given that it was the wheat belt development commission—I think it is called the Mid West Development Commission—am I to assume that those shires would be predominantly agricultural shires?

Mr Pezzullo—By and large they would be. They are obviously not close to Perth. Lancelin range is some distance from Perth. You would be looking at a comparable type of land force training range.

Senator JOHNSTON—How many personnel would you be looking to accommodate on such a site? Seventy thousand hectares is what Mid West say you are looking for.

Mr Pezzullo—Training ranges tend to be run by small skeleton staff at the range headquarters building, and you bring the training formations in. This site would be used for Reserve combined arms training and also some specialised training that pertains to regular units based in WA.

Senator JOHNSTON—Transport from a population centre like Perth would obviously be an issue in terms of time and distance.

Mr Pezzullo—That is correct.

Senator JOHNSTON—My calculation is that 70,000 hectares in the wheat belt this year produced over \$30 million worth of cereal crop. With live firing, I take it that that will be sterilised forever if we have unexploded ordnance on this property. Are we not looking any further afield—for instance, north of Geraldton?

Mr Pezzullo—Within the time and distance travel requirement set by the land forces it is certainly going to be a challenge to find the right kind of range. In any event, those sorts of considerations would be balanced against community interests, including the economic interest to which you allude. I cannot speak for my colleagues in the Department of the Environment and Heritage but I cannot imagine that this could be executed without a reference under the relevant environmental legislation. There would be very detailed scrutiny through that process. The parliamentary secretary has also indicated that she would expect, absent EPBC referral—whether it happens or not—a very comprehensive process of community consultation.

Senator JOHNSTON—What is our time frame for the movement or the closure of Lancelin?

Mr Pezzullo—Lancelin itself will not be closed. The Lancelin range exists in two parts. The sector to the west is a coastal area which support amphibious, naval and air activities. The Lancelin to Cervantes road will go through sometime this decade. That is a WA project. That will create a situation in which the land to the east of the proposed road, which is the permissive occupancy basis land that we use, will become unable to be used for land force training. They would come through the coastal area attempting to drive inland and there would be a public road right in the middle.

Senator JOHNSTON—So you are going to retain Lancelin but obviously, because of the road planning, it is going to be reduced in its effectiveness to accommodate your training purposes.

Mr Pezzullo—Yes.

Senator JOHNSTON—When do we need this new training area by? What is the time frame?

Mr Pezzullo—The reason why we are working at a government to government level with the authority of the Australian government is to do a synchronisation. We do not want the road to go in and not have access to a training alternative. Both Commonwealth and state officials, and indeed local government officials, acknowledge that it is going to be a real challenge. The

WA government, through their Department of the Premier and Cabinet, have been more than helpful and constructive. They clearly need to put the road in according to their own master planning but they have indicated to us some flexibility in that process, and we are trying to look for a range as quickly as we can.

Senator JOHNSTON—You say as quickly as you can, but you must have some sort of time frame.

Mr Pezzullo—The parliamentary secretary has directed that it happen as soon as possible. As senators would recall from many other instances, finding a range when you have got various settled title and land use patterns—

Senator JOHNSTON—Freehold title, yes.

Mr Pezzullo—is extremely challenging. It is not necessarily going to be very easy.

Senator JOHNSTON—Within 100 kilometres north of the Shire of Irwin, for instance, you have pastoral leasehold land. Why would you not look at that?

Mr Pezzullo—There are going to be limitations in terms of the user requirement. There is a preference for a certain travel distance out of Perth because, whilst the regular formations are on call all the time, the reservists have to be gathered and they tend to train on weekends, in two-week camps et cetera. I do not know if Army want to add anything to those remarks. You do get a sort of diminishing returns problem the further away you get, which is measured in hours of travel time.

Senator HOGG—I have just a few questions on the patrol boat replacement. Firstly, I want to know if the earned value approach for contracts was used with the patrol boat contract?

Senator Hill—It sounds a bit technical to me.

Senator HOGG—But there is always someone who knows, Minister.

Senator Hill—Why don't you define your 'earned value' for us?

Senator HOGG—As I understand the process, contracts worth more than \$200 million are approached on the earned value—that is, as the work is completed, the work is paid for. For some reason I understand that has not been the approach on this occasion and I am just trying to clarify if that is correct and, if it has not been adopted on this occasion, why not?

Senator Hill—We need somebody from contracts—we have found a commodore. Did you hear the question? It relates to the chosen contractual method for the purchase of the patrol boats. It is being suggested that you are not paying for the construction on an earned value basis and, if that is so, why aren't you doing so?

Cdre Ruting—The patrol boat acquisitions through Defence Maritime Services, the prime contractor, is being paid primarily by milestones. There is a whole range of fairly close together milestones with the construction of 12 boats over a fairly short period of time. It was determined that in fact milestones provided a more measurable means of achieving this outcome when the activities are so closely spaced.

Senator HOGG—So this is an unusual process because of the close nature of the production of the patrol boats themselves rather than the value of the contract. I understand

that \$200 million seems to be the benchmark above which the earned value approach is used for contracts—is that correct?

Senator Hill—I do not know that it would actually make a lot of difference in practice. It depends on what the milestones are.

Air Vice Marshal Gray—Earned value is only part of the payment structure in any contract that we set up. We never pay an entire contract just on earned value. Earned value is a useful way of actually tracking how the work is being done. It does not, though, give you the controls that milestones do. Nearly all of our contracts will be set up so that there is a combination of milestone payments, which are a very solid check on progress, and earned value payments, which normally will give you information in arrears because the reports are generated normally a month also in arrears. You can use that to predict forward to say how the project is going to go in the long term. The milestones give you a way of not only rewarding good performance but also punishing by withholding payments if the milestones are not achieved.

Senator HOGG—All right, that is fine. I just needed clarification. If there are milestones, is it possible to give us a list of those milestones and when they will occur?

Air Vice Marshal Gray—There are about a hundred milestones.

Senator HOGG—As many as that!

Air Vice Marshal Gray—Perhaps we could just give you the milestones that represent the main progress points rather than every milestone.

Senator HOGG—Yes, I think that would be acceptable—the main progress points and what the payment at each of those main progress points would be, if that is possible.

Air Vice Marshal Gray—Yes, we could do that.

Senator HOGG—You will take that on notice?

Air Vice Marshal Gray—Yes.

Senator HOGG—In the contract itself, is there anything about liquidated damages or penalty clauses when the work is not performed to schedule and to standard?

Cdre Ruting—Yes, Senator.

Senator HOGG—How comprehensive? Are you able to give us a feel for what is in there?

Cdre Ruting—In general, our new standard defence contracting pro forma—the Australian strategic Defence contracting arrangements—has a range of standard liquidated damages clauses that cover schedule and capability performance aspects. This contract is actually for the acquisition and then support for 15 years of these vessels. It covers quite a wide range of different circumstances across that period of time.

Senator HOGG—Would some of them have been the first of their type, in a sense, given the whole-of-life support?

Cdre Ruting—In terms of performance during the lifetime operations of the patrol craft, yes. In terms of their being contracted for, for example, 3,000 patrol boat days per annum with some extra surge capability above that, and if the boats are not available due to defects in the

craft that were not caused by specific naval operations, the actual payments to the contractor are abated as part of that payment regime and during the construction phase more normal liquidated damages are incorporated during that phase.

Senator HOGG—I understand the price, when it was originally announced, was of the order of \$450 million but the final contract was for \$553 million, which is a difference of almost \$100 million. What is the reason for that?

Cdre Ruting—If I may correct you there, the price announced in the minister's press release when the source selection of DMS, the prime contractor, was first announced, was in fact about \$550 million for the acquisition of the boats and their 15 years of operation. When we had negotiated the contract itself, the final figure came out to \$553 million, taking into account some additional capabilities that Defence wanted, particularly in the communications area. That was the principal reason for the change of \$3 million in \$550 million.

Senator HOGG—But in the original DCP the budget was for \$450 million. What is the change from the original DCP to the contract price?

Cdre Ruting—I believe the DCP in fact says \$350 million to \$450 million. That covers just the acquisition part of the contract. As I mentioned, the contract is for acquisition and whole-of-life support, all within the one contract. The acquisition component is within the \$350 million to \$450 million items identified in the capability plan.

Senator HOGG—So the additional money is for the through-life support?

Cdre Ruting—Yes.

Senator HOGG—On the delivery of the patrol boats, the first will be in May 2005. Is that still confirmed?

Cdre Ruting—That is still the plan.

Senator HOGG—When will the last of the patrol boats in the schedule be delivered?

Cdre Ruting—In May 2007.

Senator HOGG—Thank you very much.

[2.15 p.m.]

CHAIR—Let us move to outcome 2, Navy capability for the defence of Australia and its interests.

Senator CHRIS EVANS—The next set of questions I have are to do with anthrax and may relate to the Navy and the inquiry process.

Gen. Cosgrove—I don't think anthrax is in the military justice inquiry.

Senator Hill—What is the question?

Senator CHRIS EVANS—I wanted to ask some questions about the follow-up to the anthrax inoculation issues. I was going to do it under Navy, outcome 2, if that was suitable. I am happy to be directed elsewhere.

Senator Hill—Is it the differences with those who declined to take the anthrax injections that you want to explore? Is it the legal issues? We are not quite sure who to call to the table because we are not quite sure what part of the anthrax program you wish to explore.

Senator CHRIS EVANS—I was going to ask about monitoring of effects, the issue with the register of batch numbers and the findings on the Screamon complaint.

Senator Hill—The first two are for our health people.

Vice Adm. Ritchie—No, I can do that.

Senator Hill—You are multiskilled.

CHAIR—Let us fire away with the questions and see how we go.

Senator Hill—Dr Ritchie will answer that one.

Senator CHRIS EVANS—Maybe I should start with the Screamon appeal. You will probably be aware that there was some ambiguity raised in the *West Australian* newspaper about whether the Navy had or did not have records of the batch numbers. As you know, I was assured at estimates that we had accurate records of batch numbers and who got what. It seems the decision by Rear Admiral Moffitt in relation to the Screamon appeal and his complaint implied that you did not have them. I thought we ought to first of all sort out whether you do or do not.

Vice Adm. Ritchie—I can explain that. When Screamon instituted a redress of grievance against the activities to do with anthrax, which we have talked about at previous hearings, that redress of grievance was investigated by a QC. The QC, in trying to determine whether or not the batch numbers had been recorded, sought the advice of the fleet medical officer. The fleet medical officer advised him—and I believe he might have advised him in writing—that that was not the case. That advice followed through the whole complaints process and was eventually advised to Screamon by the Deputy Chief of Navy. In fact it was incorrect advice. The ship did record the batch numbers as required by policy, and the advice that was given by the fleet medical officer was incorrect. Leading Seaman Screamon has been advised by the Deputy Chief of Navy that that advice is incorrect.

Senator CHRIS EVANS—So the Deputy Chief of Navy has now written to Screamon making it clear that the Navy retains the records of the inoculation given to sailors on the ship?

Vice Adm. Ritchie—Yes. In all of that issue, that one piece of advice was wrong. We admit that it was wrong. We have advised Leading Seaman Screamon that it was wrong. It has not got a great deal of relevance for Leading Seaman Screamon because he did not have the injection.

Senator CHRIS EVANS—No, but it was an issue of concern to me because of the debate we had here about whether we had accurate records and the debate about the first Gulf War. As you know, there is another Senate inquiry into that question of medical records. I was certainly alarmed when I addressed the issue.

Vice Adm. Ritchie—The correct answer here is that everything was recorded as is required.

Senator CHRIS EVANS—And it was just an initial mistake by the fleet medical officer that never got corrected along the line?

Vice Adm. Ritchie—The fleet medical officer for some reason gave incorrect advice.

Senator CHRIS EVANS—Can you assure the committee, Admiral Ritchie, that you have complete records for all the vaccinations for sailors?

Vice Adm. Ritchie—All of those anthrax vaccinations, yes.

Senator CHRIS EVANS—Is that now the end of the Screamon complaint?

Vice Adm. Ritchie—Not necessarily. We do not know what Leading Seaman Screamon will do next, but he has the right to take his complaint to the Defence Force Ombudsman. He has been told that.

Senator HOGG—How long has he got to lodge a complaint or take a complaint?

Vice Adm. Ritchie—I am not sure. I do not think there is any particular 28 days or anything like that. I think he can hang on for a while. I would seek some legal advice on that.

Senator CHRIS EVANS—Rear Admiral Moffitt made a number of findings about it having been preferable for personnel deploying to have been informed of the requirements for anthrax vaccination prior to departure, and other such recommendations. Has there been a resulting change in policy or a move to reconsider policy, given his findings?

Vice Adm. Ritchie—I would refer to the director-general in terms of the policy.

Air Cdre Austin—The requirement for advising patients prior to vaccination depends on the nature of the vaccine they are about to receive. The document that we use within the Australian Defence Force is based on the standard publication available in Australia for civilian use, and that is the *Australian Immunisation Handbook*. It lays down certain guidance for consent. That document adopts the position for routine vaccinations—those that are on the standard schedule of vaccination in Australia—that consent is implied by the patient presenting and requested that vaccination. However, it does provide handout sheets which may be given to the patients or, in many cases, the parents of the patients to inform them of the reasons for the vaccination, likely side effects and interactions.

The requirement, however, when vaccinations are given that are not on the standard schedule is that we undergo a more rigorous process of obtaining informed consent. To that end, we have produced information handout sheets and we have briefed our medical officers that they are to make the patients aware of the reasons for the vaccination, the nature of the vaccine being used and any safety issues that may be of concern to them, and offer them the opportunity to question a health practitioner prior to receiving the vaccine. In particular in the case of anthrax vaccine, which is registered overseas by the federal drug authority in the US and has been widely used in this country for many years in a small group of people, we do in fact request that these people sign a consent form acknowledging that they have received that information both in printed form and verbally and that all of their areas of concern have been addressed. All of the information that I have just given to you is encapsulating in an Australian Defence Force publication, our immunisation manual.

Senator CHRIS EVANS—What I am asking, though, is: has there been any change in procedures since the controversy surrounding the anthrax inoculation on the deployment to Iraq?

Air Cdre Austin—The simple answer, I guess, is no, because in fact that was the model that we followed in the case of the members on board *Kanimbla*.

Senator CHRIS EVANS—It was also the case that Moffitt found that it would have been preferable for them to have better informed consent prior to embarking.

Air Cdre Austin—The key issue there is the fact that the members had embarked on board the ship and were heading into an area of operations prior to being made aware that they would require this vaccination. In that sense it could be argued that their ability to exercise their rights under the provisions of informed consent had been diminished by the fact that they were embarked on board a ship. Clearly it would have been preferable for the members of that ship's company to be advised of the requirement for the vaccination prior to embarking on the mission.

Senator CHRIS EVANS—Yes, but what I am asking is whether there has been any change in Navy policy as a result of the Moffitt findings or whether there is any consideration of that.

Vice Adm. Ritchie—If there has been any change it is that in future we will conduct ourselves in accordance with laid-down policy. I would think what Moffitt is saying is an admission that this time, for various reasons and various circumstances, that policy was not followed.

Senator CHRIS EVANS—The policy does not make it clear that that should occur before embarkation, does it?

Vice Adm. Ritchie—I think the policy just makes it clear that you should give people a reasonable time frame in which to think about it.

Senator CHRIS EVANS—So you are saying that it is implicit, therefore, before they sail.

Vice Adm. Ritchie—In this particular case, as we know—and, again, we have discussed this before—the people were at sea, en route, before they were told. That is where the issue becomes an issue, and we have admitted to perhaps an error of judgment in doing it in that manner.

Gen. Cosgrove—But there cannot be a guarantee that operational exigencies will not require us to deploy people into those sorts of circumstances without the opportunity for a consultative period in Australia, at leisure, to remove the problems that ensue where people are caught on the hop. We cannot make those guarantees.

Senator CHRIS EVANS—No, and no-one actually asked for them either. I am asking if there has been any change in Navy policy as a result of the Deputy Chief of Navy coming to the same conclusion, quite frankly, that we came to after looking at it—that, on balance, it would have been better if it had been handled in a different way. I am really seeking some reassurance that there is some response to that and that we will not just carry on in the way we always have.

Gen. Cosgrove—It is not so much a question of policy, Senator Evans, with all respect; it is a question of timing. I think you could say that, as a result of this, we would always seek to get our timing better adjusted. But, as I said just a moment ago, the exigencies of operational circumstances would always be a factor there. Secondly, in order to be truly anticipatory, you would inoculate people for everything before the operational contingency came along. That would have its own issues, and we probably could not go that far. So it will become a question of timing. We have to be determined to do the best with the time we get before deployments and to be very conscious that, in the case of people embarked in ships, it might always be better to inoculate them before their deployment from Australian shores.

Senator CHRIS EVANS—I am sure that is right, General Cosgrove, but it certainly was not the proposition I was putting. Rear Admiral Moffitt raised the fact that there was an in-principal decision taken on 10 January and a decision to deploy on 20 January, yet there was a delay after that before the in-principal decision was put into place.

Vice Adm. Ritchie—Because an executive decision was not given, and that relates to the operational constraints that the CDF is talking about.

Senator CHRIS EVANS—What does that mean?

Vice Adm. Ritchie—It means that there was a decision taken that, if that ship deployed, we would have to inoculate them against anthrax but that the decision to deploy that ship had not been taken on 10 January.

Senator CHRIS EVANS—Even though you had taken an in-principal decision to do it if they were going to be deployed?

Vice Adm. Ritchie—That, if they were deployed, they would have to have this injection, yes. Take the example of the two ships that were already in the Gulf: we could not change that; we could not go through this process that we are talking about.

Senator CHRIS EVANS—All I am seeking to do is to see whether what I thought were pretty sensible and reasonable findings by Rear Admiral Moffitt were actually being acted upon in terms of the change in policy. I am a bit concerned, I suppose, that there is not necessarily a change.

Vice Adm. Ritchie—The policy is as described by the Director-General; that is the policy behind it. What you are talking about is the application of that policy and how Navy might apply that in the future. The Navy will apply it in the future as much as it can, in accordance with the policy, but within the bounds of the constraints described by the CDF about operational issues. We certainly will not forget it, if that is what you are talking about.

Senator CHRIS EVANS—While I have Air Commodore Austin here, I want to ask about an issue that has been raised with me concerning vaccines at Robertson Barracks and whether or not they were stored correctly. Has that issue been raised with you—concern about the vaccines not being refrigerated properly?

Air Cdre Austin—I am not aware of complaints about the storage of vaccines. The storage of vaccines in the ADF is conducted exactly in accordance with the manufacturer's recommendation as reflected through the *Australian Immunisation Handbook*.

Senator CHRIS EVANS—I know that we have discussed before the need for appropriate temperatures for the storage of the vaccines to be monitored. It has been raised with me that there was some concern about the storage at Robertson Barracks. Should I direct that question to a senior Army officer rather than to you, or would that come under your general responsibility?

Air Cdre Austin—It is my area of responsibility but to the best of my knowledge all our refrigerators that are used for the storage of vaccines have data loggers on them in accordance with the civilian recommendations. It is acceptable to use a domestic refrigerator for the storage of vaccines provided there is a means of logging the temperature. The way that is done is through a temperature probe being placed in the refrigerator with an alarm system. If the temperature varies outside preset levels the alarm goes off. It is then assumed that the cold chain for the vaccine has been broken, and that vaccine has to be either destroyed or sent back to an appropriate authority to be tested for efficacy.

Senator CHRIS EVANS—You are not aware of a large number of vaccines supplied to Robertson Barracks having to be destroyed?

Air Cdre Austin—I am aware of that occurring on several occasions due to the failure of refrigerators. I regret to say it is often through human factors such as power cords being unplugged by cleaning staff after hours. That is probably the most common cause of the vaccine cold chain being breached, and those vaccines have been subsequently destroyed.

Senator CHRIS EVANS—Was there a particular problem at Robertson Barracks?

Air Cdre Austin—No, I am not specifically aware of Robertson Barracks. I can take that question on notice if you wish.

Senator CHRIS EVANS—It was suggested to me that we had lost a lot of vaccines out of Robertson Barracks and that they had been stored in fridges that did not have the loggers.

Air Cdre Austin—I would be disappointed to hear that that was the case.

Senator CHRIS EVANS—You have not had any concerns raised with you about that?

Air Cdre Austin—No, I have not.

Senator CHRIS EVANS—Maybe you would like to take that on notice, particularly the concern about whether the vaccines might not have been kept at the required temperature. I want to follow up with you too the issue of the monitoring of side effects and complications arising from the vaccines. I seek an update about whether you have had any other information or concerns raised about reactions or side effects from the anthrax or other inoculations for the Iraq deployment.

Air Cdre Austin—No, we have not. As I think I have mentioned before in this forum, the monitoring of side effects to vaccines and to any other pharmaceuticals is quite complex because the range of symptoms varies from nothing that is perceived on the part of the patient but that may be observed as a local redness or local reaction, through serious pain and disability that may interfere with people's ability to do work, to death in extreme cases. We are talking about a continuum of disability, symptoms and signs which on the part of one individual would be trivial and not warrant reporting but to another individual may be deemed significant either for personal reasons or because of the nature of their duties. All jurisdictions

have difficulty getting an accurate reporting of side effects to vaccines in a way that allows a comparison of data—in other words, a trend analysis to see whether a particular vaccine is causing more problems than another, or whether there are differences between batches and that type of thing.

We certainly had an episode in Afghanistan involving a portion of our troops who appeared to have a higher incidence of side effects than we expected to see with a particular vaccine. As a consequence of that we did temporarily suspend the use of that vaccine and went back to the manufacturer with samples of that batch of vaccine to prove its efficacy and to make sure there were no other confusing and confounding factors. The test on that vaccine demonstrated its efficacy and that it appeared to be completely within the standards. Future use of the vaccine did not result in a higher than expected rate of side effects. I am not aware of any other complication that we have had, allowing that we did suspend the use of the anthrax vaccine in the Middle East area of operations in response to a change in the threat analysis when we no longer deemed it required.

Senator CHRIS EVANS—Personnel deployed to Iraq and the Middle East are currently not receiving the anthrax inoculation?

Air Cdre Austin—That is correct.

General Cosgrove—I would like to speculate that maybe the people in the Iraq Survey Group might still take some inoculation.

Senator HOGG—I think you are getting a nod from this end of the table.

Air Cdre Austin—There is a specialist group of people; that is right. The sensitive site examination personnel would still be receiving it.

Senator CHRIS EVANS—But in terms of the naval personnel deployment in the Middle East—

Air Cdre Austin—No.

Senator CHRIS EVANS—we have suspended it over there.

Senator HOGG—Where you have a special inoculation such as anthrax, do you monitor a control group of people to find out if there is a reaction to the vaccination over a period of time, or do you just rely on them reporting changes to their health?

Air Cdre Austin—We rely on them to report it because in order to create the scenario that you are outlining—that is, a control group—you would then be requiring us to vaccinate a group of people who are not deploying with the same vaccine as the people who deploy are vaccinated with. We do not give out pharmaceutical agents unless there is a clear operational requirement for that. We are meticulous in ensuring that people do not receive redundant vaccinations. We keep it to the absolute bare minimum consistent with the threat analysis, and we review that regularly to make sure that it continues to be appropriate.

But we certainly encourage our people to report side effects. I think you can understand that that creates a problem in itself because, by the very fact that you make an issue of this to the people involved, you create what we call an iatrogenic effect. It actually results in overreporting by the very fact that you have encouraged people to do so. So they become a bit

more introspective, if you like, and are more likely to report symptoms of a lower degree of severity. We certainly monitor those and we have been meticulous in doing so for the anthrax vaccine both to monitor the wellbeing of the individuals and to allow us to develop more operational experience of the use of that vaccine.

Senator CHRIS EVANS—While I have you here, Commodore, do you want to tell me about narcolepsy? I know it has been known to affect those people coming to Senate hearings over the years, but that was not the point of my inquiry. I am more interested in how Defence is handling it and the use of it to discharge persons from the ADF.

Air Cdre Austin—Thank you for the question.

Senator CHRIS EVANS—Say that with real feeling!

Air Cdre Austin—Before I launch into the specific case, you made a point, somewhat as a joke, that attendance at such meetings can result in narcolepsy. I would develop that point to say that the diagnosis of the condition is extraordinarily difficult because everyone has different lifestyles and everyone has different degrees of awakesness during the working day, and that reflects their natural biorhythms. We all know that some people are morning people and some are evening people. We all know that people require different amounts of sleep in order to be able to function. So if you are confronted with an individual who appears to go to sleep at inappropriate times it can be very difficult to determine the cause for that, particularly if they are not entirely free and frank in describing their lifestyle to you and describing such factors as the ingestion of alcohol, levels of physical exercise or whatever it may be. So the diagnosis of narcolepsy is essentially a clinical diagnosis. All clinical diagnoses are subject to a degree of individual variation depending on the doctor who assesses the patient.

In the case you are referring to, that individual was seen by at least three well-recognised specialists during their period of military service who all agreed that the most likely cause for the individual's disability was narcolepsy. It was on that basis that they underwent a medical review and their employment classification reflected the fact that they suffered from narcolepsy. The only treatment available to us at present for that condition is the use of stimulating agents—in particular amphetamines. You can understand the difficulty of us prescribing a drug such as that to a member of the military who would be required to deploy operationally. That resulted in the discharge of that member from the ADF.

There was subsequent review of that patient by other specialists and there was a subsequent finding that a genetic marker whilst not diagnostic of narcolepsy is certainly associated with the condition of narcolepsy in approximately 60 per cent of people. That marker was absent in the case of this individual. So this subsequent test does not in fact define specifically one way or another whether the individual has it but it tends to, if you like, move the probabilities more in favour of the fact that the individual did not suffer from narcolepsy. I would put to you that the individual was reviewed very comprehensively by appropriate—

Senator CHRIS EVANS—Did that include blood tests?

Air Cdre Austin—To the best of my knowledge that blood test was not available and not recognised by the specialist practitioners in the field at that stage as being a useful adjunct to the diagnosis of the condition.

Senator CHRIS EVANS—It was not that they did not take a blood test. They may not have taken a blood test but they would not have known to take a blood test. Is that what you are saying to me?

Air Cdre Austin—The specialist who saw the individual did not believe the taking of blood for that particular test would assist them in the assessment of this patient. The blood test is not 100 per cent reliable. In 60 per cent of patients who have a genuine diagnosis of narcolepsy this particular factor will be present.

Senator CHRIS EVANS—Are you able to tell me how many people have been discharged from Defence on these grounds in recent years?

Air Cdre Austin—No, Senator, I cannot and because our databases are not diagnosis linked it would require a manual search of the medical records of all those people discharged medically unfit for further service—medical employment classification 4. Assessment just based on my clinical experience is that it would in fact be a very small number—I would think less than 10.

Senator CHRIS EVANS—How many people does Defence discharge on medical grounds per year?

Air Cdre Austin—I would have to take that on notice.

Senator CHRIS EVANS—Can you give a guesstimate?

Air Cdre Austin—Sorry, I do not see that figure. The medical side of the equation is that we make a recommendation to an employment classification board, and each of the three services runs such a board. In determining whether somebody is medically unfit for further service, they weigh up both the medical evidence that is presented to them—the nature of the condition, the experience of the individual, their qualifications, the degree of criticality of the manning in that area. So there are many variables that come together before a member is discharged medically unfit from the service.

Senator CHRIS EVANS—What is your attitude to the question of the blood test for people suspected of narcolepsy now? Would it be a test that you recommend?

Air Cdre Austin—In cases of rare medical conditions such as narcolepsy we are very much reliant on the advice given to us by our consultant specialists. We do not attempt to interfere in their clinical management of these patients. We make an appropriate referral. We rely on the fact that we refer to the most eminent person we can usually find or who is available to us and we rely on the recommendation. If we have any concerns about the validity of their recommendation, then we make an appropriate second referral to reinforce the diagnosis. In the case of the individual you mentioned, I believe there were in fact three referrals made to appropriate specialists in sleep medicine before a diagnosis was agreed upon.

Senator CHRIS EVANS—These questions about medical discharge seem to come up in a number of contexts. What information do you gather and what analysis is done on issues of medical discharge?

Air Cdre Austin—The primary driver obviously is to ensure that the service member is fit to fulfil the duties of military service and the duties that are associated with their category or

specialisation and to ensure that further military service will not aggravate existing conditions or put the individual at risk of further harm. There is a guiding document, the ADFP 701—I apologise, it has been rebadged recently. Essentially it is the recruiting standards manual. That sets medical standards for various areas of employment within Defence. That becomes the primary guiding document. Once we go beyond that we then have to look at the individual, their age, their seniority, the nature of their duties and their availability for or the probability of deployment into various roles. That basically is brought together then to give a medical snapshot of the individual with a prognosis—in other words, the likely evolution of their disease condition. That is then presented to the personnel people who take that evidence as guidance and then weigh it up against those other factors that I have already mentioned.

So I think you can clearly understand that, for instance, if a soldier is serving in an elite unit such as the SASR, a musculoskeletal injury, low back pain or something like that would be quite a disbaring condition for further service within that unit. Yet, if that same individual was a very senior clerk working in a clerical environment, where the physical demands made upon them would be quite different, you may reach quite different conclusions given the same medical condition. It is not a clear, black-and-white situation, and I think, in the interests of both the Defence Force and the individual, there is always going to have to be a degree of individual interpretation. We do try to look at every case on its merits.

Senator CHRIS EVANS—But you are not able to tell me how many infantry soldiers go out on back injuries in any one year?

Air Cdre Austin—In the case of physical injuries, we are trying to develop a better database as part of our Defence Injury Prevention Program—

Senator CHRIS EVANS—That is what I would have thought—that it would have focused on injury prevention. I thought one of the measures was why people were discharging and what they are discharging for. That may not be high on your list but there are a whole range of other things.

Air Cdre Austin—We have access to other data that comes through the incident report forms that are generated by the individual at the time of an injury. There is a thing called an AC563, which is a reporting form to Comcare highlighting the nature of an injury, which will assist us in identifying physical injuries and being able to capture data on those. And the Defence Injury Prevention Program, which is in the process of being rolled out, will give us a much higher fidelity database on physical injuries that result from sporting activities or training activities. Obviously the reason we are doing that is to develop strategies to prevent those injuries from taking place.

Senator CHRIS EVANS—Perhaps you would take this question on notice for me: what information is readily available on statistics on medical discharge across the services and are there any measures that can be taken to improve the gathering of that statistical information? I am not suggesting you go to any great expense but I am trying to get a sense of what we do know and what we can find out about discharge.

Air Cdre Austin—Further to that, the linking of two databases—that is, the PMKeyS personnel management system into HealthKEYS, which is the electronic health record—will make the collection of this type of data extremely easy. At present, whilst the medical record

remains a paper record with very limited electronic databasing, it is a difficult process. But once HealthKEYS comes online with its clinical modules, this will be very easy.

ACTING CHAIR—Senator Evans, Senator Greig has indicated that he has some questions in the same area, so I might call him.

Senator GREIG—I also wanted to ask Air Commodore Austin some questions on anthrax injections, and particularly the immediate effects of anthrax injections. Wasn't it the case that, when some Navy personnel were given anthrax injections, it resulted in immediate shock, seizure and unconsciousness, requiring resuscitation? Is there any truth to that?

Air Cdre Austin—Senator Greig, I am not aware of any case that has manifested that degree of response to an anthrax vaccination. I would, however, make the point that, in some individuals who receive vaccination, they do have what is called a vasovagal syncope, which is an elegant way of saying they faint. It is simply the trauma—or their perception of the trauma—of being vaccinated. People manifest a similar reaction often when they are having blood taken or when they are donating blood. It is simply where they take fright if you like; their heart rate is slowed to the point where it is no longer able to perfuse the brain and they collapse. A vasovagal syncope is not an uncommon event with exposure to blood or, as I said, during vaccination or when having blood taken for blood donation. It is a self-limiting event; it has no adverse sequelae; it is not in any way prejudicial to further service. It is seen as a normal physiological response in a small group of people to a perceived threat.

Gen. Cosgrove—We will check that—on the particular case of the inoculation. Your question was in relation to RAN personnel, or was it across the board?

Senator GREIG—Across the board, more particularly in terms of those personnel who were on HMAS *Darwin* and *Kanimbla*.

Gen. Cosgrove—We are not aware of anybody in particular, but we would probably need to check that to give you a proper answer. So we will make it across the board and take it on notice.

Senator GREIG—Thank you. Is it the case, and I apologise for not being able to hear some of the questions earlier, that we still have personnel who are off sick following anthrax injections over a year ago?

Air Cdre Austin—I am not aware of anyone who required a prolonged period of time away from duties as a consequence of anthrax vaccination in the ADF.

Senator GREIG—None at all?

Air Cdre Austin—No. I am aware of one individual who has made a submission to one of the Senate committees alleging that he has suffered a long-term disability as a consequence of an anthrax vaccination. But that individual is an active-duty serving member of the ADF and should be at work today.

[2.51 p.m.]

ACTING CHAIR—We will move on to output 3, Army capability for the defence of Australia and its interests.

Senator CHRIS EVANS—Acting Chair, I thought we could start with the nice stuff and let General Leahy tell us how he is going with his tanks and where the decision-making process on replacement tanks is at.

Lt Gen. Leahy—I understand that a submission is currently with the minister and that there may be some action to take that to cabinet. I know that it has gone from Defence to the minister.

Senator Hill—It has now moved past the minister. The detailed evaluations have been completed and a recommendation has now gone to the whole-of-government process.

Senator CHRIS EVANS—Are the evaluations of the prospective options down to two?

Senator Hill—No, we said that we were specifically addressing three different types and that there were several versions within those types. Out of that there is a recommendation for one type.

Senator CHRIS EVANS—Will that decision be made by cabinet or the National Security Committee?

Senator Hill—The National Security Committee.

Senator CHRIS EVANS—Do you expect that decision to be soon?

Senator Hill—Yes.

Senator CHRIS EVANS—General Leahy, I want to ask you about yesterday's media statement about the SAS inquiry. I do not want to spend any time on it today, unless there is something that you particularly want to cover, as it is a military justice inquiry. I want to take the opportunity to ask you whether or not the report from the inspector general which precipitated your press release yesterday would be made available to the committee or the public.

Gen. Cosgrove—I will start on this and then pass to the Chief of Army at some point during my reply. The report made by the officer appointed under the auspices of the inspector general was commissioned by me. We will follow the practice of all other reports of this nature—that is, it will not automatically be made public. Obviously it is available to certain people who are the subjects of the report, but there would be no plan on my part to make it public, and of course I do not have that prerogative. It is an application to the minister by those who seek to have access to the report.

Senator CHRIS EVANS—Is that some sort of regulation or procedure?

Gen. Cosgrove—It is, yes. Reports of this nature under the Defence inquiry regulations can be released by the authority of the minister, but not otherwise.

Senator Hill—I have agreed that it be released to certain individuals on conditions. Those conditions, I am advised, follow a longstanding practice to ensure that inquiries of this type are responded to in a frank and full way and to protect the interests of those who do respond to them in such a way.

Senator CHRIS EVANS—Do I take it from that that the report will be made available to the complainant, but under certain conditions?

Senator Hill—Yes.

Senator CHRIS EVANS—And those conditions go to non-disclosure, I presume?

Senator Hill—Other than to legal advisers and family, from memory.

Senator CHRIS EVANS—But all under conditions of strict confidentiality. Is that fair?

Senator Hill—Yes. I did query that because I remember it was subject to debate on another matter. The military convinced me that there was merit in that longstanding practice—that these inquiries work better when those who contribute to them know that they are in effect an internal process that is designed to get to the truth in a way that encourages contributions which are, as I said, full and fair.

Senator CHRIS EVANS—Isn't this inquiry being conducted by the inspector general of military justice—or do I have the wrong title?

Gen. Cosgrove—It is the Inspector General of the Australian Defence Force. I am clarifying the title.

Senator CHRIS EVANS—There are two inspectors general, aren't there?

Gen. Cosgrove—There is an inspector general without further addition to the title; that is Mr Neumann, whom you saw at the table a while ago. Then there is the new appointment within the military justice system of the Inspector General of the ADF.

Senator CHRIS EVANS—So when the minister says 'past practice in not disclosing these reports', we are not referring to past practice of the Inspector General of the ADF, because that is a new position.

Gen. Cosgrove—No, the report is done under Defence inquiry regulations, which is a set of regulations of long standing.

Senator CHRIS EVANS—Yes. I guess I am just making the point that, as I understand it, this is, if not the first, one of the first reports conducted by the Inspector General of the ADF. I accept what you are saying about the regulations, but you are saying that, as a result of that, all his inquiries will be kept confidential and not made available.

Senator Hill—I think it is only that he is doing this investigation in that office. But this type of inquiry is not new in substance, I understand. It is a longstanding practice, and around it has developed a culture that encourages cooperation; that is what the military wants to maintain.

Senator CHRIS EVANS—Minister, you have approved release of this particular report to a limited number of persons, including the complainant. What are the natures of the other parties to the complaint? I mean just the categories of persons rather than, necessarily, the names—the prosecuting officers, for instance?

Lt Gen. Leahy—Certainly the prosecuting officer, I would imagine—as I have said to the minister, I am not familiar—and any affected persons in the report are perfectly entitled to get a copy of that report.

Senator CHRIS EVANS—They are entitled to as long as the minister approves it.

Lt Gen. Leahy—Yes, and it would be normal practice for the minister to do that.

Gen. Cosgrove—Just to be clear, we do apply to the minister but it is on the basis that these people have a reason to receive the report. It would be hard to imagine that the minister would not be moved by that.

Senator CHRIS EVANS—But the formal process is that the minister has to say, ‘Yes, they can have it,’ or, ‘No, they can’t.’ You make recommendations to the minister.

Senator Hill—That is under the regulations, as I understand it. The issue that I was concerned with was whether the conditions should be applied. I know that has been criticised in the past, and I sought further advice on that particular point. I thought the case made for applying the conditions was quite strong and I accepted the advice.

Senator CHRIS EVANS—So all parties who receive it will be bound—and I am not trying to verbalise you—to strict confidentiality requirements?

Senator Hill—That is correct.

Senator CHRIS EVANS—So effectively they will not be able to make any public comment about the contents of the report?

Gen. Cosgrove—Is not quite that. A person in receipt of it has the information that is in the report. What they cannot do is furnish the report to another person.

Senator Hill—There would be a debate about comments made on the report. If the comments that were made on the report were such as to indicate the content of the report then that certainly would not be in the spirit of the condition.

Senator CHRIS EVANS—I watched a couple of old ONA officers on *Lateline* last night, and these things are obviously more breached these days than observed. I just want to be clear about that. So they will have access to the report but will have some sort of confidentiality restriction on the use of that information. Are you able to take on notice what those confidentiality requirements are and how they are expressed?

Senator Hill—They are that they will not disclose the report other than to their legal advisers or close relatives or some such expression—that is my recollection.

Senator CHRIS EVANS—I would like you to take on notice so I can actually see the words that are used, if you wouldn’t mind providing that to us.

Senator Hill—Okay.

Senator CHRIS EVANS—As I understand the inspector general process, General Cosgrove, he has the power to recommend an investigation occur or make a recommendation to you, and then you have the authority to authorise, or not, an investigation. Is that accurate?

Gen. Cosgrove—He can investigate—as directed by me or, as may be requested, by a service chief—such matters as may be referred to the IGADF or a matter of his or her own motion concerning the operation of the military justice system. There are other functions, but just on the issue of investigations that is all.

Senator CHRIS EVANS—I was just trying to track the process on this occasion. The inspector general received a complaint from the SAS soldier. Did he then make a recommendation to you that there be an investigation conducted?

Gen. Cosgrove—He brought the issue to me, together with his recommendation. I concurred with the recommendation, because of his existing caseload and the peculiar nature of the case, that we enlist under the IGADF for the purpose a senior Navy Reserve lawyer who happened to be on the judiciary in Victoria.

Senator CHRIS EVANS—When did you make that decision?

Gen. Cosgrove—On the spot—it was in the third quarter of last year. It was on 23 September. That is when he was appointed, but the decision was made a little while before that because we had to then step through to get the chap.

Senator CHRIS EVANS—When that report was completed did it go to the inspector-general or to you?

Gen. Cosgrove—It was brought to me, with the inspector-general giving a comment on it.

Senator CHRIS EVANS—And when did you receive the report?

Gen. Cosgrove—I think it was on 31 October. There were a couple of parts of it.

Senator CHRIS EVANS—Could you explain that? Did you get one part of it on 31 October?

Gen. Cosgrove—Yes, there was some follow-up, which was additional to the core findings, to clarify certain outstanding elements. The final part of the report was on 20 January.

Senator CHRIS EVANS—I am not sure that I quite follow that. The initial report came back with the independent legal person's assessment of the complaint made by the SAS soldier.

Gen. Cosgrove—That is correct.

Senator CHRIS EVANS—I gather from Lieutenant General Leahy's comments yesterday in the press release that he found some concerns and criticisms of the process. And then there was a secondary report. Was that by him or by somebody else?

Gen. Cosgrove—That was by him. At the same time as the soldier made the initial set of complaints, a speculation occurred that there had been another issue associated with the overall case—not complained about by the complainant but very germane to the overall issue. I decided it was necessary not to separate that or pass it by.

Senator CHRIS EVANS—Was that a second complaint lodged?

Gen. Cosgrove—No, it was not by way of a complaint—it was more by way of an allegation that there had been some improper treatment within the case of some witnesses.

Senator CHRIS EVANS—So you empowered—are we using the name of the legal person?

Gen. Cosgrove—I have no problem with that.

Senator CHRIS EVANS—Did you use it yesterday, Lieutenant General Leahy?

Lt Gen. Leahy—I have not used it.

Senator CHRIS EVANS—I am not fussed about it anyway.

Gen. Cosgrove—Well, let us leave it.

Senator CHRIS EVANS—Nothing turns on it—I was just searching for how to describe the investigator.

Lt Gen. Leahy—He is a QC.

Senator Hill—He is a judge, isn't he.

Lt Gen. Leahy—And a judge.

Senator CHRIS EVANS—The judge; him.

Lt Gen. Leahy—We have already determined that neither you nor I are lawyers, Senator.

Senator CHRIS EVANS—Yes, but I made a blue: I married one! Was the second report a report on those other allegations or other concerns?

Gen. Cosgrove—Largely, yes. We had the weight of the judge's view on the complaint available in October last year, with the additional matter not resolved until his supplementary report in January this year.

Senator CHRIS EVANS—Did that supplementary report materially affect—

Gen. Cosgrove—No. In fact it confirmed that the extra possibility or allegation was unfounded.

Senator CHRIS EVANS—But this was not a complaint made by the soldier in any event?

Gen. Cosgrove—No, it had not been part of his concerns that led to the primary cause of the investigation.

Senator CHRIS EVANS—So why was the decision taken to make the public announcement yesterday?

Lt Gen. Leahy—That was my decision. I had been furnished by CDF with the initial statements by the judge. I had received after 20 January the follow-up statements by the judge. In conjunction with the soldier involved we determined that, as soon as Army could feasibly put out the apology that we put out, we would. It was a matter of timing—for me to be able to speak to the soldier, for him to be able to consult with his lawyers and for Army to put out the apology. It was a simple matter of following a sequence. I wanted to do that as soon as possible. As we all readily admit, this has been very long and protracted. I wanted to give the soldier a sense of closure and I am quite relieved that that has been done.

Senator CHRIS EVANS—Do I take it from what you have said that there was in a sense a negotiation with the soldier about a satisfactory resolution of the issues?

Lt Gen. Leahy—No, there was no negotiation. He and I discussed this for a considerable period of time. I showed him the draft press release. He consulted with his lawyer, the draft press release as given was agreed on and we put it out.

Senator CHRIS EVANS—So it was not a question of negotiating the apology to a sort of satisfactory conclusion from his point of view? I assume you took advice, following the inspector-general's report, about what action you ought to take—or did you just do that on your own?

Lt Gen. Leahy—I took some advice, but my course of action was clear to me in that the report was very clear in itself. It pointed out some things that, indeed, I was concerned about myself in relation to the length of the investigation. I think you are aware that, as we have said in this press release, the investigation and some aspects of the service police investigation were of concern. Indeed, Army initiated in May last year an internal review of the investigative capacity of our military police. That is proceeding, and I am expecting a report on that in the middle of this year. That was one of the comments made by the judge. So these things have been running in parallel, and it was timely to put it out yesterday.

Senator CHRIS EVANS—Did you take legal advice as to how you should respond to the inspector-general's report, or did the inspector-general recommend a course of action?

Lt Gen. Leahy—I see this internal review and audit which is provided by the IGADF as one of the strong features of the military justice system. I read the report, I was persuaded by the report and I was also persuaded by some of my own observations; and once the investigation, the allegations and the court process had been finalised it was timely to make the apology.

Senator PAYNE—In your press release you note, amongst the remarks that you have just made, the deficiencies with regard to the military police investigation and I assume the length of the prosecutorial process as well. Where do you take the points that are made in the report of the Inspector-General of ADF from here? How are they pursued in terms of the process that Army, in this case, uses?

Lt Gen. Leahy—With regard to Army and the processes that are our responsibility, I have already detailed the length and perhaps the quality of some of the military police investigations. We have commenced work on that already. That was part of the determination to commence a review in May last year. We have started on that, and that has been running in parallel. Indeed, on Monday I received the first report of the consultancy firm that is doing that investigation; so I am confident that it is moving along. As for the other areas, we are looking at some of our internal policies. We have talked amongst ourselves by way of debriefs. I have counselled some officers as to their performance. I think that we have picked up a lot of the issues. We are working with them now. Certainly we will be looking at this and debriefing to make sure that we can work towards the future to make sure that this does not happen again. One of the very pleasing aspects of this is that the soldier involved has the same view. He is working with us to make sure that we can improve our processes so that it does not happen again.

Senator PAYNE—I see that you also made a note in relation to that in your press release. I think you have described the IGADF here as a means of review and audit of the military justice system that is effective and can help to correct errors. Does that mean that, when you implement changes to process—changes that might speed up the processes of prosecution, let alone the investigative side of things—and you go back to the IGADF with that information to illustrate what changes you have made, he can comment on those? What is the toing-and-froing in that process?

Gen. Cosgrove—I am keenly interested in the outcome of the internal Army sponsored review of military police. The reason for that is that they are the largest policing part of the

ADF and there will quite possibly—almost probably—be some very good insights for the other service about smaller police groups. I think that it is likely that I will use the IGADF as an expert to assist in taking an ADF-wide perspective of this military police review. There are other initiatives in this regard which I will save until 1 March to speak about. I will say, ‘There’s more’—I am like the Demtel man.

Senator PAYNE—I had never thought of you in that light, General. You have talked about the military investigation process and the military police side of things several times, but there is also the prosecution process, which was discussed at estimates on the last occasion. My colleague Senator Johnston is not here at the moment but there were issues that he raised. Those issues are also a matter of concern and I do not see much coming out of this discussion that pertains to the prosecution process.

Gen. Cosgrove—Again, we would be happy to take that up on 1 March.

Senator PAYNE—Do you mean we should stay tuned, General?

Gen. Cosgrove—I saw you on the list, Senator. We will lay out what we have learnt over the last couple of years, and not least from the case that we are all referring to now. There have been some structural and some policy changes which we think will assist.

Senator PAYNE—I look forward to that.

Senator CHRIS EVANS—Just make sure you get your submission in in plenty of time so that we can check it before we release it publicly, General Cosgrove!

Gen. Cosgrove—We might put it on the web at the same time as we give it to you, Senator. That seems to be the best way to get people’s attention.

Senator CHRIS EVANS—I just want to be careful that I do not get accused of releasing it early. Did you get legal advice about the response you should make to the soldier?

Lt Gen. Leahy—I took legal advice in relation to this press release. I viewed my discussion with the soldier and my apology as predominantly in terms of a command relationship, not a legal relationship.

Senator CHRIS EVANS—It occurred to me as a non-lawyer—I say this with no basis—that there might be issues of compensation or whatever potentially flowing. I wondered whether you got legal advice on the impact of your action.

Lt Gen. Leahy—I did take some advice on that, yes.

Senator CHRIS EVANS—I am not saying there is an issue. I thought that was an issue for you and I wondered how you responded on behalf of the Army. Did the SAS soldier indicate his response to the course of action? I know he can speak for himself but, given the issues, is it fair to say that he was happy with the course of action taken?

Lt Gen. Leahy—I would not like to put words in his mouth but, as I have indicated, he has agreed to the press release. I spoke to him yesterday, before the press release went out, and told him that I was going to publish it that day.

Senator CHRIS EVANS—Can I ask you for an update on the allegations made on the *Dateline* program. Have you made any progress in responding to those?

Lt Gen. Leahy—We have made little progress in that the allegations remain just that—allegations. We have repeatedly asked *Dateline* and the SBS organisation to provide us with more information. Until we get more information, there is very little we can do to investigate them. Of course, they are serious allegations. When we are provided with information on which we can proceed, we will.

Senator CHRIS EVANS—I think you had some information as to the identity of some of the men involved. Have you been able to further check your records about them?

Lt Gen. Leahy—We have looked at the records. On the basis of the very scarce information, we have not been able to go any further with it. As I said, we have asked the program for more information. So far, it has not been furnished.

Senator CHRIS EVANS—So is it fair to say that you are not taking any further action at the moment?

Lt Gen. Leahy—On the basis of the information we have, there is very little more we can do.

Senator CHRIS EVANS—Thanks for that. I want to ask a couple of questions about the Black Hawk accident. Will I do that now?

ACTING CHAIR (Senator Ferguson)—Yes.

Senator CHRIS EVANS—Perhaps we could start by someone giving us an update on the health of the personnel who were involved in the crash.

Lt Gen. Leahy—I can do that. As of late on the 16th, there were a number of the soldiers still in hospital. There is clearly going to be ongoing medical attention required. Some will be requiring more surgery. It remains very much what we reported early—back problems, some broken legs, open fractures and clearly a lot of bruising and soreness—but we are very satisfied with the care and attention they are getting in the Queensland hospital system. Some of the passengers have returned to Oakey and have returned home, but clearly some are still in hospital. We are receiving updates in the afternoons. It is normally at about 1600 hours. If you like, I can provide you with the latest information later this evening. But they are progressing well. We will need to wait for the bruising, swelling and other injuries to go down a bit before we can give long-term prognoses. We are just grateful that, due to the robust nature of the aircraft and the safety features built into the aircraft, quite remarkably they are all alive.

Senator CHRIS EVANS—It seemed like a pretty good result given the number of people involved and the severity of the crash—that they got off so lightly in a sense. That is not to make light of those with serious injuries, but it is a pretty reasonable result given what might have happened. I gather you have resumed Black Hawk training.

Lt Gen. Leahy—That is correct.

Senator CHRIS EVANS—Can you give us an update on how the accident investigation is going?

Lt Gen. Leahy—The accident investigation team has been appointed. It comprises nine members from each of the three services and also DSTO. They have impounded the crash site and the aircraft. They have commenced their investigations. We will now wait for them, under

the investigation procedures, to provide their view of what happened. We would also then appoint an investigating officer. He will take the report from the accident investigation team and look at the broader aspects other than the technical nature of the crash. Training Command, the command within which the aviation centre sits, will appoint that investigating officer. I will wait until the results of that investigation are provided to me. I would assume that there would be recommendations and a range of activities to try to make sure that this sort of thing does not happen again.

Senator CHRIS EVANS—Did they give you any preliminary advice on the cause of the accident?

Lt Gen. Leahy—On the day we were very concerned that there might have been something of a clear mechanical nature. We have Black Hawks conducting other activities. We have Black Hawks deployed on operations in East Timor, where they provide very important aeromedical evacuation for our soldiers there. So we are very keen to find out if there might have been something of a broad mechanical nature that might have been a generic fleet problem. The initial recommendations given to me—and I have heard nothing that would be contrary since—have indicated that it was not a mechanical problem. I obviously cannot speculate beyond that on what it might have been.

Senator CHRIS EVANS—I am not trying to pre-empt either, but obviously there is an interest in whether or not it is seen to be a systemic problem.

Lt Gen. Leahy—It does not appear to be. I was confident enough that afternoon, on advice from the commander of the aviation brigade, to recommend to CDF that we continue operations, and we have agreed that we did.

Gen. Cosgrove—I should say that we always ensure that the technical airworthiness authority, which resides with the Chief of Air Force, is also invoked and has a part to play in approvals to continue flying after these accidents.

Senator CHRIS EVANS—Have there been any other incidents involving Black Hawks in recent times?

Lt Gen. Leahy—There have been. There are some that are clearly in the public consciousness. There was the Black Hawk accident in Townsville. There was an incident in East Timor. There was an incident in North Queensland—I believe the Prime Minister was flying in the aircraft at the time.

Senator CHRIS EVANS—I was not really after the historical or recorded issues; I just meant in terms of the activities in recent times. For instance, it has been suggested to me that you had a forced landing on 9 February as well. Is that true?

Lt Gen. Leahy—I will have to take that on notice. I am not aware of a forced landing. That was 9 February?

Senator CHRIS EVANS—Yes.

Lt Gen. Leahy—I will take it on notice.

Senator CHRIS EVANS—The suggestion to me is that there was a forced landing in Queensland, and they camped out overnight as a result of some sort of mechanical problem.

Putting the historical issues to one side, I was just wondering whether you had had any other instances of problems, and by recent times I mean in the last six months or so.

Lt Gen. Leahy—Not that I am aware of. I will take it on notice and get back to you today.

Senator Hill—Generally speaking, and correct me if I am wrong, the Black Hawk is regarded as a very robust, capable and reliable aircraft. That is the international experience.

Lt Gen. Leahy—That is certainly correct, Minister. Those of us who fly in it and the pilots love it—they have a great degree of confidence in it. It is a very robust aircraft. We are very much aware that, from the experiences in Vietnam, this aircraft was engineered to try and overcome all of the problems that the UH1H experienced there. It is one of the best aircraft in the world.

Senator CHRIS EVANS—Not that it matters but, for the record, I was not suggesting anything to the contrary. I am not making a case against the Black Hawk. I was just interested in your experience in recent times. As I say, a suggestion was made to me that there had been another forced landing, within a few days of this other incident, and I was trying to understand whether or not you have had any broader problems with the Black Hawk in more recent times.

Lt Gen. Leahy—Right now I do not. I will find out for you and we will let you know today.

Gen. Cosgrove—The Chief of Air Force has just given me some additional information broadly on Black Hawk. Air Force chairs airworthiness boards each year on aircraft types and does so in relation to Black Hawk. They have been issuing certificates to certify its fleet-wide status and there have been no trends to suggest any problems.

Senator CHRIS EVANS—That is really what I was after. But perhaps you might take on notice, General Leahy, the question about whether you had a forced landing on 9 February.

Lt Gen. Leahy—Certainly.

CHAIR—We will stop now for a break.

Proceedings suspended from 3.28 p.m. to 3.50 p.m.

CHAIR—We are continuing with output 3, Army capability for the defence of Australia and its interests.

Senator CHRIS EVANS—I want to ask some questions regarding the drug issues. There are a number of separate ones obviously relating to Air Force or Army, but I thought I might start with Army, General Leahy, and maybe get an update on the outcome of the Robertson Barracks issues and where you are at with all that.

Lt Gen. Leahy—The committee would be aware that there was some activity in relation to soldiers who were illegally using drugs in the 1st Brigade. This was something that was initiated by the brigade. A joint operation was conducted with the Northern Territory police and the military police. A drug operation was conducted. Ninety-seven soldiers were targeted for testing. Forty-seven returned a positive result. I might add here that this is out of a brigade strength of 3,598. This was as a result of information. So it is a small number out of the very large size of the brigade.

Twenty-four of the soldiers who tested positive will be discharged and there is a decision pending for 19 other soldiers, which is largely due to the fact that the proceedings have not reached any conclusion yet. Four soldiers who tested positive have been retained in the Army but they will have formal warnings against their files making it clear that any further involvement with drugs will result in their dismissal. They will undergo ongoing drug education and are clearly liable for further urinalysis and testing of their drug status.

Senator CHRIS EVANS—When you say that 19 are pending, that means that you have not concluded the investigation or counselling process.

Lt Gen. Leahy—That is correct. It may just be a matter of time and gathering information. Some of them, I believe, would be contesting, putting a redress of grievance or making some statement against their notice to show cause, and that is part of our normal administrative procedure.

Senator CHRIS EVANS—Would some of them have received a notice that it was proposed they be discharged, and they would be contesting that?

Lt Gen. Leahy—All of them would have received a notice to show cause as to why they should not be discharged. Some would be contesting that.

Senator CHRIS EVANS—So is it reasonable to assume that it is likely that a reasonable number of those would be discharged?

Lt Gen. Leahy—Yes, it would be. As I said, four have been retained. Some of the 19 may be retained and there are good reasons for that. It is well within our policies, particularly for experimenters or young soldiers. We would seek to work with them to make sure that they do not reoffend.

Senator CHRIS EVANS—Have there been any further drug raids or drug testing at Robertson since that major activity?

Lt Gen. Leahy—Our drug activities are ongoing. There have certainly been none of that nature and scale. I would not say with any clarity that there have not been. In fact, I would be surprised if we have not had some further testing. As you are well aware, we now have a policy that allows us both random and targeted urinalysis.

Senator CHRIS EVANS—Has that policy been enacted inside Army? Have random drug tests occurred?

Lt Gen. Leahy—I am aware that there have been some drug tests. At this stage, I would not like to say that they have been random but I am aware that our policy is ongoing and there have been some tests. I will take the question on notice, if you do not mind.

Senator CHRIS EVANS—We were given information at the last estimates that you were about to institute a random drug testing regime. The committee will be interested in whether that has occurred. I was going to ask each of the services that question, so I guess that gives Air Force and Navy a few minutes to think about it. I am just not clear on what you are saying. Have you instituted a drug regime or are you not aware?

Lt Gen. Leahy—Three days ago there were some soldiers tested. I am not clear on whether that was random or targeted. I believe that in this case it was targeted. I will just need to clarify that for you, and my staff will be doing that now.

Senator CHRIS EVANS—In terms of the extent of the problem at Robertson, how did this concern originally come to the notice of Army?

Lt Gen. Leahy—I believe that it was a soldier within one of the units at Robertson Barracks who expressed concern to his chain of command that soldiers were using drugs. He is like many other soldiers. It has been very interesting travelling around the Army over the last few months and seeing the very great degree of support that we have had from all ranks, with people saying, ‘Good. We do not want these people amongst our ranks. They are dangerous to us. They are not living up to the values that we hold, to the ethos of the Defence Force.’ So essentially soldiers said, ‘Enough! We do not want this bloke here. What can you do about him?’ That then turned into the major investigation, the results of which you have seen.

Senator CHRIS EVANS—The original complaint went to Army or went to police?

Lt Gen. Leahy—I believe it was to Army.

Senator CHRIS EVANS—And police were brought in—

Lt Gen. Leahy—And police were brought in. I may be wrong there but I think a few things happened about that time and it became a joint investigation with the military police and the Northern Territory police.

Senator HOGG—Have there been any charges laid against any people involved in the drug processes up there?

Lt Gen. Leahy—I will have to take that on notice.

Senator HOGG—I am talking about civil charges.

Lt Gen. Leahy—Again, I will have to take it on notice. I think the majority are.

Senator HOGG—On both counts, could you take it on notice?

Senator CHRIS EVANS—Is there someone here today from Army who can help us with that?

Lt Gen. Leahy—The staff are monitoring what is going on now and they will be working at it now.

Senator HOGG—Was there any evidence of an organised drug ring, as such, or was it something that was fairly one-off in terms of use by some of these people?

Lt Gen. Leahy—To my knowledge there is certainly no evidence of an organised drug ring. Unfortunately, drugs are readily available in many of our capital cities and they are readily available in the sorts of places that soldiers go to. Darwin is much the same. In the nightclubs and other places that they go to I am told that drugs are readily available and our soldiers were partaking of them. But I am certainly not aware of any drug rings inside or outside Army that our soldiers were part of.

Senator HOGG—Was there any identification of the types of drugs that were being used?

Lt Gen. Leahy—Yes, cannabis, benzodiazepine, amphetamines and opiates. Some soldiers tested positive to more than one drug.

Senator CHRIS EVANS—You made a comment, recorded in the *Hansard*, last time about the supplying of drugs. I do not want to verbal you so I will ask the question again about what you know about the issue of supply and whether soldiers were involved in supplying those drugs on Robertson.

Lt Gen. Leahy—I would assume that soldiers were involved in some way in the supply in that they were selling them to their friends, or they might have been acquiring them for their friends. But we have no evidence that there was any supply gang, if you like, or any organised gang supplying drugs.

Senator CHRIS EVANS—That takes us to the question we asked before, which is: what has happened in terms of criminal charges? I understand that Army responded to the drug testing and those who tested positive but, given that the police were involved and they uncovered a large number of people involved, I would assume that they laid charges against if not all users then certainly those they suspected—if they had evidence—of supplying the soldiers on the base. Are you able to help us with what happened with all that?

Lt Gen. Leahy—I am not aware of what civil charges may have been laid. Again, I will try and find out for you. There is a distinction to be drawn here, though, in terms of the jurisdiction for some of these offences. Civil jurisdiction would allow that possession of some types of drugs up to certain quantities is not a criminal offence. The Defence Force Discipline Act is not as generous in those areas where we are responsible, so it might be that there are DFDA charges and not corresponding civil charges.

Senator CHRIS EVANS—I understand that. I suppose our focus has been on your drug testing activity and the 97 tested et cetera. But there is a whole other set of issues which go to the involvement of the police, whether drugs were discovered and whether questions of supply were uncovered. I am just trying to get an understanding of that side of the picture. I know what you did in relation to the test results—you gave us more evidence about that today, and I appreciate that. What has happened in terms of dealing with the source of the problem and particularly the police's role?

Lt Gen. Leahy—As I said, I have incomplete knowledge of that and I will find out for you.

Senator CHRIS EVANS—Can you enlighten us further as to what happened in relation to the Woodside incident and the eight soldiers involved in that?

Lt Gen. Leahy—I have got a brief note here in relation to Woodside. If you want more extensive information, I will have to take it on notice, I am sorry. I have is that in Woodside, of the total number of personnel—438 in the unit—24 soldiers were tested for drugs and seven were found to be positive. As yet I have no indication that the action pending on the soldiers has been completed. Certainly action is pending against seven soldiers. Again, I will seek to get you an update.

Senator CHRIS EVANS—I think last time you told us that two had been charged by the civil police. I had eight soldiers having tested positive, but I might have got that wrong.

Lt Gen. Leahy—We will try and reconcile that.

Senator CHRIS EVANS—I will be interested in the outcome of that. The same for Townsville. I think 39 tested positive.

Lt Gen. Leahy—Thirty-nine were tested, 15 were positive and there is action pending on those 15.

Senator CHRIS EVANS—So none of those have been discharged or dealt with at this stage?

Lt Gen. Leahy—That is as of the date on the information that I have got here. Again, the staff will work on that and try and get you an answer this afternoon.

Senator CHRIS EVANS—So at Townsville there were actually 39 tested. I had a recollection that 39 tested positive, but 39 were actually tested as part of the process.

Lt Gen. Leahy—Out of 4,015 soldiers in Townsville, 39 were tested and 15 proved to be positive.

Senator CHRIS EVANS—Why were those 39 chosen to be tested? Again, was that targeted?

Lt Gen. Leahy—I cannot recall at the moment. I will have to get you some more information on that.

Senator CHRIS EVANS—If you could. I would be interested in the experience of those, too. Have there been any other major drug testing operations inside Army since we last spoke?

Lt Gen. Leahy—I have just referred to one in the last few days. I would not call it major. As I recall, perhaps 10 were tested and three were positive—it was in that sort of order. It has only just happened. I do not believe there are any other major ones, if you would call that major.

Senator HOGG—Of the people who are testing positive, is there anything to show that more people are testing positive on base or more are testing positive off base, or doesn't that factor come into it?

Lt Gen. Leahy—We would be able to do the figures on that, but I do not have them. I will get them for you.

Senator HOGG—I am just wondering if there is something cultural on the base or off base that might be affecting the numbers.

Lt Gen. Leahy—There may be some correlation, and I am sure that when our military police do their statistics and try to derive some analysis they do look at that. But I do not know. I will get the figures for you. I will probably not get them today; it will take a bit longer to assemble them.

Senator HOGG—I understand that. The other thing that would be interesting is the age of the people.

Lt Gen. Leahy—Certainly. In fact we will try and get you a broader profile.

Senator HOGG—I presume you will have some deeper analysis of this as time goes on.

Lt Gen. Leahy—Yes.

Senator HOGG—Could you make that available to the committee.

Lt Gen. Leahy—What we are seeing is that we very much parallel community issues on this. Unfortunately, drugs seem to be part of the party scene. Our people go to parties, hotels and bars—the older term was discotheques—where drugs are found.

Senator CHRIS EVANS—General Leahy, can you respond to the *Bulletin* article about the link between the loss of weapons and ammunition and the alleged link to the drug issues, which was made quite strongly in the *Bulletin*? I know the Northern Territory police made some comments. I thought, for the record, it was worth asking whether you thought there was any link between the two issues and whether you were concerned about a link between the two issues.

Lt Gen. Leahy—I was concerned about the article, and then I thought it was inaccurate and had drawn a very tenuous link. I think that link was amply rebutted by the Northern Territory police. I do not see that there are those links, so I was concerned about the article.

Senator CHRIS EVANS—Is your understanding of the loss of weapons and ammunition at Robertson that it is any worse or better than anywhere else? I know there has been some concern about a couple of rifles going missing from Robertson last year. I had people ringing me about it a while back. Is there a security problem at the base that is any different from the more general issue?

Lt Gen. Leahy—I do not see any different issues at all at Robertson, so I do not see that there is a link with organised crime. In fact the analysis of the loss of the weapons, certainly in the case of the rifles you are talking about, shows that it was probably more because of opportunity rather than someone stalking them, finding them and using them. They were insecure for a very brief period of time, and it looks as though someone just took the chance and took the weapons. I do not see any links of organised crime. As I say, I thought that the comments made in the *Bulletin* article were very tenuous and just did not make cogent conclusions from clear facts.

Senator CHRIS EVANS—Apart from those two rifles going missing from Robertson, has there been any other loss of arms or ammunition from Robertson?

Lt Gen. Leahy—There has been over a period of time. Two nine-millimetre pistols have been lost, one in Robertson Barracks and the other in a training area, and there have been some incidences of a minor nature with other ammunition; but we have seen nothing that shows it is any different from what is happening around the rest of the country.

Senator CHRIS EVANS—Effectively, in recent times you have lost two nine-millimetre pistols and two rifles—is that correct?

Lt Gen. Leahy—That is correct.

Senator CHRIS EVANS—When did the pistols and rifles go missing?

Lt Gen. Leahy—One pistol went missing on 19 March last year and one went missing on 30 July last year. The rifles went missing on 8 January last year. Of course, they are being investigated thoroughly. One looks as though it may have been lost on a training range, and

the soldier concerned has been charged for failing to secure his weapon. As to the others, we are working with our investigators and civil investigators but we do not seem to be able to find them.

Senator CHRIS EVANS—What strikes me about that is that they all happened within a fairly short period of time.

Lt Gen. Leahy—It was from January to July in two very widely separated areas. It is disappointing; it should not have happened but I would not have said that it happened in a very short space of time. I would find it very difficult to draw conclusions from this that it is any organised activity.

Senator CHRIS EVANS—Okay. Air Marshal Houston, I will start with the Amberley situation. Is there any update on processes involving the airfield defence guards issues? Can you give us a briefing on where that has got to?

Air Marshal Houston—Where would you like me to start, Senator?

Senator CHRIS EVANS—I want to come back to you to talk about the two airmen and AC Moore in relation to those issues, but what has been your broad response to those found involved in taking drugs? How is that progressing and what action have you taken?

Air Marshal Houston—I spoke last time about what happened back in September 2002—that was 18 months ago. As you will recall, we had three young members come forward and inform the commanders that there was some substance abuse within the wing. Subsequently the whole outfit was recalled from exercise and they were all brought together in one location. The commander briefed them and told them that we would not tolerate the use of drugs. There was then a process of each individual being interviewed by his commander and the squadron warrant officer. Out of that we had 22 self-referrals. There was also a need to investigate another 25 for alleged use of drugs. I do not have the precise figures for the outcome of the 25 who were investigated. I will get that for you. Out of the self-referrals there were five positive drug tests because a self-referral involved a process of drug testing.

Since then we have embarked on a very extensive program of education and monitoring, and to my knowledge we have had only one case of a positive drug test. That is after all this happened. Of course, after that September we commenced a full investigation into the extent of the substance abuse in the wing. The finding from that was that there was some substance abuse but it was not widespread and that all the cases that had been identified were being properly dealt with. Since then we have not had any major issues.

The command team up there at the moment is doing a great job. I have spoken with them several times about my requirements to make sure we maintain our policies with regard to the nonmedical use of drugs. They are doing a good job. We kicked off our drug testing program with a trial where we tested the senior leadership team—the 31 senior officers in the Air Force. That gave the senior leaders some idea of what was involved.

Senator CHRIS EVANS—You are not going to reveal the test results?

Air Marshal Houston—The tests were all negative. We commenced the random drug testing and alcohol testing last week at Amberley. We tested 11 individuals for drugs and another 11 for alcohol in one of the units at Amberley—it was not the airfield defence wing—

and we got negative results across the board. So the program is under way and we are firmly of the view, like Army and Navy, that we have to get right on top of these issues—and we will do.

Senator CHRIS EVANS—I wish to take you back to the incidents at Amberley. I want to be clear about these, because I read through the record and I am a bit confused. The original allegations made by Aircraftman Moore and a couple of others were made at the RAAF in May 2002—is that right?

Air Marshal Houston—No, the first allegation made by AC Moore was to the Queensland police in May 2002. He made a formal statement to the Queensland police at that time.

Senator CHRIS EVANS—You are saying that he did not raise it with the Air Force prior to that?

Air Marshal Houston—He did not, not as far as I know. I will double-check that.

Senator CHRIS EVANS—I would like you to be very clear about that. I have had contradictory evidence about that and we passed over it last time without me nailing it down.

Air Marshal Houston—I will double-check it. The briefing I have before me makes no mention of any reference to the RAAF authorities.

Senator CHRIS EVANS—I ask that because the actual raid was not until 29 August. It was three months later.

Air Marshal Houston—That is correct, yes.

Senator CHRIS EVANS—Do you have an understanding of why that was?

Air Marshal Houston—No, I do not. It was a police matter because of the nature of the allegations. It was something that was in the jurisdiction of the Queensland police. I have not been in touch with them as to why it took that long.

Senator CHRIS EVANS—I refer to the two airfield guards who were the subject of charges. Can you clarify for me whether or not they were successfully prosecuted in the civil courts?

Air Marshal Houston—Leading Aircraftman Challen was discharged from the Air Force on 14 November. He went to court seven months prior to that and was fined \$150 and ordered to pay \$350 in compensation by the court for assaulting Aircraftman Moore. The seriousness of the assault charges against Challen were reduced on the recommendation of the prosecution, with Aircraftman Moore's concurrence, and a conviction was not recorded against Leading Aircraftman Challen for assault.

Senator CHRIS EVANS—You say he was discharged from the Air Force, but he was not discharged for disciplinary reasons; he was discharged as medically unfit.

Air Marshal Houston—Yes, medically unfit.

Senator CHRIS EVANS—So it had nothing to do with these matters at all?

Air Marshal Houston—The two things came together and certainly after this we would have proceeded with some form of administrative action, but he left the service shortly thereafter.

Senator CHRIS EVANS—When was the civil case against him concluded?

Air Marshal Houston—I do not have the precise date. I can come back to you on that question.

Senator CHRIS EVANS—Please take that on notice. So he left the Air Force on 14 November 2003—or 2002?

Air Marshal Houston—He left the Air Force on 14 November 2003. I will have to get back to you on that question.

Senator CHRIS EVANS—But he left the service on medical grounds more than a year after the drug raid?

Air Marshal Houston—That is correct.

Senator CHRIS EVANS—And the other airfield guard in question?

Air Marshal Houston—The other fellow had the assault charges dropped against him on 14 October, and subsequently the charges—

Senator CHRIS EVANS—2003?

Air Marshal Houston—Yes, 2003, and subsequently the charges of possession of property suspected of being unlawfully obtained were also withdrawn. He attended court on 7 January this year, and following legal argument over the admissibility of the prosecution's evidence the prosecution decided to withdraw all charges. There are no further civil charges pending.

Senator CHRIS EVANS—What is the status of this aircraftman inside Air Force?

Air Marshal Houston—He is back in the Air Force and we are having a look at where we go from here. This has obviously happened recently.

Senator CHRIS EVANS—When you say 'back in the Air Force', he never left, did he?

Air Marshal Houston—He never left, no.

Senator CHRIS EVANS—So he is still serving. Is he still serving at Amberley?

Air Marshal Houston—He is still at Amberley.

Senator CHRIS EVANS—Is he subject to any Air Force charges?

Air Marshal Houston—Not at this time. Obviously we will look at his case very carefully and the laws of natural justice will always apply.

Senator CHRIS EVANS—But it is fair to say that, given the expiry of time, he is unlikely to be charged with anything. Is that a reasonable assumption?

Air Marshal Houston—I am not familiar with the precise details, but the case of assault and unlawful possession was heard by a civil court and the charges were dropped, and I respect that process.

Senator CHRIS EVANS—I am not suggesting otherwise, but I do want to be clear: there are no current disciplinary actions against this person inside Air Force?

Air Marshal Houston—No, not at the moment.

Senator CHRIS EVANS—So he is still serving at Amberley. That leads me to the question I put to you before, Air Marshal Houston, which goes to the issue of how you protect whistleblowers and ensure that they are not adversely affected by their actions. The concern I have about Nathan Moore is in the sense that he has moved out of concern for his own safety. I do not want to go through the whole saga, but I am concerned about the person who raised these concerns in the first place. The police took the matter seriously and charges were laid et cetera, but the person who brought it to the attention of the police and the Air Force authorities is the one who has had his career interrupted and who has had to be moved. He is the one, if you like, who has been disadvantaged by the process. I am concerned about that. What is your response to that?

Air Marshal Houston—As soon as he came back to work in late August-September 2002, AC Moore requested that he be moved. He did not want to work in that environment. He asked to be moved for his own safety, and we responded to that. And, as I think you are aware, we responded many times after that. Any time he asked to be moved because he felt unsafe, we moved him. We have looked after him, we have had people supporting him and we have responded to all his needs. I suppose the issue is that we have moved him and these other individuals who were perhaps involved in this have stayed at Amberley. But the fact of the matter is that that was the way that individual wanted it and we responded to his requests and his needs.

Senator CHRIS EVANS—Playing devil's advocate, it seems to me not unreasonable, given the nature of the charges—at least the finding of a lower assault charge; no conviction was recorded but he had been assaulted and that was established in the courts—

Air Marshal Houston—I believe he was involved. He worked with the prosecution and the charges that were framed were agreed to by him.

Senator CHRIS EVANS—All I am saying is that, as I understand it, technically an assault was found to have occurred against Nathan Moore by one of these other service personnel. What worries me is what it means as a precedent and for the protection of whistleblowers et cetera. The person who committed the assault is back at work at the base. You say to me that the person who was the subject of the assault asked to be moved. I would say that that was pretty reasonable from his point of view, and you responded to that appropriately—I have no criticism of that—but how do we actually protect such people?

Air Marshal Houston—It is a bit of a vexed issue, and I do not think that there are any easy solutions to the question you have just posed. In these circumstances the commanders at Amberley responded in a particular way and, I would suggest, they responded to what the individual wanted. The other individuals at the time were facing civil charges. The process went through and that is how it ended up.

In terms of the issue of whistleblowers—and I think we discussed this last time—he does not actually fall under the category of the Defence whistleblowing scheme. The Defence whistleblowing scheme only provides protection of identity; it does not provide protection in other ways. I will not get into any more detail on that, because I know the Inspector-General can give you a lot more detail if you require it on the Defence whistleblowing scheme. Identity protection will not be given if an individual is well known right through the

community for what he has done. Of course, in this particular case I suppose there were circumstances where AC Moore had come to notice.

Senator CHRIS EVANS—That is what I am trying to tease out: how do we protect people who have been whistleblowers? I take the point about the date of effect of the legislation under the former whistleblower legislation, but it does not provide the answer to his problem either, does it?

Air Marshal Houston—No, but he asked for a posting, he wanted different employment and we responded instantly to his requirement, because of the fact that he felt very insecure.

Senator CHRIS EVANS—Yes, but what I am trying to grapple with is that it is not an unreasonable attitude for him to adopt—

Air Marshal Houston—Sure.

Senator CHRIS EVANS—given that he was being asked to go back to the same workplace as the person who was convicted of assaulting him. I am just trying to see how we work through these sorts of situations, because it seems to me unreasonable to expect him to go back to that workplace.

Air Marshal Houston—In the circumstances that pertained at the time, I think the decisions that were made were quite reasonable. I accept the fact that perhaps we need to have a look at how we approach these sorts of circumstances in the future, but I think the decisions that were made at the time were very reasonable ones.

General Cosgrove—I have a note here. The leading aircraftman who was found guilty of assault but had no conviction recorded left the Air Force a free agent. The man who was cocharged, so to speak, had those charges dropped. So it seems to me that the charges were not heard. You said that the man who it had been established had assaulted him was still in the Air Force. I might be splitting hairs, but I think the way it seems to have panned out is that only one person was actually convicted of assault and that person is no longer in the Air Force.

Air Marshall Houston—He was charged with assault, but no conviction was recorded.

Senator CHRIS EVANS—I do not think your point is right, with respect, General Cosgrove, because he stayed in the Air Force until 14 November last year.

Gen. Cosgrove—I am just pointing out that is no longer in the Air Force.

Senator CHRIS EVANS—Yes, but he was there for a year and a bit after the whistleblower brought the police in—which is the point that I am making.

Gen. Cosgrove—Sure. I thought you might have been referring to Leading Aircraftman Albest.

Senator CHRIS EVANS—No.

Gen. Cosgrove—You did not use the name.

Senator CHRIS EVANS—I am referring to Leading Aircraftman Challen. The point is that he did not go until 14 November, and he went out on medical grounds.

Air Marshall Houston—I will just clarify a couple of points that you raised earlier. The civil action against Challen was completed in July last year. With regard to your question about whether AC Moore raised the issue with the Air Force before the Queensland police, he went to the Queensland police in May 2002 and did not approach the Air Force before that.

Senator CHRIS EVANS—Thank you. I think I will leave that issue there. I would now like to ask the Navy about developments in the area of drug testing.

Vice Adm. Ritchie—In line with our determination to rid ourselves of drug use—amongst other steps that we have taken—we have taken considerable steps to try and improve our data collection so that we can better understand what the problem is. At the end of last year, I instituted a new quarterly reporting process. The first report will be due at the end of March this year. It is a centralised process. I think that will greatly improve integrity. Last time I gave you some figures, which I think were based on a good part of 2002 and most of 2003. I would like to give you now what I think is the result of just 2003 and then I would like to talk about the result of the testing we have done this year. During the calendar year 2003 there were 30 allegations of illegal drug use—or resulting from a positive test of some sort. Those 30 allegations resulted in six convictions under the Defence Force Discipline Act and three convictions under civil law.

Senator HOGG—Were those three part of the six or were they different?

Vice Adm. Ritchie—I cannot tell you that—I can only say that there are three convictions under civil law and six convictions under the DFDA. I would doubt that they are the same because you would go one way or the other. I would almost be willing to say 100 per cent that they are not the same. Twenty-five personnel were issued with termination notices. Of those 25, nine have had their service terminated, seven are in the process of being terminated and nine were retained. Since we started random drug testing at the end of January, we have the results back from 21 tests. One has proved positive. That person has been issued with a termination notice. Since we last spoke in November, there have been nine combined operations with the police forces of various states. That has resulted in one civil conviction, seven ongoing investigations and one civil proceeding which is no longer visible to us because the person concerned has left the Navy.

Senator CHRIS EVANS—Were the 21 tests you have done this year random tests?

Vice Adm. Ritchie—Yes.

Senator CHRIS EVANS—Were they responding to tip-offs?

Vice Adm. Ritchie—No, the start of the process is to randomly test in all ships and establishments with the aim of testing 10 per cent in the course of the year. I would add that we will have to move it along a bit to get 10 per cent, but we will.

Senator CHRIS EVANS—So you have just selected a ship or an establishment and at random picked a group of people and tested them?

Vice Adm. Ritchie—Yes.

Senator CHRIS EVANS—Have there been any difficulties with the procedures that that has uncovered?

Vice Adm. Ritchie—Not to my knowledge, no. There have been no complaints. I think people accept it. At the same time, we have introduced random breath testing and people accept that as well.

Senator CHRIS EVANS—Before I come to the question of alcohol, *Cerberus* seemed to be the focus of issues in the past. Is that still the case?

Vice Adm. Ritchie—There is an ongoing investigation at *Cerberus*, which is in conjunction with the Victorian police. There have been searches at *Cerberus* in September, October and February. So far, they have really only turned up likely cases against two people. Nobody has actually been charged as a result of that; no convictions have been recorded therefore. It is ongoing, so I would not like to talk about the extent of what might happen at *Cerberus*.

Senator CHRIS EVANS—But is it fair to assume that the focus on the issue might have helped?

Vice Adm. Ritchie—I think it probably is fair to assume that but it might have also sent it underground a bit.

Senator CHRIS EVANS—Yes. Could you tell me how you are going with alcohol testing?

Vice Adm. Ritchie—We have randomly tested 198 people and we recorded nine people who were positive. That means they were over 0.02.

Senator CHRIS EVANS—Is 0.02 an established workplace measure?

Vice Adm. Ritchie—It is the measure. I will take some advice.

Rear Adm. Adams—As I understand it, that is a measure that is applied under occupational health and safety grounds in the broader community. I will not swear by that but that is my understanding.

Vice Adm. Ritchie—I cannot give you any more than that. I do not know whether the nine were tested after lunch or tested after coming in from a late night out and caught in the early morning. They were positive in terms of the allowed recording.

Senator CHRIS EVANS—And that was a random test?

Vice Adm. Ritchie—They were all random tests.

Senator CHRIS EVANS—How have you dealt with the nine people?

Vice Adm. Ritchie—They have all been referred to the drug and alcohol program. We are not allowed, under the way in which this is legally put forward, to take disciplinary action. It is merely taking these people, trying to make them understand that they may have a problem, referring them to the program and letting it run from there.

Senator CHRIS EVANS—But, as you say, it might be fair to suggest that some of them might have turned up after a big Saturday night on a Sunday morning and been drug tested.

Vice Adm. Ritchie—It could be that. I think in some places, although it might only be onshore, you might catch a few people in the afternoon as well. It should not happen but I think it might in the early days.

Senator CHRIS EVANS—What is your target for testing on the alcohol program?

Vice Adm. Ritchie—We are running a similar target of 10 per cent.

Senator CHRIS EVANS—You raised the question of the legislative base for that. General Cosgrove, are you the one to direct questions to about how you are going in terms of overcoming the issues about regulation for alcohol and drug testing?

Gen. Cosgrove—I think probably a lawyer could answer that. We have submitted into the defence process for raising regulations and we have a horizon of later this year but I do not know the intricacies of how that is done once we form an intention.

Senator CHRIS EVANS—Is there someone who can help us with that? I am interested in Vice Admiral Ritchie's point about what you can and cannot do.

Air Cdre Harvey—In relation to the regulations, the policy decisions have now been made. They have now been referred to the relevant draftspeople and that is where the matter is at the moment. It is progressing. I do not have a firm end date for when we will actually have the regulations in force. That is obviously outside our control but we are monitoring it with a view to expediting it.

Senator CHRIS EVANS—So that means that you have ministerial approval for the drafting of the regulations?

Air Cdre Harvey—That would have been done through the Defence personnel executive but I imagine that would be the case, yes.

Senator CHRIS EVANS—Can somebody help me with the answer.

Rear Adm. Adams—Is your question: have we got ministerial approval?

Senator CHRIS EVANS—We have been talking about this for a couple of years now and we are always doing it. I am just trying to ascertain what we are doing and where we have got to with it. The regulations I presume would have been approved by the minister, not necessarily by Minister Hill but by Minister Brough.

Senator Hill—Yes, they have been drafted, so they have clearly been approved. In the meantime, the random drugs policy is being implemented through an administrative process.

Senator CHRIS EVANS—That is what I want to get some specificity on. Are the regulations that are being drafted purely for drug testing or for alcohol testing as well?

Air Cdre Harvey—They are purely for drug testing.

Senator CHRIS EVANS—And they are with a draughtsman and we will await them coming out of that process before they are tabled. What is happening on the alcohol front in terms of regulations?

Air Cdre Harvey—My understanding is the alcohol testing is purely being done by virtue of the command power, so it is underpinned by Defence Instruction (General).

Rear Adm. Adams—I can confirm that. There are existing or extant policies and Defence instructions for each service and there are fairly longstanding programs in place to deal with those. It is the drug policy which is the issue. There are three single-service interim policies in place now giving cover for the random testing. The outstanding task is to develop an

overarching, Defence-wide policy, and that is where the regulation work comes in. We certainly to plan to have that done by the end of the year or earlier if possible.

Senator CHRIS EVANS—There are a couple of things that have come out of that. What is the legal basis for insisting on random drug testing currently?

Rear Adm. Adams—The legal basis for it at this stage is an occupational health and safety basis that reflects or runs in parallel with practice in the Australian community, in industry et cetera. It is simply the unacceptability of a person under the influence of drugs being in charge of weapons, machinery et cetera. We have to move that on, and that is where the work of the legal system comes in under more rigorous policy. That is the one that is in development now.

Senator CHRIS EVANS—I understand the general basis but—

Senator Hill—I assume the legal basis is the command—

Air Cdre Harvey—It is indeed. The interim arrangements are being implemented under the general command power under sections 9 and 9A of the Defence Act and are based upon advice that has been provided to Defence by Henry Burmester from the Australian Government Solicitor.

Senator CHRIS EVANS—Have each of the chiefs issued a directive? I did not phrase the question properly but I assume there is a directive which the chiefs act under the authority of.

Vice Adm. Ritchie—There is a directive from each of the chiefs and there will eventually be an overarching Defence policy which the CDF will sign up to.

Senator CHRIS EVANS—When were the directives issued by the chiefs?

Air Marshal Houston—Directive 0403 went out on 25 November and that was the *Air Force interim random and targeted urine analysis drug testing program*. We also put out *DIAF PERS 4-26: Illicit drug testing in Air Force*. That was issued on 24 December. So there is a directive and there are orders that relate to it.

Senator CHRIS EVANS—And they were both in 2003?

Air Marshal Houston—Yes, both in 2003.

Rear Adm. Adams—I can give the Navy's and Army's instructions. Navy's instruction, *Defence instruction: Navy 13-1*, was promulgated on 19 December 2003 and Army's instruction, *Defence instruction: Army*, was signed by the Chief of Army on 27 November 2003, the same date as testing commenced.

Senator CHRIS EVANS—Thanks for that. They will be replaced by the regulation if and when it comes into force—by one set of conditions?

Rear Adm. Adams—Correct.

Senator CHRIS EVANS—All services have adopted the 10 per cent target for random drug testing—is that true of alcohol as well?

Air Marshal Houston—I think it is true of all three services.

Senator CHRIS EVANS—The only other questions I have on these issues relate to the Army and the sorts of issues we were pursuing before. Are you in a position to progress those?

Gen. Cosgrove—Do you mean that he owes you some answers?

Senator CHRIS EVANS—Yes, there were some lines of questioning that I was pursuing with Lieutenant General Leahy which he said people were working on. Are we better placed to do that now or will we have to come back to that later?

Gen. Cosgrove—He is attempting to get you some answers before the finish of the Defence hearing but I am not sure whether he has got them yet. We do have some other answers to read into the record at this point if the chair would be happy with that.

Senator Hill—There was the issue of the conditions attached to the furnishing of the Inspector-General of ADF's report, which we were referring to earlier. The conditions are in terms 'not to be further disclosed other than to immediate family and legal practitioner, other than for advice'. The other response was for Senator Hogg, who was asking about the appointment of a CEO to the ASC. That is a board appointment in consultation with the minister for finance. I thought it was a board appointment but I am told that the constitution of ASC says that there is to be consultation with the finance minister, who holds the shares.

Mr Smith—It seems I left unclear the question of the fees paid to the chair and members of the DMO advisory board. To be specific, the chair will receive \$57,410 per annum and each member will receive \$24,240 per annum. The tenure of appointment is two years.

Mr Veitch—Senator Evans, earlier today you asked a question about salary arrears. Salary arrears are adjustments that need to be processed to reflect changes to ADF members' pay circumstances between the time the pays are processed and when they are actually made. Typically that is about a 13-day period. I will give you some examples of things that would fall into that category: a member is promoted during that period, or there is a changed remuneration rate. Regrettably, in 2002-03 some of the adjustments for those arrears were not processed. That oversight was recognised when we were doing the financial statements, and the variations that we talked about in the statements this morning reflect the correction of that oversight.

Senator CHRIS EVANS—What does that mean for the individual service personnel?

Mr Veitch—It is purely a technical accounting issue. There is no impact on the members' pay.

Senator CHRIS EVANS—I know you have had some quite big back pay and overpayment issues.

Mr Veitch—That is a separate issue.

Mr Smith—Mr Pezzullo can also respond to a question that was left unanswered earlier.

Mr Pezzullo—Senator Johnston asked about the local government areas that had received letters about the possible need for a new defence training area within Western Australia. I have a list which I will table through the staff processes. By the Wheatbelt Development Commission, there are a total of 44 local government areas. I will not read them out; with

your indulgence I will table that list. By the Mid West Development Commission—there are two instrumentalities—there are a further eight. I will table that.

Senator CHRIS EVANS—So you have frightened 52 councils all in one go?

Mr Pezzullo—We have advised 52 councils.

CHAIR—We move now to output 5: Strategic policy for the defence of Australia and its interests.

Senator CHRIS EVANS—Mr Carmody, I was interested in having an update on the prospect of a joint Australia-US training facility. It seems to excite a lot of media comment and focus but does not seem to have a lot of factual basis from what I can glean. I was very keen for the department to perhaps put on the record just exactly what the status of any such proposals is, what negotiations have occurred and what is a reasonable description of how things might proceed from here.

Mr Carmody—The joint training centre is still essentially a concept. When General Myers, the Chairman of the US Joint Chiefs of Staff, visited in January, he and General Cosgrove in a press conference mentioned the fact that it was appropriate to systematically examine our requirements. Over the coming months we are proposing to do some more scoping of options for a joint training centre. There was prior to General Myers's arrival—in fact, in December of last year—a preliminary meeting of a US-Australia working group to try to develop a framework for a scoping study and terms of reference for a working group—in other words, to try to put a bit of flesh on this concept and see what it might bring.

From 24 to 26 January this year a small Australian delegation from the working group attended a US joint forces command sponsored joint national training capability exercise in the United States. The point of their attendance was to get a view of a possible option of a joint training centre—in other words, to look at the high-end technology capability in a joint training centre and what that might mean. The working group will, after reviewing the material that they saw, consider that and the relative merits of such an option in conjunction with other things that it might examine.

Training and exercising with the world's best armed forces provide many benefits to the ADF that we could not necessarily obtain through any other means. In short, the discussions so far have been preliminary. We have not worked out what a joint training centre might mean past a concept but we are looking at options at the moment to see what the US Department of Defence—more specifically Pacific command, because they are most closely located to us—might wish to do and where it might benefit both them and us.

Senator CHRIS EVANS—What do we know it is not? Maybe that is a better way of describing it, Mr Carmody.

Mr Smith—What is the question?

Senator CHRIS EVANS—It is a little bit hard to get a handle on the concept. I was wondering whether it would be easier to describe what it is not. We do a large number of joint training exercises with the United States and have done so for many years. Is the difference in the concept this time the fact that there will be a dedicated facility?

Senator Hill—No, we have not got that far. It may be the further instrumenting of an existing range to allow for a different type or level of training activity that we could jointly use, but it is pretty difficult to say what it will not include.

Senator CHRIS EVANS—With all respect, Mr Carmody talked about a working group and scoping options. I was having difficulty getting a handle on what that all meant.

Senator Hill—What they are looking at is what form of training capability would have benefits for both of us.

Senator CHRIS EVANS—Yes, but as I understand it part of the focus has been on a joint Australia-US training facility based in Australia.

Senator Hill—Yes, we are looking at whether an Australian facility could be further developed to facilitate the training of each of our forces.

Senator CHRIS EVANS—So you are putting the emphasis on an existing training facility being adapted rather than on a new training facility—is that fair or have I misheard?

Senator Hill—I think that is more likely, but we have not ruled out a new facility. As you heard in answer to questions from Senator Johnston, it is rather difficult to establish new training facilities in Australia.

Senator CHRIS EVANS—There is Point Cook and there are a couple of places in Victoria. If there is some nice land you have not been able to sell, you could probably use it.

Senator Hill—Sometimes it is hard to dispose of it, too!

Senator CHRIS EVANS—I am still struggling a bit. I am just trying to get a sense of what has been discussed, which is different from what we do currently. Is it a question of ownership of a facility or is it a question of permanency of location, equipment et cetera?

Senator Hill—Perhaps General Cosgrove can have a go, but I have understood it to be largely at the level of capability, the sophistication of the training exercises and the like.

Gen. Cosgrove—The range of options starts at what we do now, which plainly we can continue to do. An example would be to continue to operate—at, say, Shoalwater Bay training area, as we have done over the years—a dedicated training area with some rudimentary facilities that assist in efficient exercise. So that is a sort of platform that you can imagine we could point to and say, ‘We already do that.’ At the high end, for the Americans, there are instrumented ranges of great sophistication, which allow modern weapons platforms and systems to be integrated and measured and a simulation done to bring exercising units close to combat conditions—that is high investment. That is at the high end, and we are not suggesting for a moment that is what we are talking about. But those are the parameters.

Senator CHRIS EVANS—What would that sort of development involve?

Gen. Cosgrove—Instrumentation.

Senator CHRIS EVANS—Permanent instrumentation?

Gen. Cosgrove—Perhaps not permanent but dedicated, and therefore there would be money involved. I do not know whether you would dig it in. You might have it in the location to move it around to provide the proper training environment. So that is at both ends of the

spectrum. That is the sort of thing we imagine might get touched upon by groups from Australia and the United States discussing it. Offering this high-end, high-simulation environment goes to the purposes of such a training area. Somewhere along a sliding scale there might be something recommended, but it is still very much a case of 'wait and see'. As the minister said, there have been no constrictions placed on people about how they may think, but there are realities involved with training areas, and that will fundamentally be one of the first questions asked when the two groups come together with a set of ideas.

Senator CHRIS EVANS—I am sure there are some people at Lancelin who will take a keen interest in any propositions, and I am sure all the other places will as well.

Gen. Cosgrove—We, the ADF, have got to be able to get there, too.

Senator CHRIS EVANS—When you talk about the high end of the propositions, is it fair to say that the considerations do not include permanent basing of US forces at those establishments?

Senator Hill—A permanent base for the US has never been suggested.

Senator CHRIS EVANS—I did not say that. I said permanent basing of US forces at one of these training establishments. That is a way of trying to describe it.

Senator Hill—What—to supervise it or something like that?

Senator CHRIS EVANS—Or manage.

Senator Hill—Managers?

Senator CHRIS EVANS—You are talking about an investment. I am just trying to get a sense of the concepts.

Gen. Cosgrove—We might operate it for them; it might be just money changing hands. That is way too far down the track for us to know whether it would be proprietarily owned by Australia, partially funded by the United States or whatever. There are all kinds of different constructs there. We are just not there yet.

Senator CHRIS EVANS—Minister, you were keen, were you, to make it clear that it did not involve permanent basing of US troops in Australia?

Senator Hill—There are some who confuse the two concepts. There has been no suggestion that the US want to establish bases in Australia. But they are interested in talking to us about joint training and the further development of training capabilities in Australia, and we see that as a very worthwhile window of opportunity.

Senator CHRIS EVANS—So it is fair to say there are no discussions going on about the possible basing of US troops in Australia?

Senator Hill—No discussions.

Senator CHRIS EVANS—What is the time frame for resolution of this scoping of training opportunities?

Mr Carmody—The working group is due to submit a progress report by the end of March 2004, and that is just a report at the early stages at the moment, followed by a completed scoping study report to CDF and the secretary and the Commander, Pacific Command, by the

end of June 2004. However, if I may make a point, in our discussions with Pacific Command they have said to us that the agenda they are working towards is very ambitious and they are not sure that they will be able to achieve that time frame. That is the time frame we are working on.

Senator CHRIS EVANS—Is that the working party's view or the Americans' view?

Mr Carmody—That is the Americans' view. It is just the tempo and the pressure that they are under. They are working towards that time frame but they are not convinced, so my point is that that is the objective.

Senator CHRIS EVANS—Is that because that is part of a broader training review they have got or is it because of the operational tempo of Iraq et cetera?

Mr Carmody—My understanding is that it is just the tempo of other things that Pacific Command are doing. They will work towards it but they are not convinced they will make it.

Senator CHRIS EVANS—But are they treating it as one element of a review of their training needs more broadly, or is this a discrete Australia-US proposal?

Mr Carmody—I do not have the answer to that. I do not know. My presumption is that Pacific Command look at all of their training needs in their area of command responsibility. I think they would look at it as one element of their view, but I am not certain of the answer.

Senator CHRIS EVANS—Can you describe for me the extent and breadth of training facilities provided to Singapore inside Australia?

Mr Carmody—I can. I do not know whether I have all the detail with me.

Senator CHRIS EVANS—I am not looking for minute detail.

Mr Carmody—For Singapore we provide a training opportunity at Shoalwater Bay and, in so doing, we provide storage for some of their equipment, which they are then able to draw upon and use during a prearranged training period. In other words, there is a specific duration; I do not have it with me, but it is a defined time in which they can train. We have negotiated that agreement. They come out, take out their equipment, use it, park it and go home. Sometimes they bring some more with them. There is a training capability at Oakey in Queensland, I understand. There is also one at Pearce in Western Australia. That, to my knowledge, is the extent of it but there may be more.

Senator CHRIS EVANS—What about the exercises at Rockhampton? I remember going to Rockhampton once and thinking that I had flown into Singapore. There were thousands of Singaporean troops all over the place. Do they have any permanent sort of facility or storage there?

Mr Carmody—I do not know whether they do but I can check for you if you wish. They used Delamere bombing range as well—a training range—which I have neglected to mention.

Senator HOGG—What facilities might they have at civil airports throughout Australia other than military bases?

Mr Carmody—I do not know. I will have to take that question on notice.

Senator Hill—They utilise Darwin—

Mr Smith—To clarify, Rockhampton came up—that is Shoalwater Bay—and they do have some equipment which they leave there from year to year, from season to season.

Senator CHRIS EVANS—But it is fair to say the arrangements we have with them include full-time training of their pilots at Pearce. Do they fly our aircraft or do they train in their own?

Mr Carmody—My understanding is that they train in their own. They bring their own aircraft and they use them.

Senator CHRIS EVANS—And the arrangements for Shoalwater Bay or Rockhampton include them storing equipment which they access during their training exercises but which is permanently stored on the site?

Mr Carmody—That is correct.

Senator CHRIS EVANS—Do we have any other arrangements with any other countries of that nature, apart from the joint training?

Mr Carmody—No, Senator, to my knowledge we do not store any equipment or have any arrangements like that.

Senator CHRIS EVANS—So it is Singapore and the joint US bases, Pine Gap et cetera.

Mr Carmody—Depending on what the joint training centre concept evolves into.

Senator Hill—Others train in Australia but I do not think they have any permanent facilities.

Gen. Cosgrove—They do not.

Senator CHRIS EVANS—That was what I was trying to check. I knew the Singaporeans had a more permanent arrangement in terms of the training and I was just keen to establish the extent of that. We have got the joint base arrangements with the United States. Apart from those other countries that do joint training exercises with us on a regular basis, I was keen to establish whether there were any other countries that had more permanent arrangements or facilities or storage arrangements inside Australia.

Gen. Cosgrove—Nothing that resembles those two—Singapore in particular. It is a major thing that we have those vehicles there so that they can use them.

Senator Hill—They are commercial arrangements of course.

Senator CHRIS EVANS—I think that Pearce was renegotiated a year or so ago. I remember the debate about that and the commercial arrangement for that. Mr Carmody, is there any update on the missile defence discussions with the Americans?

Mr Carmody—Certainly we have discussed missile defence before. As you are aware there were some initial discussions in Sydney during the period 12-14 January on the development of a framework memorandum of understanding. It was principally as a basis for cooperation on missile defence. This is a very broad framework MOU. It was followed by a second series of negotiations this week on 13 February in the United States between Australian and US officials. I do not know the result of those discussions of this week as yet

but my expectation is that, given the indications prior to that, the discussions are going well and we are reasonably close to an agreement on the text of the MOU.

Senator CHRIS EVANS—Who is negotiating that on behalf of Australia?

Mr Carmody—Both Defence and the Department of Foreign Affairs and Trade are with us, but it is principally Defence. On the US side it is the US Department of Defense.

Senator CHRIS EVANS—Which office or which section inside Defence is leading that?

Mr Carmody—It is in my strategy group so it is in my organisation.

Senator CHRIS EVANS—But there is also representation from Foreign Affairs I take it?

Mr Carmody—There is. On the US side there was here, and I presume in the United States also, representation from the state department.

Senator CHRIS EVANS—So your expectation is that a memorandum of understanding would be signed in the short term—is that correct?

Mr Carmody—We have been aiming for the completion of an MOU by about the middle of this year. My expectation is that, at least at the level of officials negotiating, we will have come up with what we consider to be an acceptable document, and I am confident we can achieve that.

Senator CHRIS EVANS—That time frame seems to have come forward a bit, hasn't it?

Mr Carmody—No. The timetable I was working on was always to try to have the framework developed by about the middle of the year.

Senator CHRIS EVANS—Without trying to pre-empt the negotiation, what sorts of areas is it likely to cover and what sorts of issues is it likely to involve?

Mr Carmody—It is very much a framework document. It sets the framework for cooperation, and it sets the framework for exchange of data between the two nations—in other words, arrangements for missile defence related material that the United States has if they want to share with us, or data that we have that we want to share with them, to be protected and managed in a particular way. So it really is very much a framework document. It is just how we would operationalise, if you like, the broad concept of our cooperation on missile defence. Under that framework MOU, we expect to develop specific annexes for specific areas of cooperation, and that is what we would seek to do. They would contain more detail and they would probably be a little more difficult to negotiate than a framework document.

Senator CHRIS EVANS—So you would see them being developed over a longer time frame?

Mr Carmody—Yes, the missile defence system itself is a layered system. The US view of it is that they will develop and field capabilities as they can over the next few years. I would see therefore that our negotiations and the negotiations of something like annexes to sit underneath those would be along similar lines—that they would take longer. There might be an annexe on the specific topic that would be negotiated, a specific area of research and development cooperation or something along those lines.

Senator CHRIS EVANS—Have you been able to identify what sorts of things Australia would be looking at to contribute at this stage?

Senator Hill—We have mentioned areas in the past. Do you want us to mention them again?

Senator CHRIS EVANS—Yes, I am happy to be informed again. I do not have a good handle on that, so I am keen to—

Senator Hill—Maybe radar technologies, maybe something associated with JORN, maybe other science and technology programs or maybe maritime platforms. It could link in with the development of air warfare destroyers.

Senator CHRIS EVANS—Are these seen as government-to-government contributions or industry led contributions?

Senator Hill—Industry led, but we are hoping that there will be opportunities for Australian industry input into the overall program, so we have that in mind in agreeing with the United States the areas of work that we will pursue. That industry opportunity has been something the US has supported from the start.

Senator CHRIS EVANS—So radar technology and maritime platforms. Are there any other areas?

Senator Hill—There are no other areas that I want to list, I do not think, because there is not any agreement as yet.

Senator CHRIS EVANS—But the agreement is obviously driven by some sort of appreciation of what we think Australian industry might be able to provide.

Senator Hill—That is right, and that is part of what the working group is to do.

Senator CHRIS EVANS—To identify what Australian industry capabilities might be of interest to the Americans?

Senator Hill—Yes, of interest to the Americans, and for them to identify where they believe we can add value to their program. Out of that, we look to develop projects of mutual interest and value.

Senator CHRIS EVANS—So we would expect to have some sort of MOU framework document for consideration by government around the middle of the year. Is that a reasonable target?

Mr Carmody—That is the target I have been working towards, yes.

Senator CHRIS EVANS—Thank you.

Gen. Cosgrove—Mr Chairman, could I take this pause in proceedings to provide a clarification on Senator Evans's question—in particular confirmation of the blood alcohol level standard. The national workplace standard for alcohol breath testing is 0.02. We use that unless a more stringent standard applies—for example, for pilots.

Senator CHRIS EVANS—Thank you. I thought I could remember an argument at some stage about heavy machinery in the mining industry and having a different standard because

of the dangerous nature of the work, but pilots would be an obvious example. It is a zero limit, basically, isn't it?

Gen. Cosgrove—That is a pretty conservative standard, but I think under the circumstances in our environment it is a reasonable one.

[5.17 p.m.]

Senator CHRIS EVANS—Mr Chairman, I was going to move to business processes improvement initiative health outsourcing, if that suited you. We will debate whether or not it is an improvement, but I understand that is the correct title.

CHAIR—Senator Evans, do you propose to go to output 6 and output 7?

Senator CHRIS EVANS—I would like to give Mr Pezzullo a bit of a run on property sales and Point Cook, and I would like to again, under Defence personnel, raise the superannuation issue. Apart from those issues, I think that will about see me out.

CHAIR—That is good. Mr Carmody, Mr Bennett, Mr Lewincamp, Mr Merchant, Ms McCarthy and Mr Bonighton can therefore leave.

Senator CHRIS EVANS—I am sure they will have plenty of practice before inquiries and committees over the next few months without us giving them a run.

CHAIR—Thank you very much for your attendance today.

Senator CHRIS EVANS—Mr Chairman, last time I think I chatted to Air Commodore Austin about his confidence that the services of Mayne Health would be going ahead in Victoria et cetera. I think I would appreciate an update about where we have got to with all that and the current state of play, given Mayne's withdrawal and what that means for health services in Victoria in particular. That is my main interest. What has happened, what does that mean for health services in Victoria and where to from here?

Air Cdre Austin—As you are probably aware, Mayne Health withdrew from contract negotiations with Defence in September 2003. They did, however, agree to continue providing services at Puckapunyal through to 30 November 2003. They have now withdrawn all service delivery from the Victorian or southern region.

Senator CHRIS EVANS—From what date did they pull out altogether?

Air Cdre Austin—The services were withdrawn from Puckapunyal on 30 November 2003. In Puckapunyal we have had complete negotiations with a contracting organisation for the provision of nursing services and we have engaged our own contract health practitioners who are in fact the contract health practitioners who were previously working there. We have augmented services on a temporary basis with uniform staff to maintain the same level of service delivery to the Puckapunyal area that they were receiving under the previous contract and under the Mayne contract that had been in place as an interim measure pending final signature of the main Mayne contract.

For the rest of Victoria we have continued basically with the status quo that was in place during the contract negotiations with Mayne. It is predominantly a service delivery based on contracts with individual health care providers or in some cases with nursing agencies for the provision of nursing and ancillary services.

Senator CHRIS EVANS—I will come back for some of the details, but where is it all going? That sounds to me like a stopgap—holding the fort set of measures. I understand why—the thing has collapsed. Where are you going in a policy sense now?

Air Cdre Austin—Earlier this week we conducted a wash-up of the CSP Victoria initiative. We got together all the stakeholders that had been involved in service delivery and contract negotiations to identify areas of potential improvement and to try to develop a more enduring strategy. The feeling that we have is that the health care market in Australia is not sufficiently mature to be able to provide Defence with a turnkey solution—that is, a totally integrated solution which includes the provision of personnel, equipment, materiel and administrative support. We are now adopting a more flexible approach which we are calling the ‘best fit model’ whereby we will examine the needs of each of the bases and try to work out an optimal structure which will be a composite contracted solution for those areas of service delivery that lend themselves to contracting in that particular location and that best meet the needs of the base.

I know that sounds a bit like gobbledygook but I am trying to say that each of the bases do have different needs and trying to find a one size fits all solution across the types of bases that exist in Victoria is probably not achievable. I make the point that the requirements of Puckapunyal, for instance, are quite different from the requirements of HMAS *Cerberus*, which is a training base with a large uniform population where we train health care providers. So it has quite a different make-up.

Senator CHRIS EVANS—Is that not true of all your states and of your traditional operation? It begs the question: what is the difference between before you started this process and now? Isn't what you say equally true of five years ago and equally true of the other states where you have not moved to the—

Air Cdre Austin—Certainly, Senator, it is very much true. It was true then; it remains true now. What we had hoped was that the single contractor, Mayne, would have been able to meet the flexible requirements of each of those bases—that Mayne would have a degree of sophistication to be able to blueprint, if you like, their service delivery to meet the needs of that base. What we found during contract negotiations is that they perhaps demonstrated less flexibility in that area than we had hoped.

Senator CHRIS EVANS—I suppose that begs the question: why do you just not take it back in house and continue the way you used to?

Air Cdre Austin—The drivers to explore the CSP option still remain. We have a small work force within the ADF health system and of that small work force we are further suffering because we are unable to fill our billets with uniformed personnel. This is a flow-on from our problems in recruiting and, predominantly, retention. The increasing emphasis on operational health support because our high operational tempo necessitates that we move as many uniformed personnel as possible into our frontline units to support operations. We still have a large number of facilities that are not focused on operations as such and the feeling is that they will take on a lower priority for manning with uniformed personnel. The fundamental driver to move uniformed people to the north onto an operational basis is still extant.

Senator HOGG—How bad is the issue of retention now with the medical staff?

Air Cdre Austin—There are two issues in play there. Firstly, recruitment has improved significantly over the last couple of years. There have been some focus programs through Defence Force recruiting to improve graduate and undergraduate recruiting and we have been able to fill most of our training billets. Unfortunately, as you understand, training health practitioners has a long lead time and so those people will not come on line for four to six years. I believe that we have made some strong steps ahead in recruiting.

In terms of retention, the main initiatives there have been specialist officer pay or career restructures that occurred last year for the dental officers and the medical officers. The restructures achieved two things. Firstly, they provided a much clearer focus on professional development for our health personnel. It is now much clearer to people joining the ADF as to what their careers are likely to look like. We think that will result in a better match between their expectations of those applicants and the reality of what they do when they are in uniform. We can now provide much more sophisticated professional development using civilian recognised qualifications as the end point and we feel that we will be able to retain a high percentage of people. Those programs were only implemented in May and July of last year and it is clearly too early to see whether they will achieve their objective.

Senator HOGG—What is the rate of resignations currently?

Air Cdre Austin—That varies between the services and it also varies over time for—

Senator HOGG—Can you give the committee the figures for the last two years—

Air Cdre Austin—I will have to take that on notice.

Senator HOGG—That is what I mean: the figures for the last two years so that we can see what has happened there. Secondly, what about the use of reserves.

Air Cdre Austin—The use of reserves in the ADF is predominantly focused on using those people in the deployed role, particularly those people having specialist qualifications that we do not have within the active duty force. Our experience of using reserves to provide garrison health support in the national support area has not in fact been very successful. There is a nationwide shortage of general practitioners in Australia and as you are aware there is also a geographical maldistribution of those GPs that exists. Many of our bases are in geographically remote areas and we find that, in general, reservists are not keen to provide garrison health support, or if they are available to do that they are only available for very short periods of time. We can use them in terms of relief manning if someone deploys overseas or on a course but, unfortunately, we have found that they are not particularly useful for longer periods of time.

Senator HOGG—How are you dealing with problems in some of these remote areas where you do not have the appropriate medical facilities available?

Air Cdre Austin—The reality is that we have to go out to contract to bring in these health practitioners and pay premium rates to attract them.

Senator HOGG—Is there supplementation for that or is that just out of the general pool?

Air Cdre Austin—That comes out of hide. That comes out of my AG39 accounts within the Defence health budget.

Senator HOGG—That must impact on your capacity then to fill the gaps it is necessary to fill anyway.

Air Cdre Austin—It puts a significant pressure on me to achieve financial efficiencies in every area that I can to decrease my overall expenditure in the area. But, at the end of the day, the moneys that go into that are portfolio managed, and health care delivery at least at the base level is a given. We must continue to provide that.

Senator HOGG—In one sense you are cutting your nose off to spite your face because you are paying a premium to bring people in to plug gaps but then you cut yourself short, in a sense, to hire the people that are necessary to fill those gaps. I do not know how you get out of the spiral that you seem to be in.

Mr Sharp—Our health costs generally are rising at rates greater than most of our other costs in the personnel area and the budgetary arrangements do make some provision for that fact. So there is some supplementation to support strategies that the air commodore outlined but, equally, the chief finance officer expects the personnel business to be run as efficiently as possible as well.

Senator CHRIS EVANS—Air Commodore, isn't it the case that we now have a significantly reduced health service in Victoria as a result of these problems?

Air Cdre Austin—No, absolutely not.

Senator CHRIS EVANS—You keep assuring me of that all the time on this subject, Air Commodore, but every time I talk to you about this there is a bigger bungle, a bigger mess—and it is all 'okay', it is all 'fine'. But everything I hear is absolutely to the contrary of that. You have now got a complete shemozzle in terms of service in Victoria, but you tell me it is all going swimmingly! Everyone else tells me it is a complete disaster, so either you are a very cheery bloke or someone is not giving me the full information. It just seems to me that this is a complete mess.

Senator Hill—Mr Chairman, this is not the time for a debate. The questions should be asked and then they can be answered.

Senator CHRIS EVANS—Well, isn't it a complete mess?

Senator Hill—That is a silly thing to say.

Air Cdre Austin—Senator Evans, the current arrangements are complex and essentially rely on us holding individual contracts with individual practitioners.

Senator CHRIS EVANS—Yes, a complete mess!

Air Cdre Austin—No, it is a situation that is manpower intensive in terms of being able to negotiate those contracts and to maintain continuity of service, but the fact is that the majority of health care deliverers in the state of Victoria are exactly the same men and women who have been working there over the last three to five years.

Senator CHRIS EVANS—Except for the ones that you have transferred out under these arrangements and who have not come back.

Air Cdre Austin—No, the number of uniformed health providers in the state of Victoria has been low for quite a large number of years.

Senator CHRIS EVANS—What about the reservists? They have gone, haven't they?

Air Cdre Austin—The reservists in Victoria were in fact providing a very, very small portion of the health care delivery to the men and women of the ADF. Of those reservists who were providing a service, the vast majority were providing that service on a contracted basis as contract health practitioners. They were not doing so in a uniformed capacity. They were doing so, in a sense, in competition with the open marketplace, and whether we used them or did not use them depended on the rates that they offered us in service delivery.

Senator CHRIS EVANS—So are there any reservists providing services in Victoria now?

Air Cdre Austin—Yes, there are.

Senator CHRIS EVANS—How many are there compared with those in previous years?

Air Cdre Austin—As far as I am aware, that would not have changed. One of the concerns—

Senator CHRIS EVANS—Weren't you actually posting them out, though, because you had actually outsourced the health care service?

Air Cdre Austin—Reservists are not posted out of a location. These are, by nature, people who are resident in Victoria. They are established specialists working in Victoria, predominantly servicing the civilian community. The concern of those reservists was that under the proposed CSP contract we could not guarantee them a preferred provider status. Many of those reservists were concerned that in fact they would not be able to continue to service the Defence community because at the end of the day Mayne would be controlling who they referred patients to and they would do that on a commercial basis to realise an efficiency in their service delivery. The fact that we have gone back to the previous way of doing business has in fact ensured that we are now referring our men and women to the reserve population that has traditionally serviced that community.

Senator CHRIS EVANS—If they are still there.

Air Cdre Austin—As I keep saying, the reservists, by definition, live in Victoria. They are not a commodity like an active-duty person who is posted around the country.

Senator CHRIS EVANS—Certainly we had issues about reservists having to make decisions about transferring out of Victoria because there was no longer any future for them in Victoria. Some of them were giving active consideration to transferring, to maintain their reservist role.

Air Cdre Austin—Can I suggest that that is actually confusing two issues. One is the provision of clinical services to a patient population—that is, the ADF community in Victoria. The other is their affiliation with a reserve unit in terms of who is their commanding officer and who actually provides administrative support to them and does the raise, train, sustain functions in uniform. The concern of the reservists in Victoria is that there has been a reduction in the number of formed health reserve units in Victoria. That has been a progressive thing as the Navy has abolished its port division structure, as the Army has

removed the director of medical services—DMS—structure in Victoria, and with the downsizing of 6 RAAF Hospital to an air transportable health facility. They saw that as a loss of a professional nucleus with which they could identify. So yes, there are reservists in Victoria who have been posted for administrative purposes to other units. Many of them have been posted to me to serve as senior consultants on my staff. But they remain geographically located in Victoria and they continue to provide a high-quality service with excellent access for the men and women of the ADF. In terms of your original question about the quality of the health care that is delivered in Victoria to ADF men and women, I would argue that it has not changed.

Senator CHRIS EVANS—I think we will have to agree to disagree. That is not in accord with every other piece of evidence that seems to come to me. Do you concede that you are having major difficulties in maintaining the health care provision in Victoria?

Air Cdre Austin—No, I would not say I am having major difficulties in doing that. What I have clearly got to do is come up with a model which is administratively more efficient. I have to continue to explore CSP options.

Senator CHRIS EVANS—Why?

Air Cdre Austin—Because it will provide financial efficiencies and it will provide administrative efficiencies.

Senator CHRIS EVANS—How much money have we spent on this process already in order to find this efficiency?

Air Cdre Austin—At this stage we believe we have expended no more than \$3 million in the whole of the CSP initiatives in Victoria.

Senator CHRIS EVANS—According to my figures, it was \$4.82 million up until February 2003.

Air Cdre Austin—That is not the figure that was given to me.

Senator CHRIS EVANS—And the estimated ongoing cost I had was \$2.5 million.

Senator Hill—I remember that, when I was sitting in Senator Evans's seat, Labor ministers were telling me that this commercialisation was a good thing.

Mr Sharp—Perhaps we could just step back in time. The outsourcing of the health services was an initiative of the DRP. The health industry is a complex one, as we all know. We have given outsourcing—the total industry, integrated, all services—a very good shot and, as the air commodore says, we have found that the industry is not yet sufficiently mature to deal with the full suite of health services required by the ADF. That does not mean that we pack up the bags on outsourcing. It means that we look at different sorts of cuts of the outsourcing issue. There is no doubt that, if we can put some decent contracts together to deliver some of the health services, that will give us some efficiencies in overheads and have the potential of releasing further uniformed staff to the operational end of the business. We do not intend to give up on it, but the next cut will be different.

Senator CHRIS EVANS—There are some pretty brave assumptions in all that. I would like to test some of those. You say that you are confident that you will be able to do it, but we

have been mucking around with this for a fair while now—with, it seems to me, quite a deal of cost and disruption. I am now doubly reassured that next time we will get it right. What is the basis for that optimism?

Mr Sharp—We are not going to do anything until we have done a good case study on it and had a good look at it. But outsourcing inevitably means that you are into new territory. We will be in new territory when we go for a different sort of slice of the business. We always attempt to test the viability of what we are trying to do. At the time of the outsourcing, companies such as Mayne looked a reasonable prospect. They basically took a different course in their business, which is the prime reason why they did not go on with it.

Senator CHRIS EVANS—I have not gone back and checked the record, but—forgive me if I am wrong; correct me—I suspect you would have assured us a couple of years ago that what you were doing was also going to be—

Mr Sharp—Indeed.

Senator CHRIS EVANS—All I am saying to you—and I am not trying to be a smart alec about this; you try things and they do not necessarily work—is that, given that it did not work and there are greater concerns about where it has left us, we ought to be a bit more testing before we say, ‘There’s nothing really wrong with the program. It’s just a couple of errors and the market wasn’t mature enough. We’ll just press on anyway because we’re confident that this time it is going to work.’ What I am saying to you is that I would like to test that a bit.

Mr Sharp—We will be testing it.

Senator CHRIS EVANS—But at what cost to the taxpayer before you do it?

Mr Sharp—Some investment in exploratory work is required to come up with viable mixes. We will have to look at that carefully before we go forward.

Senator CHRIS EVANS—But we have spent a fair bit on this last expedition, though, which has blown up in our faces. You seem to take the assumption that it is still going to be worth it; we are still going to be financially better off. I am saying: ‘Prove that to me,’ because, quite frankly, we have blown a lot of dough on the last adventure. That did not work. Now we are going to have another adventure and you are going to tell me, ‘We’re all going to be better off.’ I think you have to prove it to us.

Air Cdre Austin—You made the comment that we blew the \$3 million. I would debate that, and I would debate that quite fervently. Prior to engaging in this initiative, defence health did not have a good understanding of the full gamut of its own service delivery and of how it was actually conducting its business. As military, it had never been required to undergo that degree of introspection. We have now been able to look at our processes and perhaps, just as importantly, look at the priorities of our customers and the way they perceive our service delivery and our service delivery priorities in a way that we had not been able to before.

One of the things that came out of the wash-up earlier this week was—and it was probably the main stumbling block for us—a lack of sophistication in being able to define accurately what we were doing and how we were doing it, and then determine what it was costing us to actually do it. We are now in a much better position than we were before. I believe that a considerable portion of the delay that took place during the CSP negotiations was because

Defence really did not understand the full gamut of its operations. We had been doing business on a day-to-day basis with perhaps not as much strategic oversight of our processes as we would like. We are a much more mature organisation for this process. I have to say that we had a lot of room to move and I think we have moved a considerable amount.

Senator HOGG—I sat through the tedious sessions here when we went through the DER DRP process. If my recollection is correct that was back in 1998. That was at least six years ago. We were told then, if my recollection serves me correctly, that there would be testing of these areas and that there were major savings to be made. We used to go laboriously through the figures and the DER DRP as it emerged to look for these savings. It seems to me that six years down the track you are trying to tell us that we have matured. It just seems to me that nothing has changed. What has changed from now to when this was first mooted six years ago? If it was not near maturity six years ago, why was it mooted in the first place? What makes the maturity in Defence so much different today?

Mr Sharp—What we have learnt is a lot about the industry. As the Air Commodore says, our perspective on the industry previously was principally an ADF one. It did not deal with commercial considerations, nor did we have much of a feel for the industry out there in the general community. That is why, in part, the process took so long.

As to the speculation on what sorts of savings might have come out of this process, I really could not comment other than to say that when you look at any function that is widely disbursed where at least on paper there is a major industry—the health industry—in the country then you are inclined to think that industry may be able to step up to the plate and take it on with some efficiencies. So I do not think the assumptions were that bad. In practice it has not turned out to be quite that easy.

Senator HOGG—I would suggest that it might be worth while going back and reading the *Hansard* of previous estimates and additional estimates where a glowing picture was painted of what was going to happen. I do not think that is unrealistic on my part. To see the stark difference between the glowing picture that was painted and the reality of what is being faced in Victoria today is quite marked. It would seem to me that some real soul-searching needs to be done within that area of Defence.

Mr Sharp—I think there was a deal of rose tinting in the glasses on a number of DRP matters, and probably health was one of them. Conceptually I think it was sound to try to address this particular area outside the operational sphere.

Air Cdre Austin—Senator Hogg, may I make a point? I accept many of the comments you have made about the projected savings from DRP, but I think also we are not looking at the other side of the equation here, and that is that the Defence Health Service primarily exists to provide health care to the men and women of the ADF when we deploy. Our increasing emphasis on operational preparedness within health has been a magnificent success in that we have been able to provide high-quality health care during a period of very high operational tempo. I think our people have done an outstanding job. The only way we were able to do that was by moving those people into these areas by ramping up their operational preparedness training and their skills development.

I think the evidence speaks for itself. Touch wood, we have had very few health casualties during our deployments despite the fact that we have deployed people into very austere environments where there have been high environmental threats, operational threats and occupational threats. I think that the fact that we have been able to achieve that was, if you like, at the expense, yes, of moving men and women out of Victoria. That has also had a flow-on effect: because of the high operational tempo, it has resulted in the strategic health areas being refocused back into the operational support area; in a zero-sum game, that has taken resources and effort away from the CSP process. At the end of the day, we have met the needs of the ADF in providing that high-quality health care. What we have now got to do is use our increased knowledge of our business processes and our improved corporate and clinical governance arrangements to make sure that we can rebuild Victoria back into a more enduring solution. I will not say a better solution from a clinical point of view, but a more enduring solution.

Senator CHRIS EVANS—You do not question the CSP process. The minister's point is correct. I do not mind having a pragmatic look about what provides the better health service. But yours sounded to me like blind observance to the CSP process even if it blew up in your faces.

Air Cdre Austin—I will not share with you comments I have made about CSP per se. You smiled when I used the term 'best fit'. I used that advisedly because I believe that CSP is a statement that rolls off the tongue and means many different things to different people. The CSP that I am talking about is identifying elements of my health care delivery package that are better delivered by the corporate sector. In terms of, for instance, provision of clerical support, that is pretty much a no-brainer in terms of being able to provide efficiencies there. In some aspects of nursing service delivery, and particularly enrolled nurse services, I can buy services cheaply from the corporate sector. Nurses are more difficult simply because, as you are aware, there is a national shortage of nurses. There are a whole bunch of interplay problems here. I am very much subject to the civilian market forces and I have got to be competitive in that arena. In order to be competitive, I have got to have a model which is enduring; otherwise people are loath to engage with us. It is a very complex scenario in which we are working, but I believe that, by adopting a much more focused approach to those elements that I go commercial on rather than adopting a blind turnkey solution of handing the lot across, I will in fact be able to meet my customers' needs, keep my uniformed people where I want them and continue to give quality, cost-efficient health care.

Senator CHRIS EVANS—What does this mean for the decisions in relation to NSW and the ACT?

Air Cdre Austin—This is the failure to find an appropriate tenderer for southern NSW and the ACT?

Senator CHRIS EVANS—Where are you at with that? We have discussed Victoria.

Air Cdre Austin—There is only one other location where we were looking at—for want of a better term—a CSP solution, and that was the ACT and southern New South Wales. That did go through to a tendering process. We were unable to identify a tender that was of sufficient quality and would realise sufficient financial savings to justify entering into that. We are

currently running on a continuation of the status quo—that is, the process that has been in place for some years—which, again, is essentially a service delivery by people on individual contracts. The tender evaluation committee and the steering committees have started to look at other options within the ACT and southern New South Wales, but I would suggest to you that they will probably follow the model I have outlined rather than going to a turnkey solution where we are contracting out the totality of health care. We will identify those elements that are achievable and cost efficient and we will implement those.

Senator CHRIS EVANS—Is it fair to say we have gone from a CSP to a ‘best fit’ model now?

Air Cdre Austin—I will not debate the jargon because CSP has a technical definition within Defence and has technical guidelines; it is not within my remit to change that. But I make the point that CSP has been traditionally used in health to imply a turnkey solution, which is having the personnel, the materiel, the medical equipment and basically moving into a bare building and then providing a totality of service. We do not believe that that is appropriate and we will be looking for an incremental approach.

Senator CHRIS EVANS—Has that been a ministerial decision in relation to New South Wales and the ACT?

Air Cdre Austin—No, it has not, because we have not yet got a sufficiently robust way ahead to be able to put that for ministerial approval.

Senator CHRIS EVANS—So what you have is the absence of a decision. You did not have a successful tenderer so you have not gone anywhere, basically. Is that a fair summary?

Air Cdre Austin—In absolute terms, quite correct. What it has done is force us to go back and review philosophically how we approach this problem.

Senator CHRIS EVANS—What about Sydney and the rest of Australia?

Air Cdre Austin—There was never any intent to go for a CSP solution, the turnkey solution. The proposal has always been from the outset to conduct rationalisation studies. It must be remembered that in other geographic locations the service delivery exists predominantly to meet operational needs. The bodies and the materiel are protected for that reason. What we have got to make sure is that we do not have unnecessary duplication of services or underutilisation of resources. So it is simply looking at the service care delivery and deciding how best to do it. It could perhaps be to concentrate one particular surgical procedure and do it in one of our three military hospitals in the Sydney area rather than doing smaller numbers of cases spread across those three facilities. That is the type thing that we are looking at.

Senator CHRIS EVANS—Have the department sought advice on whether they have any legal avenues in relation to Mayne?

Air Cdre Austin—Yes, that has been explored. We are awaiting Defence Legal to come back to us with a recommendation as to whether we do or do not proceed.

Senator CHRIS EVANS—So you have received initial advice about it and now you are waiting on further advice?

Air Cdre Austin—No. We put to the Defence Legal Service that we would like to explore our options in this area and they have yet to come back to us with guidance.

Senator CHRIS EVANS—Will that be a decision by the minister?

Air Cdre Austin—I would imagine.

Senator Hill—What was the question?

Air Cdre Austin—It was about whether we proceed with legal action against Mayne in relation to the contract?

Senator CHRIS EVANS—Minister, I was not asking if you had made the decision. The advice was that you were awaiting legal advice. I am just trying to determine the process. I presume that would be a decision for the minister to sign off on.

Senator Hill—I would certainly be informed. Whether it would come for approval would, I think, depend on maybe the complexity, the risks—a whole range of different issues.

Senator CHRIS EVANS—Anyway, the simple answer is that you are awaiting legal advice.

Air Cdre Austin—Yes.

Senator HOGG—I have a few more questions on the recruitment of medical staff in Victoria. Who is undertaking that? Is that being undertaken by Manpower?

Air Cdre Austin—I am not sure of your question. Are you talking about recruiting of contract health practitioners as civilians or about recruiting into the active-duty military?

Senator HOGG—Into active duty.

Air Cdre Austin—It is a component of the Manpower contract through Defence Force Recruiting.

Senator HOGG—In those areas where you have major deficiencies, is there some form of incentive both for the recruitment agency and also for the recruit? Are you offering a bonus?

Air Cdre Austin—The recruiting targets are set for all of the areas required by Defence. For the recruiting targets that have been set for health professionals—certainly for medical officers and, to the best of my knowledge, for nursing officers—all positions have been filled. It has been quite successful. There are some small areas where we are not as successful. That usually is a craft group in a particular service, and it does vary. The strategy there has been to provide Manpower or Defence Force Recruiting with suggested recruiting venues. Many of these people run annual professional conferences. We do the groundwork to facilitate them going along and running recruiting initiatives there.

Senator HOGG—So there is no special inducement for Manpower to recruit these people into these critical areas and no special inducement for the recruits themselves?

Air Cdre Austin—That is correct. At this stage we are not offering recruiting bounties or ‘come in money’.

CHAIR—Thank you for that.

Gen. Cosgrove—Mr Chair, is there a moment for the Chief of Army to provide some extra responses?

CHAIR—Certainly. We might do a bit of a stocktake before we move on.

Lt Gen. Leahy—There are a number of issues that I said I would get back to you on. Firstly, in relation to the condition of the crew from the Black Hawk, two have returned to Oakey, three are at the health services battalion at Enoggera, one has returned home, one remains at Royal Brisbane Hospital where he is stable and comfortable with a very good prognosis but back injuries, so they have taken a bit of time with him, and one is at Princess Alexandra hospital and has open fractures. It is expected that he might be there for a further two to three weeks while they deal with those fractures.

I was asked about the status on the Townsville testing. They were, as I have given, 39 tested and 15 positive. Action is pending on those. As to why they were tested, as reported in the last hearing, that was due to information provided to both civil and military police by informants. In relation to the current status of Woodside, again it is as I gave: 24 were tested and seven were positive and have action pending. Again, information was received from an informant. As to whether there have been any civil charges as a result of the Robertson Barracks drug tests, I was told this afternoon that there have been four summons issued for possession and we are awaiting court dates. In relation to the drug testing regime within Army, we are currently finalising the training and the acquisition of the drug test kits, and we will commence random testing very soon. Targeted testing continues.

The final question related to whether there was a forced landing of a Black Hawk helicopter in North Queensland. There was not a forced landing but there was what is called a precautionary landing. That means that it was a prudent landing. There were no critical failures and all were in accordance with normal procedures. There were actually three events on that particular day. One was at Oakey and two were at Townsville. They were not forced landings; they were precautionary landings.

Senator CHRIS EVANS—What does that mean?

Gen. Cosgrove—You get a warning light or something.

Lt Gen. Leahy—I can give you a bit of detail on each of them. In the one at Oakey there was an auxiliary power unit failure. This piece of equipment is used for ground start and has no effect on safety. A warning light came on, the aircraft landed normally at Oakey and the mission was cancelled. A second one was in Townsville, when a high-temperature gauge came on on the main transmission. The pilot observed, however, that the oil pressure was normal. Prudently he declared an emergency and returned to Townsville, where he landed normally. So there was a contradiction in his equipment. In the third case, on landing they experienced a rotor speed increase, apparently through some trick of the engine. Again he landed and terminated at Townsville normally. So there were no forced landings. These were all precautionary, a prudent part of normal operations.

Senator CHRIS EVANS—It did not require them landing in a field and staying overnight?

Lt Gen. Leahy—Not that I am aware of, and these are the reports I have for that day. You mentioned the name of a town there.

Senator CHRIS EVANS—I will try and get that.

Senator HOGG—I can tell you what it was; it was this Esk, which is not far from Amberley.

Lt Gen. Leahy—I have spent many a night out there. I will have a look at it.

Rear Adm. Adams—On the topic of drugs, the Chief of Navy has asked me to correct the record. He was asked what the targets were for drug and alcohol testing. He wants to confirm that the target for random testing for drugs is 10 per cent but that there is no specific target for alcohol testing. There is a general goal of randomly testing most people in the workplace but there is no fixed goal for alcohol testing.

Senator FERGUSON—Mr Smith, I guess this question is directed to you. I understand that you and the heads of ONA and ASIO are looking at whether there has been a breach of security in relation to an article written by Mark Forbes in the *Age* last Saturday. I was just wondering whether you can update the committee on this matter.

Mr Smith—That was advised, I think, by the Director-General of ONA when he was in this place on Monday evening. While looking at that article in the *Age* and talking about it with my intelligence colleagues, the Director of ONA, Mr Lewincamp, came to me and said that some of the remarks there did bear a resemblance to a seminar that he had participated in at the ANU back in September last year. He had participated in an ANU master's course seminar, giving a presentation on the intelligence community, on what he very clearly believed to be a very strict Chatham House rule basis. That gave him some concern. Mr Lewincamp advised me of this on Tuesday morning. I will ask him if he would like to say a little more about it and then I can say something about the action which has been taken in accordance with your question.

Mr Lewincamp—As the secretary has said, I believe that I am, at least in part, the official to whom Mark Forbes refers in his article in the *Age* on 14 February. I say 'in part' because I have never made, nor would I make, a number of the statements attributed to that official by Mr Forbes. Mr Forbes has confirmed to Professor Ross Babbage of the Australian National University that some of the information in the article was based on his attendance as a student at a presentation which I gave to a master's program seminar at the ANU Strategic and Defence Studies Centre in September last year.

Mr Forbes also confirmed to Professor Babbage that the reference to a 'private briefing attended by the *Age*' was in fact a reference to my presentation. My presentation to the ANU seminar was on the role of the Defence Intelligence Organisation within the Australian intelligence community and some specific intelligence issues related to world events since September 2001. I spoke in general terms on issues such as: the independence of intelligence assessment, the differences between intelligence and policy responses, the quality of intelligence, intelligence lessons to be learned from recent events, the increasing scrutiny of intelligence, and media reporting on intelligence. I am authorised to make such presentations. Such participation by senior officials is an important contribution to developing the next generation of defence and other Commonwealth officials.

The seminar was conducted under the Chatham House rule. There was a further injunction given clearly to the students, including Mr Forbes, both before and after my presentation, that

there be no attribution, citing or disclosure of any of the information presented. I have spoken to Mr Forbes on about four occasions since the seminar, most recently when he called me last Friday to say that an article about intelligence reporting on Iraqi WMD would be appearing in the *Age* on the next day. He did not tell me the content of the article.

As to the content of Saturday's article, I have given testimony to this committee in June and November last year about the key judgments which DIO provided to government on the state of Iraqi WMD. There are similar statements in the article about a latent WMD capability able to be activated at short notice and the degree of weaponisation being unknown. But I have never made, and would not make, some of the statements attributed to the official in Mr Forbes's article. For example, I have never said that the Bush administration's claims justifying an invasion were exaggerated, nor have I said that the government was told that Iraqi WMD did not pose an immediate threat. Overall, the article characterises these issues in ways in which I do not. There are judgments in there with which I disagree and views that I do not hold. A more detailed description of the assessments that DIO provided to government will be available in the PJC report when it is tabled.

Mr Smith—Senator Ferguson, the directors-general of ASIO and ANAO and I have examined this matter, and in particular that article, and concluded that the article does not entail any unauthorised disclosure of classified information of a kind which would normally be referred to the AFP for investigation as a possible breach of the Crimes Act. Rather, we were of the view that this involved matters of judgment which would be more appropriately dealt with through management processes. Therefore, I counselled Mr Lewincamp in regard to his responsibilities and specifically about the risks of placing himself in situations in which the basis on which he is speaking might not be clear or in which there are risks of him being misunderstood, misinterpreted or misreported. I should say that particularly goes to caution about speaking in seminars of this kind and in dealings with the media. In counselling Mr Lewincamp I concluded by saying to him that I considered he had made an outstanding contribution to defence over the years and I expected him to continue to do so. From my point of view that concludes the matter.

Senator FERGUSON—Thank you.

CHAIR—Thank you, Mr Lewincamp. Thank you, Mr Smith. We move now to questions of property and personnel.

[6.09 p.m.]

Senator CHRIS EVANS—I start by asking for a bit of an update on the projections of 2003-04 property sales and whether the department still thought that the projection of receipts of about \$200 million would be achieved.

Mr Pezzullo—The budget estimate from last year remains extant. As with any commercially oriented program within the department, we keep it constantly under review. Some information was provided to the government late last year about some risks against that target, but the budget estimate figures remain extant and we are working on some options to make sure that we track as close to that target as possible.

Senator CHRIS EVANS—So is that a bit of a cautionary note—that it may not be achieved?

Mr Pezzullo—There are always risks in the property world.

Senator CHRIS EVANS—I certainly noticed last year that most of the sales seemed to occur in the last couple of weeks, so it was a pretty near-run thing. I guess that applies again. Are you able to provide us with a full list of property that has been disposed of so far this financial year?

Mr Pezzullo—I believe that the answer to one of the questions that was taken on notice at last November's hearings has now been tabled. That gives you the picture as at 14 January. I have checked since then; there have been some movements in the last month but the answer you got up to 14 January did disclose the balance of the properties that have been targeted between now and 30 June. So it would be a question of the number rising, obviously, and you are knocking off the prospective sales as you work your way through the list.

Senator CHRIS EVANS—I have the answer to the question on notice here. What you are saying is that some of those that are listed as for sale have been sold in the interim?

Mr Pezzullo—Have now been elevated into the First XI, as it were.

Senator CHRIS EVANS—Are you able to name them for me?

Mr Pezzullo—I could not name them off the top of my head but I did check an aggregate figure as of this morning and we have certainly broken through the \$50 million barrier. I want to be slightly imprecise because we need to do reconciliations about GST payable to the tax office—you net that off and then you count the net proceeds against the target.

Senator CHRIS EVANS—I am pleased if you have now sold more than it has cost you to sell it—that was a quite worrying figure in that answer where we had \$14 million of income and we had to spend \$15 million to get it.

Mr Pezzullo—There is not a precise algorithm that is one to one. Some of that \$15 million is critical to the sale realisations later in the year.

Senator CHRIS EVANS—Putting to one side those that have already sold, is the list in the answer still the extent of the properties you are seeking to sell this year?

Mr Pezzullo—No, it is not. I mentioned earlier that we have given advice to government on some options to ensure that we have got some comfort in terms of getting as close to \$199.9 million as possible. There is, if you like, a pre-approved surplus stock, which goes back to the Defence Reform Program stock of properties that have been on the books since the late nineties. Depending on the amount of effort you put into remediation, property studies et cetera, it is possible—there is always a commercial risk associated with it—to bring properties forward. We have given the government some advice on some of those options.

Senator CHRIS EVANS—So it is possible that you may get authority to seek to sell in this financial year some additional properties—is that right?

Mr Pezzullo—Or, indeed, some substitute properties.

Senator CHRIS EVANS—I always take it that the list is a wish list and you may not sell them all. But what you are saying to me is that there may be properties that we are not aware of from the previous answers that may be sought to be sold in this financial year?

Mr Pezzullo—Yes. When you say ‘not aware of’, the extant advice on the parliamentary record of the DRP properties, question on notice No. 136 from memory in the other place, represents a four-year stock, and it is a question of going to that barrel and bringing some forward.

Senator CHRIS EVANS—I have some questions about Point Cook. Can you give me an update of where we are at? The last public information I saw on Point Cook was a media release by Fran Bailey, the Parliamentary Secretary to the Minister for Defence, which said:

The Commonwealth Government has approved a freehold sale ... whilst retaining ownership of the RAAF Museum and a RAAF Heritage Precinct.

Is that still the most current advice on government policy in relation to Point Cook?

Mr Pezzullo—Most of it is. The elements that remain extant pertain to the RAAF museum. If you are reading from the press release I will not regurgitate the detail. You obviously have PARLSEC 72/03 in front of you. That remains extant. The heritage precinct being retained in Commonwealth ownership—including parade grounds, sergeants mess et cetera—remains extant. The parliamentary secretary has provided us with some guidance about changes in her thinking about the commercial arrangements to dispose of the airfield asset as opposed to the RAAF retained assets. That is going through some internal processes at the moment.

Senator CHRIS EVANS—What does that mean?

Mr Pezzullo—At the risk of incurring your wrath on whole-of-government considerations, there is a whole-of-government consideration going on about the nature of the freehold sale of the airfield as distinct from some other modes of commercial divestment. I am hedging only to the extent that I think the parliamentary secretary would want to announce any change in that area rather than have me do it for her.

Senator CHRIS EVANS—Certainly. So it is fair to say that that is reflective of the current policy but that Ms Bailey may be giving consideration to other issues that might change that? Is that a reasonable summary?

Mr Pezzullo—That is right.

Senator CHRIS EVANS—What are the alternative options available to the Commonwealth other than freehold sale of the non-preserved parts of the site?

Mr Pezzullo—In matters of property you could do a leasehold sale where the underlying title remains with the Commonwealth but someone is brought in to manage it on a leasehold basis as a tenant. There are also some non-sale options around non-profit community based structures that would be possible.

Senator HOGG—Is any remediation needed on the site?

Mr Pezzullo—There is an ongoing program of assessing exactly what environmental legacy we have on site. Some of that would be disclosed to the market if we went down that market path. That carries a risk, and the market judges how it is going to manage that risk. Who undertakes a remediation—which is part of your question—would be the subject of the final disposal strategy. In other words, the Commonwealth does not always remediate to a given standard. Sometimes it remediates and then discloses the balance.

Senator HOGG—So there is no assessment at this stage of what remediation might be needed?

Mr Pezzullo—There are a lot of assessments but the decision about—

Senator HOGG—I was thinking particularly of the eastern side.

Mr Pezzullo—The eastern side is a challenging area in terms of the legacy of past practices, not limited to Point Cook and not limited to the Air Force. Our knowledge of the issues is reasonably deep, but making final judgments about where to place the risk—doing it in-house or placing it on the market—is a matter for the final disposal strategy.

Senator HOGG—What about the commercial operators that are operating out of the airstrip at this stage?

Mr Pezzullo—Currently operating? All non-Defence use of Defence assets involves various property arrangements, normally licences and sometimes leases. The final disposal strategy will determine whether those rights, which are short-term rights—either a lease right or a licence right—will be carried over into the new arrangement or whether they will terminate upon divestment.

Senator HOGG—What sort of certainty is being given to those people at this stage?

Mr Pezzullo—They have certainty that the Commonwealth is seeking to dispose of the asset by a particular date, which is 30 June, and that they would be advised in as much time as possible about whether they would have an interim arrangement put in place pending their coming to terms with new owners, if that is the direction the government stays with, or whether they would have carryover rights which would simply be inserted into new agreements.

Senator HOGG—How many of those would have leases that are subject to renegotiation?

Mr Pezzullo—I would have to check.

Senator HOGG—I know there were difficulties a number of years ago about the renegotiation of leases there, so if you could check that it would be helpful.

Mr Pezzullo—We will check that.

Senator CHRIS EVANS—What is currently happening in your section in relation to Point Cook? Are you actively marketing it?

Mr Pezzullo—No, there is no active marketing. You asked me what we are doing. We are providing advice to government on different scenarios in accordance with the intent that the government wishes to achieve.

Senator CHRIS EVANS—So there is no ‘for sale’ sign out the front?

Mr Pezzullo—There is no ‘for sale’ sign out the front.

Senator CHRIS EVANS—And you are not currently actively negotiating with potential buyers?

Mr Pezzullo—No.

Senator CHRIS EVANS—What is the level of interaction with the Victorian government on these matters?

Mr Pezzullo—There is a standing process established in previous parliaments—a Point Cook Steering Committee, which is a trigovernmental body chaired by a former Victorian state government minister, the Hon. Don Hayward. That brings together the Commonwealth, Defence civilian and RAAF. It also brings together the relevant Victorian agencies—land planners, heritage et cetera—plus the two most directly impacted councils.

Senator CHRIS EVANS—Does that meet regularly?

Mr Pezzullo—It meets roughly quarterly. There has not been a meeting since late last year. We are going through some diary issues about trying to pin down dates, times, places et cetera.

Senator CHRIS EVANS—Not to put too fine a point on it, at Point Nepean we seem to get into a few difficulties in terms of the relationship. Is there a more constructive relationship with the Victorian government in terms of Point Cook?

Mr Pezzullo—I would not want to directly answer the question by implying that there is an unsatisfactory relationship in relation to Point Nepean. I will just answer straight on Point Cook. There is a fairly detailed working level relationship. Clearly—and understanding what you are driving at—there is an issue of a parliamentary secretary press announcement of August 2003 which talks about a ‘for sale’ process. You do not have to be Einstein to work out that some issues would have been raised as to when the ‘for sale’ sign is going up. We have advised—at staff levels at least—in general terms the kind of advice I am providing to you here tonight.

Senator CHRIS EVANS—We will follow it with interest. I will keep an eye open for the press release.

CHAIR—We will move to questions on personnel.

[6.22 p.m.]

Senator CHRIS EVANS—I want to follow up on our discussion about the superannuation issue for SAS Army pilots and submariners—this question of the calculation of salary, for superannuation purposes, with those allowances. We had a discussion last time about propositions going to government et cetera. I was really looking for a situation report on where we are up to with it all.

Rear Adm. Adams—Progress has been made. I do not know whether you want me to go through the underpinning. We are talking about the qualification and skill allowances that have, over the years, been built into a number of allowances, particularly flying, submarine service, special action and specialist operations allowances. They vary from \$1,560 to \$26,000 per annum.

Senator CHRIS EVANS—Are you able to give us a list of those allowances, on notice?

Rear Adm. Adams—Yes, but they are essentially the ones I just read out. Do you want the quanta associated with them?

Senator CHRIS EVANS—Yes.

Rear Adm. Adams—Yes, I can do that. I have not got it here, but I will certainly give it to you.

Senator CHRIS EVANS—Thanks.

Rear Adm. Adams—Since mid-2001, the issue has been looked at under the auspices of the remuneration reform project, which in itself is an activity under the broad umbrella of what we refer to as the Nunn review. As of this week, I understand that the Nunn review has been forwarded as an issue for cabinet, and the issue of superannuation—the Q and S elements of those particular allowances—is part of the cabinet consideration. We are hoping for a decision some time in the near future, but I am unable to give you a date.

Senator CHRIS EVANS—There was a requirement that this be considered as part of the overall Nunn response, but I gather the Nunn response had slipped a bit. But you are suggesting that the Nunn response will be considered as part of a more comprehensive response.

Senator Hill—I had hoped that it would be dealt with before Christmas but there were some differences with the central agencies over some of the costings. Those issues have been resolved and the matter is now back on the cabinet agenda.

Senator CHRIS EVANS—Are you able to tell me what the cost of fixing this is?

Rear Adm. Adams—Yes. The cost of making the allowances superannuable is \$13.2 million per annum. That is the cost of the employer's superannuation contribution. There is a one-off increase to the unfunded base liability of \$220 million, which is an increase of about 0.8 per cent.

Senator CHRIS EVANS—That is the unfunded liability on the superannuation scheme?

Rear Adm. Adams—Yes. The department of finance is aware of these figures and has noted them. The intention is that Defence will meet the funded liability from the existing appropriation.

Senator CHRIS EVANS—I understand that the first aspect of it is in the increase in the contribution to the superannuation scheme, when it is calculated on the salary from now on.

Rear Adm. Adams—That is the \$13.2 million per annum.

Senator CHRIS EVANS—That is the easy bit. The secondary bit is the \$220 million—

Rear Adm. Adams—in the unfunded base liability.

Senator CHRIS EVANS—That is to account for the fact that contributions had not been paid previously for those allowances. Is that a fair way to describe it?

Rear Adm. Adams—My understanding is that it is the liability into the future.

Senator CHRIS EVANS—So if someone were to be superannuated out a year after this came in, the fact is they would have 25 years of service without a higher employer contribution. That is the liability we are talking about?

Rear Adm. Adams—Essentially, yes.

Senator CHRIS EVANS—I am just trying to get a grasp of it. So the argument then is about how you meet that liability. Is the advice that Defence would have to fund that liability?

Rear Adm. Adams—Yes.

Senator CHRIS EVANS—Would that be done by a one-off payment?

Gen. Cosgrove—Mr Veitch may be able to help you here.

Mr Veitch—Senator, the \$13.2 million that Admiral Adams referred to is the annual cost of the superannuation contributions going up. Defence will fund that, and I have set money aside in the budget to do that. The liability itself will be paid out over many years into the future and that will be taken account of in the superannuation estimates in the appropriate years. So Defence is not required to fund the \$220 million in a one-off payment.

Senator CHRIS EVANS—So what is the problem with the \$220 million then?

Mr Veitch—There is no problem.

Senator CHRIS EVANS—There is no problem?

Mr Veitch—There is a problem—

Senator CHRIS EVANS—You got carried away with all that money you have been hoarding—‘\$220 million is no problem’.

Mr Veitch—There is a problem in the sense that over the ensuing 20 to 30 years there will be about \$220 million more paid out in benefits.

Senator CHRIS EVANS—That is because it is for the unfunded contributions of the last 20 years or whatever for people who are already serving—is that right?

Mr Veitch—It is the impact on the unfunded liability of this specific decision. The superannuation contributions are an unfunded liability in any case. What this does is add \$220 million to that. That will be a cost to the budget many years into the future as current members retire or resign and receive their benefits.

Senator CHRIS EVANS—But it is an extra liability because it is not being funded by an increased contribution? The \$13 million funds the assessment of that as salary from now on, but I presume the unfunded liability refers to previous service that did not have a contribution towards it—is that right?

Mr Veitch—The \$13 million will fund the payments we make to ComSuper in the future as a result of this decision.

Senator CHRIS EVANS—A new definition of salary?

Mr Veitch—Yes. So that is separate. All the contributions are unfunded and this decision would add, in the actuary’s opinion, \$220 million to the overall cost of the unfunded liability, which will have to be met by future appropriations. Defence does not pay for those; they are an administered item managed by the Department of Finance and Administration.

Senator CHRIS EVANS—So what is the argument about—how you meet that liability? What is the debate about?

Mr Veitch—I do not think there is a debate. I think what Admiral Adams is trying to say is that the central agencies have noted the impact on the unfunded liability and have recognised that Defence will meet the recurrent costs, which is the \$13.2 million. So I am not aware there is an issue.

Rear Adm. Adams—I can confirm that. I did not raise it to suggest that there was any problem; I raised it just to note the quantum involved with the issue.

Senator CHRIS EVANS—Yes, but in terms of a decision by government it recognises that, in making a decision to count those allowances as salary for superannuation purposes, not only is there the cost of the \$13 million but there is also a cost to the super scheme over the out years of a further \$220 million that will have to be funded in some way.

Mr Veitch—That is true.

Senator CHRIS EVANS—It may be unfunded, but it has to be paid for sometime.

Mr Veitch—Yes, that is true. But, as Admiral Adams said—and I know it is still a big amount—it only adds 0.8 per cent to the overall liability.

Mr Smith—That was the point I was making.

Mr Veitch—Those factors are, I guess, on the table and will be there and available for ministers to consider when they make their decision.

Senator CHRIS EVANS—Rear Admiral Adams, that picks up then all the major allowances that have been argued about in terms of coming into the super net?

Rear Adm. Adams—Yes, that is correct.

Senator CHRIS EVANS—Then there is no disagreement about certain allowances being in or out? They have been treated as a subset and it is widely understood which ones they refer to? I know there was some talk about some other minor allowances—we had a conversation about that once.

Rear Adm. Adams—The issue is that these allowances do incorporate a Q and S element, and these are they.

Senator Hill—The super part I think is fine, but we want to leave something for cabinet to decide.

Rear Adm. Adams—I wasn't attempting to make the decision for you here today, Minister.

Senator Hill—The officials say there is nothing else to worry about.

Senator CHRIS EVANS—I will leave it there. Thank you.

[6.40 p.m.]

CHAIR—Senator Ray has some questions he would like to ask Mr Smith on the matter raised by the Lewincamp statement.

Senator ROBERT RAY—Was Mr Lewincamp's statement written out and do you have a copy of it?

Mr Smith—Yes.

Senator ROBERT RAY—Can I have a copy of it?

Mr Smith—I do not have it here, but if he has it, yes.

Senator Hill—Did he read the whole thing?

Mr Smith—He had some notes from which he read. Whether he read all of them, I do not know.

Senator ROBERT RAY—That is a different answer. I do not ask for notes. I thought he may have read out a written statement.

Mr Smith—He did not have a completed script. It is in the *Hansard*.

Senator ROBERT RAY—I understand, Mr Smith, you made a statement on this as well.

Mr Smith—From some notes that I have in front of me, yes.

Senator ROBERT RAY—I apologise for not following that; I was at another meeting. I have a few follow-up questions, but could you just summarise the gist of what you said?

Mr Smith—Yes, Senator. Following the publication of the article in the *Age* last Saturday, I had some discussions with Mr Lewincamp and others about the possible sources. Mr Lewincamp subsequently advised me that the contents of the article sounded as though they might have been drawn from a seminar he had spoken at for an ANU master's degree course. He then asked Professor Babbage, at ANU, to confirm or to establish with Mr Forbes, the journalist, whether that was indeed the origin of the article. Mr Forbes confirmed to Professor Babbage that, yes, in part that was the case or in part at least that was the case. Mr Lewincamp had spoken there on the understanding that the Chatham House rule applied, and that injunction was given to participants in the seminar both before the seminar opened and after it closed. Mr Forbes, I understand, was attending that seminar as a student in the course. Mr Lewincamp has assured me that not all of the statements in the article attributed to an official were said by him, and he has assured me that what he said there was consistent with what he had said here at the last SLC—perhaps in September.

Senator Hill—In November.

Mr Smith—When we last met anyway. This seminar took place in September last year.

Senator ROBERT RAY—The one that Mr Forbes attended?

Mr Smith—Yes. The Director General of ONA, the Director General of ASIO and I examined the article and concluded from it that there had been no unauthorised disclosure of prescribed information of the kind embraced in the Crimes Act and therefore investigation under that heading was not warranted but that this was a matter of judgment and that I should take appropriate management action, which I did.

Senator ROBERT RAY—Thank you for that. It was a good summary. You said you had discussed this matter with the head of ASIO and whom?

Mr Smith—And ONA.

Senator ROBERT RAY—When was that?

Mr Smith—On Tuesday.

Senator ROBERT RAY—When on Tuesday?

Mr Smith—Yesterday.

Senator ROBERT RAY—Yes, when?

Mr Smith—Yesterday morning.

Senator ROBERT RAY—What prompted that discussion?

Mr Smith—After the article appeared, we decided that there should be an examination of its contents to determine whether there was anything which amounted to an unauthorised disclosure of prescribed information. We had that discussion about it on Tuesday morning. Mr Varghese, I think, had foreshadowed that here in the SLC on Monday night.

Senator ROBERT RAY—When did you know yourself that Mr Lewincamp was inadvertently the source of this article?

Mr Smith—He advised me on Tuesday morning that that was the case.

Senator ROBERT RAY—Did you ask him why he had not informed you earlier? We were asking questions about this, although not in great detail, on Monday.

Mr Smith—I think that during the day on Monday Mr Lewincamp and others were analysing the article, comparing it with what had been said, for instance in SLC's last year, and what was on record elsewhere to try to identify the source of it. In the course of making those inquiries, Mr Lewincamp contacted Professor Babbage. At his request, I think, Professor Babbage contacted Mr Forbes late on Monday evening.

Senator ROBERT RAY—When did you inform the minister of this?

Mr Smith—On Tuesday morning, early.

Senator ROBERT RAY—On Tuesday morning?

Mr Smith—Yes.

Senator ROBERT RAY—I see.

Mr Smith—Mr Lewincamp spoke to me, I guess, at half past seven or eight o'clock. I spoke to the minister at 8.30.

Senator ROBERT RAY—Has Mr Lewincamp identified, as well as he can from the article, those aspects that he thinks were taken from his address and isolated those that were not?

Mr Smith—He has not gone through that in detail because he did not have a transcript or an address. He has just assured me that he did not say particular things that were attributed to him there.

Senator ROBERT RAY—You have referred to the Saturday article. Have you done an analysis of Mr Forbes's Monday article that also purported to make some comments?

Mr Smith—I do not recall specifically now the content of the Monday article, but I do not believe that it went further than the Saturday article.

Senator ROBERT RAY—No, I am not saying that it did. I am asking: have you done an analysis of the Monday article?

Mr Smith—No, I have not.

Senator ROBERT RAY—What about the article on the front page of the *Sydney Morning Herald* by Mr Tom Allard that had quotes from Mr Lewincamp with regard to the Joint

Statutory Committee on ASIO, ASIS and DSD? It was not clear whether those quotes were from a submission or oral evidence. It was never clear to me in the article; there were quotation marks around that attributed to Mr Lewincamp. There is no relationship between this other matter and this one, or is there?

Mr Smith—Again, I do not have the article in front of me so I cannot say specifically what it is from but I should say that Mr Lewincamp spoke at some length on this matter in the SLC last year. I think he has been quoted in a number of places from there.

Senator ROBERT RAY—No, I am sorry. Under no circumstances could Mr Lewincamp ever—and I am sure he has not—quote from his submission to a parliamentary committee, anywhere, surely?

Mr Smith—I do not believe he has quoted from his submission to a parliamentary committee; he has quoted from what he said in SLC's last year.

Senator Hill—I do not think the secretary is saying, in relation to the Allard article, that what is in quotes was of recent times. Whether it has come from a submission, I would not want to speculate upon, or whether it has been taken by Mr Allard from something that is previously on the record I really do not know.

Senator CHRIS EVANS—Mr Smith was trying to indicate that Mr Lewincamp gave evidence to this Senate estimates committee last November, when I and others questioned him about advice they had given on Iraq—

Senator Hill—He did it twice. He spoke in June and in November, and a number of points that were in the Saturday article were very similar to the statements he made publicly here in November. I am sure Senator Evans can recall that.

Senator ROBERT RAY—They are not the questions I am going to. I am going to what was in the Allard article—

Senator Hill—We may not understand your question; we should get the Allard article.

Senator ROBERT RAY—Yes, we will. It is on the way, but like all these things it always takes longer than you think it will. We will get back to the specifics in a minute, Mr Smith. In Defence there are a whole range of Chatham House discussions going on, from the staff colleges right across the board, and they are extremely valuable. But, once they start to be reported, what does that say to you long term in terms of Defence officials going along to these sorts of functions and being frank and trying to get people thinking about issues et cetera when it may in fact end up in the media?

Mr Smith—It is a matter of concern.

Senator Hill—But it is a pity that it should be of concern, because if a senior official wants to support these masters courses—it is a senior course—it certainly seems to me that in some ways it should be applauded. The trouble is that it is not so much that Chatham House rules; it is more that, if students are going to misunderstand and restate things that cause embarrassment, it will have the effect of dissuading officials from assisting courses such as this.

Senator FAULKNER—Of course, at a range of staff colleges, when I was speaking at them as a minister, it was my experience that many of the students were from the ADF, but of course some were from the defence forces of other countries—as well as, often, officials from other countries. I think that is true, isn't it, Minister? Mr Smith or General Cosgrove can confirm that, I am sure. We have all had the pleasant experience of speaking at these colleges.

Senator Hill—Yes, speaking generally I agree, but I do not know the composition of this particular masters course.

Senator FAULKNER—What was the actual audience at this particular college lecture?

Mr Smith—It was the ANU's Strategic and Defence Studies Centre at the masters degree course in strategic studies, I think. A number of Defence officials—including, I believe, in the past the director of DIO—have spoken to the course. They talk about the structures in intelligence communities, the processes and so on and presumably take questions.

Senator FAULKNER—It sounds as though there would obviously be non-Defence personnel present also at such a masters course.

Mr Smith—Yes, whoever is enrolled in the course.

Senator FAULKNER—Of course.

Mr Smith—It is a public course.

Senator FAULKNER—Some would say that Chatham House rules that might apply at a staff college lecture and Chatham House rules that might apply at a masters course conducted by the Australian National University are two very different things. Would that be a fair conclusion to draw?

Mr Smith—I think the Chatham House rule is the Chatham House rule. Our people often speak at those courses and, as far as I am aware, there has not been any—

Senator FAULKNER—I suppose the point I am making is that it was my experience that the defence culture was more used to or more comfortable with such arrangements than I have found in my experience. The vast majority of my experience has, of course, been outside Defence. That is a fair thing to say, isn't it?

Mr Smith—It is, and it is a fair thing to say that at the SDSC they are accustomed to that too.

Senator FAULKNER—I am sorry; could you say that again?

Mr Smith—At the Strategic and Defence Studies Centre they have generally been comfortable with the Chatham House rule too.

Senator FAULKNER—What was the actual date of the relevant lecture we are speaking of?

Mr Smith—It was in September 2003. That was nearly six months ago but the exact date—

Senator FAULKNER—Are we able to be more precise than that?

Mr Smith—I am not. I will find it out for you.

Senator FAULKNER—If you could take that on notice, I would appreciate it. Were any internal efforts made to speak with any other Defence personnel, either uniformed personnel or civilian officers, who may have been present?

Mr Smith—Not by me. Professor Babbage, the convenor of the course at the Strategic and Defence Studies Centre, has spoken to others who were present and he has told me what they have said.

Senator FAULKNER—Why did Professor Babbage take that initiative?

Mr Smith—I believe that he was concerned about what might have been a breach or a misunderstanding of the basis on which the presentation had been made.

Senator ROBERT RAY—Let me just take you to the Saturday article. I have not got the other two before me at the moment. Mr Smith, I think you said that it was confirmed that some of what Mr Lewincamp said formed the basis of this article, but other matters within the article—

Senator Hill—I have read the article now too.

Senator ROBERT RAY—I do not want to summarise Mr Smith or distort what he said but I think that he said that, in the discussions with Mr Lewincamp, he confirmed that some parts of the article could have been based on what he said but other parts were not.

Mr Smith—He said that it had been based at least in part on what he said. I am told by Professor Babbage that Mr Forbes has said that that was the private briefing.

Senator ROBERT RAY—I just want to go to about three aspects of this. You might be able to indicate if it has been indicated to you whether this formed part of this confidential Chatham House briefing or whether this is from somewhere else. The article read:

The official also said a senior cabinet minister questioned an intelligence agency in the lead-up to the war over why its assessments of Saddam's WMDs were not as 'gung-ho' as those of US counterparts. The official, who was intimately involved in preparing the assessments, said: 'We have always told a consistent and reasonable story.'

Is there a denial that that was said?

Mr Smith—Mr Lewincamp has said that he does not have a transcript of what he said and did not have a speech. He thinks that he may have said that there were questions from the minister's office about comparing the analyses of different agencies, but he said to me that, in the absence of a transcript, he cannot remember whether he said that. He does not rule it out, put it that way.

Senator ROBERT RAY—Did he rule out the very first paragraph being attributed to him? It read:

Intelligence agencies told the Federal Government in the weeks before the Iraq war that some of the Bush Administration's claims justifying an invasion were exaggerated, according to one of Australia's most senior intelligence officials.

Mr Smith—In the absence of Mr Lewincamp, I cannot say specifically what he ruled in and out, but I believe that he would rule that out.

Senator ROBERT RAY—That he would—

Mr Smith—I believe that he would say that he has not said that.

Senator ROBERT RAY—Where it says, ‘The official—who spoke on condition of anonymity’ in the article, your version of events is that that would be a gross distortion. It is a condition of the speech, not on the official’s condition, isn’t it?

Mr Smith—If it attributes anything to an official, in that sense I would say that that is not consistent with the Chatham House rule, yes.

Senator ROBERT RAY—No, I would have thought the implication was: this official said, ‘I’ll tell you this if it keeps it anonymous.’ That is the implication.

Mr Smith—That is the implication of that.

Senator ROBERT RAY—There is no implication in this article that these remarks were made at a seminar.

Mr Smith—No.

Senator ROBERT RAY—I had assumed that some official had spoken to a journalist on a background basis and allowed some things to be quoted, but that is not quite the case.

Senator Hill—Mr Lewincamp mentioned that he had spoken to Mr Forbes on other occasions.

Senator ROBERT RAY—On other occasions?

Senator Hill—Yes. I do not know whether—

Senator ROBERT RAY—On the basis or not on the basis of Chatham House rules?

Senator Hill—I did not know that. I am just trying to assist you. You said that would be clearly a misrepresentation if it was referring to the seminar. Whether Mr Forbes was referring there to some other occasion I do not know.

Senator ROBERT RAY—Do we know on how many other occasions Mr Lewincamp, the head of DIO, spoke to this journalist?

Mr Smith—Mr Lewincamp has said to me that, since the seminar, he has spoken to Mr Forbes on four occasions, one of them being immediately after the seminar—on the doorstep or whatever—and thrice since, the most recent of them, he said here today, on Friday the 13th, when Mr Forbes telephoned him to say that he would be publishing an article on Saturday. But Mr Lewincamp said that Mr Forbes had not said what the content of the article was, other than to say that it was about the WMD issue.

Senator FAULKNER—Friday, 13 February?

Mr Smith—Yes.

Senator ROBERT RAY—I find that very unusual. That is not a criticism of Mr Lewincamp, because he would know that not every journalist who is about to write an article would ring him up and tell him, ‘By the way, I’ve got an article coming out.’ I would have thought he must have said he was mentioning him in the article or something. Anyway, you are not in a position to explain that—

Mr Smith—No, I am not.

Senator ROBERT RAY—and neither am I. I just find that passing strange. We might come back to that article.

Senator CHRIS EVANS—Mr Smith, you said you met with the head of the Office of National Assessments and the head of ASIO on Tuesday. I see Mr Varghese is recorded as saying that on Monday he had discussed it with you. Was there a telephone hook-up or something before the meeting?

Mr Smith—On Monday we talked about what needed to be done about this, what steps we should take to try to determine the level of concern about the article and then what would follow from that. So I had that conversation with Mr Varghese—or a couple of them—on Monday.

Senator CHRIS EVANS—That was precipitated by what—the questioning he had had at the estimates hearing?

Mr Smith—No, it was a concern when I see an article that purports to quote an intelligence official—

Senator CHRIS EVANS—But that was on the Saturday.

Mr Smith—Mr Varghese and I had spoken over the weekend as well.

Senator CHRIS EVANS—I am sorry, I was assuming Monday was the first—

Mr Smith—No, we had spoken over the weekend—I think on Saturday—for the first time and on Monday we took the conversation forward about what would need to be done. In these circumstances the first step is to determine whether you believe that there has been an unauthorised disclosure of prescribed information. If you believe that there has been then you follow one route; if you believe there has not been you follow another.

Senator CHRIS EVANS—Did the three of you make that determination that there had not been an unofficial disclosure and how did you satisfy yourselves to that?

Mr Smith—We went through the items in it and determined either that they were matters already on the public record or matters of opinion rather than proscribed information.

Senator CHRIS EVANS—The three of you did that on the Monday?

Mr Smith—On Tuesday.

Senator CHRIS EVANS—So you had been talking about it on the Monday but the three of you did not actually sit down till the Tuesday morning and analyse—

Mr Smith—And step through that, yes.

Senator CHRIS EVANS—Did you get any advice on that or did the three of you just do that together?

Mr Smith—The three of us did that. I had taken some advice from colleagues in the intelligence community, of course, about what they regarded as opinion and what was an assertion of fact or what else was on the public record, so I had prepared myself for that discussion, yes.

Senator CHRIS EVANS—The three of you determined that there was not official disclosure—

Mr Smith—Unauthorised disclosure.

Senator CHRIS EVANS—I suppose in the current environment loose opinions would be regarded fairly seriously as well.

Mr Smith—Indeed.

Senator CHRIS EVANS—What was the reaction? You said earlier that Mr Lewincamp was counselled. Did you consider other options?

Mr Smith—I considered that counselling here was appropriate. I am not stating that Mr Lewincamp had said those things. He has denied some of them and I accept his explanation of what he said. I think that the issue about which I sought to counsel him of course was the matter of putting himself in a situation of risk in which what he said might be reported when he did not want it to be or misreported or misunderstood. He spoke frankly here in the SLCs on a couple of occasions last year—that is fine. It is on the record and there is no dispute about what he said or to whom he said it. It is all clear by the record. When you speak in a forum of this kind in a belief that you have a Chatham House rule covering you then there is an element of risk which I think he just needed to be reminded of.

Senator FAULKNER—What if you have four private conversations with a journalist?

Mr Smith—I think that the same would apply in the sense that, as director of DIO and a senior intelligence official, he would be expected to be especially prudent and not offer opinion on contentious issues.

Senator Hill—To be fair, one was said to be on the doorstep after the lecture and one was said to be on Friday night to inform Mr Lewincamp that this article was going to appear.

Senator ROBERT RAY—One was a continuation of the seminar and one was a mystery call. I do not know why it did not ring alarm bells. Do we know what the other one was—the other two?

Mr Smith—No, I do not, except that Mr Lewincamp has assured me that he did not speak in the terms attributed to the official in all those cases.

Senator FAULKNER—I suppose you asked him in that circumstance whether he had spoken to other journalists?

Mr Smith—I did not on this occasion ask him that, no. In the course of our discussion of all this in the last two days I have not. I have been focused very much on that particular article and its origins.

Senator FAULKNER—Do you know the answer to the question of which other occasions Mr Lewincamp may have spoken to other journalists?

Mr Smith—No, I do not, and I do not know whether it is his practice to—I would have thought not, but I have not asked him.

Senator ROBERT RAY—Just going back to this article—and the most contentious article at this stage would be the Saturday one. Are you really indicating to us that it is not going to be possible, given the fact that he did not give a written speech to this seminar, to go back and isolate which elements of this article are attributed to him and which are not?

Mr Smith—I personally cannot do it. From what Mr Lewincamp has said to me and what he said here earlier today, he did not say that Saddam Hussein's weapons of mass destruction did not pose an immediate threat. I think he said earlier today that he did not say that.

Senator ROBERT RAY—He also does not confirm or deny, to summarise you, that he made comments about a senior cabinet minister—I suppose that is meant to be you, Senator Hill, is it?

Senator Hill—We were discussing that the other night—although the loop seems to have closed somewhat since then.

Senator ROBERT RAY—But you never said anything like that, did you?

Senator Hill—For me to be inquisitive is not unusual.

Senator ROBERT RAY—I think there is a difference between inquisitive and asking why you are not so gung-ho. It is a pretty nasty comment about you, isn't it?

Senator Hill—I do not know about the gung-ho, but if I saw differences in assessments about an issue as serious as this one then it would not be unusual for me to be asking for an explanation.

Senator ROBERT RAY—One other feature of this though is that I take it from the very last paragraph that someone else has been talking to a journalist, because it says 'another security official'; it does not say 'the same source' et cetera. So do we have a second man here?

Senator Hill—I do not know.

Senator ROBERT RAY—I was asking Mr Smith. He would have the responsibility of chasing this up.

Mr Smith—I think that the expression 'security official' is so broad in its possible application that I resolved that there was no point in pursuing that—and it does not disclose anything of the nature of prescribed information.

Senator ROBERT RAY—So you think it could have a much broader application? It could even be a commentator, an academic or something?

Mr Smith—Yes, it could be.

Senator ROBERT RAY—It could have that broader interpretation. Quite obviously we would regard it as preferable to have a discussion—not a nasty discussion—with Mr Lewincamp and to explore these issues with him. But I am not sure that with the way estimates has been structured, quite properly, over these couple of days we will be able to. Before we move on to the Allard article, there has been a conjunction of newspaper articles and an aura of suspicion around—including three members of this committee—with regard to leaking, so you can see why we are so sensitive about this, Mr Smith.

Mr Smith—Indeed.

Senator ROBERT RAY—When we get a chance to nail down the source—not necessarily a leak, by way—we would like to pursue it so that at least we can declare Senator Ferguson, Senator Macdonald and myself innocent, at least in this area.

Mr Smith—Indeed.

Senator ROBERT RAY—Not in all others.

Senator FAULKNER—In relation to the discussions that you had with Mr Varghese and Mr Richardson, was any thought given to the appropriateness or otherwise of either the Inspector General of Intelligence and Security or perhaps some other person being involved in making the assessment that, as I understand it from evidence, you three gentlemen made?

Senator Hill—It would have brightened up Mr Blick's last day, wouldn't it?

Senator FAULKNER—Yes, you know that because you received a kind gift of chocolates.

Senator Hill—Chocolates, yes.

Senator ROBERT RAY—And I've got the antidote.

Senator FAULKNER—I was pleased that Mr Blick provided more chocolates to the other members of the committee than he provided to you, but I will let the record stand on that. But it is a serious question, Mr Smith, about a prospective or possible role for the Inspector General of Intelligence and Security.

Mr Smith—In our discussion on Tuesday we touched on the question of whether there was a role and concluded quickly that there was not. Firstly, we were satisfied that there was not an unauthorised disclosure of classified or proscribed information, and I believe that we were the people best placed to judge that. Secondly, the source of at least a good part of the article seemed to be evident, so we did not see a role for the inspector general in any further inquiry about it. We concluded, as I said in my earlier remarks, that this was a matter of management; that, as Mr Lewincamp is an officer of the Department of Defence, I should take the role in managing that and counselling him on it, which I have done.

Senator FAULKNER—I appreciate your answer. The reason I asked this is that some might argue, whether it would be reasonable to or not, that with agency heads determining these matters, particularly in relation to another agency head—and I would not say it is a little incestuous—the key thing here of course is to ensure, and I am sure you tried to absolutely ensure this, a very professional, very independent judgment about these matters. That is the challenge for the three agency heads that met. I am sure you would agree with that, Mr Smith.

Mr Smith—Indeed. That is the benefit of having the three first meet by that time. Yes, it looked as though this was the source but I had, as it were, the separate opinions of the Director General of ASIO and the Director General of ONA to compare with my own.

Senator FAULKNER—I was not quite clear about the convening of the discussions between Mr Varghese, Mr Richardson and you. Was that done by a telephonic communication?

Mr Smith—Yes, we had considered appointing senior staff to undertake this review but we decided to meet ourselves. We did that at around 10 a.m. on Tuesday at Mr Varghese's office.

Senator FAULKNER—Who was informed that that discussion was taking place? Ministers?

Mr Smith—I informed the minister after it had taken place.

Senator FAULKNER—Were other ministers informed?

Mr Smith—I do not know.

Senator FAULKNER—Mr Richardson is of course answerable or responsible to another minister, as is Mr Varghese. You can only speak for yourself—I understand that.

Mr Smith—I do not know whether they advised their ministers.

Senator FAULKNER—So after the discussion you contacted Minister Hill?

Mr Smith—Yes.

Senator FAULKNER—Are you not aware of contact being made elsewhere, apart from the obvious contact you had with Mr Lewincamp?

Mr Smith—I am not, no. Well, I know Mr Varghese spoke to someone in the Department of the Prime Minister and Cabinet—I am aware of that, yes—and advised them of where we were, what we were doing.

Senator FAULKNER—Who would that someone have been?

Mr Smith—I do not know.

Senator ROBERT RAY—Can I go to a comparative question mostly for the minister because you would only have vague knowledge of this, Mr Smith, and I am not making any assumption that Mr Lewincamp has been guilty of anything. I look at the contrast between this case of a possible unauthorised disclosure and the one of Mr Trent Smith, who has been suspended for a year. He had a police investigation, he had a special Public Service inquiry set up on him and he had legal expenses of tens and tens of thousands of dollars—this is your average Joe Blow in the Public Service who gets treated this way—and you have a meeting between three people and accept the explanation! I am not critical of you, Mr Smith. I just wonder where the justice is in this, Minister. Would you like to tell me?

Senator Hill—If you want me to examine another case and address the issue of justice in relation to it, I will do that. In relation to this particular matter, I would have thought that the three gentlemen who were asked to carry out this process of investigation and assessment would be regarded as—

Senator FAULKNER—They were not asked; they actually determined to do it themselves. If you are right and they were asked, I would like to know who asked them.

Senator Hill—Well, anyway.

Senator FAULKNER—It is important.

Senator Hill—Let us be fair. Only a couple of nights ago when it was said that these three were carrying out the investigation there was a lot of nodding around the room.

Senator ROBERT RAY—Where was that?

Senator Hill—The same estimates committee you were at.

Senator ROBERT RAY—I beg your pardon. You did not tell us that at all. You are making that up.

Senator Hill—What are you talking about?

Senator ROBERT RAY—We were not told that the three were getting together for an investigation on Monday night.

Senator Hill—Mr Varghese reported, unless I am totally failing in my memory—

Senator ROBERT RAY—I think you are confusing things. Rest assured, if you had told us that Mr Smith, Mr Varghese and Mr Richardson were pursuing this, we would have had questions around that—not necessarily adversarial ones, but we would have wanted to know more. You did not tell us that on Monday night. It is a memory lapse by you.

Senator Hill—I will check the record. I thought he did say that.

Senator ROBERT RAY—We can check the record. The transcript is already up.

Mr Smith—I thought that Mr Varghese had said that the question of whether there was any classified information involved would be inquired into by the three agencies—ASIO, ONA and Defence. That is my understanding of what he said.

Senator ROBERT RAY—You are much closer to it.

Senator Hill—We are playing games, are we?

Senator ROBERT RAY—He said it would be examined. But he did not foreshadow a meeting of the three heads to look at it the next morning.

Senator Hill—No, he did not foreshadow a meeting of the three heads. This might be very amusing to some, I guess. We will find out what he did say.

Mr Varghese—There are a number of things that I have done since the publication of that article. I have had discussions with the Director-General of ASIO and the Secretary to the Department of Defence about the most appropriate way of dealing with the issue. The secretary of Defence and I have agreed that the first thing we need to establish is whether the unauthorised release of any classified information was involved in the article, and we have asked our officers to get together and give us their advice on that as quickly as possible. I do not imagine that will take all that long.

Do you want me to go on?

Senator FAULKNER—No.

Senator ROBERT RAY—I ask you for that section where they were going to meet the next morning to discuss this.

Senator Hill—I did not say that.

Senator ROBERT RAY—I thought you did.

Senator Hill—No, I did not. I did not say ‘the next morning’. You did not say that and I did not say that.

Senator FAULKNER—I think you did.

Senator Hill—I did not.

Senator FAULKNER—What I thought you said was that they were requested to, but anyway.

Senator Hill—I did not because I did not know they were going to meet the next morning.

Senator FAULKNER—The point is: who took the initiative, Senator Hill? That is why I interrupted you.

Senator Hill—Were they self-appointed?

Senator FAULKNER—Let us be accurate here. What you previously said to the committee was not accurate in that, as I understand it, the agency heads themselves took the initiative. That was the point of my intervention. I was just asking the question: if they did not take the initiative, who did?

Senator Hill—This does not say that. If it will please you, I will assume that they took the initiative themselves.

Mr Smith—I can go through this.

Senator Hill—The question is whether they are appropriately qualified to do the job.

Senator FAULKNER—That is another issue.

Senator Hill—I would have thought that they were particularly appropriately qualified.

Senator FAULKNER—I do not know that anyone has suggested they are not. I certainly have not, and you have not. So there are two people who have not.

Senator Hill—There are some suggestions here that they should have gone to some other agency.

Senator FAULKNER—If that is directed at me, I think I properly asked Mr Smith whether consideration was given to involving the Inspector-General of Intelligence and Security or anyone else, and Mr Smith indicated that consideration was given to those matters and how this was determined. I think that is a reasonable question and a reasonable answer. My intervention a moment ago was just to establish the words that you used—and I want to check that they are accurate; we still have not had it cleared up—because I think the agency heads themselves took the initiative. That is what I understood to be the case. You seem to be indicating something else. Mr Smith can clear this up in just a moment.

Mr Smith—As I said, Peter Varghese and I spoke a couple of times on Monday and, having clarified in our own minds what the necessary steps would be, resolved that the first step was to examine whether this article included unauthorised released proscribed information. We had decided that our agencies would meet and reach a conclusion on that. That is what Mr Varghese advised the committee on Monday night. In the event, Mr Varghese and Mr Richardson and I met.

Senator FAULKNER—Is it fair to say, Mr Smith, that such a meeting of agency heads to consider these very serious matters is unprecedented? It may not be fair to ask you that. You may only be able to answer whether it is unprecedented to your knowledge.

Mr Smith—It is unprecedented to my knowledge and to me. I have not done that before, but neither have I faced a situation before in which an intelligence official, so described, is said to have said these things. At any time I would have taken that seriously, but particularly in the circumstances at the time. As Senator Ray said, I wanted to take that seriously and I took it at the most serious level I could.

Senator ROBERT RAY—I have not questioned that, if that helps. What did the nature of your counselling take? I started off by asking about the comparative case that is not your responsibility—that is, of a junior official in Foreign Affairs being accused of leaking something and being cleared of it, but in the course of that fishing expedition some minor matter has come up and he has been suspended for a year. There is a whole range of activities and I am worried about what some people in the Public Service will say—

Senator Hill—You cannot ask Mr Smith about that.

Senator ROBERT RAY—I can in the sense that—

Senator Hill—You would have to compare the full circumstances of each instance if you were going to make a fair comparison. With respect, I would have thought the issue here is whether this matter was handled appropriately, not what happens in the Department of Foreign Affairs and Trade in relation to a matter there.

Senator ROBERT RAY—There could be an effect on the overall morale of the Public Service if they were to perceive an agency head being dealt with differently from someone further down the food chain.

Senator Hill—I think that is a fair comment if the circumstances are the same.

Senator ROBERT RAY—These circumstances are 10 times more serious than the other case in Foreign Affairs.

Mr Smith—I do not know the circumstances of the case of Mr Trent Smith, but what I considered and what I had been assured by Mr Lewincamp was that this was not a leak. This was the use of words that he had used in a seminar for purposes that he had not intended. It was not a malevolent leak. As you yourself said, it was presumably an inadvertent use of his material. I think that is quite a different category of activity than a leak.

Senator ROBERT RAY—Yes, except that there was not a leak in the other case either.

Mr Smith—I do not know about that, but there was not a question here about a leak.

Senator ROBERT RAY—That is what the Australian Federal Police have reported.

Mr Smith—Okay, that is fine, but there was not that question here.

Senator ROBERT RAY—Time is on the wing. Could you tell me the nature of the counselling of Mr Lewincamp?

Mr Smith—That, of course, is a serious issue between me and Mr Lewincamp. Frankly, I think that that should remain in confidence. Let me say in broad terms that what I counselled him about was the need for an officer in his position to be particularly cautious not to place himself at risk of being misquoted, misinterpreted, misunderstood or drawn into offering opinions that might be used in these ways. I think that counselling was pretty much taken to heart by Mr Lewincamp.

Senator FAULKNER—Was it verbal?

Mr Smith—Yes, oral.

Senator FAULKNER—Has any written communication been provided to Mr Lewincamp, to your knowledge?

Mr Smith—There is an in-confidence note between Mr Lewincamp and me which records the essence of this, and there is other discussion around it. I must insist that that is a matter between me and my staff. I have made clear the seriousness with which I take the matter and I think Mr Lewincamp is in no doubt about that.

Senator ROBERT RAY—Do you intend to lodge a complaint with the Press Council? It seems to me—and I do not make a judgment—that the journalist has been somewhat impugned in these hearings.

Mr Smith—I have not considered that question. No, I think that I probably would not do that.

Senator ROBERT RAY—I thank the committee for their indulgence while we asked these questions. We did not know it was coming. I also thank Mr Smith, especially, for readdressing the issues at short notice. We did not know the statement had been made. Our cross-examination to some extent was weakened by the fact that we did not know what was in the previous statement of what Mr Lewincamp said. I restate that at some stage Mr Lewincamp—and I am sure he would be willing—should front up to a committee to explain this.

Mr Smith—The reason we made this statement now was to conclude the matter. I hope that that is what it has done in terms of the necessary management action I have taken.

CHAIR—Thank you. We come now to the end of this particular section of the estimates. Thank you, Mr Smith, General Cosgrove and your officers. The committee has resolved that questions on notice to Defence must be lodged with the committee by close of business on Friday 20 February. The committee will suspend proceedings for a dinner break.

Proceedings suspended from 7.32 p.m. to 8.30 p.m.

Department of Veterans' Affairs

CHAIR—I welcome Senator Nick Minchin, the Minister for Finance and Administration; Dr Neil Johnston, the secretary; and officers of the Department of Veterans' Affairs. The committee will begin with the portfolio overview and then consider the outcomes in number order. When written questions on notice are received, the chair will state for the record the name of the senator who submitted questions and the questions will be forwarded to the department for an answer. The committee has resolved that the deadline for the provision of answers to questions on notice taken at these hearings is Thursday, 1 April 2004. Witnesses are reminded that the evidence given to the committee is protected by parliamentary privilege. The committee also reminds witnesses that the giving of false or misleading evidence to the committee may constitute a contempt of the Senate. Minister, do you or Dr Johnston have an opening statement?

Senator Minchin—No.

CHAIR—We move now to the portfolio overview.

Senator MARK BISHOP—Dr Johnston, I want to turn briefly to the events of yesterday. The Prime Minister in the House today advised that the government's response to the Clarke inquiry would go back to cabinet, I think he said on 1 March, and that shortly thereafter the government would announce its response. Does that mean that any revised submissions have to be lodged next week to be in time for cabinet?

Dr Johnston—I would assume so. If the cabinet is meeting on 1 March, any necessary paperwork would have to be done in time for that.

Senator MARK BISHOP—I am specifically referring to the 10-day rule. Does that still have application?

Dr Johnston—In this case, if there is further paperwork to be done, that might be difficult.

Senator MARK BISHOP—Why would that be difficult?

Dr Johnston—If the Prime Minister wants to have cabinet consider the issues and requires paperwork to be available for that, we will comply with that. Cabinet, of course, has regard for a 10-day rule, but it is a matter of discretion that is exercised having regard to the cabinet's priorities.

Senator MARK BISHOP—Have you received such a request as yet for revised work to be done or a revised submission to be given consideration?

Dr Johnston—I cannot comment on that.

Senator MARK BISHOP—I am not asking you for the detail.

Dr Johnston—I cannot comment much on the process, either. They are matters you should be asking my minister or Senator Minchin.

Senator MARK BISHOP—Can I ask you that question then, Senator Minchin.

Senator Minchin—I do not think we are going to talk about the internal workings of cabinet. All I can do, Senator Bishop, is confirm what you heard the Prime Minister say today: that the cabinet will be considering the matter in the light of the party room's helpful advice on the way in which the government should respond to the Clarke report, and that will be either at the next meeting of cabinet, which is on 1 March, or at the subsequent meeting, I guess.

Senator MARK BISHOP—Dr Johnston, can you confirm that the media was briefed on the joint party room discussion to the effect that the response to the Clarke review was too limited? Are you aware of what was said to the media?

Dr Johnston—All I can comment on is any actions undertaken by the department, and there was no such briefing by the department.

Senator MARK BISHOP—What about you, Senator Minchin?

Senator Minchin—What exactly is your question?

Senator MARK BISHOP—The question is this: was the media briefed on the joint party room discussion to the effect that the response that had been taken to the joint party room was too limited?

Senator Minchin—I was not present when the official briefing was given to media from the party room, but, as the Prime Minister said himself, the party room expressed a view that they would like the government to be 'even more generous' than was indicated by the presentation made to the party room yesterday.

Senator MARK BISHOP—Can you advise whether, in the briefing to the press, any special reference was made to atomic veterans, BCOF or prisoners of war from the European theatre during World War II?

Senator Minchin—Again, I have no direct evidence or knowledge of the official briefing that was given to the media out of the party room. I was at the party room meeting. I am not going to divulge what occurred at the party room meeting beyond what the Prime Minister indicated in the House of Representatives today. But the Clarke review was set up to consider the question of anomalies in relation to our support for veterans. Obviously, a range of issues were canvassed in the party room. You have identified some of those. The cabinet has undertaken to have another look at its response to that review in the light of the party room discussion.

Senator MARK BISHOP—Dr Johnston, what did it cost to bring the veterans to Canberra yesterday?

Dr Johnston—I do not think we have a figure on hand, but we can certainly provide that to you on notice.

Senator MARK BISHOP—Can you tell us which veterans attended and which organisations were invited to send someone?

Dr Johnston—Let me list them, and Mr Maxwell can correct me if I have left anybody out. We had representatives from the RSL, AVADS, the Vietnam Veterans Federation, the Vietnam Veterans Association, Legacy, the War Widows Guild and the RDFWA. I think that is an exhaustive list.

Senator MARK BISHOP—TPIs?

Dr Johnston—I do apologise; yes, the TPI federation was there.

Senator MARK BISHOP—Was it one from each?

Dr Johnston—That is correct.

Mr Maxwell—I can add the estimated cost. It was \$4,500. Final costs will not be known until air travel tickets are claimed—and an accommodation bill for one delegate.

Senator MARK BISHOP—In such a circumstance, is it the normal practice for the government to meet the airfares and necessary accommodation or do the organisations themselves meet that cost? What is the normal practice?

Dr Johnston—It is quite usual practice when there is a major announcement in our jurisdiction—it has been for as long as I have been with the portfolio—to invite the leadership, to give them the benefit and the courtesy of a detailed presentation. Yes, it is customary, when the government and we seek that opportunity, to pay their costs.

Senator MARK BISHOP—That is what I thought was the case, but I wanted to confirm it. Do you have the details of exactly who came, Mr Maxwell?

Dr Johnston—We can give you the names, yes.

Senator MARK BISHOP—Do you have that now or do you want to do it later?

Mr Maxwell—I have them now if you would prefer them now.

Senator MARK BISHOP—We may as well do it now.

Mr Maxwell—From the RDFWA, Commodore Harry Adams; from the RSL, Major General Bill Crews; from Legacy, Mr Ray Ward; from the Vietnam Veterans Federation of Australia, Mr Graham Walker; from the Australian Veterans and Defence Services Council, Rear Admiral Guy Griffiths; from the Australian Federation of TPI Ex Service Men and Women, Mr John 'Blue' Ryan; from the Vietnam Veterans Association, Mr Brian McKenzie; and Mrs June Healy representing the War Widows Guild.

Senator MARK BISHOP—If cabinet addresses this issue in the near future, as indicated by the Prime Minister, and the issue is resolved within the government parties, is it intended to bring a similar group again to Canberra to brief them on the outcomes?

Dr Johnston—We would seek guidance from the minister on that. That decision will be made in due course, I would imagine.

Senator MARK BISHOP—And that is normally a decision for the minister?

Dr Johnston—Yes.

Senator MARK BISHOP—So that has not been given consideration as yet?

Dr Johnston—Not that I am aware of.

Senator MARK BISHOP—Thank you. I want to turn briefly to the issue of depleted uranium and exposure by Gulf veterans, particularly the case of Mr Vidaic. You may have seen some press in recent times. There has been a fair amount of discussion—more by Senator Hill in the parliament than on the vets' side. I think it is fair to say that the government has persistently denied the exposure of Australian service people to depleted uranium in Gulf War I, saying that it has not occurred. That is my memory of Senator Hill's various comments in question time and other places over the last 12 months. From that press report, there is apparently a contradictory position held. Could we have an explanation of the process when people genuinely believe they are affected, as in this case, through exposure to bombed wreckage on the 'Hell Highway' in Kuwait? That is the nature of the problem, as I understand it, with Mr Vidaic. What is the appropriate process to follow?

Dr Horsley—The situation in this particular case was that Mr Vidaic had some communication with both us and Defence. If he had been Defence serving personnel, he would have had access to a program in place where there is counselling and then, if they wish, testing afterwards. There was some confusion, as I understand it—

Senator MARK BISHOP—That is for currently serving personnel?

Dr Horsley—Yes. There was some confusion within Defence. They did not realise until later on that he was talking about Gulf War I rather than the conflict recently in Iraq. When that became evident, they said, 'You're a client of the Department of Veterans' Affairs,' and referred the matter to us. We did not have a testing program in place, but we said to this particular veteran that we would consider his case empathetically and, if we could find a way or a means to do that testing, we would do so. The way we found was that he put in a claim for contamination of his urine with depleted uranium, and we have just gone ahead and investigated that claim as per a normal claim.

Senator MARK BISHOP—When did he put the claim in?

Dr Horsley—I cannot be too precise, but it was relatively recently. I could consult my diary, because I personally went and saw him and filled out the claim with him in Ballarat. It was before Christmas.

Senator MARK BISHOP—If Defence have a current program in existence—I think you said for counselling and then for testing—why would you not just refer him to Defence and avail yourself of their apparent expertise in this area?

Dr Horsley—In effect that is what we did. We rang the people in Defence and said, ‘How would you handle this matter?’ They went through and showed us their protocol. We did exactly the same as Defence would do. That included a process of rather extensive negotiations with a laboratory to get a laboratory that would do the testing. It is actually very difficult testing to do.

Senator MARK BISHOP—Why is that? That is urine testing, is it?

Dr Horsley—Yes. I am not a technical expert in this area, but I understand it is to do with the way the proteins in urine react with some of the reagents they use to extract the depleted uranium.

Senator MARK BISHOP—Presumably, if other persons who are now vets and who have been discharged from the defence forces came forward with a similar problem, that is the practice that would now be established in those sorts of cases? Is that a fair comment?

Dr Horsley—I think that is a fair comment.

Senator MARK BISHOP—So this individual is currently going through urine testing. Is there any further testing required after that or do we have to wait for the results?

Dr Horsley—It is a little unfortunate that at this point in time we only have one individual. For me to discuss what our results are would get us into a situation where I am breaching confidence. But I think we can say that he is still considering his options. We have explained to him what the test would involve, he has taken independent advice and he is still thinking about whether or not he will go ahead with our offer. We are saying, ‘We’ll be at your beck and call. Call us when you need it. You need to think through the issues yourselves.’ And he is doing that.

Senator MARK BISHOP—Understood. How many urine tests have been conducted by either Defence or Veterans’ Affairs on the 1991 Gulf veterans?

Dr Horsley—For depleted uranium?

Senator MARK BISHOP—Yes.

Dr Horsley—The answer for us is, ‘Zero, but we might get one shortly.’ The answer for Defence is, I think, ‘Less than a score.’ But it is in that area.

Senator MARK BISHOP—I do not want the details of individual cases. Are you privy to the results of the tests conducted by Defence for those people you mentioned?

Dr Horsley—In general terms I am. The results have been that none of the levels of uranium in the urine have been other than what would be expected from the normal population.

Senator MARK BISHOP—Is it normal for uranium residue to be in the urine of people?

Dr Horsley—Yes. There is a small amount of uranium in all water and a lot of foodstuffs. It is excreted from the body through the kidneys. What we try to look at is not so much the amount of uranium as such but the relative ratio of the isotopes in order to see if we can see evidence of depleted uranium. It remains an area of some controversy, and interpreting the results is not always straightforward.

Senator MARK BISHOP—You made some introductory comments. Let me summarise them. Did you say that, of the men—I presume it is only men—who have been urine tested to date the results indicate no departure from the levels that you would expect in the normal civilian population?

Dr Horsley—That is my understanding, but to some extent—I do not want to seem to squib on it—it is really a matter for Defence. What they have advised me so far is that, of the tests that they have done, none have shown any deviation from what would be expected from an ordinary civilian.

Senator MARK BISHOP—They have not drawn to your attention any deviation—and you are not aware of any deviation either?

Dr Horsley—No.

Senator MARK BISHOP—I might shift to the question of anthrax vaccinations for both Gulf War I and Gulf War II. Do we have any idea of how many and who exactly were vaccinated?

Dr Horsley—For Gulf War I we do. The situation with Gulf War I concerned a small number of personnel deployed with UK and US forces. In that circumstance, it would have been the normal thing for them to have received the vaccinations that their host countries were giving. In that case, there would have been anthrax involved in a small number of cases.

Senator MARK BISHOP—How many is small? Is it 150?

Dr Horsley—No. I think it is six with the UK and 10 with the US. That is the order of magnitude. It is a very small number.

Senator MARK BISHOP—What about in Gulf War II, the more recent conflict?

Dr Horsley—In Gulf War II, there was obviously a program of vaccination. My understanding is that the majority of personnel who went to the Gulf War received that vaccination.

Senator MARK BISHOP—We sent about 2,200 or 2,400 people, from memory, to Gulf War II?

Dr Horsley—The deployment is continuing to this day, so there are still people in the Middle East area of operations. We do not have a bottom line number yet.

Senator MARK BISHOP—That is right. There is rotation going on. Is it still the practice for new groups who are being sent to be inoculated for anthrax? Is that still routine practice?

Dr Horsley—That would depend upon the occupation involved. To some extent, for today's actual practice, you would need to refer back to Defence. My understanding is that today they would not be vaccinated for anthrax. There was a period where there were people being sent for specialist tasks to actually look for anthrax and those people were being vaccinated because their job was to look for anthrax and in those circumstances it was deemed that there would be too great a risk in not vaccinating them.

Senator MARK BISHOP—I accept that. Are you aware of DVA having received any compensation claims by any people, in the first instance from Gulf I, after anthrax vaccinations were given?

Dr Horsley—There are a couple of difficulties with Gulf I. One is that a large number of people believe that they got anthrax vaccinations where we do not think that they did.

Senator MARK BISHOP—You do not think that they did or you do not know that they did?

Dr Horsley—The documents that we have do not show any evidence of an anthrax vaccination being given. With the media interest that has been associated with anthrax vaccination, some people are remembering vaccinations that were given for things like tetanus and transferring a memory to think that that was an anthrax vaccination. There are a number of people who have come forward and said, 'I was vaccinated for anthrax.' When we look at their records and go through the records with them sometimes they say, 'I accept that I wasn't'. On other occasions people say, 'The record is missing.' All I can say is: 'The records don't show that you were vaccinated for anthrax. The policy at that time was that you should not be vaccinated for anthrax. My belief therefore is that you weren't. Some of the veterans have a belief that they were.' Some of them then go on to say, 'I have this illness as a result of that anthrax vaccination.' My own view is that remains at best unproven and we have to do more research in that area before we get more feeling for whether or not these vaccinations can be associated with long-term adverse health effects.

Senator MARK BISHOP—Gulf War I was in 1990, so it was almost 14 years ago. Does a residue remain in any part of the body, blood or urine so long after an inoculation?

Dr Horsley—We are not certain about that. Our belief at this stage is that it probably would have all gone, that you could not now go back and say, 'That person was vaccinated for anthrax and that person wasn't.' In the whole area of anthrax vaccination there is a need for more research and greater understanding of what the problem actually is, if there is a problem.

Senator MARK BISHOP—All right. You said there were some 16 people where you have full knowledge that they have received anthrax vaccination because they served with allied forces in Gulf I. Are full medical records available for those 16 individuals?

Dr Horsley—When people are attached to allied health forces there is a tendency for an incomplete transfer of data from those allied health forces back to the ADF. I would not be surprised if, in some circumstances, there was not a complete record. I have not personally

checked that. It is from my general experience that I would think it is likely that there would be an incomplete record of who received those anthrax vaccinations.

Senator MARK BISHOP—We have those 16 people who were with the British and the American forces. Did we inoculate any of our people for anthrax in Gulf I?

Dr Horsley—My understanding is that we would have liked to but, in fact, that there were insufficient supplies of anthrax vaccine here in Australia for us to vaccinate our deployment and so we decided not to vaccinate any of them. There is a small reserve of anthrax vaccine kept always in Australia, or there was at that time a small reserve kept, for outbreaks of anthrax associated with processing animal products. That small reserve was much too small for us to be able to vaccinate in Gulf War I. It does depend a little bit on when you say the cut-off for Gulf War I was. But later on in that year we were responsible for preparing some people who were going to be UN weapons inspectors. They did receive anthrax vaccine. It is my understanding that some of those people entered the country very close to when the war was being fought. So they got there at a time when, for our health study for example, we regard them as being Gulf War veterans. I think there were only about four or five of them and they would have received anthrax vaccinations.

Senator MARK BISHOP—All right. Do we have complete records of their inoculation process?

Dr Horsley—It was certainly the policy of the ADF at that time that there should be a complete record kept. My understanding, again without having looked at those individual cases, is that there was.

Senator MARK BISHOP—But you have not had cause to thoroughly examine the record?

Dr Horsley—I have not.

Senator MARK BISHOP—That discussion was all about Gulf I. You said that the majority of Australians service people who went to Gulf II were inoculated. I presume that most of those people are still personnel in Defence. That would be correct, wouldn't it?

Dr Horsley—Yes.

Senator MARK BISHOP—Excluding civilians.

Dr Horsley—Yes. There have been a few that have come back and sought fairly immediate discharge, but I would think 98 or 99 per cent are still with Defence.

Senator MARK BISHOP—The inoculation process, the record keeping and the record maintenance is a task for Defence, not for Vets at the stage?

Dr Horsley—That is right. As they leave it becomes our responsibility once they become our clients, so they would have to stick up their hand and say, 'I want to put in a claim.' We do of course have joint clients—people who remained in the defence forces but at the same time put in claims. We make a copy of their file, which is kept with us until such time as they leave; then the original comes across to us.

Senator MARK BISHOP—Have we had any claims or has DVA had any claims for consequential problems from Gulf II people who were inoculated with anthrax?

Dr Horsley—I am not aware of any, but there may be some coming into the system. It would be that sometimes a veteran would come along and say, ‘I have now got rheumatoid arthritis,’ and later on the claim form he would say, ‘It is due to my anthrax vaccine.’ We would put that up on our system as rheumatoid arthritis, and I would not be able to tell you whether or not that particular claim is due to anthrax vaccine until much later in the process. But, to my knowledge, we have not received any claims.

Senator MARK BISHOP—Is the inoculation process one shot or a course of shots?

Dr Horsley—We think it is one but we would need to take that on notice.

Senator MARK BISHOP—Could you check that and let us know if it is one or a course?

Dr Horsley—Yes.

Senator MARK BISHOP—Is the department keeping abreast of the experience in the United Kingdom over their numbers affected, claims lodged, ongoing research, availability of data and those sorts of things?

Dr Horsley—In broad terms we are, yes.

Senator MARK BISHOP—Just via the Net, or do you have some sort of protocol with your sister department over there?

Dr Horsley—We have a number of relationships with our sister departments over there. These matters are in fact dealt with by several departments over there, but we do have relations with those departments. We are in contact with them via email. We also monitor the news services out of the United Kingdom and we monitor the medical journals out of the United Kingdom, so we have a range of mechanisms of monitoring those developments.

Senator MARK BISHOP—What is your understanding of the experience in the United Kingdom of this issue?

Dr Horsley—Their government have concern, as does our government, that these claims should be carefully and fully evaluated. They have an ongoing program of research, which is carefully looking at these issues. They have a number of tribunals that sit outside their defence department that have made a series of decisions which do not necessarily equate with government policy or, in my own professional view, good science. They have in some cases decided not to appeal those decisions because the only ground of appeal is if an error has been made on a point of law and they are being advised that an error has not be made on the point of law. So their official position remains one of watchful interest. They have programs of research under way to try and help elucidate these problems, but we have yet to see any concrete evidence that there are in fact problems developing as a result of these vaccinations.

Senator MARK BISHOP—I think you used the word ‘tribunals’. Are they the equivalent of the VRB or something like that?

Dr Horsley—In broad terms, I think that is a fair description, yes.

Senator MARK BISHOP—And you have doubts as to the correctness of their scientific findings?

Dr Horsley—I think that is probably being a little too strong about my statement. My understanding is that their tribunals are charged with the responsibility of accepting the claim

unless their government can disprove it. So the onus of proof relies on the government to disprove something. If an expert in the field comes in and says, 'I believe that this man's particular disease is related to that vaccine,' then the onus of proof falls upon the government to prove that is not the case. In some cases, the government have found that difficult to do. In other cases, I understand that they have chosen not to contest the matter and so the tribunal has been forced, as a matter of law, to accept the situation of them saying that a vaccine caused the disease and granting a pension. Whether or not that is a valid conclusion in a scientific sense is another question. My own view is that scientists would see a more rigorous standard of proof needing to be applied before causality could be seen in that sense.

Senator MARK BISHOP—I understand what you are saying. Can we now turn to the Gulf II people. You said that the majority of our people were vaccinated, that that was administered by Defence and that most of them are still serving, so the records are presumably maintained by Defence. There was some dispute in the press either last week or the week before between Senator Hill and some relatively senior naval officer, and I saw that Senator Hill pulled him into line. Are you aware of the status of the records for the persons who received the inoculation?

Dr Horsley—I understand there is a Defence policy which says that, in the event that this type of vaccine is given, certain documentation must be maintained. I understand that for this particular category of vaccine that documentation would be an instrument of informed consent. There would also be other records kept on what is called the central medical record, including things such as the batch number for the vaccine. With the best will in the world, these policies are never 100 per cent adhered to. You would find some medical officer somewhere did not quite understand the policy and some records would be deficient. But my understanding is that Defence are reasonably happy that that the records are complete. They have gone through and done some sort of count-up of the number of people who got the anthrax vaccines and are maintaining that on a separate database, which will hopefully be useful in the future.

Senator MARK BISHOP—When in due course those individuals are discharged from ADF, will their records be kept by Defence or will they automatically be sent over to DVA to be kept into the future?

Dr Horsley—The maintenance of records remains a situation in flux and we are having negotiations with Defence about our respective roles. Generally, historically, it has been the responsibility of agencies within Defence to maintain those records and keep them until such time as the veteran puts in a claim. Then the records are transferred to us and become the property of the Department of Veterans' Affairs.

Mr Maxwell—I can add that World War II was the last occasion on which copies of documents were automatically trucked over to what is now the Department of Veterans' Affairs. Since that conflict, the only records we have had are the ones given to us when we have asked for them in response to a compensation claim.

Senator MARK BISHOP—Is there any suggestion that that arrangement will not continue into the future, Dr Johnston?

Dr Johnston—Senator, as I think you are aware, there has been discussion under the Defence-DVA links program looking at the possibility of the Department of Veterans' Affairs taking on wider responsibility for care of paper records for the Department of Defence, and those discussions with Defence are still continuing. It is quite a complex area.

Senator MARK BISHOP—We have had this discussion on a number of occasions and each time you say that negotiations are ongoing.

Dr Johnston—That is the reality, Senator.

Senator MARK BISHOP—I am not being critical there. There is no sense of any need to bring the discussions to a conclusion?

Dr Johnston—I believe so. It is just that Defence has many responsibilities and it is a matter of making sense of these sorts of administrative proposals in the context of wider defence priorities. The difficulty for Defence is that the responsibility for personnel service records, for example, is spread across the different arms of Defence and it is a matter of getting a coordinated approach if this department is to provide such a coordinated service.

Mr Maxwell—It might be worth making the additional point that, even were all Defence records to be deposited with the DVA for keeping, that would not enable the Department of Veterans' Affairs to interrogate those files without the person's consent. We would still be bound by a compensation claim or some other similar trigger.

Senator MARK BISHOP—Okay. So in that case you would just be a holding agency?

Dr Johnston—We would be providing an agency service and bringing it together to provide greater business efficiency and quality of service.

Senator MARK BISHOP—Arising out of Gulf II or Iraq or whatever it is called, how many Australian service people have had blood tests following their return? Do we have any knowledge of that?

Dr Horsley—I have some knowledge. It is our policy that people returning from an operational area will have an HIV test three months after their return. This policy has been standing for some years after it was revealed that a very small percentage of people were returning with a positive HIV status. There is currently a proposal being carefully considered for a voluntary process whereby those members who wish to can have some of that blood kept for future analyses, but I do not believe that we have yet got out there in the field and saved any of that blood.

Senator MARK BISHOP—Why would discussion be around it being voluntary and not mandatory? Is that just a privacy issue or a choice issue or is there more to it than that?

Dr Horsley—It is for privacy and it goes to medical ethics. The purpose of this blood in the longer term is to facilitate some research and it is the policy of the ADF that all participation in research should be on a completely voluntary basis.

Senator MARK BISHOP—All right. Is DVA doing any research or does it have access to any research on a range of vaccinations in combination with others—say, for tetanus, cholera, typhoid, yellow fever, pertussis, meningitis et cetera—to see whether the combination thereof

has any serious, long-term effect? Has DVA commissioned any research or is it doing any research?

Dr Horsley—Yes, we have. In our Gulf War health study we specifically asked people to comment on the number of vaccinations they got, the type of vaccinations that they received and the timing of the vaccinations—that is, whether they received them all on one day or over a period of some days. Our research showed that a self-belief that you had got a lot of vaccinations was correlated with a poor self-belief in health. It may be that that is not a true cause and effect—that multiple vaccinations do not cause you to have poorer health—but the belief that you have poorer health may be associated with a greater recollection that you had more vaccines. All we could say was that there was a correlation between the number of vaccinations that a veteran recalled having had and their self-perception of poor health. I would have to go and check the figures to be absolutely certain but I do not think we could find any other correlation. That work is currently being written up for a paper to be published in one of the peer review journals but it is very similar to a finding made by a UK group led by Simon Wesley at King's College, who also found self-reported poor health was correlated with a remembrance of the number of vaccinations that one received.

Senator MARK BISHOP—And the remembrance was in error?

Dr Horsley—We do not know, Senator. My recollection from the research is that it was difficult to know whether they were accurately recalling the number of inoculations they got.

Senator MARK BISHOP—What is the current status of the review of legal aid being conducted by the Attorney-General's Department? Is there one?

Dr Johnston—I am unaware of any current study being done.

Mr Pirani—I understand there is some work being done by the Attorney-General's Department in relation to legal aid. Part of that is being driven by the submissions our minister received from ex-service organisations that were passed on to the Attorney-General's Department. The other part is being driven by the new Military Rehabilitation and Compensation Bill and the issue of how legal aid is going to be dealt with in relation to claims under that legislation.

Senator MARK BISHOP—Are A-G's reviewing the practice and usage of legal aid within the veteran jurisdiction? What exactly are they reviewing?

Mr Pirani—When our minister received the submissions from the ex-service organisations he undertook to pass them on to the Attorney-General's Department so that the Attorney-General's Department could review—

Senator MARK BISHOP—In what context did Minister Vale receive those submissions? Was it one of the inquiries?

Dr Johnston—Some time ago we were approached by a number of the organisations saying that they were continuing to have difficulties with legal aid. As a result of that we undertook a survey of the views of each of the organisations and undertook to refer that information to the Attorney-General's Department for their consideration. That was some time ago.

Mr Maxwell—We then followed that up with a series of meetings with legal aid commissions in New South Wales and Victoria. They were joint meetings at which we had both Attorney-General's representatives and departmental representatives. Indeed, in the case of Victoria, on two occasions representatives from the ex-service organisations attended. Those meetings helped identify a number of procedural difficulties in the Victorian jurisdiction in particular which appeared to be peculiar to that state. The Attorney-General's Department and the Victorian Legal Aid Commission were working out of session on those elements to see if they could reach a revised approach that might have overcome some of the problems.

Senator MARK BISHOP—Where is A-G's at with this review? Has it been concluded now?

Mr Pirani—I understand that it is still continuing. I am unsure of the time frame but I also understand that the current legal aid agreements with the states are coming up for negotiation shortly.

Senator MARK BISHOP—Is there any suggestion that veterans might lose the means test free element of their access to legal aid?

Mr Pirani—Not that I am aware of.

Senator MARK BISHOP—It has not been raised with you by A-G's?

Mr Pirani—No.

Senator MARK BISHOP—It has not been indicated to you by either of the legal aid commissions in the two big states?

Mr Pirani—I have not had any direct contact with the legal aid commissions but I understand that this issue has not been raised.

Senator MARK BISHOP—Thank you, Mr Pirani. I refer to the recent death of a destitute veteran and a representation by Mr Millen of the Illawarra. It has received some notoriety in the press for the fact that this unfortunate TPI was only eligible for the standard funeral benefits. As I understand it, there is no provision for bereavement payments to go to the estate, if it exists. Is this matter to be attended to in the draft bill we will be considering in a few weeks?

Dr Johnston—There is no such provision in the draft bill. That matter has not been raised directly in that context with us, but it is a matter that we could look at.

Senator MARK BISHOP—You are aware of what I am talking about, aren't you?

Dr Johnston—Yes, I am, Senator.

Senator MARK BISHOP—And you have not received any approaches from any of the organisations to think about amending the act on that score?

Dr Johnston—Not that we can recall, but we might need to correct that. We will check that for you. Not that it is necessarily a response that would be seen as appropriate, but in the end it is quite customary for veteran organisations to step in in this situation and ensure that appropriate provision is made for proper burial.

Senator MARK BISHOP—Has DVA made any grants or offered any assistance to the organisation known as the Partners of Veterans Association—PVA?

Dr Johnston—I will have to get some help with that.

Ms Urbanski—The Partners of Veterans Association in Australia has been awarded a grant in this financial year of \$8,000 under the Grants in Aid Program.

Senator MARK BISHOP—Are you aware of whether any other grants have been made by any other government department or agency to PVA?

Ms Urbanski—I am not aware of any other grants from another agency.

Senator MARK BISHOP—From the Office of the Status of Women?

Ms Urbanski—I am not aware of any other grants.

Ms Blackburn—There has been contact with the Commemorations Branch and I think there may have been a grant made at one stage to that group, but I would have to take that on notice.

Senator MARK BISHOP—Do you mind doing that?

Ms Blackburn—No. I think that is the only other one of which I am aware.

Senator MARK BISHOP—If you could take it on notice and just confirm which government agency or department made it, the amount and the time period.

Ms Blackburn—We can only speak in respect of our department.

Senator MARK BISHOP—I see.

Dr Johnston—We could consult with the Office of the Status of Women to see if there has been a grant recorded.

Senator MARK BISHOP—Could I ask you to do that?

Ms Blackburn—Yes, certainly.

Senator MARK BISHOP—Thank you, Dr Johnston.

[9.19 p.m.]

Senator MARK BISHOP—Dr Johnston, I want to turn now to program 2, health. I have had some representations from a vet in Western Australia who has been seeking, he says without success, to access the VVRS over there. He says that he has been refused access because he is seeking to re-establish himself in business. What are the guidelines on access to services from VVRS?

Mr Kilham—The veteran in question was accepted into the VVRS program. He sought to establish a small business, and he was assisted by the VVRS provider, the CRS. It was suggested to him that he try to establish a plan for his business and submit that plan to the Small Business Council for some consideration. He was unwilling to do that, and eventually CRS decided that he was not suitable for that program. He has reapplied on several occasions but he has not been particularly willing to work within the guidelines of the VVRS.

Senator MARK BISHOP—What are his problems with the guidelines, as you understand it?

Mr Kilham—The CRS is charged with determining a person's capability of succeeding with their plan, and he has been assessed as not being sufficiently able to succeed with his plan for business.

Senator MARK BISHOP—Is he not capable of drafting the plan or not capable of carrying out the plan once it has been drafted and approved?

Mr Kilham—It has been a CRS assessment that he is not capable of carrying out that plan.

Senator MARK BISHOP—How do they come to that judgment?

Mr Kilham—I do need to protect the veteran's privacy, but the veteran has had a very extensive period of treatment through DVA—periods of hospitalisation and extensive counselling support through the Vietnam Veterans Counselling Service and through its Outreach Program. We have arranged for periods of hospitalisation for that veteran in states other than Western Australia, and we have, in our view, tried to support him very extensively in his counselling needs and with the treatment of his mental health condition. We are concerned that we would be putting that veteran at risk if we tried to support him in his business plans. We believe there is a high risk of failure.

Senator MARK BISHOP—Is that the professional judgment of the people who offer you advice?

Mr Kilham—That is correct. The rehabilitation counsellor is with CRS Australia.

Senator MARK BISHOP—I understand that; that is fine. Thank you. Dr Johnston, we have had a couple of discussions in the past and I have had some correspondence with Minister Vale on the current status of the transport tender. What is the date for completion of the transport tender?

Mr Winzenberg—The transport tenders were done on a state by state basis. They have all closed and they are all currently being evaluated. We expect to roll out the results over the next couple of months.

Senator MARK BISHOP—So they have all closed, they are all being evaluated and you will be making a decision shortly. That applies in all states?

Mr Winzenberg—That is correct.

Senator MARK BISHOP—How long has the process taken so far?

Mr Winzenberg—The tenders were let in October—I am not quite sure of the exact date—but, subsequent to that, there was a lot of lead-up work, a lot of consultation with the transport providers and the veteran community.

Senator MARK BISHOP—Is it the intention of the department to go to uniform guidelines and uniform practice in the tender and then in the carrying out of the functions pursuant to the tender once it has been granted?

Mr Winzenberg—That is correct.

Senator MARK BISHOP—So we can anticipate changes and possibly complaints in a range of states once the tenders are issued?

Dr Johnston—We have a national template in mind but, as you are aware, the current arrangements do differ quite significantly state by state and the structure of the transport sector does differ a bit state by state. So, while we have a common template, we are being very sensitive to the state by state circumstances and endeavouring to take them into account. The most sensitive area is the community transport sector, and that is not part of the current tender. Providers have an opportunity to tender for the services but the arrangements that we currently have with community transport organisations—particularly in New South Wales, for example—are still the subject of separate ongoing discussions.

Senator MARK BISHOP—As I understand it, it is mainly an issue in New South Wales.

Dr Johnston—I think that is a fair comment.

Senator MARK BISHOP—If not exclusively.

Mr Winzenberg—That is correct but, in respect of the rest of the transport arrangements, the idea is to have a consistent national arrangement.

Senator MARK BISHOP—So you are intending to isolate this community transport issue in New South Wales and resolve the rest?

Mr Winzenberg—That is correct. Once we finish these tenders, we will sit down with the community transport organisations and work through their issues.

Senator MARK BISHOP—Is it fair to say that until you have done that it is your intention to maintain the status quo as to practice?

Mr Winzenberg—That is correct. That is the commitment we have given to the community transport operators.

Senator MARK BISHOP—That is what I thought. What sorts of savings do you plan to make once you have uniform practices around Australia in this area?

Mr Winzenberg—The idea was to get a nationally consistent arrangement in place, not so much to look for savings. Certainly once we have evaluated the tenders and come up with final prices we will be able to do a comparison against current costs.

Senator MARK BISHOP—Yes, you will be able to do a more accurate assessment of costs too, won't you?

Mr Winzenberg—That is correct.

Senator MARK BISHOP—We will have that discussion in a few months time. Dr Johnston, I am sure Minister Vale is starting to receive a lot of correspondence seeking the extension of the gold card to those who enlisted in World War II without qualifying service. I have noticed in the last couple of months this correspondence starting to come into my in-tray. Has the department done any costing of such an extension?

Dr Johnston—These are some of the matters that were addressed by the Clarke committee. The Clarke committee has made recommendations and the government, as you are aware, will be responding to those in due course.

Senator MARK BISHOP—I am not seeking to have that discussion. I am really asking if, apart from the research that you did for Mr Clarke and the research that he commissioned and

had published, there has been any research done since on extending the gold card to those in World War II without QS.

Dr Johnston—Not separately, Senator. I think it would be fair to say that those issues were aired fairly comprehensively in submissions to the Clarke report and the Clarke report provides a reference point for most claims of that nature.

Senator MARK BISHOP—Has DVA done any costing of the net cost of an extension of the gold card to Commonwealth and allied mariners?

Dr Johnston—The answer is yes, but whether we have that sort of information available this evening is another matter. I am being told that possibly we have not costed that particular option. Can I take that on notice?

Senator MARK BISHOP—I will ask you to take on notice—if you have done the costing—the net cost of an extension to Commonwealth and allied mariners, the number of persons who would be entitled and the annual cost of such an extension.

Dr Johnston—We will take that on notice.

Senator MARK BISHOP—We had a discussion very early in the piece, when I was first given this responsibility, about the cost of the gold card. From memory, some documentation you provided to me at the time suggested that the average annual unit cost per gold card holder was around the figure of \$10,800 per annum. Do you recall that figure?

Dr Johnston—I think Mr Douglas can probably give you a current figure.

Mr Douglas—The 2003-04 estimated average cost of a gold card is \$11,650.

Senator MARK BISHOP—That has gone up.

Mr Douglas—Those costs include the local medical officer and specialist consultations and services, hospitals, the Repatriation Pharmaceutical Benefits Scheme, veterans home care, community nursing, rehabilitation aids and appliances; but it excludes things like the residential aged care subsidy and some various minor items which are not directly related to veterans health care, for example health research.

Senator MARK BISHOP—Does that figure of \$11,650 exclude the cost of Medicare that the vet would forgo using, having been granted a gold card or one of the other cards?

Mr Douglas—That is my understanding.

Senator MARK BISHOP—The answer to that is yes, is it?

Mr Douglas—That is my understanding.

Senator MARK BISHOP—Can you take that on notice?

Mr Douglas—I will take that on notice to confirm it for you.

Senator MARK BISHOP—I am not able to disagree with you. I am surprised that that was your answer.

Dr Johnston—I am certain that that is the case, but we will confirm it. It is relevant to note, given your surprise, that we have discussed before a study undertaken by the Australian Institute of Health and Welfare which looked at gold card usage of veterans compared to the

community at large. The conclusions of that study were that, when you took account of age and disability, utilisation by veterans of the gold card was no higher, by and large, than the rest of the community. I draw your attention to that study.

Senator MARK BISHOP—I recall that report and those discussions. I would have thought that off that figure of \$11,650 you would be inclined to pull whatever the average annual unit cost was of a non gold card holder who accesses the public system.

Dr Johnston—I think you have to keep in mind the age profile of the veteran community and the fact that at least a percentage are quite significantly disabled by their military service. Both of those are quite significant factors.

Senator MARK BISHOP—Do you know the cost of the average unit card holder of those persons who use the public system as opposed to gold card or white card or orange card?

Dr Johnston—That would be for the community as a whole, do you mean?

Senator MARK BISHOP—Yes.

Dr Johnston—Offhand, no, but we could give you that figure.

Senator MARK BISHOP—If you have it, I would appreciate it being available in due course.

Dr Johnston—If it is available, what we will try and give you is that figure for a comparable population to the veterans and a figure for the community at large.

Senator MARK BISHOP—What you are really saying is the average unit cost of the gold card is that figure of \$11,650, plus the amount forgone.

Dr Johnston—That is correct.

Senator MARK BISHOP—Which makes it seriously higher. I thought it would go the other way. I have had representations from a number of my colleagues, in particular the member for Capricornia, concerning what she alleges is the department's refusal or inability to provide a special chair for aged and frail veterans. I am also starting to receive numbers of correspondence about similar complaints about the provision equipment such as food blenders and scooters to frail older people. What is the policy with respect to the provision of special chairs? Is there a uniform policy or is it on a state-by-state basis, and what is it?

Mr Douglas—My colleague Mr Winzenberg will no doubt go into some more detail but in general terms there has to be an assessment that such an aid, whatever the aid may be, is a necessary item. In most cases that assessment is done by an appropriate health professional. In many cases that would be an occupational therapist; in some basic cases it may be the local medical officer. The other thing to bear in mind is that there are guidelines as regards the number of times an item can be replaced. For example, there is a limit, I believe, for blenders which are used to pulverise food for people who have difficulty digesting solid foods. The number is about one per year, which is obviously believed to be a reasonable usage rate.

Mr Winzenberg—The other thing in relation to aids and appliances is that some of them, such as electric scooters, are only available to people with accepted disabilities. In relation to your question about the chair, it is available if you have a clinical need, subject to an assessment by an OT.

Senator MARK BISHOP—So the guidelines are clinical need, necessity and assessment by an OT and appropriate proof to the officer. Are these state or national guidelines?

Mr Winzenberg—We have national guidelines.

Senator MARK BISHOP—Are they on your web site?

Mr Winzenberg—Yes, they are.

Senator MARK BISHOP—Does this policy apply to all clients of DVA, or is there a distinction in this application to those with different levels of service and the like?

Mr Winzenberg—It applies to the treatment population—that is, gold card holders.

Senator MARK BISHOP—Is it only for gold card holders?

Mr Winzenberg—If they had a white card and an accepted disability that required that appliance to treat it then they would be included.

Senator MARK BISHOP—So it is gold and white card holders?

Mr Winzenberg—That is correct.

Senator MARK BISHOP—Is it means tested in any way?

Mr Winzenberg—The white and gold cards are not means tested. If you are a holder of a white or a gold card—

Senator MARK BISHOP—They are not means tested, but if the application of chairs or scooters—

Mr Winzenberg—No.

Senator MARK BISHOP—Having a gold or white card is sufficient?

Mr Winzenberg—If it is clinically necessary.

Senator MARK BISHOP—Dr Johnston, can DVA confirm that no further access will be sought for research funds from the NHMRC?

Dr Johnston—We have just undertaken a review of the department's range of research funding programs. It is correct that the commission, as result of that review, has decided that, in terms of veteran priorities, the funds that have been made available under NHMRC guidance for some time are probably better directed to other research purposes

Senator MARK BISHOP—Are those funds that you get from NHMRC, or funds you make available to NHMRC?

Dr Johnston—They are funds that we have and for which we have sought NHMRC's assistance in the past to call for research and to assess that research under the NHMRC protocols.

Senator MARK BISHOP—So it is research that DVA would—

Dr Johnston—It is research which we fund.

Senator MARK BISHOP—It is research which you fund through the NHMRC?

Dr Johnston—That is correct.

Senator MARK BISHOP—And you are no longer going to be using the NHMRC?

Dr Johnston—There are some lead times involved. I do not think that will take effect until—

Mr Douglas—We wrote to the NHMRC towards the end of last year notifying them that we would be withdrawing from the 2005 funding round. But we will, of course, continue to honour commitments to projects already approved so that the funding provision will extend beyond that time frame.

Senator MARK BISHOP—I received some fairly vitriolic correspondence from some senior specialists as a result of that decision. I have not got it in the file, so I cannot quote it but I think it was either sent to me or copied to me and the original went to the minister. What caused the DVA to come to that decision?

Dr Johnston—I think it is fair to say that, while the research we have funded has been of outstanding quality and of considerable scientific value, it has tended to be more basic in nature and to be research that applies to the community as a whole rather than necessarily being particularly directed in its implications towards the health treatment of veterans. It is possible that your correspondents are not aware that this is not a savings exercise; it is an exercise in reorienting our priorities. Those funds will still be available for research, but possibly research that is a bit more directly relevant to veterans and of a little bit more immediate practical value. We will still be interested in worthwhile proposals.

Senator MARK BISHOP—I am not arguing, and it was not suggested to me, that it was a cost saving exercise. I understood it to be a transfer argument and, from memory, the particular specialist made the point that a lot of the knowledge that had been built up in the NHMRC, which was in application to aged people and veterans in particular, would be lost because of the decision. I think that was the thrust of his complaint. Is this decision of DVA linked in any way to the funding of the new proposed health institute in Queensland?

Dr Johnston—No.

Senator MARK BISHOP—They have completely separate agendas?

Dr Johnston—Yes.

Mr Douglas—As Dr Johnston said, the issue is not a reduction in the amount of money available for research; it is simply a rechanneling of that money into different approval arrangements.

Senator MARK BISHOP—If you came to be dissatisfied with the research that was being conducted under contracts that you funded, does that not suggest that the deficiencies might have derived from the terms of the contract—that is, the task that was determined as opposed to other matters? Surely they would do the research that you commissioned or requested?

Dr Johnston—I think it is fair to say that the process has been one whereby, under NHMRC protocols, the NHMRC would assess the range of research proposals and make recommendations to the commission, and we would then determine if we were satisfied with the rankings and the advice that came from the NHMRC process. But by its nature, the NHMRC process tends to attract research that addresses more community-wide issues and that is possibly more at the basic end of the research spectrum. The change we are proposing

to make will give us more flexibility and, if individual researchers believe they have research that will be of interest to the veteran community and the commission, it is still open to them to make submissions to us for consideration of those proposals.

Senator MARK BISHOP—I understand what you are saying. The allegation that I received was to the effect that the DVA had now opted out of serious health issues for veterans, such as research into prostate and the like. Would you care to comment on that?

Dr Johnston—A number of projects we have resourced in recent times have been for prostate research and, as you know, we have taken that field of health investigation and health service very seriously.

Senator MARK BISHOP—So you would deny the allegation?

Dr Johnston—I think we need to wait to see what sorts of proposals come forward under the new arrangements and be tested against those. It is true that research under the NHMRC grants in recent years has had a significant element of prostate research. Dr Killer, you might want to comment on that.

Dr Killer—The research program conducted through the NHMRC is really a vestige of the days when the department had the repatriation hospitals. Part of this research was designed to attract the very best specialists to our hospitals, into the professorial units. As the secretary said, the research tends to be of a very basic—you could use the words ‘blue sky’—nature. An example is perhaps where you are tracing a particular enzyme in a chain that might lead to the management of the use of glucose in the system. What I am saying is that it is very basic research. There is nothing wrong with basic research, but we have a veteran population with an average age of about 80 and I think it is fair to say that many of the projects now are perhaps better directed into the applied area. That does not necessarily mean that we would ignore the pure or the basic research, but in terms of output for your buck, for a population that is an aged population, I think it is probably a better output in this area. Prostate certainly does fit into this area. If you look at our research proposals that we have funded over the last five or 10 years, you will find that prostate has figured quite prominently. We have certainly done that.

The fact that we are moving from a basic research program that is typical of the NHMRC to a more practical or outcome based program does not in any way mean that we would ignore some of those issues like prostate that are very important for veteran care. When the new programs settle down, there will be a hybrid of very applied programs looking at veteran outcomes for veterans today and tomorrow and also research proposals that might give an outcome further downstream, whether it be in five, 10 or 15 years. It is really a balancing act that takes account of our veterans’ needs, the age profile of the veterans and where we think we can get best outcome for a fairly limited research budget but a very important one.

Senator MARK BISHOP—Thank you. I think that addresses that issue. Dr Johnston, I turn to the VVCS. I have had a mixed bag of reports again starting to come to me. I should say at the outset that many veterans strongly support the VVCS and have clearly benefited from its programs. I remember going on a bit of a tour a couple of years ago to two or three states where they gave me a detailed explanation and run-down of their activities. It was clear to me then that courses seem to have been very popular in all the states that I visited. We had

that discussion last time. There was some unhappiness with the application of some budget matters. Increasingly, though, I am aware of concerns—in New South Wales in particular, but also up in Brisbane—about the working of the VVCS. I am starting to hear rumblings about staff qualifications, including in particular contracted counsellors, and suggestions of problems there. There are also rumours doing the rounds that the VVCS is to be privatised and some aspects of it closed. I understand that there is a motion in one ESO to do just that—to privatise it—which I can only assume, in the current environment, to be an expression of dissatisfaction. Could you give me a summary of the problems—if you accept they exist—in the VVCS, particularly in those two states? In the last four months, for the first time in about 18 months, I have been starting to get regular emails, correspondence and complaints about its role and functions. Are you aware of that?

Dr Johnston—Yes, I am, and I am quite happy to address the issues. I think the issues arising in New South Wales and Queensland in a sense are quite separate, and it is quite accidental that they have arisen concurrently. In the case of Queensland, if I deal with that first, we are aware that the TPI federation of Queensland is at the moment circulating a proposal to abolish the VVCS on the grounds that you have alluded to. My guess is that that is the source of the rumour that the department is considering privatising the VVCS, but I could be wrong there. All I can say is that there is no work being done in the department on such a possibility.

Senator MARK BISHOP—I did not think there was, but it was raised with me.

Dr Johnston—I might say that in Queensland the possibility being raised by the TPI Federation has been discussed at several meetings in about the last 10 days. The feedback we are getting is that they are getting very little support from other veteran organisations in Queensland. But we will have an opportunity to address such a proposal at the next meeting of the TPI Federation here in Canberra in March. I guess those issues will be addressed there.

Senator MARK BISHOP—You are now informing us that the Queensland TPIs are starting to get support from the other vet groups up there?

Dr Johnston—No, on the contrary. You have misunderstood me.

Senator MARK BISHOP—Sorry.

Dr Johnston—I said there was no support from other organisations.

Senator MARK BISHOP—I thought you said the opposite.

Dr Johnston—No. If I said that, I did not mean to say it, I can assure you. No, on the contrary—there is no support from other organisations, as best we can judge it. But we are keeping a close eye on that.

Senator MARK BISHOP—What is the nature of the complaints of the Queensland TPIs?

Dr Johnston—They are of the nature that you have alluded to—some questioning of the professionalism of the organisation and some questioning of the security of records and the way in which the VVCS looks after the interests of spouses and dependants of veterans. The concerns probably reflect the concerns of a few individuals that have had some criticism of those aspects of the VVCS's work in the past. We would reject those concerns and we will take the opportunity to debate them in the various forums when they arise.

Senator MARK BISHOP—Have you caused an investigation to be held into those allegations up there in Queensland?

Dr Johnston—No, there is no formal investigation under way. I think you are aware of some criticisms from at least one quarter that there have been problems in the past with the VVCS.

Senator MARK BISHOP—I am.

Dr Johnston—And you are aware that we acknowledge some inappropriate release of data in one circumstance but otherwise reject the criticisms that are made of the work of the VVCS and certainly reject the criticisms of the professionalism of today's VVCS staff, the outstanding programs which they manage and the wide support they enjoy in the veteran community in Queensland. It might be helpful if I turn to New South Wales. There, there has been concern about, if I can put it this way, problems in communication between the VVCS and various New South Wales veteran organisations. They have been raised principally by the Vietnam Veterans Association in that state. In response to those various concerns—

Senator MARK BISHOP—Association or federation?

Dr Johnston—Association.

Senator MARK BISHOP—Barry Billing's mob?

Dr Johnston—Barry Billing's organisation. We took the step of organising a series of meetings chaired by the Repatriation Commissioner, Rear Admiral Simon Harrington. That has resulted in, I think, what is an agreed resolution of those concerns. I think all parties agree that every effort has to be made to keep communications open and to work hard at communication between the veteran organisations in the VVCS. I think it is fair to say that, from our perspective, the conclusion of the meetings is that there is a very clear acceptance that the concerns that were being stated may have been overstated and maybe now there is a better understanding of the processes that are in place. If the dialogue or the concerns continue in Queensland, we will probably use the same forum mechanism to get a full hearing of those issues and make sure they are dealt with as satisfactorily as they appear to be in New South Wales.

Senator MARK BISHOP—Do you have anything to add to that, Mr Kilham?

Mr Kilham—No, not particularly. I have total confidence in both the staff and the management of both centres. The satisfaction surveys for the VVCS show very high levels of satisfaction for both services. There are many procedures in place to ensure the quality of clinical work in the services. At the moment we are progressing through a second stage of accreditation review by the Quality Improvement Council of Australia. All our centres currently have full accreditation, so we have been benchmarked against our peer organisations in the industry. We are currently undergoing the accreditation process again. I am sure that if there are any particular problems in those centres the reviewers, who are putting us through a very exacting process, will discover them. In fact the Brisbane centre just completed its accreditation review in the week before last.

[9.55 p.m.]

Senator MARK BISHOP—I will now turn to output group 6, Corporate. Can I have a report please on the progress of the agreement with Mr Price that all of his allegations against the department would be subject to review by an independent person? Is it still agreed that there will be a review?

Dr Johnston—That matter has not progressed very far. I am about to write to Mr Price, as a matter of fact, to provide further clarification of what we had intended in an earlier letter I had written to him on such possibilities. We still have not had guidance from Mr Price on how he would like to proceed. To be fair to him, I think another letter may help in that regard. Mr Price has a number of FOI requests currently before the department and they are in train.

Senator MARK BISHOP—Are you aware of whether Mr Price has sought financial assistance in acquiring legal advice?

Dr Johnston—I assume, Senator, that you have permission to be raising that. I am just conscious of the privacy dimensions of this and, given that that has been at the heart of some of the complaints that Mr Price has had about us in the past, I could brief you separately if you like—

Senator MARK BISHOP—I think I will take your advice because I do not have the letter of authority here—

Dr Johnston—I would be happy to brief you separately, Senator.

Senator MARK BISHOP—Once I go back to my office I will check that and if I need to pursue it I will give you a ring.

Dr Johnston—Thank you.

Senator MARK BISHOP—I will turn now to question No. 1 in the questions on notice taken last November concerning the transfer of the care of vets' children from the Department of Health and Ageing. Is it proposed that the DVA take this function back?

Dr Johnston—I think I can say that the arrangements for that program are being reviewed by us and the Department of Finance and Administration in preparation for this year's budget and the outcome of the process I think I need to leave that until any budget announcements.

Senator MARK BISHOP—So it is being reviewed. What has prompted that review? Can I ask that?

Dr Johnston—The department of finance, as part of the budget process, has a standard arrangement for reviewing all concluding programs or programs where their budget authority has a checkpoint for periodic review. This has just come up under that formula in guidance from the department of finance.

Senator MARK BISHOP—How long have you had this program?

Dr Johnston—It has been in place since the package was announced of \$30 million-plus in response to the Vietnam veterans morbidity and mortality studies—I am told, four years.

Senator MARK BISHOP—It has always been run by—

Dr Johnston—It has been run by the Department of Health and Ageing but with the close involvement of our department in facilitating contact with families and in ensuring that there is full—

Senator MARK BISHOP—The funding that was allocated for four years is about to come to an end and the Department of Finance is essentially doing a routine audit/review—

Dr Johnston—It is a joint review, Senator.

Senator MARK BISHOP—DVA is involved in it?

Dr Johnston—That is correct.

Senator MARK BISHOP—Are DVA or Health doing the review?

Dr Johnston—As a matter of fact, it is the three agencies.

Senator MARK BISHOP—Whether the program continues is a decision for government in this year's budget—is that correct?

Dr Johnston—That is correct. I think I can say the continuing funding and the administrative arrangements are both, in principle, subject to review in this year's budget.

Senator MARK BISHOP—Because it was only funded at the beginning for four years, or was it always intended to be ongoing?

Dr Johnston—I am told it was only initially funded for four years.

Senator MARK BISHOP—The same answer last time said that consideration was also given by the commission to access to veterans disability pensions by the Child Support Agency, where the registrar has special power to take all financial resources into account. Do you know in how many cases the disability pension is accessed by the Child Support Agency?

Dr Johnston—I doubt if we would know. If you like we could take that on notice and see if that data is available.

Senator MARK BISHOP—Do you know if that includes the special rate?

Mr Maxwell—My understanding would be that it would be any disability pension payment if it was so annexed.

Senator MARK BISHOP—So the answer to that is yes?

Mr Maxwell—Yes.

[10.01 p.m.]

Senator MARK BISHOP—Can we now turn to program 3, Commemorations. What is the current status of the legal settlement for the original London memorial designers? What were the amounts agreed?

Air Vice Marshal Beck—The current status of the final settlement of the first design team is that it is all settled.

Senator MARK BISHOP—What were the terms of settlement?

Air Vice Marshal Beck—Mr Woodward received a total of about \$210,000, which included disbursements of about \$100,000. ARTARCH, the Melbourne group, received a total of \$303,000, which included disbursements of about \$9,000.

Senator MARK BISHOP—That was in the ballpark you were talking about before?

Air Vice Marshal Beck—No, it is about half the ballpark you were talking about before.

Senator MARK BISHOP—Were you talking about up to \$1 million before? I thought you were talking about \$600,000 last time.

Air Vice Marshal Beck—No, it is about half a million.

Senator MARK BISHOP—You have settled on half a million?

Air Vice Marshal Beck—The total cost was half a million, yes.

Senator MARK BISHOP—I thought that was what you were talking about in our previous discussions—about up to \$300,000 each.

Air Vice Marshal Beck—Of course it is less than that—but, okay, you are right.

Senator MARK BISHOP—That is fine; I understand the answer. What was the final bill for the ceremonial opening—are those figures available?

Air Vice Marshal Beck—The ceremonial opening cost about \$247,000.

Senator MARK BISHOP—What was the final cost for the construction?

Air Vice Marshal Beck—The final cost of construction was \$8.985 million, excluding VAT payments and original contract costs..

Senator MARK BISHOP—What were the causes of the overrun?

Air Vice Marshal Beck—The original budget was \$6 million, so the overruns were in the order of \$3 million. There were a number of reasons. Firstly, for a unique design it is very hard to cost such a complex construction. All the estimates we had underestimated those costs, in part because of the complexity of the memorial and the complexity of the site. We were very keen to spend as little time on that site as possible because of the high costs there, so the construction was completed in seven months.

Senator MARK BISHOP—What do you mean by the ‘complexity of the site’?

Air Vice Marshal Beck—Just getting a tonne of cement to Hyde Park Corner is very expensive. Digging a deep hole is even more expensive.

Senator MARK BISHOP—Digging a deep hole?

Air Vice Marshal Beck—There, or anywhere in London.

Senator MARK BISHOP—How is digging a deep hole at Hyde Park Corner at all different to digging a deep hole down the road?

Air Vice Marshal Beck—It is very different, in part because it was so close to so many services and facilities. We had exceptional difficulties satisfying Transport for London, one of the London authorities, in protecting their subway right next door. There were those sorts of issues.

Dr Johnston—It is also true to say that, with the state of the building industry in the UK and London in particular, the costs there were much higher than we had anticipated, so it was cheaper to use our own construction companies and all the work ended up being done by Australian firms and Australian labour. But necessarily the cost profile in London was also a factor.

Senator MARK BISHOP—Did they let you import Australian labour into London to do routine construction work?

Air Vice Marshal Beck—Yes, they did. They had to make an exception for that.

Senator MARK BISHOP—I would be surprised if we allowed British labour to be brought in to dig holes, say, in Sydney.

Air Vice Marshal Beck—We were able to argue that they required specialist skills. For the nature of the construction they were specialist skills. In fact, the English tenders were all noncompliant, because they said it could not be done.

Senator MARK BISHOP—Is that right?

Air Vice Marshal Beck—Yes, that is what led us to use Australian firms.

CHAIR—It could not be done in time?

Air Vice Marshal Beck—It could not be done in time, certainly. The engraving of a quarter of a million letters could not be done in time.

Senator MARK BISHOP—I am not talking about the finishing work on the memorial; I am talking about the basic work: the clearance of the site and the digging of the hole.

Air Vice Marshal Beck—All that was done by English subcontractors. Everything underground and all the electrical work—the implementation of all services except the stonework—was done by English subcontractors.

Senator MARK BISHOP—I am sorry; I misunderstood you. I thought you were saying that the British allowed you to send over Australian workers to dig holes in the ground.

Air Vice Marshal Beck—Yes, they did. We had 13 Australian workers there for four months.

Senator MARK BISHOP—But they were specialist stonemasons and the like?

Air Vice Marshal Beck—That is correct. Again, those skills are available in the United Kingdom but we gained permission and got special visas for each and every one of them.

Senator MARK BISHOP—In terms of the cause of the overrun, the difficulty of the task was much more than had been anticipated and put into costings. That was your first reason. Is that correct?

Air Vice Marshal Beck—Let me look at the ones I have not mentioned.

Senator JOHNSTON—I think the senator is just making a list.

Air Vice Marshal Beck—Do you want a list of the reasons?

Senator JOHNSTON—Senator, I think you were just summarising the points.

Senator MARK BISHOP—In relation to the discussion we were just having, I asked you what the causes were of the overrun. You said the first one was the complexity of doing the interim construction, because there were a range of pipes, cables and access issues, and council permission issues.

Air Vice Marshal Beck—Yes, but there was also the complexity of the design. The difficulties in building this architect designed structure proved to be far more complex than was ever estimated.

Senator MARK BISHOP—What were those complexities?

Air Vice Marshal Beck—I would like to take that on notice because I recall that we discussed this at the last hearing and I would just like to go through that again, if I may. You may recall that I mentioned that, just like the panels in front of you, the panels all had to fit and, because they were curved and extended over 40 metres, the angles of each stone had to be cut to five decimal places of a degree because the errors would be cumulative. The aim was to retain a six-millimetre gap between each stone, so the design had to be computer modelled. Then special saws had to be constructed so that they could cut the stones to that accuracy and they could all be installed on site and fit so that the memorial would maintain that six-millimetre gap between the stones.

Senator MARK BISHOP—I understand it is a very complex task. As you now analyse the cost overrun of \$2 million or \$3 million and you give a report to your board, to Dr Johnson or to whatever the governing agency or person is, where do you allocate responsibility? Is that in terms of the costings associated with the design features of the contract or is it somewhere else? Where is the responsibility for that?

Air Vice Marshal Beck—That is a very difficult question to answer, but I would say that the initial cost estimates of this design underestimated the cost. So it probably was not a \$6 million design in the first place, given all the difficulties that we perhaps did not fully understand in producing such a unique structure. Quite literally, nothing like this has ever been done in the world before.

Senator MARK BISHOP—I know, I am just trying to find out whether it is officers of your own organisation or the architects or the finance people. Who is responsible for not associating the correct costings with the tasks that were required to be done?

Air Vice Marshal Beck—I am not able to attribute blame.

Senator MARK BISHOP—No, I am not saying it is blame; it is responsibility.

Air Vice Marshal Beck—The architects themselves, in submitting their design, had their own cost estimators. In the competitive process, they put to the selection panel that their memorial could be built within the cost of \$6 million. We had independent cost estimators in Australia—they were a firm that also had offices in London—and they confirmed that that winning design could be constructed for \$6 million. That is what we relied on—their cost estimators and our own independent cost estimators. Of course, the competitive bidding process in London quickly demonstrated that we were millions of dollars out in the production of the stonework. That is where we re-let those tenders in Australia, and we saved

over a million dollars by doing that work in Australia and air freighting some of the stone over.

Senator MARK BISHOP—Dr Johnston, can we have the current status of the proposed visit of veterans from the Republic of Vietnam to Australia. Can you tell me at what stage it was decided that the government would not fund the visit?

Dr Johnston—I do not think that is quite the right summation of where we are at. As a result of the mission, the minister indicated that she would be interested in supporting a visit by a delegation from Vietnam if that were sponsored by the relevant veteran organisations. If there were an interest in such a delegation, the Commonwealth would look at an appropriate financing role by the government. As you are aware, when that possibility became known within some quarters of the veteran community, there was concern about the appropriateness of that. There was some media attention and some vigorous debate in some of the veteran organisations.

Senator MARK BISHOP—There was both strong and uniform opposition to the proposal, was there not?

Dr Johnston—In the very early reactions I think that is so. My understanding is that, in the three institutions that were most actively considering the possibility of a delegation—the RSL, the Vietnam Veterans Federation and the Vietnam Veterans Association—the issue is still being discussed. My understanding is that, at the national level, the federation is now of a mind that, if there were support in the other organisations, they would be comfortable with a delegation, provided it was resourced appropriately by the Commonwealth. I think, formally at this point, the position of the Vietnam Veterans Association is that they are not in favour of such a delegation, but I understand the matter is listed for discussion again at their next national conference. The formal advice from the RSL to the minister is that at this stage they would not support a visit. I have not had any recent discussions to gauge whether it is still a matter being discussed there.

Senator MARK BISHOP—I think you have outlined the situation.

Dr Johnston—I think I can emphasise that the minister would not be interested in such a delegation coming here unless it had the clear support of the relevant veteran organisations.

Senator MARK BISHOP—I heard your introductory comments, Dr Johnston. You were part of that earlier delegation to Vietnam with Minister Vale, were you not?

Dr Johnston—That is correct.

Senator MARK BISHOP—It was not my understanding that it was ever suggested by Minister Vale that the invitation to veterans organisations from the Republic of Vietnam would be conditional upon approval from veterans organisations in Australia. That was not my understanding.

Dr Johnston—I can confirm for you in the clearest of terms that that was definitely the basis of the invitation.

Senator MARK BISHOP—You would know, Dr Johnston, because you were there.

Dr Johnston—Indeed. That is why I say so clearly that that was very clearly understood by the relevant organisations.

Senator MARK BISHOP—I must have received in correct advice.

Dr Johnston—Possibly.

Senator MARK BISHOP—You were there. I accept your comments unreservedly, Dr Johnston. Have any other funds been committed from the veterans' budget in DVA for commemorative activities in Vietnam subsequent to that trip?

Dr Johnston—Not that I am aware of. There were a range of issues raised by members of the delegation for ongoing attention after the visit to Vietnam. There is interest in the ongoing activities of the Vietnam Veterans Reconstruction Group. They are keen to receive as much support as they can from other veterans organisations and from the Commonwealth. That is an aspect of ongoing dialogue, and I would imagine that there will be proposals from time to time put to the minister for possible support.

Senator MARK BISHOP—But there is nothing in the additional estimates that makes an appropriation for any proposal?

Dr Johnston—Nothing specific, no.

Senator MARK BISHOP—I know the minister has considerable leeway in the allocation of funds within the department. If a decision was made to allocate funds for some sort of commemorative activity or community oriented project in the Republic of Vietnam, would it mostly be the case that that would simply come out of the budget of the department—that is, without necessarily being identified as a line item in the budget papers?

Dr Johnston—We would normally look to one of our grants programs as the preferred basis for providing any such assistance. But, of course, if that were not available as a resource it would always be open to the government of the day to ask the department to try and reorder priorities to assist with particular activities. But, most usually, ways are found to handle such requests through the standard grants programs.

Senator MARK BISHOP—You cannot point me to anything in the grants programs where funds are proposed to be outlaid for any commemorative or community oriented projects in the Republic of Vietnam?

Dr Johnston—I should take that on notice but, at the moment, nothing comes to mind.

Senator MARK BISHOP—That is fine. What is the status of the bid to have the Long Tan Cross removed to Australia?

Dr Johnston—The original cross is not on the Long Tan battle site; it is in a local museum there. It is certainly true that that is of particular significance to Australia's Vietnam veterans. If it were possible in the future for the original cross to come back to Australia on some basis, I am sure that would be widely welcomed by veterans here in Australia.

Senator MARK BISHOP—I would urge caution on that issue, Dr Johnston. I have received some very strong advice that makes exactly the opposite point. If that proposal became a serious option, I would suggest it would be appropriate, without telling you in any way how to suck eggs, to make some direct contact with some of those men who were

involved in the battles up there. I am advised that there is a very strong view that the cross should not be removed. I know from previous discussions with you in this forum that an opposite position has often been put.

Dr Johnston—I take note of your comment, Senator, and I appreciate it. All I can say is that some veterans do put the view that they would favour seeing the cross back here, if that were ever possible. I believe it is a very sensitive issue not only to us but also to the Vietnamese community, but I think something like this would be handled with all the sensitivity that all of us could muster.

Senator MARK BISHOP—Have any discussions been held with the Vietnamese authorities on that matter?

Dr Johnston—Not that I am aware of, Senator.

Senator MARK BISHOP—None through DVA?

Dr Johnston—No, Senator.

Senator MARK BISHOP—Would that be within your purview, Air Vice Marshal Beck?

Air Vice Marshal Beck—I have not heard anything.

Senator MARK BISHOP—Air Vice Marshal Beck, what is the cost of printing the annual reports?

Air Vice Marshal Beck—About \$17,000.

Senator MARK BISHOP—How many copies do you print?

Air Vice Marshal Beck—About 1,200.

Senator MARK BISHOP—Do they mainly go to vet's groups?

Air Vice Marshal Beck—To vet's groups and to a lot of overseas posts—high commissions, embassies—and also to Australian officers of the foreign embassies and the like.

Senator MARK BISHOP—It has been drawn to my attention that it is a very glossy publication this time. Has it always been that way?

Air Vice Marshal Beck—The only difference is the gloss over the photograph. There is a process whereby photographs are covered with vinyl to make them look glossy.

Senator MARK BISHOP—What are you saying—that it is not glossy?

Air Vice Marshal Beck—It is the same as it has been every other year except that there is a glossy finish on the photograph. It costs about an extra \$1,000, that is true.

Dr Johnston—I think Air Vice Marshal Beck is saying that it is a cheap gloss, Senator!

Air Vice Marshal Beck—We gloss over these things!

Senator PAYNE—An economic gloss surely, Dr Johnston, not a cheap gloss!

Senator MARK BISHOP—Air Vice Marshal Beck, will you be at Gallipoli this year?

Air Vice Marshal Beck—Yes, I will, Senator.

Senator MARK BISHOP—Avoiding that security discussion we had, what are going to be the arrangements this year and how are they going to differ from last year's arrangements?

Air Vice Marshal Beck—I suppose the only difference from my point of view is that we will be seeking more stringent security arrangements. In fact, I am part of a security assessment team that leaves next Monday to hold discussions with the Turkish authorities, visit Gallipoli and return to Ankara to conclude those discussions. Assuming we get from the Turks an agreement that we will have the sort of security the Australian government is seeking then I have no doubt it will proceed as planned.

Senator MARK BISHOP—Are we seeking beefed-up security in light of the difficult situation over there?

Air Vice Marshal Beck—Yes, certainly, Senator.

Senator MARK BISHOP—And you are going to have those negotiations?

Air Vice Marshal Beck—Yes.

Senator MARK BISHOP—I gleaned from your tone that you do not anticipate problems with the Turkish government on that score?

Air Vice Marshal Beck—I think it will be easier than it was last year because of the incidents that have occurred there. I think there is probably a deeper understanding of our concerns among Turkish authorities, so I am expecting a great deal of cooperation.

Senator MARK BISHOP—Is there a current state of advice from DFAT on visiting Gallipoli?

Air Vice Marshal Beck—Yes, there is. The current DFAT travel advisory advises Australians to defer all non-essential travel.

Senator MARK BISHOP—So that is still as strong as it was last year?

Air Vice Marshal Beck—It is stronger than it was last year.

Senator MARK BISHOP—Has it been strengthened since last year?

Air Vice Marshal Beck—Yes, that is correct.

Senator MARK BISHOP—When was it strengthened?

Air Vice Marshal Beck—I presume after the bombings in November.

Senator MARK BISHOP—The advice is to defer all non-essential travel to Turkey?

Air Vice Marshal Beck—Yes.

Senator MARK BISHOP—Has it been decided as yet which government minister will attend?

Air Vice Marshal Beck—Not that I am aware of.

Senator MARK BISHOP—You have not been informed?

Air Vice Marshal Beck—No.

Senator MARK BISHOP—It is normally the practice to have a very senior person there.

Dr Johnston—I believe there is a senior government minister in mind but I am not quite sure what the protocol is so I would rather you ask our minister's office.

Senator MARK BISHOP—I should ask the minister. Has that been decided yet, Minister?

Senator Minchin—I do not think it has been announced. I am aware that a very senior minister is slotted in to attend but I do not think it has yet been announced so I will not come out and pre-empt that announcement. But I can assure you that a very senior minister will attend

Senator MARK BISHOP—Not yourself, is it?

Senator Minchin—Unfortunately, not me.

Senator MARK BISHOP—What size crowd are we anticipating this year, Air Vice Marshal Beck?

Air Vice Marshal Beck—I wish I knew the answer to that. Last year we thought the number would be right down to about 3,000 and we had 8,000, so I would expect the number will be between 7,000 and 9,000.

Senator MARK BISHOP—Probably heading to 10,000.

Air Vice Marshal Beck—Yes, I think so. I have spoken to some tour operators and they have said they had only seen a very slight reduction in numbers.

Dr Johnston—I think it is important to say that the government and department of foreign affairs takes the travel advisories it has in place seriously, and the committee should think seriously about the appropriateness of travel to Gallipoli in the current circumstances. But clearly the government is seeking to ensure, with the Turkish government, that security that is as appropriate as possible can be put in place. It will be business as usual as far as ministerial and senior departmental attendance is concerned and for the arrangements for the services.

Senator MARK BISHOP—There are obviously significant costs for the Turks just to arrange their own security people. Do we make a contribution to those costs, Air Vice Marshal Beck?

Air Vice Marshal Beck—No, we do not make a financial contribution to that. It is a Turkish requirement to provide the security—the level is entirely up to them of course. But I think this year we may be making some offers. For instance, if we want magnetometers at the entry points to each of the services we may offer to pay for those. We will meet additional costs for fencing and improved stands and a few other issues like that. But, no, generally—especially for the provision of manpower—the army and the gendarmerie are all provided by the Turkish government.

Senator MARK BISHOP—If we make additional requests or demands outside the norm, it is not unreasonable for the Australian government to make a contribution to the costs of those additional security demands—is that the position of the government?

Air Vice Marshal Beck—I am comfortable with that position but I am not in a position to comment really. I would imagine if the Turkish government sought assistance—and I would be very surprised if they did—I am sure the Australian government would consider it.

Dr Johnston—I would suggest that the Turkish government would take considerable pride in the quality of support they give to Australians visiting the Gallipoli peninsula.

Air Vice Marshal Beck—May I add that with this security team we are part of an interdepartmental committee that has been formed, and the government will be waiting for the report of the security team. Between now and April anything could change, but just at the moment everything seems to be running as normally as possible. But I confirm what the secretary says. The government will be very concerned for the safety of Australians primarily and they will take whatever action they deem to be necessary to ensure that.

Senator MARK BISHOP—Are you sitting on that IDC, Air Vice Marshal Beck?

Air Vice Marshal Beck—Yes.

Senator MARK BISHOP—Do we know whether General Cosgrove will be attending this year?

Air Vice Marshal Beck—I do not believe so. I think the Chief of Air Force will be attending.

Senator MARK BISHOP—Air Vice Marshal Beck, can I have a report on the status of the freeway being built in Belgium and the threat to World War I graves. It was topical some months ago.

Air Vice Marshal Beck—Yes, I am all prepared for the one in France, but the one in Belgium is an interesting case. I drove on it last November and it suddenly comes to an end and you end up having to drive through the town of Ypres to find your way to the coast, so the A19 is very much in demand. As a result of that, there are excavations going on just off the end of the freeway and that is where, last November, they discovered the remains of nine British soldiers. It is a very sensitive issue and I am sure the cost of excavations will almost equal cost of building the freeway—I am exaggerating—but the intention is to examine various routes that the freeway might take. I do not think the Belgian freeway is expected to be constructed within the next 10 years.

Senator MARK BISHOP—Is that because they found the remains or are they just the normal time lines involved?

Air Vice Marshal Beck—The extent of the excavations required and the examination of the various routes and reporting to various committees is going to be a very lengthy process.

Senator MARK BISHOP—Because they found the remains of those nine men—

Air Vice Marshal Beck—No, not that alone. It is because any freeway route through there passes over the battlefields.

Senator MARK BISHOP—I see.

Air Vice Marshal Beck—They do not interfere with any existing cemeteries either in Belgium or in France but just excavating anywhere there generally is across battlefields. The Pilkem battlefield is right off the end of the A19.

Senator MARK BISHOP—Have any more bones been found since the media reports of mid-November last?

Air Vice Marshal Beck—I have heard no further reports.

Senator MARK BISHOP—Could I also have a report on the graves near Baghdad and their reported defacing?

Air Vice Marshal Beck—I do not have much further to report on that. The Director-General of the Commonwealth War Graves Commission visited there in November last year. He has only confirmed the extent of the problem. There are 54,000 graves and memorials in Iraq and most of them need rebuilding. A lot of work has gone on at the main North Gate cemetery near Baghdad. They have built a facility for a guard. About 500 new headstones have been imported and another 500 are on the way but it is going to take many years to recover it. Of course, there is much ongoing vandalism.

Senator MARK BISHOP—Is the restoration work now making progress?

Air Vice Marshal Beck—No, it is not, because it is just not possible.

Senator MARK BISHOP—Because of the ongoing—

Air Vice Marshal Beck—Because of the ongoing security situation, it is just not possible. The American and British forces there are assisting in cleaning up some of the cemeteries.

Senator MARK BISHOP—I have been asked about the involvement of Australians in World War II campaigns with the British, which are now the subject of some commemorative activity by the United Kingdom government. Apparently Prime Minister Blair has announced some visits to old battlefields, I think in Normandy in particular. Are you aware of whether Australians who served with the Royal Air Force, for example, are going to be invited to attend? Do you have any advice on that matter?

Air Vice Marshal Beck—No, I have not. I have only seen press reports that some people are attending from Britain, paid for from charity funds and what not, but I do not know about Australians.

Ms Blackburn—Our understanding is that the funding which is provided by the Lotteries Commission only applies to British veterans resident in Britain.

Senator MARK BISHOP—Right. Have there been any approaches made to the Australian government to fund persons to attend those ceremonies?

Dr Johnston—We have been asked by the French government for assistance in possible veteran attendance at the D-Day celebrations and there are invitations for senior government representation at those occasions. They are matters that we are currently exploring.

Senator MARK BISHOP—That is for representatives of government. You do take groups or delegations of veterans from time to time to various memorial activities and sites around the world. Is there any suggestion of such a proposal for the Normandy events?

Dr Johnston—We are still investigating some possibilities there that might be of interest to the French government but we are not expecting anything significant at this stage. It is possible, in coming weeks, that some further activities will be announced.

Ms Blackburn—We did seek veterans of D-Day to take part in the London mission and one of the veterans was, in fact, a D-Day veteran who participated in that mission.

Senator MARK BISHOP—Who was that?

Ms Blackburn—Dr Herb Copeman from Tasmania.

Senator MARK BISHOP—Dr Johnston, I have received some requests from an RAAF pilot who was shot down in Normandy. What advice would you give him as to how he might solicit an invitation to attend? Do you have any advice for him?

Dr Johnston—If you gave us the gentleman's details we could get in touch with him and give him what advice we have.

Senator MARK BISHOP—Thank you, I will do that. I have also received a request from Coastal Command. I have had a representation from a group who have been trying to organise a trip to the unveiling of a memorial for the Coastal Command in London on 16 March. They are seeking assistance for tickets and especially the costs of a doctor and nurse. They say that their request has been denied. Can this be confirmed?

Ms Blackburn—I believe that there has been some approach but my later advice is that one of the groups going has decided not to travel. A Coastal Command memorial is being dedicated. The minister and the department get a number of such requests for attendance at these events. The funding for commemorative missions relates to the dedication of Australian official memorials overseas or for government level invitations for such things as the 60th anniversary of the fall of Singapore. As far as I know, there is no approval for or continuation of that request. Again, Coastal Command was represented on the London mission.

Senator MARK BISHOP—I asked the question; you gave the answer, thank you. Dr Johnston, you are probably aware of this: there is a proposal by the Sydney City Council to charge \$25 to lay a wreath at the Cenotaph. Each person who wishes to lay a wreath is going to apparently have to pay this \$25 fee. Are you aware of that?

Dr Johnston—It is not something I have personally focused on. Perhaps my colleagues know something about it.

Air Vice Marshal Beck—I know nothing about it other than I just heard about it. I do not think it is being applied now, is it?

Senator MARK BISHOP—There was a letter in one of the papers to that effect—that because of insurance concerns the Sydney City Council was going to charge \$25 for the people of New South Wales, including veterans, to lay a wreath at the Cenotaph in Martin Place. Has this been brought to the department's attention at all?

Ms Blackburn—There was a media report and it was brought to our attention. We understand that they are not going ahead with that action. Mr Bell may be able to confirm that.

Mr Bell—That is right. We have had advice that they have decided not to go ahead with it.

Senator MARK BISHOP—That is the end of that, then. I thank you, Dr Johnston, and your officers for your assistance this evening.

CHAIR—Thank you Minister Minchin, Dr Johnston and the officers of your department. I look forward to seeing you in May.

Committee adjourned at 10.38 p.m.