



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION
COMMITTEE

Consideration of Additional Estimates

FRIDAY, 22 FEBRUARY 2002

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SENATE**FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION COMMITTEE****Friday, 22 February 2002****Members:** Senators Bourne, Evans, Ferguson, Hogg, Sandy Macdonald and Payne**Senators in attendance:** Senator Ferguson (*Acting Chair*), Senator Hogg (*Deputy Chair*), Senators Bishop and McGauran**Committee met at 9.01 a.m.****DEFENCE PORTFOLIO****In Attendance**

Consideration resumed from 21 February 2002.

Senator Heffernan, Parliamentary Secretary to Cabinet

Department of Veterans' Affairs

Portfolio overview

Corporate and general matters

Outcome 1, Eligible veterans, their war widows and widowers and dependants 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 etc

1.3 Veterans' Review Board

1.4 Defence Home Loans Scheme

Output group 6

Mr Bill Maxwell, Division Head, Compensation and Support

Mr Geoff Stonehouse, AO, Division Head, Health

Mr Arthur Edgar, Branch Head, Defence Liaison, Compensation and Support

Mr Mark Johnson, Branch Head, Disability Compensation, Compensation and Support

Mr Roger Winzenberg, Branch Head, Income Support, Compensation and Support

Mr Neil Bayles, Head, Secretariat, Review of Access to Veterans' Entitlements

Mr Bruce Topperwien, Executive Officer, Veterans' Review Board

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

Output group 6

Mr Geoff Stonehouse, AO, Division Head, Health

Dr Graeme Killer, AO, Principal Medical Adviser

Ms Narelle Hohnke, Branch Head, Health Services

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

Mr Chris Harding, Specialist Business Adviser, Business Analysis and Development Unit, Health

Ms Josephine Schumann, Branch Head, Health e-business, Health

Mrs Olivia Witkowski, Director, Veterans' Home Care, Health

Outcome 3, The achievements and sacrifice of those men and women who served Australia and its allies in war, defence and peacekeeping services are acknowledged and commemorated.

3.1 Commemorative activities

3.2 War cemeteries, memorials and post-war commemorations

Output group 6

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

Ms Kerry Blackburn, Branch Head, Commemorations, Corporate Development

Ms Katherine Upton, Assistant Director (Administration)

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

Output group 6

Ms Felicity Barr, Division Head, Corporate Development

Ms Carolyn Spiers, Branch Head, Employee Relations and Development

Ms Carol Bates, Branch Head, Parliamentary and Corporate Affairs, Corporate Development

Mr Bob Hay, Branch Head Strategic Support Branch, Corporate Development

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

Output group 6

Dr Neil Johnston, Secretary

Mr Mark Johnson, Branch Head, Disability Compensation, Compensation and Support

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

Dr Graeme Killer, AO, Principal Medical Adviser

Ms Felicity Barr, Division Head, Corporate Development

Mr Paul Pirani, Branch Head, Legal Services

Mr Murray Harrison, Manager, Information Management, Compensation and Support

Mr Sean Farrelly, Branch Head, Resources Branch, Corporate Development

Ms Karin Malmberg, Director, Budgets, Resources Branch, Corporate Development

Dr Keith Horsley, Senior Medical Advisor

Australian War Memorial

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

General questions

Major General Steve Gower (Retired), Director, Australian War Memorial

Mr Mark Dawes, Assistant Director, Corporate Services, Australian War Memorial

Mr Mark Whitmore, Assistant Director, National Collection, Australian War Memorial

CHAIR—We now move to the consideration of particulars of proposed expenditure for the Department of Veterans' Affairs. I welcome the parliamentary secretary and officers from the Department of Veterans' Affairs and the Australian War Memorial. The committee will begin with the portfolio overview of the Department of Veterans' Affairs and then consider their outcomes in numerical order. The committee will conclude with questions for the Australian War Memorial. The committee has resolved that the deadline for the provision of answers to questions taken on notice at these hearings is Wednesday, 27 March. When officers are first called upon to answer a question they should state clearly their names and positions. When written questions on notice are received the chair will state for the record the name of the senator who submitted the questions. The questions will be forwarded to the department for answer.

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

An officer of a department of the Commonwealth shall not be asked to give opinions on matters of policy. However, you may be asked to explain government policy, describe how it differs from alternative policies and provide information on the process by which a particular policy was selected. An officer shall be given a reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. Finally, I would remind everyone that mobile phones are to be switched off in the hearing room. Parliamentary Secretary, do you wish to make an opening statement?

Senator Heffernan—No.

CHAIR—Are there any questions under the portfolio overview?

Senator MARK BISHOP—Subject to the needs of other senators, I have a fairly extensive list of questions which I hope to conclude by lunch. I have arranged my questioning by outcome but, as I have indicated to the secretariat, I have no need to call the Repatriation Medical Authority, and I only have a couple of simple questions for the War Memorial. If the War Memorial officers are here, it might be appropriate to start with them and then they can go, subject to your indulgence, Chair.

[9.04 a.m.]

Australian War Memorial

Senator MARK BISHOP—Welcome, Major General.

Major Gen. Gower—Good morning. Thank you for this opportunity to respond first.

Senator MARK BISHOP—I refer to page 11 of your annual report for outcome 1.3, National collection, an underspend of \$26.265 million and a significantly reduced budget for the current year of \$38.522 million. Can you explain those fluctuations?

Major Gen. Gower—Mr Chairman, I think I might ask the assistant director of corporate services, Mr Dawes, to respond initially, if that is satisfactory.

Senator MARK BISHOP—Fine.

Mr Dawes—I might have to do a little investigating to be able to answer that in full. But primarily that money relates to our capital use charge, which is an amount of money that is provided by government in relation to 11 per cent of our total asset value at the start of the year that we return to government at the end of the year.

Senator MARK BISHOP—So they provide to you the funds as part of your budget and you return it at the end of the year? Is that what you are saying?

Mr Dawes—That is correct. That is how the capital use charge works. Our normal operating budget is only about \$30 million, but the capital use charge, which is 11 per cent of the value of your net assets—and because we have the big asset, the national collection—comes to about \$62 million. That is an amount of money that is appropriated to the Australian War Memorial. It is not actually received by us in cash—it is more a paper transaction. At the end of the year, we return 11 per cent of the value of our net assets. It varies slightly but it is pretty much that they give us the money and we give it back.

Senator MARK BISHOP—So is it to be regarded by your organisation as an accrual transaction within the books?

Mr Dawes—That is correct.

Senator MARK BISHOP—And as your collection of assets grows and increases in value over the years, one anticipates that that charge will also similarly increase.

Mr Dawes—That is correct. If it increases during the year, we may have to pay back a bit more than we received but then the next year we will be given the amount based on our higher level of assets. So it does grow.

Senator MARK BISHOP—Say your assets were revalued, for whatever reason, and they effectively doubled in terms of your collections, and the like, would you receive the extra funds and pay them back or would you receive the extra funds as part of a paper transaction and pay back the same?

Mr Dawes—That is correct. If the revaluation is within the year—it does not count for your annual calculation—at the start of the next year you would be appropriated at 11 per cent of your new higher value of assets.

Senator MARK BISHOP—On page 96 of the annual report 2001, under the heading ‘Other revenue’, it shows a large decrease of \$9.849 million to a little over \$2 million. Again, can you give me the background?

Mr Dawes—I think that would be in relation to funding provided by the Centenary of Federation in the year 2000 for the construction of ANZAC Hall. We were provided with funds through the Centenary of Federation over two years of \$11.9 million and, in that particular year, we were provided with \$7 million, and that would account for that.

Senator MARK BISHOP—That was received, spent and accounted for?

Mr Dawes—Yes.

Senator MARK BISHOP—So there would be an increase in your assets somewhere to reflect that.

Mr Dawes—There would be, yes.

Senator MARK BISHOP—Also on page 96, there is a reduction of half a million dollars for salaries. Does this mean that there have been staff cuts? If so, in what areas?

Major Gen. Gower—I will answer the first question. There have been no staff cuts. In fact, with accrual accounting, with the application of the depreciation allowance for the collection, we have taken on temporary staff. So our numbers in full-time equivalents have gone up. But in terms of that detail, I will ask Mr Dawes if he can enlighten you.

Mr Dawes—Some of the salaries that were incurred in that year would have been capitalised into assets because they were used for activities related to the development of assets and new exhibitions in ANZAC Hall et cetera. So rather than being recorded as an ordinary expense, some salaries—not a huge amount—would be capitalised into assets and therefore would not show as an expense.

Senator MARK BISHOP—There was a line item in the past of X for salary expenses. You say you capitalise that into what?

Mr Dawes—Into an asset. I will give you an example. This does not happen at a huge level but if, for example, we are creating a new exhibition, we need to put a staff team on that to create the exhibition, we need to have designers and we need to construct it et cetera. At the end of that process, the cost of that exhibition is the sum total of all of that activity. Therefore, that is the value of that asset that is added to the books. Therefore, since it is added as an asset, it does not get added as an expense as well.

Senator MARK BISHOP—I understand. Is that what has occurred in this case?

Mr Dawes—That is correct.

Senator MARK BISHOP—Can you also explain the large increase in depreciation and write-down of assets shown on page 97 at 7(c) on the third line?

Mr Dawes—That is the national collection. As you mentioned earlier, we had a revaluation of the collection in that particular year. This was only the second time that the national collection had ever been valued, and a more detailed valuation was done with more sampling. The valuation was some \$40 million less than the first valuation.

Major Gen. Gower—That valuation was done by a professional firm.

Senator MARK BISHOP—Could you say that again, Mr Dawes?

Mr Dawes—The second valuation that was conducted of the collection was some \$40 million less than the first one.

Senator MARK BISHOP—That is a consequence of a revaluation?

Mr Dawes—Yes, a revaluation of the asset.

Senator MARK BISHOP—When was the last revaluation done?

Mr Dawes—It was done in 2001. The one prior to that was, I think, in approximately 1998.

Senator MARK BISHOP—So you have had a revaluation three years later, and this has a write-down of \$40 million.

Major Gen. Gower—Perhaps I could elaborate on that. It was done by an approved firm of valuers called Rushtons. It is a question of the sampling techniques that they used in the first instance. When they came back in 2001, they found that they had made assumptions which were not borne out by the records that we held there. That was the basis of the revaluation and the drop in the asset base of our national collection.

Senator MARK BISHOP—Are you saying that there was possibly an overvaluation back in 1998?

Major Gen. Gower—Yes, there was an overvaluation.

Senator MARK BISHOP—How do you do your depreciation for your range of assets, Mr Dawes? Is it straight-line depreciation?

Mr Dawes—Yes, it is straight-line depreciation.

Senator MARK BISHOP—Is it 10 per cent?

Mr Dawes—It depends on the length of period. For collection items sometimes it is 50 years.

Senator MARK BISHOP—So it varies?

Mr Dawes—For software it is only three years. So it varies greatly.

Senator MARK BISHOP—Just going back to that salaries issue, I understood what you said about capitalising the cost when you build an exhibit. Where would you show the salaries that are paid to those people involved in that task? Is it in that line there or is it elsewhere in the books?

Mr Dawes—It would not show up in here as an expense because it would be added to the asset value. So you will not see that amount of money in here as an expense.

Senator MARK BISHOP—But you will show it somewhere, won't you?

Mr Dawes—It may show up as cash—no, I do not think it will.

Senator MARK BISHOP—It is an expense and it is related to salary. Whether it is direct employee or later capitalised as part of an asset, there will still have to be a line showing the initial outgoing somewhere, won't there?

Mr Dawes—Not to my understanding.

Senator MARK BISHOP—With due respect, I do not think that is correct. If you have an expense, it has to be expensed out in the accounts somewhere.

Mr Dawes—Perhaps in the cash flow statement.

Major Gen. Gower—Could we take that on notice and provide more detail?

Senator MARK BISHOP—Yes, you take it on notice and give me written advice as to that matter. That concludes my questions.

CHAIR—We still have some more questions from Senator McGauran—or, after your parliamentary exchange last year, perhaps I should say ex-serviceman Senator McGauran.

Senator McGAURAN—Thank you. I believe that it is 100 years since the end of the Boer War. What sort of public display in the War Memorial do you have for the Boer War? I have been through the War Memorial, and I cannot recall it.

Major Gen. Gower—To mark the 100th anniversary of the start and the completion of it, which is this year, we have had a history commissioned. It is quite remarkable that, with all the official histories of the various conflicts, there was never an official history of our

commitment by the colonies and then the Commonwealth to South Africa. That volume has now been completed. It is with the publishers, and it will be launched later this year. We do have a gallery of colonial conflict. You say that you have just visited the memorial. It is on the lower ground floor, past the special exhibition space. The gallery is probably about 15 years old. We also ran a history conference two years ago on the Boer War, with history scholars and so forth, which was open to the public. We have endeavoured in a number of ways to recognise our contribution to the Boer War. I understand that there is no memorial either in the grounds or in Canberra. That has been considered from time to time. It probably is an omission. When you go around Australia, you see that most of the capital cities have rather significant memorials to Australia's contribution. In fact, when you look at it, the third highest number of deaths were in the Boer War.

Senator McGAURAN—What did you say was occurring later on in the year?

Major Gen. Gower—That will be the launch of the history of the Boer War. We cannot call it an official history as such, because it has been done so late and there are no participants to interview like we have done in the past with official histories. But it will have our imprimatur, and it will be a work of substance.

Senator McGAURAN—Do you have an honour roll?

Major Gen. Gower—Yes, we do have a Roll of Honour. When you go into the commemorative area, look to the steps on the left hand side and it is immediately on that alcove.

Senator McGAURAN—Is Breaker Morant's name on it?

Major Gen. Gower—The Morant, Hancock and Witton issue is one which council and management have deliberated over for quite some time. I think it is important to make some statements about the issue. At the time of the incident—and I will describe it as that—they were serving with a British unit. They were commissioned into that unit as an irregular unit called the Bushveldt Carbineers.

Senator McGAURAN—Were other Australians serving?

Major Gen. Gower—Yes, as I understand. And some of those Australians drew to the attention of the British Army authorities the fact that these acts had occurred. They were duly tried, and one could quibble about the role of General Kitchener in the whole process, but notwithstanding that they were tried and the penalty prescribed by British Army law was applied. In terms of the Australian involvement, they were not in an Australian unit. They were in the British Army Bushveldt Carbineers.

Senator McGAURAN—What is unusual about that?

Major Gen. Gower—Mr Chairman, if I may continue. The Roll of Honour at the Australian War Memorial honours those Australians who sacrificed their lives serving in Australian service units, be that Navy, Army or Air Force or their antecedents in colonial times. Morant and Hancock were not serving with an Australian unit at the time. In terms of the council approved procedures for names going on the Roll of Honour, they are excluded on that point alone—quite apart from whether people may or may not find it acceptable to place on the Roll of Honour the names of soldiers who were found guilty of murdering unarmed non-combatants. That is quite a separate consideration and one which does not have to be addressed, because they were not serving with an Australian unit at the time of their demise.

Senator McGAURAN—Australians served in the Second World War, for example, in British units of the RAF. To be under either British or American command was not an uncommon situation. This is a technicality, isn't it?

Major Gen. Gower—I do not believe it is a technicality whatsoever. Mr Chairman, if I may be allowed to answer the question. Those Australians who served and died with Allied services, such as the British Army or the Royal Navy or, indeed, the United States Army, are honoured in a commemorative scroll which has no official standing, but it is there nonetheless in the alcove and it is also widely accessible on the web site, along with our Roll of Honour details. So it is not uncommon, as you say, Senator. However, they were not serving as such in the uniform of one of the Australian services, and that is a prerequisite, along with warlike service, to be on the Roll of Honour.

Senator McGAURAN—Is it true that, since the execution, the military establishment has been ashamed of Breaker Morant?

CHAIR—I am sorry, Senator McGauran, you cannot ask the officer to give an opinion.

Major Gen. Gower—I cannot answer.

Senator McGAURAN—What is your personal view?

CHAIR—Senator McGauran, I am sorry: you cannot ask the Director of the Australian War Memorial for a personal opinion in an estimates committee. You may go and see him privately, if you like.

Senator McGAURAN—I might have to.

CHAIR—It is not a matter for the *Hansard* record to place personal opinions.

Senator HOGG—That is an excellent suggestion. I think Major General Gower should supply—

Senator McGAURAN—The Major General has served in the services himself, so—

CHAIR—Order! Let us not get out of hand. Senator McGauran, I have suggested that the best thing you can do is go and have a chat with the director at some stage in the future, if you want to, but during an estimates committee you cannot ask the director for an opinion or about what he thinks; it is just not part of the estimates process.

Senator McGAURAN—All right. Was it your judgment in the end not to put Breaker Morant on the honour roll?

Major Gen. Gower—Mr Chairman, that is not my responsibility.

Senator McGAURAN—Whose is it? Who should I talk to?

Major Gen. Gower—The entries on the Roll of Honour at the Australian War Memorial follow a well laid down procedure. Ultimately, it is the responsibility of the council of the Australian War Memorial, appointed by government and with responsibilities laid down in the act, to determine who goes on the Roll of Honour. In accordance with the council's instructions, my officers action the process. Indeed, we have just put on Lance Corporal McAliney from Somalia. Sadly, there will be other people coming on from East Timor when that conflict finishes, and also from Afghanistan—the coalition against terrorism. There is a well controlled process. We take advice from the Department of Defence as to whether it is warlike service or not. But it must be warlike service and serving with an arm of the Australian Defence Force to qualify. That has been well laid down for many years—without getting into any other detail about what their act was or justification of the court martial or Kitchener's role and so forth. Those are separate issues.

Senator McGAURAN—Then why isn't he on the commemorative roll?

Major Gen. Gower—He is not on the commemorative roll, and I do not believe that has ever been looked at. There are some great difficulties with respect to any proposal that would place Hancock and Morant on the commemorative roll. For example, a decision was made in the 1950s by council that three members of the Defence Force who were hanged for a very serious criminal offence would not be on the Roll of Honour, and that was a very fair determination by council. Following a request, there would be considerations like that that you would have to look at.

Senator McGAURAN—Thank you.

Major Gen. Gower—Mr Chairman, I would be very happy to take up an opportunity to brief members of this committee in detail on that.

CHAIR—Let us hope there are no casualties from the first test tonight, Julian. Are there any further questions to the Director of the War Memorial? If not, I thank Mr Dawes and Major General Gower for their contributions this morning.

[9.24 a.m.]

Department of Veterans' Affairs

CHAIR—We will now move to questions on the portfolio overview.

Senator MARK BISHOP—Dr Johnston, I refer you to the additional estimates folder and ask you to turn to page 20 of that document. I have a couple of questions there. There are a number of areas where increases are justified by the words 'increased parameters'. Can you explain what those are? Are they simply rises and falls in the output costing parameters with DOFA, within the resource agreement? Could you explain to me generally what they are?

Dr Johnston—Let me give you a general response, and if there are points of detail I might ask Mr Farrelly to tease those out. In the forward estimates process, as you would understand, there is a range of factors and considerations in such projections. Generally they also depend on predictable items, such as indexation adjustments, size of the particular client population and the like. Generally, when we refer to parameters, they are the sorts of parameters that we receive from the Department of Treasury and the Department of Finance and Administration.

Senator MARK BISHOP—I understand that. If you look at the first dot point there, it says the amount is 'due to increased parameters'. What have been the changes? Are they rises and falls in the output costing parameters with DOFA within your resource agreement, or are they something different?

Mr Farrelly—They are not output costings; they are program costs. The \$154,000 is \$8,000 for the Vehicle Assistance Scheme, plus \$146,000 for the Veterans' Children Education Scheme, adding up to \$154,000. They are indexation adjustments to those two line items only.

Senator MARK BISHOP—They are not new line items. Why were they not anticipated back in the May budget?

Mr Farrelly—In the May budget we based the estimates on the indexation projections from Treasury as at that time. They are updated periodically. At additional estimates new parameters are given to us and they simply flow through the estimates.

Senator MARK BISHOP—If you go down to the fifth dot point on page 20, it says:

- +\$0.931m as a result of an increased capital use charge funding

There is a note on that on page 77, a definition of ‘capital use charge’ at the rear of the AEs. Is this increased capital use charge funding just a device within accrual accounting, or does it have some more substance?

Mr Farrelly—It is what the War Memorial were talking about earlier. It is the funding we receive from the department of finance to cover the capital use charge, which is 11 per cent of our net assets. We moved into positive equity for the first time in recent history this financial year and thus received capital use charge funding for the first time at additional estimates. At the end of the year we will repay it. It will be refunded first thing next year on the basis of our net assets at the end of this year, so it is an in-and-out transaction.

Senator MARK BISHOP—Is that 11 per cent charge reached by agreement between you and DOFA, or is it across the board?

Mr Farrelly—It is an across the board percentage based on work done by DOFA, so it is provided to us by them, and to all other agencies as well.

Senator MARK BISHOP—And that is the expected return on capital being tied up, isn’t it?

Mr Farrelly—That is right.

Senator MARK BISHOP—It is a huge figure in a period of low inflation; but that is a decision made elsewhere. Let us go back to that discussion I had with you about the increased parameters. You said it was simply a reflection of increased costs within the two items you identified within particular programs. So the changed parameters are reflected in the relevant lines in the programs in outcome costs?

Mr Farrelly—I probably need to distinguish between the outcome costs that relate to departmental expenditure and costs to fund program expenditure.

Senator MARK BISHOP—You identified the latter as being the relevant matter here in the change in parameters?

Mr Farrelly—That is right.

Senator MARK BISHOP—So the outcome costs in the line accounting for the particular programs should show that? Is that correct?

Mr Farrelly—Yes. It would be included in that.

Senator MARK BISHOP—I now want to turn to some questions on outcome 1 in terms of the additional estimates. If we turn to page 32, table 2.1.1, total resources for outcome 1, we see that the expenditures for outcome 1 have increased by \$64 million as opposed to a decrease in widows and service pension, probably caused by falling numbers, I suspect. What are the reasons for that increase? Have there been more claims? If so, how many compared to previous years? I am referring to the first line under the Veterans’ Entitlements Act 1986—Disability Pensions and Allowance for Veterans and their Dependants. You will see that the variation is \$64 million. My question is: why?

Mr Maxwell—In essence, there are a number of factors that go to create an increase in expenditure on this line. One, of course, is the ageing of the veteran population. Our compensation scheme has a fairly unique feature inasmuch as an award of compensation is made, but as incapacity deteriorates the amount of pension that can be paid can be increased on application. So we have traditionally always seen an increase in our actual outlay per pensioner as the veteran population ages. We still have the bulk of our pensioners being World War II veterans who are now in their eighties. We are seeing increased expenditure, particularly in items such as the extreme disability allowance payment. The veteran may well

have reached 100 per cent—the top of the general rate—well before retirement age or shortly thereafter but, as the incapacity continues to increase, we can award the additional payment.

Senator MARK BISHOP—So that is one reason. Are there additional reasons, Mr Maxwell?

Mr Maxwell—The claim rate has actually fallen. I might ask Mr Mark Johnson, who is the branch head of the disability compensation branch whether he has some more figures at his fingertips.

Mr Johnson—In that increase, there is also an indexation factor of about \$8.4 million, \$55½ million which is an average change in rates and there is a small increase projected for the change in numbers, but that is only a couple of hundred thousand dollars.

Senator MARK BISHOP—Of the \$64 million, \$55.5 million is an average change in rates. So in excess of 85 per cent of that variation relates to that. Because of age and illness the total number of claimants now in this area is declining and, as you outlined, Mr Maxwell, it is quite proper within the system for people to have their benefits reviewed and increased relating to further incapacity with age. That is no secret. That would be well within the knowledge of the planning section of the department. Why was that not put into the original budget figures back in May? Those changes you outline are not new or radical; they are part of the process of ageing and deterioration that afflicts this community. We have all know it for years, so why was it not put back in the original figures in May?

Mr Maxwell—Whilst the feature is well known and has historically been there for a long time, the rate of change is not linear. A linear projection would not necessarily get you the same result.

Senator MARK BISHOP—Do the May figures show any amount of anticipated variation?

Mr Maxwell—I do not have the May figures with me, but I think they would have. Mr Farrelly, do you have them?

Mr Farrelly—With regard to the \$55 million, this is essentially saying that we underestimated in May the rate of progression to higher rates of pension. This is a correction for that. There was an underestimate at budget time and we are in the process of putting new variables into our estimates models to take this into account.

Senator MARK BISHOP—I understand that—that was a point made by Mr Maxwell—but my question is: why was there an underestimation back in May? Had there been similar underestimations in previous years?

Mr Maxwell—There certainly had been. We are talking about a very tiny variation. An amount of \$64 million out of an expenditure of \$1.2 billion on this program is a tiny—

Senator MARK BISHOP—That is five per cent; I do not think that is tiny.

Mr Maxwell—I do not have a calculator with me.

Senator MARK BISHOP—With \$1.2 billion, a five per cent variation within six months of doing your actual estimates in May is a 10 per cent variation per year, for goodness sake.

Mr Maxwell—With respect, that is again applying a linear estimate model, and that has not been our experience.

Senator MARK BISHOP—If you apply a linear estimate model you might pick a figure of six per cent and be out by one per cent, or whatever—I accept that. But my point is that, in terms of the appropriate planning for the outlays in this area and advice to government, one

could reasonably—with your experience and the knowledge that is in the department in this area—expect to know that there is going to be some form of increase that does not rely on extra appropriations in the order of five per cent or, annualised, almost 10 per cent. There seems to be a little bit of a shortcoming in the planning section. That is my point.

Mr Maxwell—I hear what you say, but I can only reflect on the fact that this is the traditional approach to this particular appropriation. That is the way it has always been administered.

Senator MARK BISHOP—That might be the answer: it is a traditional approach to this particular appropriation. I do not say there is fault, but if there is perhaps error it might lie in the soundness or otherwise of that traditional approach. That is my point. The officials can consider that at their leisure.

Dr Johnston—We would accept that we should be able to do better with the forward estimates for a number of these elements. Indeed, we have employed the services of the Government Actuary to help us in the estimates for our health business. Some of the consequences of that are in fact reflected in these estimates as well. We are actually working to improve the quality of the forward estimates.

Senator MARK BISHOP—Thank you, Dr Johnston. Mr Maxwell, do T and PIs, for example, feature as an increasing proportion of outlays in that line?

Mr Maxwell—The TPIs are included in that line. Therefore, any movement in their overall numbers will be reflected in the estimate.

Mr Johnson—Net TPI numbers have been increasing by about 1,500 a year over about the last three financial years.

Senator MARK BISHOP—1,500 per year?

Mr Johnson—Yes, on average over about the last three or four years.

Senator MARK BISHOP—Is there any suggestion that that trend increase is flattening out or declining?

Mr Johnson—No, it has been pretty constant over the last few years.

Senator MARK BISHOP—Towards the bottom of the page, there is an increase in the Veterans' Children Education Scheme. What part of that increase is due to increased demand and what part is due to increased rates?

Mr Johnson—Nearly all of it is increased demand. The numbers in the period July to February this financial year are up by about 355 on the same period the year before. So it is about \$638,000 and the indexation adjustment is \$146,000.

Senator MARK BISHOP—By what means are rates adjusted—is there provision for automatic indexation, are they pegged to another standard or is there a discretion within the minister or the repat?

Mr Johnson—It is discretionary.

Senator MARK BISHOP—Who is that discretion vested in?

Mr Johnson—It is in the commission.

Senator MARK BISHOP—So that is a matter of your authority, Dr Johnston?

Dr Johnston—Sorry, I was not concentrating on the question. If the answer was that it is the commission, yes, it is the Repatriation Commission, of which I am chairman.

Mr Maxwell—Perhaps I might clarify Mr Johnson's answer. The actual scheme itself is based fairly much on the Austudy model, so the rates move in line with that. There is a range of ancillary benefits that are discretionary and may be extended to individual students or groups of students at the discretion of the Repatriation Commission. I might just add that the growth in numbers of children is closely linked to the growth in the overall pensioner numbers, your previous question, and in particular the TPI population. What we tend to see, particularly with the TPI veterans of the Vietnam War contingent, is that they frequently have second or subsequent marriages and therefore frequently have school-aged children or children within the terms of the scheme by the time they actually are awarded their TPI pension, which is one of the qualifying criteria.

Senator MARK BISHOP—That feature of the Vietnam community is starting to emerge in a range of areas.

Dr Johnston—Just to be very precise on this: as I understand it, while the program is at the discretion of the Repatriation Commission, it is shaped through a legislative instrument tabled in the parliament, which is disallowable by the parliament.

Senator MARK BISHOP—So your authority is exercised pursuant to a disallowable instrument?

Dr Johnston—Yes.

Senator MARK BISHOP—I presumed that was the case. If we could just go over to page 33, 'Attribution of Output Group 6', why has there been an increased attribution for output group 6 corporate compared to all other outcomes? Wasn't there a review of corporate which saw a significant reduction in costs? There were references to that in the annual report.

Mr Farrelly—The increase to output group 6 reflects this outcome's share of the capital use charge increase and its share of an increased estimate of interest that we believe we will earn throughout the financial year. Those two items have been attributed to output group 6 only.

Senator MARK BISHOP—The first one is just a book accountancy process?

Mr Farrelly—Yes.

Senator MARK BISHOP—Can you explain the second one, the interest increase, to me?

Mr Farrelly—We can now invest cash with the Reserve Bank of Australia, and we have revised our estimate of how much interest we will earn. Part of that revision has been allocated to this output. So the increase in interest has been shared between the outputs but attributed to output group 6.

Senator MARK BISHOP—Incidentally, say you do derive earnings from moneys invested with the Reserve Bank, do you get to keep those earnings as a separate income stream, or where are they allocated to?

Mr Farrelly—When the scheme was first introduced, our appropriation was reduced by a notional earnings amount. We get to keep anything we earn. So to the extent that we can earn more than the notional reduction that was first made, we benefit.

Senator MARK BISHOP—But the annual appropriation to the department takes into account forecast earnings from invested moneys, doesn't it?

Mr Farrelly—Yes.

Senator MARK BISHOP—Where does the Reserve Bank invest money? Is it just in the money market at call?

Mr Farrelly—I presume so.

Senator MARK BISHOP—So you are only talking low amounts.

Mr Farrelly—Yes. We earn two per cent on overnight money and about 4.2 per cent on term deposits of 30 days.

Dr Johnston—It might be worth adding that we actually went to tender to select our banker, and the Reserve Bank was successful in competing with some of the private banks for that business. We are not tied to the Reserve Bank; they have won that business through a tender.

Senator MARK BISHOP—Competition is a wonderful thing. I am sure Senator Heffernan will tell you that.

Dr Johnston—I just wanted to avoid the impression that it was just a formal tied arrangement.

[9.46 a.m.]

Senator MARK BISHOP—Let us now turn to outcome 1, Income support and compensation. The questions firstly are on widows. Dr Johnston, can you tell me how many widows are known to rent—firstly, privately and, secondly, publicly?

Dr Johnston—I cannot. I do not know whether my colleagues can.

Mr Winzenberg—I do not have the split. I think the total between public and private is around 7,000 to 8,000 but I would have to confirm that.

Senator MARK BISHOP—So 7,000 public and—

Mr Winzenberg—No, the total in terms of both public and private.

Senator MARK BISHOP—I am sorry. I do not follow you.

Mr Winzenberg—I do not have the split between private and public but the total is around 7,000 to 8,000. We will have to take that on notice.

Senator MARK BISHOP—Could you take that on notice and if you have the information could you provide it to us?

Mr Winzenberg—Yes.

Senator MARK BISHOP—Do you have any figures on the cost of removing rent assistance from the ISS for those renting privately? Have you done that work?

Mr Winzenberg—We have looked at proposals in relation to that issue, but that work is on hold pending the government's direction in relation to its election commitment in relation to ISS.

Senator MARK BISHOP—Can you take that on notice and provide to the committee the cost of removing rent assistance from the ISS for those persons renting privately?

Mr Winzenberg—We can.

Senator MARK BISHOP—Is it correct that the commission considers widows already renting publicly to be in receipt of a subsidy?

Dr Johnston—I am not sure of the meaning of your question.

Senator MARK BISHOP—If you rent a home from the various housing authorities in the state, they take rent assistance into account in their costings. I am advised that they consider it to be a form of a subsidy. I wondered whether the Commonwealth had a view on that.

Dr Johnston—I do not think we would necessarily have a view, but public housing rental rates are low relative to the market, so implicitly there is some sort of subsidy or arrangement at work. If you were wanting to have a policy that sought equity in treatment between those accessing public housing and those accessing private rental, you might want to take that into account.

Senator MARK BISHOP—Legacy, amongst other organisations, has sought the removal of rent assistance from the ISS. They say it is counted in the costings elsewhere and if you remove that it would result in a net increase to the recipients.

Dr Johnston—That is correct. Legacy has had a proposal in that regard.

Senator MARK BISHOP—But the Commonwealth does not have a firm view on that?

Dr Johnston—As you would understand, in the process of policy determination there are many suggestions to government at any point in time of possible changes in policy.

Senator MARK BISHOP—Is that particular issue under consideration at the moment? I am not asking you to tell me the government's decision, but the chairman outlined at the beginning that we could ask for detail of government policy.

Dr Johnston—I do not know that there is much that I can add. We are well aware of the views of veterans' organisations and of their priorities for attention in policy change. From time to time we update our figuring and our assessment of those proposals and advise the government of the day.

Senator MARK BISHOP—Dr Johnston, in response to a question on notice, No. 16, I asked for some information on the projected take-up, post 1984, of war widows applying to have their pensions restored. In the first paragraph you say that there were 2,445 applications for restoration. Of these, 1,809 have been granted and 419 applications are being considered. When do you expect that the processing of those 419 will be concluded?

Mr Johnson—I have some more up-to-date information.

Senator MARK BISHOP—My information is at 7 February.

Mr Johnson—This is as of yesterday. As at yesterday, 2,504 applications have been received. Payments, including payments that were made yesterday, number 2,029. Another estimated 133 are expected for the pay period of 7 March, which would leave about another 90 outstanding. The claims that are now outstanding are those where the documentary evidence is more difficult to find and we are having to go back and seek some additional information or do some additional searching through the files.

Senator MARK BISHOP—So, from 7 February until yesterday, you have reduced the outstanding applications from 419 down to 90-odd and you are seeking further information?

Mr Johnson—Yes.

Senator MARK BISHOP—That is very impressive.

CHAIR—Are you still on output 1?

Senator MARK BISHOP—Yes. I will be there for some time, Mr Chairman. Going to the income support supplement, I refer you to question No. 9—which you gave me an answer on—which was in relation to the assessment of private trusts and companies. I asked how many veterans had had their pensions reassessed to date. You said that 3,450 had been reduced or cancelled as at 1 February of this year.

Mr Winzenberg—3,450 had been assessed.

Senator MARK BISHOP—And 808 and 308 respectively had been reduced or cancelled.

Mr Winzenberg—That is right.

Senator MARK BISHOP—In point three of your answer you said that, in the first full year 2002-03, the estimated savings to budget would be \$3.37 million. The original estimate was \$8.83 million. So that is a reduction of almost \$5 million. Why has the estimate proved to be so far out?

Mr Winzenberg—The first point is that the savings estimates were based on the estimates from the Department of Family and Community Services. Our population was taken as a subset of their population, which is around seven to eight per cent. Essentially, the estimates that they had were made pro rata against the veteran population. Clearly, from the figures coming forward, our experience has not been the same as theirs.

Anecdotally we believe that, because of our higher average age—that is, 80—compared with the age pensioners who are coming out of the work force at 65 to 70, they are more likely than our age group to have rearranged their affairs over the last 10 years to take account of these arrangements. So that is anecdotally a potential reason for the difference. As I said, the original estimates were pro rata of what their estimation was. It just has not been our experience.

Senator MARK BISHOP—The pro rata break-up to your department from FACS was just wrong.

Mr Winzenberg—We had an idea of the numbers of veterans who had trusts and company interests, but as to what those interests were and what the impact of those interests would be in terms of the new legislation we did not know until we did the assessments. It is purely a pro rata estimate on the FACS numbers.

Senator MARK BISHOP—I understand that. I again refer, Dr Johnston, to question No. 10. Thank you for that comprehensive and detailed answer with all the information in response to question 10. I note the qualification that \$12 million of unrecovered money, you say, is a small proportion of the total budget. Nonetheless, \$12 million is \$12 million and may have another purpose. When you examine all the tables, what stands out to me are the different rates of performance across the board in all of the states. In particular, I refer you to the level of write-offs in Victoria in 1997-98, the waivers in Western Australia in 1998-99 and the waivers in Tasmania in 1999-2000, which, by way of example, in that year are tenfold that of the other states. Are you giving any consideration inside the commission or department to some set of performance indicators for the various states when you appear to have such volatile figures emerging in these tables?

Dr Johnston—As a general comment, we are as a department moving across the board to a program management approach with more central guidance than has traditionally been the case, possibly, for the Department of Veterans' Affairs. I could not say that this particular area of administration is one that the commission has focused on in the way you are suggesting, but I might ask Mr Winzenberg if he could comment from a program manager point of view.

Mr Winzenberg—Certainly we have national guidelines in terms of the criteria for waiving or writing off debts. Whilst the percentages may appear large, the actual number of cases in some of the states, particularly the smaller states, is small. In terms of comparisons that might be a more useful focus. We have the national guidelines—

Senator MARK BISHOP—So you have national guidelines. Are you satisfied that in those states that seem to show atypical results, taking into account the comments you just made, that the guidelines in those states are being sufficiently rigorously followed by officers?

Mr Winzenberg—Certainly there is always room for improvement. What these figures point to is that it is worth looking at those states that are diverging from the average. That would certainly be a focus in the coming 12 months.

Senator MARK BISHOP—It is wrong to postulate a reason, but there are a couple of theories. I could suggest that the guidelines are not being followed in one or more of the states or that perhaps more rigour is exercised in the larger states than in the outlying states. Having raised it, table 1 does show significant amounts outstanding: perhaps you could look at the reason for this. I will pursue this again in more detail when we meet again. Can you take on notice the total value of (a) waivers and (b) write-offs for each of the years listed in the question. Could you also advise me where these debts are brought to account in estimates. Would it make a difference if they were a debt against running costs? Where do you bring to account the total value of the waivers and write-offs?

Mr Winzenberg—I am not sure what their financial treatment would be, but these are debts in respect of administered expenses.

Mr Farrelly—They appear in the financial statements against the administered side of the operation; they are not held against running costs.

Senator MARK BISHOP—So what happens? Are they just written off?

Mr Winzenberg—As explained, the difference between a write-off and a waiver is that with a write-off the debt is not waived forever—the Commonwealth always has the right to reinstitute recovery action. So a write-off is there in perpetuity, in a sense. It is the waiver where we relinquish the right to recover the debt.

Senator MARK BISHOP—That is why I want to have the break-up between waivers and write-offs.

Mr Maxwell—Maybe part of the explanation or the background to answers that we are attempting to give to your question can be found in the last paragraph, under point 2 of our reply to your question 10. It is certainly true that prior to January of last year our ability to effectively pursue small debts in particular was impeded by our lack of an appropriate management system for them. We have put a new system in place, and I would certainly be confident that you could expect to see a marked improvement in the outlying years.

Senator MARK BISHOP—I should not be churlish, because it is gratifying to see that, due to a new system, you do seem to have improved dramatically. That is clear from the tables. So there is that comment. I suppose it is worth just highlighting the variations between the states, but I do take that comment on the cost-effectiveness of recovery. If you can find that other information on notice, it would be appreciated.

I would like to turn briefly to the Vietnam Veterans' Children Education Scheme and continue that discussion. I have received correspondence from the VVFA on this issue, and they make the point that there is great value and benefit in these scholarships for their children. What consideration is the government giving to the request to provide some supplemental funding to the various schemes that have fallen on hard times for the children of these veterans?

Dr Johnston—You are aware that this is an issue of interest at the moment to the Vietnam veteran community and the VVFA, in particular the branch of that organisation in New South Wales. The minister is meeting with the various interested parties, and we are in the process of advising the minister on options that she might consider in responding to the points of view being put to her. I think you will have to wait for the minister to announce whatever might be done.

Senator MARK BISHOP—I knew that the community had written to Mr Scott, the previous minister, and had followed that up with new correspondence to Minister Vale. Do you know when she will be meeting with the community on this issue?

Dr Johnston—I think there have been either recent meetings or meetings scheduled for the very near future. But I think you will have to wait for the government to decide how it is going to respond to these requests.

Senator MARK BISHOP—So you have received the requests for a meeting and a review and the department is preparing some options for consideration by the minister.

Dr Johnston—That is correct.

Senator MARK BISHOP—She either has met that community, or will meet them in the near future to advise them of the government's decision. Is that the summary?

Dr Johnston—She has recently met with the Long Tan trust, but I do not think she has met with the VVFA and I am not sure that there is a meeting scheduled there.

Senator MARK BISHOP—And as yet there has not been anything put out into the public domain as to her decision?

Dr Johnston—No.

Senator MARK BISHOP—We will just wait for that to happen in due course. I want to have some discussion about the POWs and grants to widows and civilians. How do the estimates for payment of the POW grants, including those made to widows and civilians, compare with the actual outcomes in respect to numbers and costs?

Mr Johnson—The original estimate was based on 9,850. As of about a week ago, there had been claims paid in respect of 7,334.

Senator MARK BISHOP—How many are still being assessed?

Mr Johnson—Not all that many: there are about 20 to 30 before the AAT and there are, I think, a similar number in the department being assessed, at this stage.

Senator MARK BISHOP—Once again, what is the reason for that significant overestimation?

Mr Maxwell—As I explained at the last committee hearing, to your predecessor, the problem we confronted with the civilians was that at no stage in the entire history of the Department of Veterans' Affairs—or its previous guise—had we had any contact or responsibility for civilian internees or prisoners taken by the Japanese. We had a long and extensive involvement with the veterans and we knew their numbers—I would put my hand on my heart and say, 'down to the last man'—within a few hours, throughout that entire period. But we were starting with a figure that we could only take at face value as to the internees taken by the Japanese. Regarding the surviving internees, from what we knew of their age group at the time—and a number of them were children—we could only project the surviving population based on standard demographic data. I think that to come as close as we have is a significant achievement.

Senator MARK BISHOP—So in terms of your community, the vets community, you are almost 100 per cent—and the error that has occurred just relates to factors outside your control? That is your response?

Mr Maxwell—Yes.

Senator MARK BISHOP—Fair enough. Mr Johnson, I think you said there were 30 or 40 on appeal to the AAT?

Mr Johnson—Twenty to 30.

Senator MARK BISHOP—There are 20 to 30 on appeal to the AAT. And are there a similar number elsewhere in the system?

Mr Johnson—No. There are a small number that are still in the department that are under investigation.

Senator MARK BISHOP—What are the issues on appeal at the AAT?

Mr Johnson—I do not have details on the cases, but my understanding is that they are mainly civilian applications and I think most of them concern the question of domicile. But I do not have details on the cases.

Senator MARK BISHOP—Can you take that on notice? I do not want the details of every case; just provide the broad reasons that these civilians have listed for their appeal to the AAT. If it is domicile, I understand that complication. How many representations have been received from POWs from other theatres, complaining about discrimination against them?

Mr Maxwell—I personally have not kept count. There have been some. If you count the sum as including those from organisations, you could in fact infer that there is quite a volume of interest and concern that the benefit be expanded to other groups.

Senator MARK BISHOP—I might say that, even in my brief time in this position, I have received a huge amount of correspondence and phone calls from both individuals and organisations on this issue.

Mr Maxwell—I do not actually have a number for you. If you like I could attempt to interrogate our correspondence system and see if that yields a result.

Senator MARK BISHOP—If you would take that on notice, it would be useful for the future correspondence. What is the complaint of those other personnel on this issue?

Mr Maxwell—I would characterise them in essentially three groups. There are Korean prisoners of war who argue that their internment was every bit as dreadful as that of the Japanese. I personally would not be arguing against that observation. Another group, and perhaps the largest group, pleads that the Australian tradition has been to treat all prisoners of war equally, and that has been a fact until this development. The third group ended up in prison camps in Europe towards the end of the war or in the eastern blender of the German republic and were marched progressively westwards and then progressively eastwards, depending upon which way the tide of battle was flowing at the time.

Senator MARK BISHOP—They are the ones that are writing to me.

Mr Maxwell—They certainly are, given that their times were torturous as well.

Senator MARK BISHOP—What is the nature of their complaint?

Mr Maxwell—As I understand it from the documents that I have seen and from the correspondence and communication that I have had directly from the individuals, it is essentially a complaint of deprivation. If deprivation was the basis of the grant to the Japanese, then being marched barefooted through snow and living off land that had already been scavenged by two armies of opposing persuasions did not really equate with a comfortable internment.

Senator MARK BISHOP—Their deprivations were equal. If the first set is worthy of remuneration, they also are—that is the argument. I have some sympathy for that proposition. The correspondence that I have seen suggests to me that, if it were a worthwhile and proper activity of government to give some form of reward to the Japanese POWs because of the great suffering they went through, the men in Europe who went through the same thing deserve some reward. I do not understand why they have been denied that benefit.

Dr Johnston—Are you asking us to comment on policy? I think we have gone about as far as we can today.

Senator MARK BISHOP—Is the matter of other POWs of other theatres under review in the lead-up to the May budget?

Dr Johnston—We can provide one piece of information. The Ex-Prisoners of War Association itself has set up a committee to consult with the department and other interested parties before putting a position to government on this matter. We will naturally assist that committee in a factual way, and we are assuming that it will make a submission to government.

CHAIR—Are you still on outcome 1?

Senator MARK BISHOP—Yes. I will leave the civilian issue and move on to TPIs. Dr Johnston, on how many occasions has the TPI Association or its members met with the Repatriation Commission on the issue of their pension and over what period? Do we have those records?

Dr Johnston—We will take that on notice in its detail but, in broad terms, the commission met with a representative group from the TPI community over about 18 months ranging over the issues of concern to the TPI community. I chaired those meetings myself and I think they proved quite useful in opening up dialogue and informing the TPI community on issues. We did a range of costings of proposals for the TPI representatives and that has informed their submissions to government. We will, on notice, advise you of the actual number of formal meetings.

Senator MARK BISHOP—Would you take on notice the number of times the same groups have met with the minister as well?

Dr Johnston—I am not sure whether that is so readily provided, but we will note your inquiry and see if the minister can assist.

Senator MARK BISHOP—In the last budget, and in the election policy upon which the government was re-elected, there was no policy commitment to the TPI community, was there?

Dr Johnston—That is correct, although during the election the Prime Minister in a radio interview undertook to consider the matter of TPI benefits in the context of a review of qualifying service. And the minister has, in the last week, announced the establishment of a formal committee of review with a quite extensive term of reference on TPI matters.

Senator MARK BISHOP—I understand that caveat, Dr Johnston. Apart from that commitment to include the TPI as part of the review process, which has recently been honoured, there were no other commitments by the current government in the budget process?

Dr Johnston—That is correct.

Senator MARK BISHOP—That review is scheduled to deliver in November of this year, isn't it?

Dr Johnston—The minister in a press release indicated that she had asked for a report from the committee by November this year.

Senator MARK BISHOP—If the committee does its job on time and reports to the minister in November and we go into the Christmas break, there will have to be a consideration of the recommendations of the report by both the department and then, in due course, the government. Does that effectively mean that we cannot anticipate government action on the recommendations, if any, until the 2003-04 budget?

Dr Johnston—I think it is a reasonable assumption that the government would hope to respond to the committee's report in the following budget, which would be the 2003-04 budget.

Senator MARK BISHOP—That is what I thought. What has been the reaction of the TPI association to the postponement of any consideration for another two years?

Dr Johnston—I do not know quite how to respond to that because, as far as I know, there has been no formal advice to us or the minister of a reaction. We are aware of background comment. I think it would be fair to say that within the TPI community there has been a view for some time that some matters could be dealt with more speedily than government seems able to do. I imagine that would still be the view in some quarters.

Senator MARK BISHOP—That view has been expressed to me.

Dr Johnston—But we have not received any formal advice.

Senator MARK BISHOP—Can you take on notice the cost of indexing the special rate pension as it currently stands by MTAW and CPI, whichever is the greater?

Dr Johnston—Yes.

Senator MARK BISHOP—I presume the minister and the commission will continue to meet with the TPIs on a needs basis.

Dr Johnston—There is a custom for the TPI federation to meet six-monthly in Canberra and to interact extensively with the minister—and indeed you, I would expect, meet with them—and officers of the department. It is a very useful forum for us and the federation.

Senator MARK BISHOP—I will give you a large number of questions on notice in writing at the conclusion. I refer you to question 11 on notice to which you responded. I asked for the estimated cost of extending benefits as a result of the Mohr report. I asked how many claims have been made to date and the actual cost and you gave a table. As I understand it, there is a separate category in the database for this group of people. Clearly, an estimate was done in advance so I do not really understand why you have been unable to give me the figure of costs to date. Am I advised wrongly?

Mr Maxwell—Whilst the review did lead to an increase in eligible groups they were subgroups, in the main, of bigger groups. Our entire computer system counts, essentially, pension outlays in terms of conflict, particularly in disability compensation. For example, the extension of benefits to the Far East Strategic Reserve, the naval component, was simply counted, once the decisions were made, as overall expenditure in the Malayan Emergency contingent.

Senator MARK BISHOP—Clearly, an estimate was done in advance, wasn't it?

Mr Maxwell—An estimate was done based on the known numbers—nothing is really known in this world in this particular jurisdiction anyway. We did estimates, for example, for FESR on the known complements of the ships at the time, the average age as nearest we could

plum that of the ship's company, and projected standard life tables, again, to arrive at what we thought were the surviving population and their ages.

Senator MARK BISHOP—Has that work proven to be accurate?

Mr Maxwell—As we say in our response to you on notice, our system is not geared to count that way and, frankly, I did not think to ask to have it done.

Senator MARK BISHOP—Can you reconsider that request?

Mr Maxwell—I will have another look and see what we can do. There must be some resource questions as to how much effort we need to place into it. I will have another look.

Senator MARK BISHOP—I am not asking you at this stage to do an account of every individual file. But perhaps you could reapproach the issue and think about it again. It would be appreciated.

Mr Maxwell—It is certainly fair to say that in the early days the take-up rate was less than I was anticipating because I was monitoring in the early months.

Senator MARK BISHOP—Was it significantly less?

Mr Maxwell—I would say fairly significantly less. There was not an avalanche. I was expecting a huge influx.

Senator MARK BISHOP—There has not been an avalanche?

Mr Maxwell—In the early months there was not.

Senator MARK BISHOP—What about in later months?

Mr Maxwell—I have moved on to other focuses, to be honest.

Senator MARK BISHOP—Dr Johnston, can you tell me what the estimated costs of the review of veterans' entitlements are?

Dr Johnston—The actual administrative process?

Senator MARK BISHOP—The costs associated with the whole process, yes.

Dr Johnston—That, of course, is a cost we will meet in the light of the experience of the committee in its requirements to do its job comprehensively. At the moment our estimate is \$1.2 million.

Senator MARK BISHOP—Will you absorb that out of running costs?

Dr Johnston—That is correct.

Senator MARK BISHOP—So there will not be any requests for additional appropriation to cover that?

Dr Johnston—No.

Senator MARK BISHOP—Is that the normal practice for the department to fund these types of—

Dr Johnston—It can vary. Budget circumstances are fairly tight at the moment so we are doing our bit to help.

Senator MARK BISHOP—When you read the terms of reference in the review there does not appear to be any complaint or issue or group that is not included. They are extraordinarily wide terms of review. When you think about it, it covers the application of the VEA and aggrieved groups who have not come within its parameters. It considers the merit or otherwise of their complaints and it seeks to come up with solutions to satisfy those issues

that you and I—you more particularly than me—know have been around for many years as the age of the vet population changes. So isn't the review effectively a review of the entire repatriation system—of the entire act?

Dr Johnston—I think it is interesting that so many issues can be captured under two headings: what is the scope of qualifying service, and what are the appropriate forms of assistance and approach to rehabilitation for the TPI community? They are at the centre of a lot of debate within the veteran community over recent years. It could be quite a wide-ranging report, in due course, but of course there is a significant structure of entitlement already in evidence in the Veterans' Entitlement Act. That has had a long tradition. I am assuming the committee will be very interested in that as a starting point and will look then in detail at the claims for change.

Senator MARK BISHOP—If we are looking at the history of the act, the current structure of the act, the compensation paid pursuant to the act, the various claimant groups that have, in recent years, become aggrieved because of not coming within the parameters of the act, and other solutions apart from compensation as to particular problems that apply within the veteran community, I do not know what else you could possibly look at in a review. It really is a review of the entire repatriation act and the system of distribution of benefits and the like, isn't it? Do you regard it as such, Dr Johnston?

Dr Johnston—I do not think I can add anything more, Senator, if the committee is inclined, and I imagine that will be influenced to a certain extent by the range of submissions that are put before the committee, the committee can range quite widely.

Senator MARK BISHOP—Were the terms of reference drafted in the commission or in the minister's office?

Dr Johnston—I think you would have to regard them as the government's terms of reference, but it would not be surprising if the commission has been advising the minister on how these matters might be approached. As you would understand, they are matters that are also relevant to the Department of Defence. It would be reasonable to assume that the minister and the government have had the benefit of advice from that department as well.

Senator MARK BISHOP—Okay. So the minister's office consulted with you and with the Department of Defence as to the terms. Is that what you are saying?

Dr Johnston—I think it is reasonable to assume that, yes, but I emphasise—

Senator MARK BISHOP—I am not trying to be hard to get on with. There is no secret here.

Dr Johnston—I am not wanting to be secretive. They are the government's terms of reference. That is the point I am wanting to make. But, yes, we have been consulted.

Senator MARK BISHOP—Is there anything that has been left out of the terms of review? Every time I look at it I cannot think of another issue.

Dr Johnston—To respond to your question in another way: if you look at the election commitment that the government gave in respect of a review of qualifying service, the terms of reference are pretty well identical to the commitment the government gave during the election. It is fair to say that the TPI issues identified in the terms of reference provide an opportunity to quite comprehensively look at those sorts of issues.

Senator MARK BISHOP—Your role is set out in section 180 of the act. So you would have given advice in previous years to the government on all of these issues that are the subject of review?

Dr Johnston—That is correct, yes.

Senator MARK BISHOP—Is it fair to conclude that the act, as currently structured, no longer suits the needs of veterans and ex-service people?

Dr Johnston—I think you are asking me to comment on policy, but I think it is relevant to point to the fact that the government is also committed to implementing legislation for a new military compensation scheme that it sees as being appropriate to serve serving personnel and veterans for the future. Implicit in that is a view that maybe it is time to move towards a new, modern compensation/superannuation structure. But I think the veteran community at large would say that the Veterans' Entitlement Act and the service the department provides in relation to delivery of entitlements under that act on the whole is serving the veteran community very well. That would be my view.

Senator MARK BISHOP—The veterans community that receives benefits and entitlements under the act—that is, those who have qualifying service—are not out in the streets demonstrating against the act. No-one suggests that. It is those who are, as you know, denied the qualifying service access who have some problems.

Dr Johnston—It seems to me that in relation to the issues identified under qualifying service—the concerns of veterans of atomic tests, the circumstances of BCOF veterans, for example—those groups quite legitimately have strong views which they put to the commission and to government from time to time.

Senator MARK BISHOP—In the background document for the terms of reference, it said:

... the committee will need to bear in mind the commitment of the government to responsible economic management.

What does that mean?

Dr Johnston—I do not think it would be surprising that the government would want to indicate that it is committed to responsible economic management.

Senator MARK BISHOP—The government has made a decision. The government went to an election with a particular election commitment to hold a review. It has now put out in the public domain an extraordinarily large number of issues to be examined in this review, which is going to be lengthy. Action, if any, will not be able to be done until the 2003-04 year. There is certainly an expectation in the vets community that there are going to be benefits flowing. The commitment to responsible economic management in some respects is a motherhood statement—we expect that of all governments. But it has obviously been put in there deliberately. It is not customary to have such a phrase in any other review I have ever seen. I am really inquiring as to what message the government is trying to send to the vets community on this issue. They have put it in there for a reason.

Dr Johnston—I think that might be a matter you would need to put directly to the minister. But I would assume it is an indication that any recommendation for increased benefits and costs to government would have to be extremely well justified for government to be able to deliver in response to such recommendations.

Senator MARK BISHOP—Does it mean there is no money around for the implementation of any findings, which presumably could include the extension of qualifying service to BCOF as a minimum?

Dr Johnston—Could you repeat the question?

Senator MARK BISHOP—I go to that phrase ‘responsible economic management’. It has been put in there for a purpose. It has a meaning. One meaning I am thinking about is that there is not going to be any money around for the implementation of any findings, and one of the findings could be an extension of qualifying service to the BCOF people as a minimum.

Dr Johnston—I cannot comment on that. I think you are asking me to do the work of the committee.

Senator MARK BISHOP—Is it expected that the outcomes will be budget neutral? Have you had any direction from the minister on this point?

Dr Johnston—I think I have already commented. I would interpret that reference as indicating that, if there are any proposals for increased benefits, they will need to be well justified to be considered seriously by government.

Senator MARK BISHOP—Will any guidance be given to the inquiry with respect to the recommendations of the Tanzer report as it affects the future application of qualifying service?

Dr Johnston—I would expect that the government’s response to the committee of review’s report and its implementation of new legislation will need to connect in a logical way. That will need to be kept under review depending on how that progresses. By and large, the legislation will refer to future deployments and future classifications of types of service, whereas the review was looking at historical experience and any changes that might be considered appropriate historically. In a sense they can take different tracks. I would suggest you would want them to be broadly consistent.

Senator MARK BISHOP—Doesn’t that mean that both the broad nature and the inclusiveness of the terms of reference will cause the implementation of the Tanzer recommendations to be put on hold?

Dr Johnston—That is not our expectation, but we will have to keep that work under review. I can illustrate the point in the following way: in a sense the Mohr report, which you were raising a few minutes ago, did a similar review into that category of service. In the end the government, in the light of the Mohr report, decided to change the classification of a range of deployments in the light of further investigation and the report by Major General Mohr. It is that very type of consideration that will be involved in reviewing claims for BCOF service, SAS service and the like. A decision in respect of those need not run counter or cut across a framework for legislation for future deployments.

Senator MARK BISHOP—No, ‘need not’, but would more than likely be put on hold to make sure that any adoption of recommendations by government arising out of this review are consistent with the implementation of recommendations from prior reviews.

Dr Johnston—I do not know that I have any more that I can add. I note your point. That would not be our assessment at this point in time but, clearly, there is an issue there that will need to be watched.

Senator MARK BISHOP—All right. Is any consideration going to be given to the findings of the review conducted by Professor Baume?

Dr Johnston—It was a significant review in its time and I assume it will be part of the point of reference for this committee.

Senator MARK BISHOP—What is the government’s policy on eligibility for qualifying service? Let me just give you a bit of background that you know but we might as well put on

the record. Section 7A, a veteran to get qualifying service must have incurred danger from hostile forces of an enemy. Is that correct?

Dr Johnston—That is correct, but I would have to turn to those who are more familiar with the—

Mr Maxwell—While engaged in operations against that enemy—

Senator MARK BISHOP—Yes.

Mr Maxwell—and at a time and place where it was real rather than possible.

Senator MARK BISHOP—The application of that test: the courts have made it clear that it is an objective assessment, not a perception of the facts at the time. Is that also correct?

Mr Maxwell—That is indeed correct.

Senator MARK BISHOP—Really, the government's own test of what danger does equate with the definition of warlike is as you described, Mr Maxwell. Is that definition, which has until the Mohr report applied, applied to all prior service and current service?

Mr Maxwell—No, it is applicable in essence to World War II. There was a slight variation on World War I, but in essence it meant the same thing. It was service in the theatre of war.

Senator MARK BISHOP—Until the Mohr report—

Mr Maxwell—No, the Mohr report was not a feature of any change in terms of the actual definition. Deployment since World War II has been quite different in terms of the conditions and qualifying service aspects. They have all involved deployment to, and actual service in, a war zone.

Senator MARK BISHOP—How is that different from the previous system in World War II and World War I?

Mr Maxwell—For example, in World War II in the Northern Territory some of the areas are considered under the World War II standard test as being sufficient to qualify as service against an enemy and incurring danger from the hostile forces of the enemy at that time. Other areas in the Northern Territory are not. All deployment since World War II has involved a requirement to actually be deployed to the area and to actually get there.

Senator MARK BISHOP—So deployment to, and actually getting to, the area you regard as different from the test that was applied up until that time?

Mr Maxwell—In essence, it is different.

Senator MARK BISHOP—Okay. Explain to me how it is different.

Mr Maxwell—This could possibly take some time. It might be best if I took it on notice actually or arranged a private briefing. That is just a suggestion.

Senator MARK BISHOP—I will think about that.

Mr Maxwell—As a quick example, you might have two soldiers from essentially the same home town serving in the Northern Territory on different dates. One is in fact going to qualify because he was there when the Japanese bombers were overhead dropping ordnance. The other guy is not because he was not there during one of those times or indeed there for the three months that would encompass those times. On the other hand, two veterans from the same home town serving in Korea are both going to qualify irrespective of what time during the Korean War they were there.

Senator MARK BISHOP—Did that change as a result of a change to the act or simply interpretation of the act subsequent to the Mohr report?

Mr Maxwell—We need go back prior to 1986 when the Veterans' Entitlements Act, which was an amalgamation of previous legislation, was enacted. Prior to that the qualifying service provisions were in the Repatriation Act 1920 and applied to World War II service and to World War I, although as I said World War I had a slightly different variation. Subsequent service was covered by special acts: the Korean act had its own act; the Malayan act had its own act; and the Vietnam War had its own act. But each of those post-1945 deployment pieces of legislation had contained the allotment test rather than the theatre of war type test.

Senator MARK BISHOP—The test changed in the subsequent conflicts from a theatre of war test to an allotment test.

Mr Maxwell—To an actual zone test.

Senator MARK BISHOP—Does that change, in your mind, take away from the integrity of the act in terms of its original purpose and test?

Mr Maxwell—I do not know that I would be prepared to agree with that.

Senator MARK BISHOP—You don't think that?

Mr Maxwell—No.

Senator MARK BISHOP—So you regard the act as being—

Mr Maxwell—The fact is that we have not had warlike type deployments to areas that have not involved actions against an enemy force.

Senator MARK BISHOP—But some of the actions against an enemy force have been more—

Mr Maxwell—More imagined than real? That is certainly true in the case of one that I can think of—Namibia.

Senator MARK BISHOP—For the one we are involved in in East Timor at the moment, there was an expectation of a much higher level of conflict and contact with the enemy than has turned out to be the case, wasn't there?

Mr Maxwell—I think that is a fair assessment.

Senator MARK BISHOP—So the allotment test to those persons who attend East Timor gives rise to much easier access to benefits than does the prior test for persons who served in other conflicts when there was a different test applying. That is the point I am addressing, Mr Maxwell. Do you think that is fair comment?

Mr Maxwell—It is a point of view that can be put.

Senator MARK BISHOP—It is a point of view that I am coming to. It appears to be the case now, simply put, that attendance in a zone that has the potential for conflict gives rise to large-scale benefit entitlement—I witness as example attendance in East Timor where there was expectation of large-scale conflict. Gratifyingly, that has not come to pass and there has been minimal conflict. But all the persons who are attending that theatre will have access to qualifying service and the large and generous benefits that flow from that. Other persons in prior conflicts do not receive the same benefit. Is there a lack of integrity and consistency in the application of that test?

Mr Maxwell—I do not really agree with that. The observation I would have to make in response is that the key difference between World War II and World War I and the post-1945

deployments is that the two world wars were global in nature. The threat was fairly omnipotent; it was everywhere. It is not true to argue that the opposing forces in Timor had any real capacity to strike at the Australian mainland or the ships in transit from Australia or aircraft flying from Australia. I think that is the essential difference.

Senator MARK BISHOP—That certainly is a difference as to the nature of the conflict. That is your point of view. I do not say it is necessarily wrong but that does not answer the point that, firstly, a lot of veterans from previous conflicts see a watering down of the tests to obtain benefits and, secondly, and more importantly, a lot of serving personnel, soon to be veterans of current conflicts, now regard it as axiomatic and normal that qualifying service flows from geographic allotment to offshore conflict. And hence there are large and generous benefits that are going to come not because they earned them or deserved them, but simply as a matter of right. That seems to me to be a flaw in the system. That is the point I am making.

Dr Johnston—You are asking us to comment on matters that are fully the issues now before the committee of review. The commission will be making a submission to the committee, the same as other interested parties. Could I suggest that there is a common principle underpinning the administration of the Veterans' Entitlement Act quite consistently throughout, and that is the one that you elucidated at the beginning of your questioning on this matter. That is, in effect, 'incurred real danger under action with an enemy'. The differences you are pointing to are differences that you might experience in any administrative system that has to deal with a decision on whether a particular deployment is qualifying service before the fact of the service or a review of the nature of the service after the fact.

You can provide examples of both. You could argue that the service in East Timor has not proved to be as dangerous as it might have turned out to be. But the nature of the service was determined before the fact, certainly because of all the relevant problems that could arise in the East Timor engagement. Now this committee has the task of reviewing past deployments like BCOF and the service of SAS troops to decide whether, after the fact, there is now evidence to suggest that the criteria should be applied in a different way and, potentially, it could decide that the criteria should be changed. But there is that common theme that has a long tradition. My guess is that the veteran community in their submissions will be very reluctant to see that particular set of criteria varied.

Senator MARK BISHOP—I take that point. I have recently received representations on behalf of ADF personnel engaged by DFAT to train Timor security forces into a regular defence force. Yet they have been told that, as they were not part of the ADF deployment, they have no coverage under the VEA. Is the commission able to verify this?

Mr Maxwell—Sorry, Senator. I was not concentrating on the first part of the question.

Senator MARK BISHOP—I have received representations on behalf of ADF personnel engaged by DFAT to train Timor security forces into a regular defence force. So it is a training operation by ADF personnel.

Mr Maxwell—In Australia or in Timor?

Senator MARK BISHOP—No, in Timor. They have been told that, as they were not part of the ADF deployment, they do not have any coverage under the VEA. Is that correct?

Mr Maxwell—If they are not part of the deployment, that would certainly be true. But it is a question which would be, I think, best put to Defence. I have never heard of this group.

Senator HOGG—I can assure you they do exist.

Senator MARK BISHOP—Yes. It is the ADF personnel doing the training in East Timor of East Timorese, organised and funded by DFAT. So they have gone up there into a zone of conflict to do the training of the new East Timorese Army, and when they return here and retire they are not going to be veterans and hence receive the benefits under the VEA. I am just inquiring whether the commission is able to verify that.

Mr Maxwell—I guess there is no simple answer on the facts you have given me. A lot will depend on when in fact they enlisted and how long they have served. Some people in the Army, the Air Force and the Navy today—even though in theory they are covered by the military compensation scheme—are also eligible under the VEA by dint of having served prior to April 1994. So there is no simple answer. But in terms of the qualifying service aspect, which would give them their age retirement benefits—their service pension entitlement—they would certainly need to have been deployed there formally by the ADF. The best I can do, I think, is to take the question on notice—

Senator MARK BISHOP—Can you liaise with Defence and come back to me?

Mr Maxwell—and refer it to my colleagues in Defence and get back to you.

Senator MARK BISHOP—In the terms of the review, was there any reference to peacekeepers?

Dr Johnston—Not explicitly.

Senator MARK BISHOP—They were not identified separately?

Dr Johnston—No.

Senator MARK BISHOP—Is it intended that the review cover their problems implicitly?

Dr Johnston—I think that it is up to the committee to deal with the issues that are listed. The committee will have a view on peacekeeping services but that is for the committee to determine.

Proceedings suspended from 10.50 a.m. to 11.03 a.m.

Senator MARK BISHOP—I would like to finish off the discussion on the terms of reference for the independent review. Do the terms of reference include the work of the SAS people over at Swanbourne? That is really a condition of service for ADF personnel issue, isn't it?

Dr Johnston—Yes.

Senator MARK BISHOP—How does it come to be in a review of the VEA when the SAS people at Swanbourne are not covered by the VEA?

Dr Johnston—One possibility—and I am not wanting to suggest this would necessarily be an outcome—would be if the committee had a view that, on the evidence, there is merit in considering SAS peacetime training as dangerous or hazardous service, which is a category that is recognised under the VEA. It would then be a matter for the Department of Defence, in the light of the committee's report and the evidence it might provide, to decide whether it wanted to review and reclassify the SAS service accordingly. In effect, the government's response to the Mohr report considered the report and also the advice from the Department of Defence in the light of its own further investigations as to whether or not it merited reclassifying that service.

Senator MARK BISHOP—Why didn't the terms of reference include other ADF personnel engaged in dangerous or hazardous training—submariners, divers, jet pilots? The nature of their work and training is dangerous and hazardous. There can be accidents. In

principle, they are very similar to the SAS people. Why are they being singled out for actual consideration?

Dr Johnston—It is for the committee to determine how it wants to handle this.

Senator MARK BISHOP—I am asking: why are they included in the terms of the review?

Dr Johnston—Because a group of SAS veterans have been very vigorous in pressing for coverage under the Veterans' Entitlements Act.

Senator MARK BISHOP—SAS veterans are seeking coverage under the VEA for current SAS personnel because of current levels of training.

Dr Johnston—And for more appropriate recognition of their training in the past.

Senator MARK BISHOP—Right. We had the disaster of all those helicopter pilots up in Queensland a couple of years ago. As is proven, their work is dangerous. You have submariners.

Dr Johnston—The Black Hawk accident was an SAS training exercise.

Senator MARK BISHOP—But other persons have been involved in other accidents in other divisions of the services, haven't they? I mentioned jet pilots and submariners.

Dr Johnston—I would think if the committee is addressing this issue it would be to frame recommendations that would have wider application in this set of circumstances than just to SAS troops. There would have to be guidelines or recommendations that would be capable of being applied consistently across military service. But this is a decision for the committee.

Senator MARK BISHOP—Of course, if you are right, we are looking at the conditions of service in this review of current serving personnel of the SAS in Swanbourne. If general guidelines and recommendations do come out in terms of principles that have application to other serving personnel in other services, we really have extended the scope of the VEA and the concept of qualifying service, haven't we?

Dr Johnston—No more than the list of issues the government identified it wished the committee to address.

Mr Maxwell—A qualifying service might be an overemphasis on one aspect of the Veterans' Entitlements Act. The reality is that most veterans, unless they are deployed overseas, who have enlisted since April 1991 will not be covered by the Veterans' Entitlements Act for either their compensation or income support under qualifying service. So the whole raft of VEA eligibility is at question as far as some of these groups are concerned. As you noted yourself, the terms of the review are fairly wide. The second dot point on the first page under the groups includes other interested parties. I am aware that the Submarines Association Australia is making a submission.

Senator MARK BISHOP—There we go then. Your point about 1991 is correct, Mr Maxwell. The pressure for change in qualifying service and access is coming from—as you know as well as I do—the groups that were engaged in service onshore and offshore in previous conflicts and prior theatres. We have done that to death. Just turning to the Gulf War, Dr Johnston, you would be aware that the RMA found there was no such syndrome. Are you aware that President Bush has commissioned research or an inquiry in the United States?

Dr Johnston—Certainly, the US administration and our sister department the US VA are very attentive to the needs of Gulf War veterans. Perhaps my colleagues are aware of more recent developments.

Senator MARK BISHOP—I refer to a press clipping from the *Australian* of Friday, 25 January headed ‘Bush approves Gulf War syndrome study’—a study by a member advisory committee of the American veterans’ affairs department.

Mr Edgar—We were informed by our contacts in the embassy when this committee was announced. As you say, it is an advisory committee; it is not a departmental committee. It is there to review previous research. It will not be doing research of its own. Its charter is to review all the relevant research, investigation and processes undertaken in the past.

Senator MARK BISHOP—Will you be providing the review body with the work of the RMA?

Mr Maxwell—I do not know that that is necessarily the way the thing would function. As I am sure you are aware, we are doing our own study of Gulf War veterans. The results of our study, when it is finalised, will certainly be given to the RMA. The RMA’s role is to trawl through the world scientific literature keeping abreast of developments, so any development that flows out of the new American committee would certainly be fed to the RMA. We are in constant contact with our counterparts in America and we have agreed to share our research experience.

Senator MARK BISHOP—Thank you, that answers the question. In the *Courier-Mail* on 4 February there was a report of a high level of suicide amongst vets from the United Kingdom. Are there any Australian data on that issue?

Mr Maxwell—‘Vets’ might be too broad a catch. Certainly we have been monitoring the mortality of a number of our veteran cohorts—the Vietnam veteran population and the Korean veterans. We are now well advanced on our mortality study. We are keeping close watch on the mortality of the Gulf War cohort. We can probably provide you with an answer for some of those categories, but in terms of the overall veteran population, I cannot give you an answer.

Senator MARK BISHOP—You are keeping an eye on the mortality rates of the Gulf War people. Is there any indication that their mortality rates are different from the services population or the community generally?

Mr Maxwell—It is a little early to tell. Last time I took stock, I think there had been eight or nine deaths in total. Accidental deaths were certainly a feature.

Mr Edgar—All this information will be coming out in the Gulf War health study, in the last quarter of this year.

Senator MARK BISHOP—Someone advised that in relation to a question on notice.

Mr Maxwell—The data I can provide, on notice, are the suicide rates for the Vietnam veteran population and the Gulf War population, with the qualification that the Gulf War ones are at this stage an estimate. We are talking about small numbers of total deaths in those populations.

Senator MARK BISHOP—Thank you. If you can provide that information on notice, that will be fine. Dr Johnston, how many TPIs are undergoing some form of training under the Vietnam vets rehabilitation scheme?

Dr Johnston—That program is administered under program 2, but we can briefly answer that. Do you want to deal with that now?

Senator MARK BISHOP—Yes, bring a new witness to the table.

Mr Kilham—Since the inception of the scheme we have had 924 inquiries to CRS, the provider, and we have had 612 commencements. At this stage, 66 per cent of that group are in employment.

Senator MARK BISHOP—So 66 per cent of the 612 are in employment?

Mr Kilham—Yes.

Senator MARK BISHOP—Is that regarded as a high rate of placement?

Mr Kilham—Considering that 78 per cent of that group are over the age of 40 and 53 per cent are, in fact, over the age of 50, we believe it is a good result.

Senator MARK BISHOP—In fact, it is probably more than a good result—it is a fine result, isn't it?

Mr Kilham—Yes.

Dr Johnston—It is fair to say that this program has been a surprise for us in its success. We have been discussing this program with the veteran community over the last six months. As a result of a forum with veteran leadership last year, we have set up a working party chaired by Major General Stevens which will review the program to see if we cannot further improve the use of it.

Senator MARK BISHOP—What is the funding for the program? How much is it?

Mr Kilham—Approximately \$1 million.

Senator MARK BISHOP—When was the program first created?

Mr Kilham—It commenced in September 1998.

Senator MARK BISHOP—What was the original budget allocation?

Mr Kilham—It was \$1.055 million annually.

Senator MARK BISHOP—So it has been a million a year for three years, roughly. You said that there have been something in order of 900 inquiries, 612 commencements and two-thirds have ended up in employment; is that right?

Mr Kilham—That is correct. The most important figure is the level of sustainable employment and that figure has progressively increased since the commencement of the scheme. This suggests a number of things: primarily, that perhaps we are getting better at placing people or being more attentive to their particular needs.

Senator MARK BISHOP—Would it be fair to regard the first three years as possibly a pilot?

Mr Kilham—Yes, it could, although the major effort at the moment is going into marketing the scheme to make it more widely known within the veteran community.

Senator MARK BISHOP—If I am a Vietnam vet on TPI and I go through this scheme, do I lose my TPI when I go into employment?

Mr Kilham—No, you do not lose it. I think it is best characterised as being 'parked'—you park it on the shelf and you revert over a period of time to the general rate, 100 per cent pension. But your TPI eligibility having been established is sitting there in reserve and, in the event that you fall out of the workplace for whatever reason, you can fall back onto your TPI status.

Senator MARK BISHOP—I have got that now. The scheme appears to be greatly successful in placing significant numbers from this community, many of whom have had serious problems in more recent years, haven't they?

Mr Kilham—That is correct.

Senator MARK BISHOP—Is there another year left to go in terms of the funding?

Mr Kilham—Yes.

Senator MARK BISHOP—Only one year left?

Mr Kilham—No, we would consider it to be an ongoing scheme.

Senator MARK BISHOP—Subject to the decision of government.

Dr Johnston—The forward estimates are covered for an ongoing program.

Senator MARK BISHOP—Is there any suggestion that the scheme, in terms of its size, would be ramped up?

Mr Kilham—There is potential for that. There are two other important elements to the scheme. One is the Jobs in Jeopardy program and the intent of that program is to capture that group who are in employment but are at risk of falling out of employment. At this stage, the number of commencements on that program is fairly small and we are trying to improve our marketing effort to capture that group. We think that group may well increase in the future, particularly Vietnam vets in their mid to late fifties who may wish to remain in employment but are struggling. The other aspect of the scheme is the transition to employment for ADF members leaving the forces.

Senator MARK BISHOP—It is interesting that you mention the obvious success rate of this scheme. It does put the lie to some of the propositions doing the rounds that the only thing the Vietnam veterans are interested in is access to the TPI. That is the first point I make. The second point is that this sort of scheme is really consistent with the purpose for which the repat commission was established after World War I to rehabilitate, train and get serving personnel back into the work force so they can be contributing members of the community.

Mr Kilham—Yes.

Senator MARK BISHOP—Is there any suggestion within the department that funds could be taken from other areas and allocated into this type of program to increase the hit rate?

Dr Johnston—There is not a funding cap on this. It is available. It is an entitlement program. We can fund as many veterans as have an interest in participating. On your broader theme, I think it is significant that we now administer the military compensation scheme on contract to the Department of Defence. Of course, that has a significant rehabilitation dimension to it. We are certainly conscious as a department and a commission that rehabilitation is an important part of our function.

Senator MARK BISHOP—We made the key point that it is an entitlement scheme without caps.

Dr Johnston—That is correct.

Senator MARK BISHOP—I have been provided with a copy of a questionnaire which appears to have been distributed by the US Department of Defense. It surveyed US troops in the Gulf for their vaccine exposure noting as part of that, that some may have been part of a covert trial of experimental vaccines. Is DVA aware of this questionnaire?

Dr Horsley—I am not exactly sure what questionnaire you are referring to. There have been several questionnaires circulated amongst the Gulf War veterans by various groups of researchers trying to ascertain the health effects of service in the Gulf War.

Senator MARK BISHOP—It is alleged to be a survey by DVA in America addressing the issue of vaccines and Gulf War illnesses. It goes to the issues of yellow fever, typhoid vaccine, plague vaccine, malaria pills, oral polio and other medications. It records their time in the Gulf, their exposure dates, their ships, the areas in which they were involved, their treatment et cetera. Have you seen such a survey?

Dr Horsley—I cannot be certain. I have looked at a very large number of surveys. We looked at all the surveys we could find when we were setting up our Gulf War health study and I may have looked at that one but cannot quite recall.

Senator MARK BISHOP—Are you aware of any similar survey of Australian veterans?

Dr Horsley—Yes. The Gulf War health study that we are undertaking is specifically and precisely asking about vaccinations. In addition, the researchers have attempted to find original documentation that relates to vaccination of our Gulf War veterans.

Senator MARK BISHOP—Is there any knowledge of Australians being involved in the trial of experimental vaccines?

Dr Horsley—There is knowledge that Australians were, as far as we can tell, not involved in any experimental vaccines. The vaccines that were used on Australian personnel who departed from Australia were all vaccines that were approved by the relevant therapeutic goods authority prior to the administration of the vaccine. There were a very small number of troops that were deployed with US units and we have less knowledge about what vaccination they received.

Senator MARK BISHOP—Can you provide me on notice a list of the grants made under both the BEST program and the TIP program in the 2001 and 2002 financial years if they have been signed off on?

Mr Maxwell—We can do that. I will just make the point, though, that there are no grants under TIP per se, but there are grants under BEST.

Senator MARK BISHOP—There are only grants under BEST?

Mr Maxwell—There is one grant under the TIP umbrella, and that is to the association known as VITA—the Veterans Indemnity and Training Association. It is an association of ex-service organisations active in advocacy on behalf of their colleagues and members, and it covers professional liability insurance.

Senator MARK BISHOP—I am familiar with one of the groups that receive such funding. What is the status of funding for both programs next year? Is it anticipated that it will continue?

Mr Maxwell—Both programs are rolling programs, as indeed is the rehabilitation scheme that you spoke of a while ago.

Senator MARK BISHOP—Are they in the forward estimates?

Mr Maxwell—Yes.

Senator MARK BISHOP—That concludes my questions on outcome 1.

[11.26 a.m.]

ACTING CHAIR (Senator McGauran)—We now move to outcome 2.

Senator MARK BISHOP—Dr Johnston, how many tier 1 and tier 2 hospitals have agreements with DVA in each state?

Dr Johnston—We can certainly give you that on notice. Do you want that detail today?

Senator MARK BISHOP—No, on notice is fine.

Mr Stonehouse—I think we might have it.

Senator MARK BISHOP—Do you have that information, Mr Stonehouse?

Mr Stonehouse—No. I thought we might, but we do not have it by state; we have it nationally.

Senator MARK BISHOP—What is the national figure?

Mr Harding—We have approximately 450 contracts with tier 1 and tier 2 private hospital providers; as well as that we have tier 1 contacts with each state public hospital. Therefore, all our public hospitals where veterans gain treatment are tier 1, as well as 450 private hospitals.

Senator MARK BISHOP—Mr Stonehouse, if you could provide me with the break-up state by state, that would be appreciated. What discussions have DVA or the Repatriation Commission had with Ramsay Health Care about the extension of possible agreements to a wider range of providers in Brisbane and Perth?

Dr Johnston—The arrangement that the commission is administering is to retain Ramsay as the preferred sole provider at tier 1 level in metropolitan Brisbane and metropolitan Perth.

Senator MARK BISHOP—How long is the life of that agreement?

Dr Johnston—For as long as the current contracts are in place, which run to 2005-06. The role of the Ramsay hospitals in both Brisbane and Perth have the very strong support of the veteran community, and that is something that we have been particularly conscious of.

Senator MARK BISHOP—A number of veterans made that point to me last week in Singapore, particularly the Ramsay operation in Perth. With their experience of Ramsay in Perth, they had no complaint at all of the service that was offered to them.

Dr Johnston—There are some complaints about the inconvenience of access, but by and large the two hospitals enjoy the very strong support of the veteran community.

Senator MARK BISHOP—So Ramsay in metropolitan Perth and Brisbane remain the preferred monopoly supplier until 2006; is that right?

Dr Johnston—That is in terms of private hospital tier 1 provision. There is still access to tier 2, and there are provisions under the operating guidelines where veterans who have particular needs can access other local private hospitals.

Senator MARK BISHOP—If the DVA wanted to enter into a contract with a firm in competition with Ramsay's in either Perth or Brisbane in that same market, you would not be able to do so.

Dr Johnston—I am not sure that is a relevant question. I think that at this point we would be giving more attention to the support of the veteran community for the role of those two hospitals and, importantly, the quality of the service that those two hospitals provide in those two cities.

Senator MARK BISHOP—They are both important considerations and I do not walk away from that at all, but in Brisbane and Perth we have a monopoly provider. In the other states, as I understand the situation, we have a competitive model. My question simply is

whether, if the government wished to change position in Brisbane and Perth, the current contract with Ramsay's prevents that from occurring.

Dr Johnston—The current contract does not necessarily prevent that from occurring, but if the Commonwealth thought for one reason or another that it wanted to open up for wider private tier 1 hospital access we would certainly want to be talking to Ramsay's and seeking legal advice on whether we had the flexibility to do so or not.

Senator MARK BISHOP—Would there be any cost consequences that would have to be paid to Ramsay's if that were the case?

Dr Johnston—That would depend on the nature of the discussions with Ramsay's and the legal advice we obtained. In other words, you are anticipating whether or not there would be any financial obligation by the Commonwealth on the possibility of default.

Senator MARK BISHOP—Let me ask the question in a different way. When the contract was entered into and signed off with Ramsay's in respect of both Perth and Brisbane, was it the intention of the government of the day that that company be the monopoly provider of services in those two markets?

Dr Johnston—If we got to the point of considering wider availability of tier 1 hospitals in Brisbane and Perth, that would be an issue we would need to settle with Ramsay's as to what a reasonable expectation had been when the contracts had been entered into and what specific provisions were made in the contract or in other exchanges of correspondence to enable that—

Senator MARK BISHOP—Were specific provisions made in the contract to that effect?

Dr Johnston—I think it is fair to say on the advice that we have to date that the contracts would not constrain the Commonwealth in terms of the actual formal conditions of the contracts themselves.

Senator MARK BISHOP—I do not understand what that means.

Dr Johnston—There is no provision within the written law of the two contracts—one with respect to Hollywood and one with respect to Greenslopes—that gives Ramsay's a monopoly sole provider status in those two cities.

Senator MARK BISHOP—Is there anything in the contracts that gives Ramsay's the status of preferred sole provider?

Dr Johnston—Within the contracts themselves, not on my understanding.

Senator MARK BISHOP—Is there such an understanding or agreement elsewhere outside the two particular contracts?

Dr Johnston—They would be the sorts of matters we would need advice on if we were entertaining that possibility. As I indicated at the outset, we are of the view that the two hospitals are providing an outstanding service to veterans and have the wide support of the veteran community in those two cities as their preferred provider, and we are intending to proceed on that basis.

Senator MARK BISHOP—Later I am going to draw your attention to some fine aspects that emerged from the data you provided me on the operations of Ramsay's. Do not think that I am necessarily critical of the level of service of Ramsay's in Perth or Brisbane; I am not. But that issue is different from the one I am trying to nail down, which is whether there is an understanding or an agreement, either in the contracts or outside the contracts by letter of

exchange or whatever, that that particular company is going to remain the preferred supplier of those services in those two markets. That is a reasonable question.

Dr Johnston—We have been discussing with Ramsay's over the last 12 months the basis of continued operation in the two metropolitan regions that we are discussing. We have indicated to Ramsay's, consistent with what I have said to you, that as long as they have the strong support of the veteran community and as long as the quality of their service continues at the excellent level it has we would expect to continue with their sole tier 1 status in those two metropolitan areas through to the end of their current contracts.

Senator MARK BISHOP—That is fine. I think you have answered the question. Turning to pages 38 and 39 of the AE, I refer you to the heading 'Special Appropriations—Veterans Hospital and Health Services' and the line item 'Treatment in Public and Private Hospitals'. You will see the variation there is in the order of \$81.4 million between May and now. Is this increase in allocations due to availability of the gold card? What is the cause?

Dr Johnston—I will ask Mr Stonehouse to speak to that.

Mr Stonehouse—There are two drivers of that change. One is a financial technical one, which I am going to ask Mr Farrelly to say something about, and the other results from changes in the demographics of the treatment population. Perhaps Sean could go first to speak about the biggest driver of the change.

Mr Farrelly—This estimate has been looked at by us and by the Department of Finance and Administration for some time—a couple of years. We subsequently decided that we would engage the Australian Government Actuary to review our models, and the adjustment you see in the additional estimates is the result of that work that we agreed with the department of finance. In May 2001 we agreed to change the estimates on the basis of models that were QAed for us by the Government Actuary, so it is that adjustment coming through to the models.

Senator MARK BISHOP—So the Government Actuary looked at your previous requests for funding and practices, they identified some apparent deficiencies, they came up with a new model and the bulk of this increase of \$81 million relates to the new model?

Mr Farrelly—Yes.

Senator MARK BISHOP—Okay. If 'deficiencies' is the right word, what deficiencies did they identify?

Mr Farrelly—'Deficiencies' is perhaps the wrong word. It related to how we were estimating growth in numbers and usage of services. The models perhaps underestimated them. The adjustments deal with the increased usage due to ageing of the veteran population.

Senator MARK BISHOP—Could you take on notice to provide the committee with a copy of that analysis by the Government Actuary and any formal acceptance by the department of same.

Dr Johnston—Could I suggest you turn to page 28 of the additional estimates booklet. I just draw your attention to it because your predecessor over a period of estimates hearings pressed for a more helpful explanation of sources of variations in our estimates and this is the table that has resulted. It provides you for special appropriations, annual appropriations and departmental appropriations an explanation of the various types of revision that then explain the total revision from the last budget documentation. I just suggest you might find this a helpful table in future.

Senator MARK BISHOP—Where in particular are you directing my attention?

Dr Johnston—In this case, the relevant item is outcome 2 under special appropriations. There you can see that the total variation of \$84.666 million is comprised of parameter adjustments, changes in estimates for growth in numbers and usage rates, movement between high and low cost services and, to a small extent, budget measures. I think it has proven to be a very useful addition to our budget report.

Senator MARK BISHOP—So the growth in number is 1,215—that is outcome 1. So in outcome 2, there was an addition of \$19 million, which is simply identified as a revised estimate. Is that correct? Is that the annual appropriation?

Mr Farrelly—That is the annual appropriation.

Dr Johnston—You should be at the top of the table, Senator.

Senator MARK BISHOP—There was \$56 million growth in numbers and usage; \$29 million movement in high and low costs. The total variation is \$84 million. So you revised the figures for growth in numbers and usage rates of \$56 million and movement between high and low cost services of almost \$30 million. Is there a shift from public to private treatment?

Mr Stonehouse—There is a shift from public to private treatment.

Senator MARK BISHOP—What is the order of the scale?

Mr Stonehouse—The increase in the private hospital separations last year was 4.2 per cent and the increase in public hospital separations last year was 1.9 per cent. There is a table contained in the annual report on page 155, which shows graphically the changes.

Senator MARK BISHOP—What is the average length of stay for a veteran in private hospitals contracted to a DVA repat commission?

Mr Harding—Five to six days.

Senator MARK BISHOP—What about in public hospitals?

Mr Harding—In the same order of magnitude so it is around about the same.

Senator MARK BISHOP—Is it exactly the same?

Mr Harding—It is not exactly the same but it is in that order of five to six days, but remembering there is a completely different profile of the types of patients being treated in the public versus the private, and so it is a very average of average figure in each sector. As you drill down, as you have seen from responses to your own questions, from different states and different providers there are different average lengths of stays. But overall, there is in the total—public and private—an average length of stay of five to six days.

Senator MARK BISHOP—In that case, in two states, we do not have effective competition. Can you disaggregate the figures on a state by state basis for the average length of stay for vets in both public and private hospitals?

Mr Stonehouse—Yes, we can. But we would probably need to do that on some selected DRGs, selected diagnosis related groups, and some specific types of care that people get, to make it meaningful for you.

Senator MARK BISHOP—What I am interested in is the length of stay of vets in the private system and the public system. So you necessarily would have to have similar conditions to have an empirically correct result. So factor that in, yes, otherwise the data will be faulty, won't it?

Mr Stonehouse—The issue that Mr Harding referred to is the key; that in a tertiary referral in public hospitals there is often a wider range of care that people get, rather than being

admitted to a private hospital for a small surgical procedure like having a bunion removed or something like that. So there are those differences, but if we take like with like and make a comparison that would have some meaning.

Senator MARK BISHOP—You will take it on notice to provide that?

Mr Stonehouse—Yes.

Senator MARK BISHOP—Okay. The average daily cost of a veteran in public hospitals compared to private hospitals: are those figures available on a state-by-state basis for recent years?

Mr Stonehouse—We gave you the national figure in answer to one of your earlier questions on notice. I think they are available state by state as well.

Mr Harding—Again, when you talk about the treatment state by state public compared with private, there are different methods of payment and different types of treatment. So, when you get a figure, having regard to Mr Stonehouse's response to that, talking about the same treatment is a far better way of comparing between the public and the private.

Senator MARK BISHOP—Could you give me the figures on the average daily cost for a vet in the public system and the private system, disaggregated on a state-by-state basis, and then give me the figures for a sample of services of the same nature provided in public and private, so that I can do the comparison and then do the overall.

Mr Stonehouse—To be more specific, if we took out heart bypass surgery, a couple of orthopaedic procedures and perhaps a lens, an eye procedure—

Senator MARK BISHOP—Take out the six top procedures by quantum that vets are finding the need to access, and do the comparisons. That will give us something to start with.

CHAIR—While Senator Bishop is forming his next question, I just want to put on the public record that the Senate Finance and Public Administration Legislation Committee is continuing to monitor the format and contents of portfolio budget statements, and I think that we probably should record the good news of the sort of table that you talked about earlier which enables a ready understanding of changes leading to revised estimates. I think it should go in the *Hansard* record, because they are continually monitoring the format and the contents of the portfolio statements.

Senator MARK BISHOP—Going back to that issue that Dr Johnston referred to of the additional table, on page 39, in the bottom part of the table, reasons for variation, you have identified there also \$56 million for growth in numbers and/or usage rates and \$29 million for movement between high- and low-cost services. You transferred that information to the other table. Do those two aspects you have identified, the growth and the movement, relate to work carried out in hospitals?

Mr Harding—They represent the majority of the \$56 million. Of the \$56 million, \$53 million relates to hospitals; and, of the \$29 million, \$28 million relates to hospitals. That comes back to the response that Mr Farrelly gave you about how we updated the model.

Senator MARK BISHOP—Is the increased usage related to more gold cards being distributed to people, or is it something else?

Mr Stonehouse—Not in this additional estimates process, I do not think.

Mr Harding—As Mr Farrelly and Mr Stonehouse said before, this is really about the ageing of the veteran and about the original estimates having a low expectation about the growth in the number of services. It was something like three per cent and it is actually

something like eight per cent average usage, and it was working through with the actuary as to what is the right way of calculating that.

Senator MARK BISHOP—So it relates to increased visits per veteran.

Mr Harding—But more about, as we are trying to work through here, the fact that as you age there is more chance in the last 12 months of your life that you are going to have a lot more incidents of hospitalisation and therefore you are reflecting that through this process. After the age of 60, as you would appreciate, there is a lot more utilisation of hospital rather than in middle age.

Senator MARK BISHOP—I understand. Can you take on notice to provide me with number of visits per veteran, firstly, from age 65 so that I can get hold of the trend usage, and disaggregate that state by state as well as nationally. Secondly, can you backward disaggregate and provide the same data in the last four years of a veteran's life? You are advised when veterans die because the pension payment has to cease, so you would be able to provide that information?

Mr Stonehouse—Are we talking about hospitalisation here?

Senator MARK BISHOP—No, we are talking about the rate of visits.

Mr Stonehouse—To specialists?

Senator MARK BISHOP—I am relating it to this shift between the high- and low-cost services and the work done by the actuary in getting exact formulas in place. I am trying to find out by how much the visits and the rate increase in the last years of a vet's life.

Mr Stonehouse—We have recently done quite a bit of work on the increase in services across a number of services in the lives of all Australians. We could share that with you. It shows, as Mr Harding alluded, quite a dramatic increase in the last two years of a person's life right across the range of services, with the possible exception of surgical procedures, which levels off a bit because people have had the major surgical interventions in their life by that stage. I do not know—and I will be advised by Chris Harding—whether that information is obtainable in relation to veterans, particularly going back four years.

Mr Harding—I think it would be very difficult.

Senator MARK BISHOP—Take it on notice and if you cannot do it advise us and the reasons for it. I will give some thought to a more proper request.

Mr Stonehouse—If it would help, we could come and talk to you about some of those figures face to face. You could take it from there.

Senator MARK BISHOP—Take it on notice and if it cannot be done it cannot be done. I will think about the issue in a little more detail. If I want to get extra information I will contact Dr Johnston.

Dr Johnston—We understand the issue you are trying to analyse. We will try to address that in our response.

Senator MARK BISHOP—I am trying to analyse the issue of public and private costs, service rate and usage rates in the years identified. It is a health economics issue.

CHAIR—We are still on output 2?

Senator MARK BISHOP—Yes. What proportion of private hospital usage is paid for with the gold card? Can we have those figures?

Mr Stonehouse—We do not have any direct figures on that but out of the 350,000 treatment population you have about 280,000 with gold cards. That would give us some indication of the percentage.

Mr Harding—When we were doing the gold card extension projections we went through and tried to establish exactly a split between gold card and other. It is not a normal day-to-day type of thing that we monitor. But the majority of payment, as you would appreciate, is gold card—

Senator MARK BISHOP—Because they have that?

Mr Harding—Because they have that but also because we are only admitting people with war caused disabilities. Of the number of people with limited disabilities, there is not that much call on their hospital treatment. To put it in some context: what we do not try to do in the process is determine who goes to the public or the private. The flow of patients is determined by their specialists and whether they get access under a tier 1 arrangement between public and private.

Senator MARK BISHOP—I understand that the flow of patients and the level of service given to patients is determined by both the specialists and the GPs. We all understand that. I am interested in the net cost and how it is related to the supply factor of the gold card. What you are suggesting to me, Mr Harding, is that in the order of 70 per cent is related to gold card usage?

Mr Harding—It would probably be higher than that. That was when we last looked at this area. It is not something that we monitor on a year by year basis.

Senator MARK BISHOP—Is it possible to take that on notice?

Dr Johnston—We might see if that earlier study is something that we could at least give you the relevant details of in an answer.

Senator MARK BISHOP—What is the date of that earlier study?

Mr Harding—It is about 1999.

Senator MARK BISHOP—That would be interesting. You have not updated the material in that report since that time?

Mr Stonehouse—No, we have not. We could take that on notice and see what we can do. We might be able to do some sampling for you that would give you an indication. We could look at various hospital groups—Ramsey's, for example—to see the percentage of gold card holders compared with white card holders.

Senator MARK BISHOP—That would be appreciated. We have had some approaches from Legacy, which have raised the issue of care of disabled children—sons and daughters—of veterans, particularly where they are in the care of an elderly widow. They have expressed some concerns about the increasing inability of elderly widows to look after their now often middle-aged disabled children. Is there any care available from DVA for the care of those disabled children, particularly when they are in the care of elderly widows?

Dr Johnston—For those circumstances we rely on government-wide programs. There are no specific entitlements, other than those already provided by VCES in terms of education type programs.

Senator MARK BISHOP—There are no specific DVA programs?

Dr Johnston—That is correct.

Senator MARK BISHOP—Does the commission draw a distinction between those types of children that I have just latterly raised and those children of Vietnam vets who might have spina bifida and the like?

Dr Johnston—It is correct that, in response to the Vietnam veteran morbidity and mortality studies, the government has introduced a number of programs aimed specifically at the needs of children of Vietnam veterans, particularly those in difficult family circumstances, and also aimed specifically at children with the conditions you have identified. They have access to particular program assistance.

Senator MARK BISHOP—They are particular DVA programs, aren't they?

Dr Johnston—In fact, the programs that have been implemented there are the formal responsibility of the Department of Health and Ageing, although we are very actively involved in assisting that department in the delivery of those programs.

Senator MARK BISHOP—What is DVA's role?

Dr Johnston—We have been closely involved in advising that department of how we think those programs should be set up, and assisting them through referrals and so on in their administration of those programs. But they are the formal responsibility of the Department of Health and Ageing.

Senator MARK BISHOP—And DVA's involvement is derived from the results of the Vietnam vets mortality study?

Dr Johnston—That is correct. When the government decided to implement those programs, they were a result of submissions from our minister on the need to address the needs of those children.

Senator MARK BISHOP—How many disabled children of veterans are there? Do we have those figures? How many are in receipt of benefits from Centrelink?

Mr Kilham—Before I answer that question, I will clarify earlier evidence. The Veterans Vocational Rehabilitation Scheme commenced on 12 May 1998 and not September. There was a period of national promotion, and participation rates commenced in September.

The findings from the study identified 217 children validated by the Australian Institute of Health and Welfare as having particular conditions, mainly spina bifida manifesta, cleft lip and cleft palate. There was also some identification of children with adrenal gland cancer and acute myeloid leukemia. They are very small numbers. The scheme, run by Health and Ageing, has been publicised widely by AIHW but the participation rate is relatively small. We have had 52 registrations for assistance and currently 15 children are receiving benefits.

Dr Killer—When you look at the types of conditions you will find that most of those with spina bifida had already had treatment—that is, had already been managed in mainstream services. The same would apply to those with cleft palate. The numbers would reflect the fact that most of these children are, in fact, now much older. They are in their 20s and have already had treatment, so the numbers we have provided treatment for are only small, reflecting the fact that they were already treated. Most of the children who had adrenal cancer and acute myeloid leukemia have died; that explains why we have very small numbers. Yet they are being looked after very well. The cases come, they are assessed in our department and then a recommendation goes across to the Department of Health and Ageing for the provision of what is required.

Senator MARK BISHOP—That discussion is in the context of the children of Vietnam vets. What happens in the case of non-Vietnam vet children?

Dr Johnston—As I said, we do not have program support for that group. They rely on community-wide programs provided by other agencies.

Senator MARK BISHOP—So we have particular program support for the Vietnam vet children?

Dr Johnston—With those particular conditions. It is not a general program.

Senator MARK BISHOP—I come back to my question to, I think, you, Mr Kilham. How many disabled children of veterans are there and how many are in receipt of benefits from Centrelink?

Mr Kilham—I am unable to answer that question. We could only identify those children that were validated through the Vietnam veterans health study.

Senator MARK BISHOP—You are not able to identify all the non-Vietnam vet children in receipt of benefits from Centrelink because of disablement?

Dr Johnston—That is correct. I am not even sure that Centrelink would be able to disaggregate that information. Would you like us to take it on notice and see what information might be available? I do not think we have much—

Senator MARK BISHOP—Yes, take it on notice and see if it is available. Thank you, Dr Johnston. We might turn to outcome 3 now.

[12.03 p.m.]

CHAIR—I have three short questions I want to ask on outcome 3, which is to do with memorials. I am asking these questions on behalf of Senator Marise Payne, who cannot be with us today because, although she is on this committee, she is actually chairing the Legal and Constitutional Legislation Committee, which is looking at immigration estimates today. She could hardly leave that, so she has left me three small questions that she wants asked. Can the department please advise the status of the proposed POW memorial at Ballarat?

Ms Blackburn—The committee is still fundraising for that particular memorial. The then minister, Bruce Scott, provided funding of \$50,000 in the initial fundraising appeal and he subsequently approved a further \$150,000 last year. The committee has more recently signed a deed of agreement with the department and the money has yet to be paid.

They originally estimated the cost of the memorial at about \$620,000, and the cost is now an estimated \$1.9 million—so they have had a considerable increase in the expected cost of the memorial, largely I think because of the design that they are proposing. They have also not been able to raise publicly, from either former POWs, their families or corporate Australia, the level of money that they need to complete the memorial. But they are now proposing to break it into two stages: stage 1 would be preparation of the area; and stage 2 would be the memorial wall on which they want to inscribe 35,000 names of POWs.

CHAIR—So the government currently is providing the initial \$50,000—

Ms Blackburn—And there is a further \$150,000 committed.

CHAIR—Is that the total extent of the government's financial support?

Ms Blackburn—Yes.

CHAIR—So that money is virtually guaranteed.

Ms Blackburn—We are just awaiting further advice on the likelihood of the memorial being split into the two stages, and then we will make a decision about payment of that money. We need to advise our minister further.

CHAIR—Is it possible that if it is split into two stages the amount of money that is going to be made available will be diminished, or is it likely that the \$150,000 plus the \$50,000 would go into the first stage?

Ms Blackburn—That could go into the first stage, because they have actually raised about \$700,000—from the last advice that I have—and they believe that would cover the cost of stage 1. However, they were awaiting architect's working plans to confirm the cost of that stage.

CHAIR—Is the government able to assist, or is it assisting, the proponents of the War Memorial with records of the names of all, or any, Australian POWs?

Ms Blackburn—We have met with the committee on a couple of occasions and they have also met with the former minister. There is no comprehensive record of Australian prisoners of war from the Boer War through to Korea. As part of the nominal role of World War II servicemen and women that the department is developing at the moment, we will have a record of all the World War II prisoners of war—and that record is expected to be completed by November this year. The information that is available for every other war and conflict largely derives from individuals' research and various historical records, but there is no comprehensive record of all Australian POWs.

CHAIR—Have they asked the department for assistance—

Ms Blackburn—They have and it has been explained to them—orally and in writing—that there is no comprehensive record available, so they are aware that we cannot provide any further assistance in respect of those names.

CHAIR—But you are assisting them as far as you possibly can with information that you have?

Ms Blackburn—Yes. They have been advised about the development of the nominal roll, and they have also been directed to a range of other sources from where they have derived the information—so they do believe that they have most of the names. But we are not in a position to guarantee the accuracy.

Senator MARK BISHOP—I request a private meeting for two minutes.

Proceedings suspended from 12.08 p.m. to 12.09 p.m.

CHAIR—We are obliged to finish by 12.30 p.m. because we have to catch flights for other commitments that were put in place before we knew whether the spillover day of estimates was going to be required. Senator Bishop cannot finish all the things that he wants to do by 12.30 p.m. so we have agreed to stop at 12.30 p.m. and I have given an undertaking that the estimates committee may sit for an hour and a half at the most when we come back at the next Senate sitting, which we will try to get permission to do during the sitting of the Senate. He has assured me that it would be for no more than an hour and a half; it is just that some budget matters that he wants to get on the record rather than wait for questions on notice which take some time to get back. I am just flagging that so that you can understand what is happening. We would like to finish today but I have to go and I know that others have to go to catch planes very soon after that. I just want to make the department aware that we will probably require a sitting—for no more than an hour and a half, Senator Bishop?

Senator MARK BISHOP—That is fine, Chair.

CHAIR—We will have to do the negotiation with the minister for the appropriate time. That is the only thing, as to when it might occur.

Senator MARK BISHOP—Do we have the officers here for program 3? I have one question about the \$6.4 million extravaganza for Hyde Park Corner. Could you just outline the process by which the designer was chosen and who has been allocated the job?

Air Vice Marshal Beck—I am the project director for that project. There are two elements to the design of the memorial. The agreement was that in constructing at this prestigious site on Hyde Park Corner we would undertake to construct a water wall as a component of the Australian War Memorial. We needed two elements in the design of the memorial: one, an internationally reputed fountain designer, and the separate design of the artistic elements of the design. In fact, the overall structure is almost a building, so there is a large architectural component in it as well. In selecting the fountain designer we went with the renowned Australian fountain designer, Bob Woodward, of Sydney. There was an internal selection process where we considered relevant fountain designers and we chose Bob Woodward.

Senator MARK BISHOP—There was no—

Air Vice Marshal Beck—There was no public selection process. Under the federal government procurement guidelines we are able to do that so long as we provide reasons, and we provided and documented those reasons. For the other element we went into a limited competition. We invited five sculptors to contest that and they submitted their designs. We selected a team in Melbourne, Les Kossatz and Bob Sinclair, the architect, and they have since taken on another architect, Rob Watson. So there are three members of that design team that won the architectural component. We are in the process of finalising that combined design.

Senator MARK BISHOP—I will just go back to the first issue, the internal selection of Mr Woodward. You said that government procurement guidelines permit you to do that if you accompany your decision by reasons. So what were the reasons for selecting Mr Woodward and, internally in the process, what other individuals or firms were in the consideration?

Air Vice Marshal Beck—There were not too many others with an international reputation. The two factors in that were an artist of international reputation and timing, and the timing was for an opening on Anzac Day 2003, and for us to acquire this site we were to be part of the stage 1 development of a £22 million redevelopment of Hyde Park Corner. So we are under time pressure as well as seeking someone of international reputation to help us get this design approved. There was another group that was interested. They sent in a submission. We took it as an expression of interest but they did not have the reputation. In fact he was an agent for other unknown artists. He was not actually a designer. Bob Woodward has probably the strongest reputation in this field in the world and there was not much—

Senator MARK BISHOP—I am not offering any criticism of Mr Woodward. I am not competent to make a comment one way or the other. I was just intrigued about the selection process. You say that government procurement guidelines permit you to do this. Your reasons were timing but, incidental to that, the advice you have is that Mr Woodward is the best in the world anyway. Is that a fair summary?

Air Vice Marshal Beck—One of the best. Obviously we had a preference for an Australian designer.

Senator MARK BISHOP—Thank you.

CHAIR—What I thought we would try to do, Senator Bishop, is at least finish outcome 3.

Senator MARK BISHOP—We have finished program 3. I am into program 6.

CHAIR—What about 4 and 5?

Senator MARK BISHOP—I was going to leave program 4 till next time and do program 6 now.

CHAIR—Okay. Do you think you could try to finish program 6?

Senator MARK BISHOP—Let me just see.

CHAIR—I might give you an extra 10 minutes if that helps.

[12.16 p.m.]

CHAIR—We will move on to program 6. We will leave 4 and 5. Those members of 4 and 5 that are here will not be required today. I do not want to send you back to work too early.

Senator MARK BISHOP—Program 6, corporate public liability. Dr Johnston, have any briefings been given to the minister on the dramatically increased costs of public liability as they are likely to affect Anzac Day functions this year?

Dr Johnston—The minister is aware of the issue.

Senator MARK BISHOP—Has she been provided with any briefings by the department on that issue?

Dr Johnston—I do not know whether we have provided her with a comprehensive brief, but certainly the matter has been discussed with her.

Senator MARK BISHOP—The matter has been discussed with her?

Dr Johnston—Yes.

Senator MARK BISHOP—Has the minister written to the Assistant Treasurer seeking financial assistance from the RSL or some form of limited liability underwriting?

Ms Blackburn—We believe that there has not been any written communication with the Assistant Treasurer but the department is certainly aware of the work that she is planning to do in relation to liaison with state governments, and the minister's office is aware of that.

Senator MARK BISHOP—I have seen public statements and press releases by Senator Coonan to that effect. There have not been any formal approaches from your minister to Senator Coonan seeking financial assistance for the RSL or some form of limited liability underwriting on this issue?

Dr Johnston—I think we should take that on notice. There is some correspondence in the department at the moment. I do not think we know precisely where that is. We would rather take that on notice than mislead you.

Senator MARK BISHOP—Is the department concerned that there could be cancellation of some or many Anzac Day ceremonies particularly in smaller towns and regions because of the issue of high public liability insurance?

Dr Johnston—We are certainly concerned. I draw your attention to the fact that you did ask us a question and we did answer with some material on that. The government, of course, is looking at the matter from a government wide perspective and the adequacy and availability of insurance but it is primarily a responsibility of the states and local councils. It is a matter of how the Commonwealth interacts with that to address the issue.

Senator MARK BISHOP—I acknowledge those comments. It is just that we have had some discussions with the RSL that have raised it with us as a matter of significant concern, particularly in the case of smaller towns and smaller regions. Their concern is on the issue of high cost or significantly increased public liability insurance and how that is affecting their local associations and their ability to continue to organise, host and fund the Anzac Day

ceremonies in a lot of smaller towns, particularly in New South Wales. They have expressed real concerns.

Dr Johnston—We are aware of those concerns.

Senator MARK BISHOP—But there is no particular action under consideration by the minister or the department apart from the whole of government approach?

Dr Johnston—At the moment that is the focus of the approach, yes.

Senator MARK BISHOP—I have received some correspondence on the issue of file management, and I presume that you are aware of some publications by the Vietnam vets and the like, of their president's report on this issue.

Dr Johnston—We have seen a recent issue of their magazine, which has had some fairly direct things to say on the matter.

Senator MARK BISHOP—What are the estimated cost benefits to the department of going down this process of privately outsourcing the file management?

Dr Johnston—I will speak to that first and, if we get into points of detail, my colleagues might assist. Since the election we have announced the outcome of the market testing of file and mail management. As a result of that market testing exercise, we came to the conclusion that there was not a basis to contract a private sector provider at this point in time to provide the services we were seeking in that tender. We have advised our staff accordingly and are proceeding now to restructure our operations in-house to see if we cannot provide a better service within our own operations. We are indicating that there is a range of measures that we are wanting to investigate that might still require some reasonably significant restructuring of the way we manage our own files. At the moment that is continuing on an in-house basis.

We are working closely with National Archives in looking at possibilities in this area. We are also talking extensively with the Department of Defence about the role of the Department of Veterans' Affairs in managing files on behalf of the Department of Defence. There is a decision in principle at this stage that the responsibility for post service personnel files will shift to the Department of Veterans' Affairs. We already make use of National Archives repositories for holding paper files. It is quite conceivable that, for some of our files, it will still make sense to use selectively private file storage facilities, and they are options we will still be exploring.

Senator MARK BISHOP—The net of that is that the prior decision to outsource a lot of file management has been, firstly, reviewed and the prior decision has been cancelled and you are going to be doing all of that work in-house.

Dr Johnston—There was no decision. There was a decision to market test the private sector provision of a bundle of services. The result of that tender is that we are not going to proceed to contract in that way.

Senator MARK BISHOP—What did the market test disclose as the deficiencies in the proposal?

Dr Johnston—It would be fair to say that our files are not typical of the private sector. They are extensive and they are reasonably actively utilised in many cases. We had to conclude that the private sector was not able to provide the depth of service that we would expect for that type of activity. Certainly it was not able to do so in a way that delivered significant cost savings. Our operations compared favourably with the two tenderers.

Senator MARK BISHOP—Has that decision been communicated to the various vets organisations as yet?

Ms Bates—We have a Veterans Records Forum that was set up to communicate with ex-service organisations. We extended invitations to join that forum quite widely within the ex-service community, and the decision was communicated to the members of that forum.

Senator MARK BISHOP—When was that done?

Ms Bates—I think it would have been in December, but it may have been early January; I am not quite sure of the date.

Senator MARK BISHOP—I am trying to find a date on this correspondence. I think it was prior to that.

Dr Johnston—I think it should be noted—and you can tell that from the article I think you are referring to—that the Vietnam Veterans Federation was invited to be represented on that committee and chose not to be represented on that committee, but we can arrange to keep it informed in a de facto way.

Senator MARK BISHOP—That is at your discretion. It is just that they wrote about it, it was circulated widely in their newsletter, others picked up on it and it became a bit of an issue. You have obviously reviewed the worth of going further and stayed with your original decision. It would probably be useful if they did know.

Dr Johnston—I might say that in our discussions with the veteran community we have been very conscious of the sensitivity of these matters; veterans quite rightly hold their service records very close to their hearts. For that reason we have established this working party to guide us and discuss with us measures that we might implement in this area. In the discussions we have had I think it would be fair to say that the only organisation that has been questioning the approach and has not indicated confidence in the way we are approaching these issues is the Vietnam Veterans Federation.

Senator MARK BISHOP—I have got the point. I meant to thank you at the outset, Dr Johnston: we asked you a large number of questions on notice and we received the responses in my office either yesterday or the day before. I would like to thank you for the quality and obvious thought that has gone into those responses; it has been of some assistance to my office and I thank you for your endeavour and that of your officers.

While I am issuing thanks, I ask if you would pass on to Major General Stevens and the other officers from your organisation who were part of the recent commemoration proceedings in Singapore my thanks for their assistance, and my recognition of the enormous amount of work that was put into the various tasks and the enormous hours, efficiency and kindness with which all of the officers of your department provided assistance to all of the vets on that tour. I also ask you to pass on my thanks to Defence for, again, the thoughtfulness, assistance and help of the various personnel from ADF who did a lot of planning and logistics work and indeed were very helpful to the various vets on that tour. I thank you and your departments for that assistance.

Dr Johnston—I am sure our staff will appreciate those acknowledgments. Thank you very much, Senator.

CHAIR—Senator Bishop, have you concluded output 6? If you thought you could finish 6, so the officers did not have to come back, I am more than happy—

Senator MARK BISHOP—No, I have about another hour's questioning.

CHAIR—On output 6? I am thinking of which officers we have to get back. I can stay for another 10 or 15 minutes.

Senator MARK BISHOP—My office will advise the secretary of the committee well before we come back in a fortnight's time which programs and which officers we require.

CHAIR—It can only be 4, 5 and 6; they are the only ones that are left.

Senator MARK BISHOP—We will advise the secretary of the programs we need.

CHAIR—Thank you very much. I am sorry that the arrangement is for some officers to come back in two weeks time. If I did not have to get home to open a school tonight, I would stay. Thank you very much to the secretary and to Hansard. It has been a long week. Thank you very much to all of the officers of the department for their cooperation.

Committee adjourned at 12.30 p.m.