



COMMONWEALTH OF AUSTRALIA

# Proof Committee Hansard

## SENATE

FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION  
COMMITTEE

**Estimates**

(Public)

TUESDAY, 30 MAY 2023

CANBERRA

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**FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION COMMITTEE**

**Tuesday, 30 May 2023**

**Members in attendance:** Senators Birmingham, Ciccone, Fawcett, Green, Henderson, Lambie, McAllister, Paterson, Reynolds, Roberts, Shoebridge, Van and White

**DEFENCE PORTFOLIO****In Attendance**

Senator McAllister, Assistant Minister for Climate Change and Energy

**Defence**

Mr Greg Moriarty, Secretary, Department of Defence

General Angus Campbell AO, DSC, Chief of the Defence Force

**Australian Signals Directorate**

Ms Rachel Noble PSM, Director-General

Ms Abigail Bradshaw CSC, Head of the Australian Cyber Security Centre and Deputy Director-General

Mr Ben Staughton, Deputy Director-General, Capability and Transformation

Mr Dale Furse, Chief Operating Officer

Dr Derek Bopping, First Assistant Director-General, Cyber Engagement and Strategy

Ms Deanne Sowers, First Assistant Director-General, Cyber Threat Intelligence

Ms Stephanie Crowe, First Assistant Director-General, Cyber Security Resilience

Mr Mark Brown, First Assistant Director-General, Integrity, Security, Assurance and Compliance

Mr Stephen McGlynn, First Assistant Director-General, People, Property and Legal

Mr Phil Davies, Assistant Director-General, Finance and Business Management

**Afghanistan Inquiry Response Taskforce**

Rear Admiral Brett Wolski AM, RAN, Head, Afghanistan Inquiry Response Taskforce

**Army**

Lieutenant General Simon Stuart AO, DSC, Chief of Army

Major General Richard Vagg DSC, Head, Land Capability

**Associate Secretary Group, Department of Defence**

Mr Matt Yannopoulos PSM, Associate Secretary

Mr John Reid, First Assistant Secretary, Enterprise Transformation and Governance

Ms Rowena Bain, First Assistant Secretary, Ministerial and Executive Coordination and Communication

Air Commodore Pat Keane AM, CSC, Director General Military Legal Service

Major General Sue Graham, Head, Business Transformation

**Air Force**

Air Marshal Robert Chipman AM, CSC, Chief of Air Force

Air Vice-Marshal Catherine Roberts AM, CSC, Commander, Defence Space Command

Air Vice-Marshal Wendy Blyth AM, Head of Air Force Capability

**Capability Acquisition and Sustainment Group, Department of Defence**

Mr Chris Deeble, Deputy Secretary

Ms Francesca Rush, Chief Counsel, Commercial and First Assistant Secretary, Australian Industry Capability

Mr Gavin Rawlins, First Assistant Secretary, Joint Systems

Major General Jeremy King CSM, Head, Joint Aviation Systems

Air Vice-Marshal David Scheul OAM, Head, Air Defence and Space Systems

Major General Jason Blain DSC, AM, CSC, Head, Armoured Vehicles

Major General Andrew Bottrell CSC and Bar, DSM, Head, Land Systems

Air Vice-Marshal Gerald van Leeuwen AM, CSM, Head, Guided Weapons and Explosive Ordnance Delivery

Mr Tom Brennan, Acting First Assistant Secretary, Strategy, Planning and Independent Assurance

Mr Andrew Staines, First Assistant Secretary, Procurement and Contracting

Dr Simon Atyeo, Acting First Assistant Secretary, Procurement and Contracting

**Chief Information Officer Group, Department of Defence**

Mr Justin Keefe, Acting Chief Information Officer  
Major General Murray Thompson AM, CSC, Head of ICT Operations  
Mr Peter Alexander, First Assistant Secretary, ICT Delivery

**Defence Finance Group, Department of Defence**

Mr Steven Groves, Chief Finance Officer  
Mr Samuel Volker, First Assistant Secretary, Budget and Financial Services

**Defence People Group, Department of Defence**

Ms Justine Greig, Deputy Secretary  
Mr David Nockels, First Assistant Secretary, People Policy and Culture  
Dr Paul Robards AM, Acting First Assistant Secretary, People Services  
Major General Wade Stothart DSC, AM, CSC, Head, People Capability  
Rear Admiral Robert Plath AM, Head, Recruitment and Retention

**Defence Science and Technology**

Professor Emily Hilder FTSE, Acting Chief Defence Scientist

**Defence Strategic Review Implementation Taskforce**

Mr Tom Hamilton, Deputy Secretary  
Ms Amy Hawkins, Acting First Assistant Secretary, Policy and Engagement

**Guided Weapons And Explosive Ordnance Enterprise**

Air Marshal Leon Phillips OAM, Chief of Guided Weapons And Explosive Ordnance Enterprise

**Joint Capabilities Group, Department of Defence**

Lieutenant General John Frewen AO, DSC, Chief of Joint Capabilities  
Major General Jason Walk, Commander, Joint Logistics  
Rear Admiral Sarah Sharkey AM, CSC, RAN, Commander, Joint Health  
Major General Ana Duncan AM, CSC, Head, Cyber Warfare  
Rear Admiral David Mann CSC, Head, Joint Capability  
Mr Andrew Byrne, First Assistant Secretary, Guided Weapons and Explosive Ordnance Division  
Major General Douglas Laidlaw AM, CSC, Head, Joint Support Services Division

**Navy**

Vice Admiral Mark Hammond AM, RAN, Chief of Navy

**Naval Shipbuilding And Sustainment Group, Department of Defence**

Rear Admiral Wendy Malcolm AM, CSM, Acting Deputy Secretary  
Ms Stacie Hall, First Assistant Secretary, Naval Shipbuilding and Sustainment Enterprise Headquarters  
Mr John Chandler AM, CSC, CSM, First Assistant Secretary, Submarines Division  
Ms Sheryl Lutz, First Assistant Secretary, Major Surface Combatants and Combat Systems Division  
Rear Admiral Steven Tiffen AM, CSM, Head, Maritime Sustainment Division

**Nuclear-Powered Submarine Taskforce**

Vice Admiral Jonathan Mead AO, RAN, Chief of Nuclear-Powered Submarine Taskforce  
Rear Admiral Matthew Buckley CSC, RAN, Head, Nuclear Powered Submarine Capability  
Ms Megan Lees PSM, First Assistant Secretary, Nuclear Powered Submarine Executive  
Ms Alex Kelton, First Assistant Secretary, International Policy and Agreements  
Ms Alison Petchell, Acting First Assistant Secretary, Program Delivery and Industry

**Security and Estate Group, Department of Defence**

Ms Celia Perkins, Deputy Secretary  
Mr Dan Fankhauser, First Assistant Secretary, Infrastructure

Mr Peter West, First Assistant Secretary, Defence Security

**Strategy, Policy and Industry Group, Department of Defence**

Mr Hugh Jeffrey, Deputy Secretary

Ms Sue Bodell, Acting First Assistant Secretary, International Policy

Ms Amanda Toms, Acting First Assistant Secretary, Strategic Policy

Mr Stephen Moore, First Assistant Secretary, Defence Industry Policy

**Vice Chief of the Defence Force Executive**

Vice Admiral David Johnston AC, RAN, Vice Chief of the Defence Force

Air Vice-Marshal Stephen Chappell DSC, CSC, OAM, Head, Military Strategic Commitments

Air Vice-Marshal Robert Denney AM, Acting Head, Force Design

**Defence Housing Australia**

Mr Barry Jackson, Managing Director

Mr Brett Jorgensen, General Manager, Service Delivery

Mr Paul Groenewegen, Chief Financial Officer

Mr Ross Jordan, General Manager, Governance and Communications

Ms Lisa Barlin, Chief General Counsel

Ms Katische Vinning, Chief Information Officer

Eline Martinsen, Chief People Officer

**Inspector-General of the Australian Defence Force**

Mr James Gaynor, Inspector-General

**Director of Military Prosecutions**

Air Commodore Ian Henderson AM, Director

**Committee met 09:03**

**CHAIR (Senator Ciccone):** I declare open this meeting of the Senate Foreign Affairs, Defence and Trade Legislation Committee. I begin by acknowledging the traditional custodians of the land on which we meet today and pay my respects to their elders past, present and emerging, and I extend respect to all Aboriginal and Torres Strait Islander people here today.

The committee is due to report to the Senate on Tuesday 27 June 2023, and it has a fixed date of 14 July 2023 as the date for the return of answers to questions taken on notice. The committee encourages senators to submit written questions on notice by 16 June of this year to allow sufficient time to respond. The committee's proceedings today will begin with the Department of Defence.

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

The Senate has endorsed the following test of relevance of questions at estimates hearings. Any questions going to the operations or financial position of the departments and agencies which are seeking funds in estimates are relevant questions for the purposes of estimates hearings. I remind officers that the Senate has resolved that there are no areas in connection with the expenditure of public funds where any person has a discretion to withhold details or explanations from the parliament or its committees, unless the parliament has expressly provided otherwise.

The Senate has resolved that an officer of a department of the Commonwealth shall not be asked to give opinions on matters of policy, and shall be given reasonable opportunity to refer questions asked of the officer to a superior officer or to a minister. This resolution does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted. Witnesses are reminded of the Senate order specifying the process by which a claim of public interest immunity should be raised, which will be incorporated into the *Hansard*.

*The extract read as follows—*

### Public interest immunity claims

That the Senate—

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

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

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

(1) If:

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

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

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

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

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

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

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

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

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

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

(13 May 2009 J.1941)

(Extract, Senate Standing Orders)

**CHAIR:** I remind all senators that, as we continue our work implementing the *Set the standard* report, as chair I will ensure that proceedings are conducted in an orderly, respectful and courteous manner.

### Department of Defence

[09:06]

**CHAIR:** I welcome Senator the Hon. Jenny McAllister, who is representing the Minister for Defence; Mr Greg Moriarty, Secretary to the Department of Defence; and officers of the department. Minister or Secretary, do you have an opening statement that you would like to make this morning?

**Senator McAllister:** No, I don't, Chair.

**CHAIR:** Thank you. Mr Moriarty?

**Mr Moriarty:** I would like to make an opening statement. Last month, the government released the public version of the *Defence strategic review*, the government's response to the review and the *National defence statement 2023*. These documents set out a blueprint for Australia's strategic policy, defence planning and resourcing over the coming decades against the backdrop of an increasingly challenging set of strategic circumstances. War has returned to Europe as Russia persists in its illegal invasion of Ukraine, and we face the

largest military build-up ever seen in the Indo-Pacific. The increasing risks of climate change, proliferation and pandemics require greater, not less, global cooperation. This tougher strategic environment is driving the sense of urgency with which Defence is now implementing government direction in response to the review.

In the month since the government's announcement, we have taken action against the six priority areas the government has identified. We have established the Australian Strategic Capabilities Accelerator, and commenced work on the independent analysis of naval surface combatant capability. We have established governance mechanisms and held the first board meetings of the DSR Management Board on 1 May and the External Policy Advisory panel on 10 May. We have appointed accountable officers in critical capability areas such as guided weapons and explosive ordnance, and engaged our workforce through classified directions that allocate accountabilities. We have commenced work on an inaugural national defence strategy to be released in 2024. This document will set out a holistic, comprehensive reform of defence policy, planning, capabilities and resourcing, including reprioritisation of the Integrated Investment Program.

We have started delivering the optimal pathway for the acquisition of conventionally armed nuclear powered submarines through the AUKUS partnership. We are securing land at Osborne North for the Future Submarine Construction Yard. A trilateral governance body has been established to manage the trilateral program. We continue to work with South Australia to establish the Skills and Training Academy, to train the workforce required for submarine construction and shipbuilding. Four thousand Commonwealth funded places were announced, as part of the federal budget, to grow the national workforce. On 1 July, the Australian Submarine Agency will be established with responsibility and accountability for the management and oversight of Australia's nuclear powered submarine program.

Responding to the *DSR* demands fundamental changes to the way we do business, to ensure we have an ADF that is fit for purpose in an increasingly difficult strategic era. For example, the review identified that Defence's acquisition processes are not suitable to deliver strategically relevant and accelerated capability to the ADF. We have begun work to remove unnecessary barriers to acquisitions, to streamline strategically important projects and low complexity procurements, making faster decisions in the delivery of defence projects and developing practical solutions in close consultation with defence industry. To succeed, we need to overhaul our One Defence Capability System, contracting frameworks and delivery approaches, including the consideration of delivering minimum viable capability faster to the war fighter. These significant changes will require whole-of-government engagement and the adoption of a different risk appetite. In parallel, Defence is producing a defence industry development strategy that will direct our efforts on building the Australian industrial base. It will focus on identifying what industry outcomes are critical to achieving the defence outcomes at speed. On 1 July, the Advanced Strategic Capabilities Accelerator will begin work to drive innovation that rapidly creates new capability for the ADF.

The government has identified investment in the growth and retention of a highly skilled defence work force as a priority for immediate action. Our people remain our greatest strategic asset. We have to stabilise the current workforce and set the conditions for growth. We have to recruit differently and address the size and shape of the eligibility pool, especially in key technical and specialist trades. Our approach will address policy and personnel management. It will involve a comprehensive strategic review of the ADF reserves, and it will involve modernising and reflecting contemporary practices, including pay and conditions, education and ways of working. We will not succeed by recruitment campaigns alone or by any individual initiative but only through comprehensive reform that positions defence as an employer of choice.

Our culture is the foundation of our people capability. I acknowledge the ongoing reforms from the Afghanistan inquiry and the critical work of the Royal Commission into Defence and Veteran Suicide. Our cultural reform program continues. Additionally, defence is reducing contractor numbers and increasing our APS workforce by reinvesting in our people and building long-term capabilities. By the end of 2024, Defence will have reduced its contractor numbers by 2,000 or just over 20 per cent. Defence contributed \$145 million in 2022-23 to the whole-of-government savings measure to reduce expenditure on external labour, advertising, travel and legal expenses, and \$640 million over the forward estimates for 2023-24.

We are increasing the tempo of our activities and engagements with our Indo-Pacific neighbours. We are investing in our defence relationships with like-minded and capable regional partners, notably Japan, India, Singapore and the Republic of Korea. As an example, our reciprocal access agreement with Japan will enter into force in the coming months when both countries complete their domestic processes. This agreement, Japan's first with any country other than the United States, will enable us to conduct more complex activities that build interoperability in each other's territories. At the same time, Defence is supporting the government's efforts to stabilise relations with China. In March, Defence hosted the People's Liberation Army in Russell for the first

defence dialogue since 2019. These talks were an opportunity to exchange views on regional security issues and for us to underline our national interests directly to the PLA. Meanwhile, ADF vessels and aircraft have continued to exercise Australia's rights under international law to freedom of navigation and overflight, including in the south China Sea and in support of UNSC resolutions on North Korea's illegal nuclear weapons program.

Russia's brutal ongoing invasion of Ukraine continues to impact Australia. As the *Defence strategic review* made clear, Defence must be able to contribute to the maintenance of the rules based order. It is currently under threat in Europe, and we must play our part to make sure Russia does not succeed. The total value of military assistance committed so far is over \$500 million, making Australia one of the largest non-NATO contributors to Ukraine. Under Operation Kudu, the ADF is delivering real capability to Ukraine's citizen soldiers, undertaking training in the UK and enhancing the Ukrainian armed forces' ability to keep its defences strong. Defence is working with the Ukraine government and our key NATO partners to assess what further support Australia can provide which will have a timely and meaningful impact on the battlefield.

Defence continues to support humanitarian assistance and disaster relief support here in Australia and in the region. In February, an ADF contingent deployed to New Zealand as part of the Australian whole-of-government response to a request for assistance following Tropical Cyclone Gabrielle. The ADF also provided assistance to flood-devastated communities in the Northern Territory and Western Australia. Following tropical cyclones Judy and Kevin, Defence responded to a request for assistance from the government of Vanuatu. The ADF worked alongside Ni-Vanuatu authorities and with our partners, including France and New Zealand, to deliver vital humanitarian assistance and disaster relief, including the delivery of more than 100 tonnes of humanitarian aid. Beyond the region, the ADF worked in close partnership with the Department of Foreign Affairs and Trade to achieve the safe evacuation of 153 people, including 67 Australians and their family members, from Sudan after fighting began on 15 April. I thank our partners, including the United Kingdom and Cyprus for their support and cooperation in ensuring the success of this difficult mission.

This is a critical time. It is not business as usual for the department or the Australian Defence Force. We remain focused on reorientating the organisation as the *DSR* directs, sharpening our focus and accelerating our processes. This is a necessary and prudent response to our more challenging strategic environment.

I thank the committee for their indulgence and welcome questions.

Chair, I note that Admiral Mead is unavoidably delayed this morning but will be here by lunchtime. The head of the Nuclear Powered Submarine Task Force is making every endeavour to be here at lunchtime.

**CHAIR:** Thank you very much for that, Secretary, and thank you for your opening statement. I might have a few questions before I hand over to the opposition. In light of the Secretary's comments there, Chief of the Defence Force, the Deputy Prime Minister and the foreign affairs minister have both spoken at length about how we face the most challenging strategic circumstances since the end of World War II. The *Defence strategic review* also featured a lot about the return of the major power competition to our region and the loss of strategic warning time. Could you please explain what this means for our defence planning?

**Gen. Campbell:** The *Defence strategic review* picks up from the *Defence strategic update* of 2020, noting that the concept of strategic warning time is no longer a valid basis for planning and, indeed, for preparing Defence and the ADF for the conduct of operational activity. The idea of warning time is based on the idea that a threat that might be posed to Australia or its national interests arises by a combination of material capability and political intent. While intent can change rapidly, the material capability that needs to be established, trained, developed and prepared takes a considerable period of time to do so. Historically, Australia has been located in a part of the world where the kind of material capability necessary to contribute to a serious threat to Australia's security hasn't been apparent or present. That is not necessarily the case anymore. We see, with the proliferation of cyber capabilities and missile technologies, the scale of the military modernisation and build-up in the Indo-Pacific and, in particular, with regard to the scale or build-up of the People's Liberation Army in China, that material capability, as a component of considering defence planning, is no longer absent from our region.

Historically we would have said that there was perhaps a 10-year warning time for Australia to recognise a change of capability and the potential for intent to evolve in ways inimical to Australia's interest, and we could prepare in that time. That is not necessarily the case. Not specifically to any one nation, but the effects in the cyber domain mean that Australia may be threatened in very serious and consequential ways. Equally, the variety of nations now developing sophisticated and long-range missile systems is also the case. But the broadest and most consequential conventional military build-up since the Second World War, over recent decades, is in the People's Liberation Army, across all of the operating or war-fighting domains, of land, air, sea, space and cyber. That build-up is consequential and it does, in combination with the other technologies I've described, mean that the idea of a strategic warning time is no longer the assured basis for planning that it once was.

**CHAIR:** On that, the DSR noted the efforts underway by many regional countries to modernise their militaries. In particular, it mentioned that China's build-up was the largest that we've seen in the region since World War II. Has China given any explanation or assurances as to why it is undertaking this build-up and modernising its military?

**Gen. Campbell:** I'd start by saying that Australia does not critique any country for seeking its defence and for preparing its military for such purposes. The scale of that capability is going to vary, subject to the resources, capacities and security interests of each nation, but, where that scale is large, there is also a concomitant responsibility to be offering the level of transparency, assurance or reassurance of the intent and purpose of that capability. I think that is where we see that there has been some critique of an absence of transparency and of assurance to the region with regard to the scale and intent of that build-up that you spoke of.

**CHAIR:** Indeed. I know they talk about a national defensive policy, but what about China's exercising its capability around Taiwan in terms of what you just outlined?

**Gen. Campbell:** China has in recent years undertaken a range of very substantial exercise activities or posturing activities that in some of those exercises centre on the island of Taiwan and could reasonably be regarded as seeking to pressure Taiwan or to squeeze the government of Taiwan in terms of its sense of its development and the aspirations of the people of Taiwan. Now, of course, Australia is committed to a one-China policy, but the manner in which some of those exercises have been undertaken can increase regional tensions, particularly between the island of Taiwan and the People's Liberation Army in those exercises. We would not wish to see issues being resolved through either conflict or miscalculation and misadventure but rather by considered diplomatic engagement and a peaceful resolution of disputes.

**CHAIR:** Let me finish on this note. Does the nature of the build-up—the capability type and the numbers, for example—align with the stated defensive purpose that China claims: having a defensive national defence policy?

**Gen. Campbell:** I will offer you some of the figures, but I think it's really a matter for others to determine whether that satisfies or is seen as reassuring for the purposes of defence policy. The PLA Navy, the People's Liberation Army Navy, has approximately 355 ships and about 58 submarines. It's grown since the turn of the century from a force of about 210 ships to 350 now, moving, it is estimated to about 440 ships by 2030. It is today the navy with the largest number of ships in the world. It's not the most powerful or most capable, but it is a very consequential force and it is continuing to grow. Similarly, it has in its forces a wide range of ground-launched ballistic missile systems, estimated at approximately 1,250 such systems across cruise, ballistic and hypersonic weapons. It's got the third largest air force in the world, with more than 2,000 aircraft and a growing number of them fourth and 4½ generation, with some early fifth generation aircraft. So this is a considerably sized force. It also has in recent years substantially increased the number of military or dual-purpose related satellite systems that it employs, and it has a large cyber capability.

What we have seen in the last 20 or so years is a very significant change in scale, in technological sophistication and in the comprehensiveness across all five of those domains: land, air, sea, space and cyber. In some areas such as hypersonic weapons, they are extremely advanced. In some such as space they are moving from approximately 60 dual-use systems to now over 300 dual-use systems in space. As I say, it is a very large navy and one that is certainly very active. Its budget—the budget for the Chinese defence capability—has been increasing each year over the last 28 years. Now, that mirrors the growth of China, so that would be expected. It's at about US \$290 billion declared today. That's the declared budget. And it has been continuing to grow. With it, as I said earlier, we don't necessarily see the same expression of transparency and assurance that might normally have been expected of such a significant growth over such a rapid period of time.

**CHAIR:** Thank you very much for that comprehensive response. Senator Birmingham, you have the call.

**Senator BIRMINGHAM:** Thank you for your presence here today and thank you, as always, for your service. You rightly outlined in your introductory remarks, as have the Prime Minister, the minister and others, the most challenging set of strategic circumstances that we face. The DSR clearly puts a sense of urgency behind the messages it delivers for how defence needs to respond. As you've rightly highlighted, CDF, there is a loss of warning time that drives that sense of urgency. Why is it, then, that in currency-adjusted terms the defence budget is going backwards rather than forwards given such urgency?

**Senator McAllister:** I think you are referring to reports in today's paper. Is that correct?

**Senator BIRMINGHAM:** Media reports simply validate what basic readings of the budget papers ever since they were released have highlighted.

**Senator McAllister:** You've stepped through some of the advice that's been provided to government in relation to our strategic circumstances, and you will know that the government has accepted the advice contained

in the strategic review and set about establishing arrangements for implementation. They include maintaining the growth in funding for defence that was established under the previous government over the forward estimates and planning to grow the funding available to defence over the decade. When we compare it to the March 2022 budget, we see the defence funding is projected to be higher in each year over the forward estimates, and the budget is prepared consistent with the way all budgets are prepared, having regard to a range of factors and variables. I don't know if officials have something they may wish to add. Mr Groves may have something to say.

**Senator BIRMINGHAM:** In going there, has Defence received additional funding for currency adjustments and fluctuations?

**Mr Groves:** Yes, we do under normal no-win, no-loss arrangements. We received supplementation at the May budget.

**Senator BIRMINGHAM:** You've received supplementation there. When that supplementation is taken into account—and it's just there, as you say, under no-win, no-loss arrangements to make sure that, as the Australian dollar is valued at different levels, Defence is no worse off as a result of those fluctuations. When you strip that away, isn't ASPI right that this year's defence budget provides \$1½ billion less to Defence over the next three years than the budget last March?

**Mr Groves:** The calculations are correct if you are comparing it back to the March 2022-23 budget. I would point out that there have been a number of reductions to the defence budget that occurred in the May budget which were transfers to other agencies to support defence capabilities. They contributed to the \$1½ billion reduction if you're excluding the foreign-exchange adjustments.

**Senator BIRMINGHAM:** So the \$1½ billion is correct in terms of comparison with the last coalition budget last March and this first proper Labor budget this May. We've seen a \$1½ billion reduction in terms of what is directly there for Defence to spend when you strip aside those currency adjustments.

**Mr Moriarty:** When Defence contributes to other government departments to help us pursue the nuclear powered submarine enterprise, that is directly contributing to a Defence outcome.

**Senator BIRMINGHAM:** We'll step through where some of those redirections of the defence budget are going, no doubt, during the course of the next two days to understand how they're contributing and how else Defence is being used to prop up the budgets of other departments across the government.

**Senator McAllister:** Senator Birmingham, I don't think characterising the evidence of Mr Moriarty in that way is helpful. Officials are happy to answer questions about the way that the defence budget is structured. Your language doesn't reflect the very transparent and clear way that the government has gone about setting the optimal pathway to acquiring submarines. When we came to government, no such pathway was in place. The work has been done in the period since the election to establish the optimal pathway—and, yes, it does involve other parts of government. I don't think it does justice to that work to characterise it in the way you just did now. But I'll allow Mr Moriarty to continue his evidence.

**Senator BIRMINGHAM:** Senator McAllister, your government has laid out its budget. It has received the *Defence strategic review*, lauded by the Prime Minister and ministers as the most important document. That makes clear, does it not, that there is a sense of urgency about how Defence needs to respond. And yet, in the very first budget statement since this was released, the government has handed down a budget that has less money, \$1½ billion less, this year and over the next three years compared with what was forecast 12 months ago. How is that responding with a sense of urgency in terms of the investments that Defence need to deliver upon the *DSR*?

**Senator McAllister:** Let me answer this in two ways. In the first instance, it is just unequivocally the case that, compared to the March 2022 budget, the funding provided is projected to be higher in each year over the forward estimates. It is also true that over the medium term the provision for Defence is expected to grow further again, reflecting the circumstances that you are alluding to. Now, these arrangements are steps taken by our government. They weren't steps taken by your government, and, indeed, reasonably recently Mr Taylor—

**Senator BIRMINGHAM:** Sorry, Senator, the only increases you're talking about in the defence budget—

**Senator McAllister:** May I continue my answer?

**CHAIR:** Order! Senators, please don't shout over each other. Senator Birmingham, if you could allow the minister to at least provide a response, and then I'll hand the call back to you.

**Senator McAllister:** Relatively recently, as I understand it, Mr Taylor, the shadow Treasurer, indicated that he considers that Defence ought to pursue its measures within the envelope established by your government—that he thought that that was adequate. Our government has confirmed the growth trajectory that was established for

Defence, and in the forward estimates, and indicated that over the medium term we expect that that budget will grow further again.

The second point that I sought to make in response to your question is that we are focused also on quality. There were a range of problems that we inherited from your government, in particular in relation to capability acquisition, where a range of commitments were made and there was limited transparency about how they would be paid for. Nor was there sufficient focus on the means by which those capabilities were being acquired, and those are structural issues that this government is seeking to address. Mr Moriarty may have more to add.

**Mr Moriarty:** No, Senator—just to elaborate on that point. When Defence make a contribution to a department such as the Department of Foreign Affairs and Trade, where they are directly helping us negotiate international agreements, when they are engaging in some of the important work that we're doing with the International Atomic Energy Agency, I believe that that work is deliberately and directly contributing to a very clear defence outcome.

**Senator BIRMINGHAM:** It's important work, Mr Moriarty, but it doesn't step away from the reality that what your department and what the ADF have to respond to in the next couple of years is a reducing budget relative to what had previously been forecast. Senator McAllister, you talk about maintaining the growth trajectory. That was a growth trajectory set by the previous government, wasn't it?

**Senator McAllister:** I've been very clear about it. The government's position is to maintain the growth trajectory over the forward estimates that was set by the previous government, and then to grow it again over the medium term in recognition of the challenges before. But it is not simply about quantum; it is also about transparency and quality, because your government overprogrammed the infrastructure program for Defence. It was due to reach 32 per cent overprogramming by 2024-25. We are working through the steps that are necessary to put some transparency and clarity around the priority capabilities for Defence and to remedy the challenges that have been experienced in recent times in terms of acquisition of capability.

**Senator BIRMINGHAM:** Mr Groves, perhaps at this stage you could detail for us the reductions, which you highlighted in your answer before, that have occurred in this budget, relative to the March 2022-23 budget.

**Mr Groves:** Just to go back to what we're comparing—the ASPI report made a comparison of the three years from 2023-24 to 2025-26 in their analysis. Going back to March 2022-23, the budget for Defence only—so this was only for the Department of Defence, not the portfolio—was \$154 billion. At the May 2023-24 budget, it had increased to \$156.5 billion in nominal terms. The adjustments that ASPI then did involved looking at what were the foreign exchange adjustments. With the deterioration in the Aussie dollar over the period in question, between the March 2022-23 budget and the May 2023-24 budget, the Defence budget received a further \$4 billion of foreign exchange adjustments under no-win no-loss arrangements. That then took the \$156.5 billion for the May 2023-24 budget down to \$152.5 billion over that three-year period.

As I said, there were a couple of major adjustments that did impact the Defence budget, as Secretary Moriarty just alluded to. There was around \$267 million worth of funding that was transferred to other agencies out of the Defence appropriation. Unfortunately, these are slightly different periods; I've got forward estimates numbers here. That was \$267 million over the four years of the estimates. There was a further \$764 million that was transferred to the Australian Signals Directorate out of the Defence appropriation. That was to support approved funding that was moving out of the IIP for the Australian Signals Directorate to deliver those particular projects on behalf of Defence. The third major adjustment was in relation to the savings that Secretary Moriarty referred to in his opening statement. They were whole-of-government savings associated with external labour, advertising travel and legal. That was a further \$632 million over the forward estimates period as a reduction in Defence appropriation. They were the major adjustments. There were other smaller ones, which I can go through if you wish.

**Senator BIRMINGHAM:** Thank you. Against that, over the forward estimates period, how much extra has Defence received in terms of funding for additional capability?

**Mr Groves:** For additional capability, there has been no additional funding. I'd have to check back on the earlier budget, but, in the May 2023-24 budget, there were certainly new priorities identified as part of the *Defence strategic review*, which required a reprioritisation within the Defence budget. That is being performed. So additional capability has been allowed for within the Defence budget, but there is no increased appropriation to do that over the forward estimates. As the minister alluded to, there was also funding that has been programmed into the contingency reserve beyond the forward estimates period, over the medium term, to increase Defence funding as well by the end of the decade to just over 2.3 per cent of GDP.

**Mr Moriarty:** Senator, if I could add: the government, in response to the DSR, has directed us to do some very rigorous reprioritisation to establish a methodical and comprehensive process for assessment of current plans and activities to ensure alignment with the strategic intent. That will be considered in the context of the 2024 National Defence Strategy. Decisions will be made to cancel and reprioritise defence projects or activities that are no longer suited or are no longer of such a priority to us, as outlined in the review. That will involve reprioritising some planned investments while maintaining the overall level of defence funding. I think Mr Marles and the Prime Minister have been very clear that defence needs to take a very rigorous look at its capability plans. We will be very significantly reworking the integrated investment plan over the coming months to bring forward a completely reworked IIP, in the context of the National Defence Strategy, in early 2024.

**Senator BIRMINGHAM:** Thanks, Secretary. As I'm sure you would expect, but to make sure that you and officials are ready, there is no doubt we will be wanting to unpack in some detail that reprioritisation you just spoke of, and to understand, as far as we can, all of the different areas of so-called reprioritisation that are being pursued and decisions that have been made to scale back funding in different areas. But, staying where we were, Mr Groves has just been clear: no additional funding provided over the forward estimates for additional capability. Is there any additional funding provided over the forward estimates to support additional sustainment activities or costs?

**Mr Groves:** Only to the extent that we received additional funding for our major operations. They are also funded under no-win no-loss arrangements. For instance, for Operation Accordion we received an extra \$117 million for 2023-24. For Operation Resolute we received an additional \$77.5 million for 2023-24.

**Senator BIRMINGHAM:** And those are the standard adjustments that occur in terms of no-wins no-losses, as you indicated there.

**Senator FAWCETT:** Could I ask a supplementary. Mr Groves, the question was about sustainment, not operations. The budget makes it quite clear that there's a particular spending line for sustainment. Could you clarify: is there any new funding for sustainment of major capabilities or infrastructure?

**Mr Groves:** I'd probably say that the sustainment budget has increased for this budget. Not associated with additional funding, but probably reprioritisations within the defence budget overall, as we're dealing with some particular pressures both in the estate, to a lesser extent ICT, and around some elements of military sustainment.

**Senator FAWCETT:** But, just to be clear, the sustainment budget is not your no-win no-loss operational supplementation—I think \$10 million is the threshold defence receives that funding?

**Mr Groves:** For no-win no-loss—that's correct.

**Senator BIRMINGHAM:** Thanks, Senator Fawcett. So, outside of normal no-win no-loss arrangements, nothing extra for sustainment and nothing extra for capability. Over the forward estimates, what extra has been provided for personnel?

**Mr Groves:** As part of both the budget and the DSR, additional funding was allocated within the defence budget for a particular measure associated with our recruitment and retention initiatives. In relation to ADF personnel, we received—I'm trying to find the number—just under \$200 million over the forward estimates.

**Senator BIRMINGHAM:** This was from within existing resources?

**Mr Groves:** That's correct. That was within existing resources.

**Senator BIRMINGHAM:** Again, this was no additional funding to defence for personnel but a further reprioritisation. You've indicated some reprioritisation in personnel for that measure. You just indicated to Senator Fawcett some reprioritisation into a likely increased sustainment budget, as well as the funding going to other departments as outlined before. This is clearly coming at significant cost from capability or elsewhere within your existing budget.

**Mr Groves:** Just to correct my evidence: the funding for the recruitment and retention package was \$397 million over the forward estimates. To go to your question: yes, that is all being reprioritised within the defence budget at the moment. There was no additional funding for that workforce measure.

**Senator BIRMINGHAM:** Secretary, how does this align with the strategy that you spoke about in your introductory statement, that we are seeing a situation where, in this year's budget, you've got no additional funding for capability, sustainment or personnel aside from some internal shifts around. You're being made to send more than \$600 million off to whole-of-government savings measures. All of that is against a context in which it's clear that there is a loss of warning time for potential conflict and a sense of urgency, as your *Defence strategic review* indicates. How can you deliver upon the urgency of the DSR when you're not getting the additional resources to meet that?

**Mr Moriarty:** The government expects us to do the rigorous reprioritisation work so that we have the ADF optimised to the challenges that we are most likely to expect. That rigorous reprioritisation process will take place. We received very strong guidance from the government around the areas that it wishes us to focus on, and additional money has been directed to those priority areas. I could perhaps ask my colleague Mr Hamilton to expand on those. We are very committed to delivering against the priorities the government has set for us, and that will require some tough choices and some acceleration of capability. Some other capabilities will be cut or deprioritised. That work is already underway.

**Mr Hamilton:** The secretary is correct. The government's response to the DSR is a mix of activities it has directed us to implement as a matter of urgency. That includes six key capability priorities, which you may be familiar with, but, in brief: more money for increased long range strike capability; additional money for our guided weapons and explosive ordnance enterprise; additional funding and a more focused effort on innovation, working with industry to deliver asymmetric advantage to our defence capabilities; as the CFO has outlined, additional funding for a new people retention initiative; additional funding for our northern bases, as well as more funding for our international engagement; and, of course, AUKUS submarine activity.

We are progressing on those as a matter of urgency. As the secretary alluded to in his opening statement, we have taken some initial steps to put in place the structures within defence to implement those priorities. The government has also directed us to take a rigorous and comprehensive approach to defence planning to make sure that it delivers the intent of the strategic review. That's the process that the secretary mentioned to deliver the National Defence Strategy in 2024. We have also started that process so we're in a position to deliver that government commitment. Inevitably, there are some capabilities that will be found no longer suited to our strategic circumstances. We will look to reprioritise those towards priorities that the government has directed, and that's a process that, again, we've already embarked on.

**Senator BIRMINGHAM:** What planning did defence undertake on the premise that the combination of the AUKUS announcement and the DSR release would result in a net increase in defence budgets?

**Mr Hamilton:** In relation to the *DSR*, we were very conscious that this was a truly independent review. We did not commence detailed planning in anticipation of any particular outcomes. The two independent leads took their roles very seriously. We are now in the process of responding to the government's direction, after receipt of that review.

**Senator BIRMINGHAM:** Defence did no planning in relation to the presumption that moving ahead with AUKUS and those plans that defence was intimately involved with, and moving ahead with the *DSR*—noting that you received the draft of it last year and so had time to consider its findings. With the urgency and scale in those significant documents, surely you were doing planning that would have been based on the premise that there was additional resourcing to help deliver on that?

**Mr Moriarty:** We rely on the funding envelope that the government sets for us and, of course, we would only make planning assumptions when the government has given us an indication as to what that will be. The government has given us an indication about what our funding line will be over the forward estimates, and we understand it will increase beyond that. It's the appropriate role of the department to work out and to put options to government on what priorities we can seek to acquire within the funding envelope that the government gives us.

**Senator BIRMINGHAM:** Mr Groves, what impact is inflation having on the defence budget?

**Mr Groves:** We're seeing impacts across the board. Both workforce and supplier expenses are increasing. It depends on the category of expenditure that you're looking at. But, yes, we're feeling the increased pressure from inflation across all parts of the defence budget, just like every other part of the Australian economy.

**Senator BIRMINGHAM:** Is inflation having a faster and greater impact than any change to your budget?

**Mr Groves:** We're seeing pressures in the building industry, especially on building works in the north. Concrete prices are high and steel prices are high, so we're certainly seeing those pressures. Obviously we do buy a bit of capability overseas, so pressures in those market places—both for their own workforce and supplier costs—flow through. Just like anybody else who's managing their normal day-to-day budget, we have to make trade-offs within that. As the secretary said, we live within the funding envelope that we've been provided with by government. At times, that means that we have to look at what we can reduce from a capability perspective to deal with those one-off inflation impacts that we're seeing.

**Senator BIRMINGHAM:** They're not really one-off impacts, though. Most of these then set a new baseline, and you have to accommodate from there. Is Defence's purchasing power increasing or decreasing?

**Mr Groves:** Overall our funding is increasing and has been set since the 2016 white paper, growing at between five and seven per cent per year. That certainly was a model or an arrangement that was good when inflation wasn't as high as it is. We're seeing that, at the moment, that is impacting on our buying power.

**Senator BIRMINGHAM:** Given the near doubling of inflation, do you have more or less purchasing power in this year's budget compared with what was forecast in last year's budget?

**Mr Groves:** I'd have to do the analysis. I haven't really done it. I know that we're getting hit with pressure across our sustainment and acquisition budgets, but particularly sustainment. Parts and workforce are all costing a lot more. To that extent we are seeing those pressures.

**Senator BIRMINGHAM:** Those pressures are real. So you're being asked to do a lot more in terms of what the *Defence strategic review* sets out. There are demands on Defence to do a lot more. You've then got the added pressures of additional inflation reducing purchasing power relative to what it would have otherwise been. Yet we're still facing no additional support in terms of what you can do for capability, for sustainment and for personnel. This is a deeply concerning situation, isn't it? Surely, against that backdrop, Defence's capability over the next couple of years to do what the government says it needs to do is actually being reduced.

**Senator McAllister:** A number of things here. I am a little surprised by this line of questioning, given it was only very recently, on 7 May, that your shadow Treasurer said:

We've said that the Defence budget should be within the envelope that's already been established and that money should be used well.

I had understood the opposition's position was that the Defence budget should be contained within the envelope established. But it seems from your line of questioning that you have a different view, and I know Mr Hastie has a different view.

More generally, in terms of the approach we take to the budget, the Defence budget will grow in size and quality under the life of this government. We are interested in transparency and indeed honesty about what is possible within the funding envelope being provided. The officials have provided advice to you about reprioritisation and clarity in terms of the IIP and other investments being made; we want to be upfront about that. The previous government overprogrammed significantly, making announcements which were never provisioned for. That is not the approach we are taking. In response to the *Defence strategic review* there has been an indication provided about areas of priority and reprioritisation; some of those have already been alluded to in evidence. There will be ongoing work to further refine investment priorities, aligned with the strategic review's advice about our strategic circumstances and the government's response to that. We've been quite upfront about this. We consider that having a direct conversation with the Australian people about it is better than the approach taken by your government.

**Senator BIRMINGHAM:** I don't accept that characterisation. Our government was very clear about increased investment, particularly the increased investment that got the Defence budget up to this benchmark of two per cent of GDP.

**CHAIR:** Thank you, Senator Birmingham; that was your last question.

**Senator SHOEBRIDGE:** Thanks, everybody, for your attendance today. Because it's the May estimates sessions, we may as well start with PwC; I think it's compulsory! Secretary, how many current contracts does Defence have with PwC?

**Mr Moriarty:** I'll get the associate secretary, who's been following this issue closely, to give you a precise answer.

**Mr Yannopoulos:** There are 54 active contracts.

**Senator SHOEBRIDGE:** A list provided to me by the incredibly competent Parliamentary Library research had 51 contracts as at 17 May. Have there been any entered into in the last bit?

**Mr Yannopoulos:** I'm not aware of any that have been entered into since 17 May.

**Senator SHOEBRIDGE:** How many did you say there are?

**Mr Yannopoulos:** There are 54.

**Senator SHOEBRIDGE:** What's the current contract value of the 54?

**Mr Yannopoulos:** The current contract value is \$223,299,943.56.

**Senator SHOEBRIDGE:** More than \$223 million of contracts between Defence and PwC?

**Mr Yannopoulos:** That's correct.

**Senator SHOEBRIDGE:** That's an extraordinarily large amount of contracting with PwC, isn't it?

**Mr Yannopoulos:** It is a large number.

**Senator SHOEBRIDGE:** My numbers show me that Defence is far and away the biggest client of PwC—some eight times more in value of contract between Defence and PwC than any other government department. Can you explain why there is such an extensive contractual relationship with just this one consultancy?

**Mr Yannopoulos:** We use a range of external consultancies to deliver capability programs for the ADF. We are the largest project delivery organisation in the Commonwealth. We are on a significant recapitalisation of the ADF, and we use external labour as well as a significant APS and ADF workforce to deliver on those outcomes.

**Senator SHOEBRIDGE:** PwC have been circling like vultures to get these contracts, haven't they? That's what's happening; you can literally see them circling to suck money off Defence, can't you?

**Senator McAllister:** I appreciate your interest in using relatively colourful language to describe these circumstances, but I'm not sure it's fair to put that to Mr Yannopoulos. Perhaps you can think about a more factual basis on which to ask him these questions.

**Senator SHOEBRIDGE:** More 'Dracula at the blood bank', do you think, Minister?

**Senator McAllister:** Your language is up to you, but I think the official cannot provide—if we are to use the standing orders to describe my proposition, it's that the standing orders don't allow officials to offer opinions about matters of policy. You are really now inviting the official to offer you an opinion.

**CHAIR:** Thanks for clarifying that, Minister. Senator Shoebridge, I draw your attention to the opening statement I made this morning about the standing orders.

**Senator SHOEBRIDGE:** Yes. So the explanation for why Defence's contracting with PwC is eight times greater than the next government agency is that you have a lot on?

**Mr Yannopoulos:** I think I said a little bit more than that. We embarked on a very large delivery program through the Integrated Investment Program.

**Senator SHOEBRIDGE:** What have you done since the PwC scandal broke to test the integrity of this very extensive relationship between Defence and PwC?

**Mr Yannopoulos:** We have identified all the active contracts with PwC and attained assurance from them—most recently, again, yesterday to the secretary from the CEO and to me from the Defence lead partner—that, over the last 10 years of work that PricewaterhouseCoopers has done for Defence, none of the individuals named have ever done any work for Defence.

**Senator SHOEBRIDGE:** When you say 'none of the individuals named', who are you referring to?

**Mr Yannopoulos:** They're not in the public domain. On the 54 individuals that have been reported upon, PwC have offered, in writing, assurance to us that none of those names have ever worked on any Defence business.

**Senator SHOEBRIDGE:** I assume that assurance in writing happened recently.

**Mr Yannopoulos:** Yes; we had assurance last week and assurance again yesterday.

**Senator SHOEBRIDGE:** Can you provide the committee, today, with the correspondence you sent to PwC and the correspondence you have received from PwC?

**Mr Yannopoulos:** Let me take that on notice, but I believe, yes, I can do that.

**Senator SHOEBRIDGE:** Did PwC provide you with the list of 54 names?

**Mr Yannopoulos:** No, they did not.

**Senator SHOEBRIDGE:** So you're taking them at their word.

**Mr Yannopoulos:** I have letters from the current CEO and our lead Defence partner assuring us that they have done that work.

**Senator SHOEBRIDGE:** You're taking them at their word, with no separate verification. You're just trusting what PwC tell you; is that right?

**Mr Yannopoulos:** I'm accepting their assurance at this stage.

**Senator SHOEBRIDGE:** Secretary, how can you possibly accept the word of PwC, and their blanket assurance, when we know they have repeatedly breached confidentiality obligations with the Commonwealth and repeatedly acted in a grossly unethical fashion? Did you know that Defence had just accepted PwC's word?

**Mr Moriarty:** I was aware PwC had given some undertakings to the government and to the Commonwealth. I believe the Commonwealth entities are working through with PwC future arrangements and also reviewing past practices. Our department are methodically working through what we currently have in terms of ongoing work

with PwC; we're looking at past contracts. I believe appropriate work is underway to establish the nature of the relationship we have with PwC. When we get formal correspondence from very senior people in PwC who are trying to deal with this issue—I accept there have been some very significant and very appalling breaches of public trust, and probably of the law, but we are working through this methodically. We are seeking to do it as a Commonwealth, as an Australian public service, and we have a direction from government on how we should move forward.

**Senator SHOEBRIDGE:** Secretary, are you seriously saying that representations from senior people at PwC are sufficient? The fact that it was a senior person from PwC who gave you the representation is some sort of indication that we can trust it—is that seriously your evidence?

**Mr Moriarty:** No, what I'm saying is that a number of actions are being undertaken, have been undertaken and will be undertaken. I'm suggesting those assurances have been received. They are part of a range of matters that we are dealing with, as we are dealing with it, as an Australian public service, to find an appropriate way forward. The correspondence we get from PwC seniors is not insignificant, but there are these other range of measures that we are taking to deal with this matter.

**Senator SHOEBRIDGE:** Secretary, the chief executive officer of PwC, the most senior executive officer of PwC in Australia, has had to resign because of his involvement in the scandal, and you are telling this committee that you have confidence in a blanket assurance from yet another senior official in PwC?

**Mr Moriarty:** That's not what I told the committee, Senator.

**Senator SHOEBRIDGE:** Well, why haven't you asked for the list of 54 names so that Defence can do its own integrity checks, rather than rely on a blanket assurance from a firm that has proven to be deceitful and unethical. Why haven't you done your job?

**Mr Moriarty:** Senator, we are working through a range of measures to assure ourselves about the nature of our relationship with PwC and the integrity of the work that we have done with them. That work will take time. We've received some correspondence from PwC. It's being taken into account, but it's only one of a number of actions and measures we are taking, as we are taking across the Commonwealth.

**Senator SHOEBRIDGE:** Mr Yannopoulos, why didn't you do the most obvious integrity test and ask for a list from PwC of the 54 officials we know have been involved in this scandal so Defence could make its own checks? Why didn't you do that basic integrity test?

**Mr Yannopoulos:** We are working with the firm and taking their assurances at this stage.

**Senator SHOEBRIDGE:** That is an incredible answer to be given, given we know how deeply unethical this firm is. You have more than \$220 million worth of contracts with this firm, they've been proven to be unethical and your first set of tests is to accept their assurances.

**Senator McAllister:** Senator, if I may, you've asked a similar version of this question to officials on a few occasions, and I think the thrust of your question is, 'What did you do, and do you consider it sufficient?' What's been described is this: Defence have sought some reassurances, and they are undergoing a process to evaluate the nature of the work that's been done and the best means to secure any work that is outstanding in terms of the contracts that are on foot. They've given you evidence that the assurances they received are just one part of that. I know that you know from other estimates sessions there is work going on in other parts of government to manage some of the more particular circumstances that have been very well ventilated. It's not reasonable to characterise the actions of officials as being merely seeking this one assurance, which you've done in repeated questions. They have given you evidence that they have taken this step and it is one amongst a number being taken both by the department but also more generally across the government.

**Senator SHOEBRIDGE:** Minister, on behalf the government are you satisfied with Defence getting that blanket assurance from PwC and not asking the most obvious question, which is, 'Give us the list of the 54 names so we can check ourselves'? Are you satisfied with what you've just heard from Defence officials?

**Senator McAllister:** Defence have indicated they are taking steps to assure themselves of the circumstances. They have indicated to you some of the things they have done to date and that this work is ongoing. Yes, I'm satisfied with that.

**Senator SHOEBRIDGE:** Mr Moriarty, do you think it might be a good idea to get the list of 54 names from PwC so you can do your own checks? Do you think that might be a good idea?

**Mr Moriarty:** I think we will work through this in a methodical way.

**Senator SHOEBRIDGE:** No, that doesn't answer my question. Do you think it might be a good idea to check, rather than rely upon PwC's blanket assurance, given how grossly unethical they are?

**CHAIR:** Senator Shoebridge, I just have to remind you again that, while you may not appreciate the answer given, the secretary, as are all the other witnesses, is entitled to provide you with an answer. Whether you like it or not, that is the answer, and the official has already provided an answer to that question. Could I ask you to move along to other questions, please?

**Senator SHOEBRIDGE:** Why haven't you asked for the 54 names? What is restraining you?

**Mr Moriarty:** We are working through this in a methodical way. We are continuing to engage with the company. There will be further information provided by the company. There will be further questions asked by Defence. But we are seeking to do this in a whole-of-government way. We have some guidance from the government, we have some guidance from the Public Service from the most relevant departments and we are approaching that in a methodical way.

**Senator SHOEBRIDGE:** When it comes to PwC, Defence is like the gorilla here, and you haven't even asked the most basic question. You are far and away PwC's biggest client. Is it that you don't want to upset them? Is that it? You don't want to upset them, because you've got such a deep commercial and professional relationship with PwC?

**Senator LAMBIE:** Are you going to let them police themselves, like you do with the military?

**Senator SHOEBRIDGE:** Secretary, is it because of the close relationship—

**Senator LAMBIE:** It comes down to national security. Release the names.

**CHAIR:** Senator Lambie and Senator Shoebridge, the secretary has provided a response. I ask you to move along. It is against standing orders to ask repetitive questions on the same matter, so please move along.

**Senator SHOEBRIDGE:** Is it because you don't want to upset them, Secretary?

**Mr Moriarty:** No, Senator.

**Senator LAMBIE:** Why is it? Can we have an explanation? Why do you not want to provide those names?

**CHAIR:** Senator Lambie—

**Senator LAMBIE:** I was just wondering—

**CHAIR:** I understand that, but Senator Shoebridge has the call. You will have the call very soon.

**Senator LAMBIE:** If you have look at the standing orders, we just want to know why, and I think that is a fair question under standing orders: why?

**CHAIR:** Senator Lambie, interjections are disorderly, and you will have the call very soon.

**Senator LAMBIE:** Someone's not answering the question when you can't get the reason why.

**Senator SHOEBRIDGE:** Can we go through the contracts that you have with PwC and see if you're satisfied sharing defence secrets with them. There is an \$8.4 million contract for a data-sharing project. What defence secrets have you given PwC for that data-sharing project?

**Mr Yannopoulos:** Do you have the contract number there, Senator?

**Senator SHOEBRIDGE:** I do: CN3800058.

**Mr Moriarty:** If I could, a data project wouldn't necessarily involve secrets or secret information.

**Senator SHOEBRIDGE:** Giving an \$8.4 million contract to PwC for data sharing and analytics solutions—and I might say PwC are good at contract negotiations, because it went up from \$3.1 million to \$8.4 million recently—you are saying doesn't involve any sharing of confidential information?

**Mr Moriarty:** No, what I am saying is that data issues don't necessarily involve classified information. There is a wealth of information in the department that does not go to issues of national security classification.

**Senator SHOEBRIDGE:** I am surprised you have to pay PwC for data sharing. They normally do it free off their own bat. But you are paying \$8.4 million in this case. What confidential information is PwC getting as part of that contract?

**Mr Yannopoulos:** PwC are working with us on what's called the Data Sharing and Analytics Solution. It is a four-stage project, delivered under the Productivity Commission's *A better way to support veterans* report. It is assisting us in exchanging information between the Department of Defence and the Department of Veterans' Affairs. The contract began on 26 July 2021, and we are currently in stage 3, which commenced in July last year.

**Senator SHOEBRIDGE:** What about the \$19 million IT contract for something called project services?

**Mr Yannopoulos:** Could you give me the contract number so I can find it?

**Senator SHOEBRIDGE:** CN3794965. Again, I'll note for the record, it's another good contract squeeze from PwC. It went up from \$6.4 million originally to \$19.2 million.

**Mr Yannopoulos:** They are assisting us in project management services over a large ICT project—ICT 2022-22 which is the upgrade of our Defence secret network.

**CHAIR:** Senator Shoebridge, I need to hand the call over. I'll have to return to you. Senator Lambie, you have the call.

**Senator LAMBIE:** I'll go into that question. Are we paying an accounting firm to do tech? Is that what you're telling me? Are we paying an accounting firm to do ICT?

**Mr Yannopoulos:** No, they are assisting us in project management services—in scheduling, in status management and in risk. They're not doing the technical work. They are assisting us in running that program.

**Senator LAMBIE:** Doesn't the risk in that come from technical, though, not from accountants? I'm a bit confused about why you're using them. Can you go back a step and explain to me what the \$8.4 million was between Veterans' Affairs and Defence?

**Mr Yannopoulos:** Do you want me to do that first?

**Senator LAMBIE:** Yes.

**Mr Yannopoulos:** It's the development of a joint Defence and DVA data sharing and analytics solution to be delivered across four stages. Stage 1 was the scoping of it, understanding Defence's current data capability and refining the wellbeing framework. Stage 2, which concluded in June of last year, focused on planning the implementation approach for the DSAS, and further developing the wellbeing framework through consultation across the department. Stage 3, which commenced in July of last year, is still ongoing and focuses on management of privacy and consent, delivery of an ICT solution and the consent management system for DSAS, adoption of DSAS analytics capability and preparation of integrated tailored analytics products. That is where we're at with that project.

**Senator LAMBIE:** Can you pass all those stages over to the committee so we can have a look at exactly what those stages look like in larger form so we can get some more detail?

**Mr Yannopoulos:** Yes, that would be fine.

**Senator LAMBIE:** Thank you. I have some questions now for the Chief of Army.

**Lt Gen. Stuart:** Good morning.

**Senator LAMBIE:** Have you heard of the Leahy law? Does that ring a bell to you? Do you know what that's about?

**Lt Gen. Stuart:** Yes, I'm aware of it. It's a United States law.

**Senator LAMBIE:** Does it prohibit US forces from working with war criminals? Is that your understanding? It's a law that requires the US Department of Defence money not to be used for any training equipment or other assistance for a foreign unit if the secretary of defence has credible information that the unit has committed gross violations of human rights. Does that ring a bell to you?

**Lt Gen. Stuart:** Broadly speaking, yes.

**Senator LAMBIE:** Can you tell me whether or not the US government ever approached the army to discuss any soldiers or units being involved in war crimes or gross violations of human rights?

**Lt Gen. Stuart:** Are you speaking about whilst in the Middle East, or more broadly?

**Senator LAMBIE:** The Middle East.

**Lt Gen. Stuart:** I'm not aware of any approaches while we were operating in the Middle East. I'm aware of the Leahy law as it applied to where United States forces were able to operate and the partner forces they were able to operate with, and I am aware of that because we were working with the United States.

**Senator LAMBIE:** Do you know whether the Department of Defence has been more broadly approached, apart from what you have just told me, by the US government in relation to this law?

**Lt Gen. Stuart:** I'm not aware, no.

**Senator LAMBIE:** Your predecessor, General Rick Burr, seems to think the US government did. Are you aware that General Rick Burr wrote some letters to some soldiers in about February last year where he referred to the Leahy law, a law of United States of America, as a reason for these soldiers to no longer serve in the Australian Special Air Services Regiment?

**Lt Gen. Stuart:** I'm not, but I can take that on notice.

**Senator LAMBIE:** Do you know anything about that, General Campbell? You can feel free to say, because I have quite a few questions on this law.

**Gen. Campbell:** I'd have to take it on notice.

**Senator LAMBIE:** Is that because you don't know about the law or is that because it's Rick Burr and you need to go and speak to him?

**Gen. Campbell:** A combination of I'd have to talk to the General, I'd have to refer to correspondence and I'd just have to brush up on the Leahy law.

**Senator LAMBIE:** Can you tell me if part or all of that United States law is being used to sack Australian soldiers?

**Gen. Campbell:** I would have to take that on notice.

**Senator LAMBIE:** You're the CDF, surely you must know whether or not that law is there to sack soldiers and if the military is using that law to remove them.

**Gen. Campbell:** We operate under Australian law, so I'm going to have to take this on notice.

**Senator LAMBIE:** Do you know if any deals were done in 2018-19 where that law was chucked in? And I'll go back to my original question. The law was created to make sure it prohibits US forces from working with war criminals, so was this law used as more of a push on those who have been accused of war crimes? Was this another reason? Was that used as part of that reasoning?

**Gen. Campbell:** Senator, I don't know that that is the case. I have to take it on notice.

**Senator LAMBIE:** Minister McAllister, have you ever heard of this law?

**Senator McAllister:** Senator Lambie, I am not briefed on this piece of US legislation.

**Senator LAMBIE:** Okay. One of the characteristics of this law is that it relies on credible information, so have any of these soldiers been given an opportunity to defend themselves or have their names cleared—that is, the ones accused of war crimes?

**Gen. Campbell:** As I said, because I have to take it on notice I can't offer you a reply to that question.

**Senator LAMBIE:** When do you think you'll be able to get back to me with that information?

**Gen. Campbell:** I think this will take a little while.

**Senator LAMBIE:** Does anybody in this room know whether there was anything done with this Leahy law with the United States when the former government was in charge, and whether or not that has had any effect on what is going on now with the war crimes?

**CHAIR:** Senator Lambie, I think the CDF has made it clear that it will be taking that matter on notice. He has until 14 July to provide a response to the Senate committee, as I stated earlier this morning in my opening remarks.

*Senator Shoebridge interjecting—*

**CHAIR:** Senator Shoebridge, Senator Lambie has the call.

**Senator LAMBIE:** Do you think I would be able to have someone in here tomorrow to answer these questions on the Leahy law?

**Gen. Campbell:** I doubt it, because it will require us to be very clear in our own background and also, if there is a connection, to be very clear with regard to US interests.

**Senator LAMBIE:** This is the interest of Australian soldiers. There's no-one in Defence legal here today that can explain this law? Seriously, somebody must have an answer. It just feels like we're doing a bit of tap-dancing here. So nobody knows what happened with this law under the former government? That's what I want to know, if it's in place. If it's in place and we have picked it up and we are bowing to the US, that would be putting pressure on people who have been accused of war crimes who have not been dealt with through the court system yet, and that, to me, is going to be a problem.

I do have some questions regarding the publishing of soldiers' names after they have been charged with war crimes, and I will also be taking this up with the Attorney-General's office. General, regarding the names of soldiers that have been accused of war crimes—a serious crime that has significant implications for those accused, even when they are found to be not guilty—what is your department doing in working towards protecting the identities of accused soldiers from being published in the press? Has the Defence Force done anything? Has it spoken to the Attorney-General's office, raised any concerns? Is there any correspondence running around where the Department of Defence or the military has written to the AG about their concerns about

these people's names going out, the family consequences that it has? If these accused end up in jail, obviously that's going to cause a risk to their lives if they end up in jail. Has Defence written or done anything to protect those soldiers or fought for them to have their names removed out of the public arena?

**Gen. Campbell:** Defence has a particular identity status system for certain individuals doing certain particular roles within particular capabilities—most generally in our Special Operations Command. That protected identity status is active only while those persons are undertaking those duties. It is not active for the wider employment of individuals in the Australian Defence Force, and it is not active when they no longer serve in the Australian Defence Force. In that circumstance, they are treated as all other Australian citizens when they find themselves charged by a relevant authority. We have not sought to treat them in a different fashion or to request they be treated in a different fashion. They are Australian citizens being treated equally under the law.

**Senator LAMBIE:** With all due respect, they are very different to other citizens—that's the first thing. Other citizens do not join the SAS or commandos and go over there and fight and put their lives on the line. They also don't come back here and put their families at risk while the media is putting their names and faces out everywhere. They've got family out there that can be put at risk, especially if terrorist attacks start again. Who do you think is first on their agenda, let alone if they end up in jail? There are sympathisers for Islam out there. All I'm asking is one question: have you gone in to bat to stop their names being released? I don't need the rest of the waffle; I just want to know when did Defence go in there to bat for their own soldiers?

**Gen. Campbell:** Senator, this will be a matter for the Attorney-General.

**Senator LAMBIE:** Have you been into bat for your soldiers, Chief of Defence Force? That's what I want to know! Who has done that, to stop these names from being released? Has anybody made an effort?

**Gen. Campbell:** As I understand it, under Australian law persons who are charged and brought before courts are named in court proceedings lists.

**Senator LAMBIE:** There are concerns out there for doing that. I'm asking you whether Defence wrote their concerns down and tackled this issue. That's what I'm asking you.

**Gen. Campbell:** Senator, I am unaware of the nature of the concerns that you are claiming with regard to the circumstances of someone finding themselves in an Australian prison, if that were to be the case.

**Senator LAMBIE:** Maybe it's because you still have terrorists locked up there and there are terrorist cells. Who do think they're going to go for first? Seriously, you don't get that? Come on!

**CHAIR:** This is your last question, Senator Lambie.

**Senator LAMBIE:** Last but not least, why is the protected identity status—apart from what rubbish you just gave me, because you haven't been into fight for them or got them changed—not being honoured? Why is the identity status of these special forces soldiers not being honoured? Or, still, why isn't the military out there fighting for them to make sure that their protected identity status stays that way, even when they lose Defence? You've got a problem out there; people don't want to join, and it's no wonder. Nobody in the military right now wants to go to the SAS or commandos, and they're our top fighters. We need them in there. But why would you join when you're in uniform, knowing very well that you may end up in this episode? You've got nobody, not even the military, out there fighting for you to make sure your name stays under the woodwork, especially when you've got children and a family. I can only imagine what you'd say if one of those kids or wives was taken out because of that, in this country. Only a small risk—nothing to worry about? Seriously!

**CHAIR:** Thank you, Senator Lambie. CDF, I'll just go back to your earlier responses to my questions this morning regarding the PLA's navy and the numbers you gave me, the 355 ships and 58 submarines. Just to be clear, in terms of those in service in the PLA, are they, from your understanding, the current numbers that are currently serving the PLA's navy fleet? Are there any numbers to do with coastguard, for instance, or other fleets?

**Gen. Campbell:** That's a very good point. The PLA navy is the, as we would understand it, military navy of the People's Republic of China. They also have a significant coastguard of 700 vessels and a maritime militia that includes vessels that are often 50 metres and about 500 tonnes—fishing-vessel-like fleets. These number in the many hundreds and operate through, in particular, the South China Sea and East China Sea area. They are, on occasions, called upon to progress the People's Republic of China national interest with regard to asserting sovereignty claims and so forth. They do practise—and we see examples of this in the maritime militia—many multiples of these vessels rafting up as obstacles or moving into positions around features in the South China Sea. The navy, the coastguard and the maritime militia provide a tiered capacity for different forms of response against what is a wider spectrum of action than a traditional navy or coastguard would encompass.

**CHAIR:** Do you have any projections of what those numbers might be over the next five or so years?

**Gen. Campbell:** I'm uncertain in terms of projections, beyond that we would expect to see the maritime militia continue to grow to some degree. In terms of the coastguard, while it may grow, it's more likely that its capabilities will improve progressively as older vessels are retired and new ones enter into service, as with the PLA navy itself.

**CHAIR:** Do you have an understanding of what types of ships we're talking about?

**Gen. Campbell:** In terms of the coast guard, we're talking about cutters and patrol vessels—so varying from a corvette and a frigate, 3½ thousand tonnes, down to a patrol boat of some hundreds of tonnes. The maritime militia vessels are often various forms of converted and, in some cases, reinforced fishing-vessel sized ships.

**Mr Moriarty:** If I could add to that, with the size of vessels the CDF is talking about there, they are substantial ships. Given that we know that they are part of the PLA broad command and control structure, they are additional assets that the PLA Navy has available to pursue its interests in areas where they operate. So, in addition to the answer that General Campbell gave earlier this morning about the PLA Navy capability, we believe that with their coast guard there are an additional several hundred vessels of quite substantial size and capability that are a net addition to the ability of the PLAN to assert its interests where it seeks to do so.

**CHAIR:** I was just about to ask—it's fair to say we're largely talking about very modern type vessels here—about, particularly, the new capabilities. I'm assuming they've got the latest weapon platforms included as part of these vessels?

**Gen. Campbell:** The PLAN has been rapidly modernising, not just in terms of the numbers of vessels but also in the capabilities those vessels have. In those vessels, you see advanced surface-to-air and surface-to-surface missile systems and developing capabilities in radar and in operating with a fleet effect—so manoeuvring as a fleet. Of course, as with any modern military, the navy is supported by air and space systems, and also cyber effects. I mentioned those ground launched forms of missile systems—cruise, hypersonic, ballistic missile systems. You need to see this more as a web of effect, each supporting the other, but very advanced and increasingly so.

**CHAIR:** So it's fair to say you're seeing a trend in their naval build-up beyond just the increase in the size; they're building different types of ships but also with more advanced capabilities. Is that a fair statement?

**Gen. Campbell:** That's correct. This would be and should be expected. They have a very comprehensive effort across all forms of warfare to develop both quantity and quality.

**CHAIR:** In terms of the 58 submarines that you're aware of, does this include nuclear powered subs?

**Gen. Campbell:** It does. It includes six ballistic missile submarines and also six attack submarines, both nuclear. The remaining 46, also, are either diesel-electric or various forms of air-independent propulsion. What we are seeing is some of the older submarines going out of service and, progressively, the PLAN starting to bring into service more advanced diesel-electric for local work, and attack submarines and ballistic missile submarines for strategic purposes.

**CHAIR:** So, to be clear, for all the criticism from the People's Republic of China of Australia's decision to acquire these nuclear powered subs, they have their own nuclear powered subs and ballistic missile submarine capabilities as well, which obviously can launch nuclear armed warheads.

**Gen. Campbell:** That's correct. The public estimate currently is that China has around 400 nuclear armed missile systems and that it is progressively building out through 2035 to perhaps 2040 to see it be a nuclear weapons power of about 1,500 intercontinental ballistic missile systems. That would be something akin to the systems the Russian Federation and the United States hold. They also have, in a variety of their other missile technologies, the capacity for nuclear weapons to be deployed.

**CHAIR:** How does this compare with around 10 or 20 years ago?

**Gen. Campbell:** Let's say 20 years ago, they were pretty static, at about 150 to 200 nuclear missile systems and didn't have the variety of systems or the numbers that they are now building to.

**CHAIR:** In terms of the numbers you gave me earlier, roughly how many of those subs could be at sea—that is, at station—at any one time, from your assessment?

**Gen. Campbell:** There's a degree of classification in that question, but I would just say that some submarines will be and should expect to be in a maintenance cycle, some submarines in a work-up cycle and some submarines operating operationally.

**CHAIR:** Okay. I'll ask this last question, and then I'll hand over to the opposition. How far could these subs travel from mainland China, particularly in terms of our context here in Australia?

**Gen. Campbell:** The nuclear powered submarines, the attack submarines in particular but any nuclear powered submarine, can operate for very extended periods of time. The limiting capacity in nuclear powered submarines is typically either the amount of food or the wellbeing of the crew that would see the length of time and the distance travelled. They would have moved quickly underwater, and nuclear power is essentially nominally unlimited in terms of the length of the patrol. Diesel-electric needs to be much more carefully managed in terms of distance, time and duration.

**CHAIR:** Thank you very much.

**Senator BIRMINGHAM:** Thanks, Chair, for that line of questioning—an important and salient reminder of the unprecedented military build-up in our region and the criticality of how Australia responds to it. As part of that response, on 9 May the Albanese government—the Deputy Prime Minister—announced investment of \$19 billion in response to the *Defence strategic review*. How much of that \$19 billion was additional funding to Defence to pursue investment?

**Mr Hamilton:** That \$19 billion included around \$12 billion of funding that was already allocated to those six priorities. The residual funding: the government directed that Defence identify lower-priority activities from within the Defence budget that would be redirected to these new priorities better suited to our strategic circumstances.

**Senator BIRMINGHAM:** Thanks, Mr Hamilton. I think that was a way of saying 'none' in terms of the \$19 billion—none of it is additional funding that is new flowing into Defence; it is either funding that was already allocated. And you're saying \$12 billion of the \$19 billion was actually already allocated to the priorities that the defence minister announced. Is that correct?

**Mr Hamilton:** That's correct.

**Senator BIRMINGHAM:** So, that includes, for example, the \$6 billion that was allocated to the attack-class program now being dedicated to the nuclear powered submarine program under the AUKUS agreement?

**Mr Hamilton:** I'll just confirm that with the CFO, but my understanding is that that's correct.

**Mr Groves:** That's correct.

**Senator BIRMINGHAM:** Thank you. The defence minister's statement indicated \$7.8 billion of reprioritisation within the Defence IIP. Is that correct?

**Mr Hamilton:** That's correct.

**Senator BIRMINGHAM:** So that gives us, broadly speaking, the \$19 billion. Can we just step through, firstly, the \$12 billion that was already in the budget? We understand \$6 billion of that was for the submarine program as a pre-existing allocation. Where do we get the other \$6 billion from?

**Mr Groves:** The break-up is that there was \$6 billion for submarines, which you've mentioned; \$3.6 billion for northern bases; \$0.6 billion for innovation; and \$1.6 billion across strike and guided weapons explosive ordnance.

**Senator BIRMINGHAM:** Thank you. For the \$7.8 billion of reprioritisation, can we step through what that has come from to go in the DPM's announcement as to where it's going to? Where is it coming from? Where are the cuts lying for that \$7.8 billion?

**Mr Groves:** If I can do the second part first, around where it is going to, the \$7.8—

**Senator BIRMINGHAM:** Well, we're going to find out where it's going to.

**Mr Groves:** Of the \$7.8 billion, there is an additional \$2.5 billion for strike and guided weapons explosive ordnance; \$0.3 billion extra for innovation; \$0.9 billion for the people retention initiative; \$0.2 billion for northern bases; \$0.9 billion for regional engagement; and \$3 billion additional for submarines.

**Senator BIRMINGHAM:** Thank you. Now the part that we were asking for, Mr Groves.

**Mr Groves:** At a high level it was \$6 billion, but I'll leave it to the vice chief to talk about where the savings were identified.

**Vice Adm. Johnston:** Good morning. The \$6 billion that was reprioritised comprised seven projects that were cancelled, seven that were deferred in time and 37 that were rescope. By that I mean that the intended delivery within those projects was changed, with a reduction in order to harvest the funding from them.

**Senator BIRMINGHAM:** Thank you. Can I firstly just clarify an inconsistency there. The defence minister's statement says:

These immediate priorities will be delivered within Defence's existing resourcing, including through an initial \$7.8 billion reprioritisation of the Defence Integrated Investment Program.

You're talking about \$6 billion, so where's the delta of \$1.8 billion?

**Vice Adm. Johnston:** The additional \$1.8 billion we will reprioritise as we do the work of returning with the National Defence Strategy over the next few months.

**Senator BIRMINGHAM:** So the \$1.8 billion that are as yet undetermined are actually cuts still to come?

**Vice Adm. Johnston:** For reprioritising, yes.

**Senator BIRMINGHAM:** Right. This funding is just within the forward estimates period, isn't it—the next four years?

**Vice Adm. Johnston:** That's correct.

**Senator BIRMINGHAM:** Thank you. Can we detail the seven projects that have been cancelled and their contribution to the \$6 billion?

**Vice Adm. Johnston:** A small number of the 51 projects that I mentioned are classified, but, of the unclassified ones, the cancelled projects were the Fishermans Bend wind tunnels and propulsion laboratories; the Puckapunyal combined arms museum; the RAAF Williams, Point Cook redevelopment and relocation; the RAAF Williams, Laverton redevelopment; a simplification of compensation structures; and the additional Protected Mobile Fires, which is the second regiment of the self-propelled howitzers.

**Senator BIRMINGHAM:** Thank you. And the seven that have been deferred?

**Vice Adm. Johnston:** The delays: Irwin Barracks redevelopment and Leeuwin Barracks relocation; a Russell Offices midterm refresh—

**Senator BIRMINGHAM:** Sorry to interrupt, Vice Chief. Is it possible, as you're going through each of the deferrals, to indicate when they have been deferred to or how long the deferral is?

**Vice Adm. Johnston:** I don't have that data, Senator. I'd have to take that on notice to give it to you. I just have the names of the projects.

**Senator BIRMINGHAM:** Okay. Finish the list of the deferrals—and, yes, please, could you take that on notice.

**Vice Adm. Johnston:** There is the Russell offices midterm refresh, Borneo Barracks redevelopment, Randwick Barracks redevelopment, Kokoda Barracks refresh, and a garrison estate management system.

**Senator BIRMINGHAM:** And rescoping?

**Vice Adm. Johnston:** You would like me to read them all out? There's the Sydney living-in accommodation; Shoalwater Bay training ground midterm refresh; Victoria Barracks Melbourne redevelopment; RAAF Richmond redevelopment; Victoria Barracks, Sydney, redevelopment; general ranges and training areas; Gallipoli Barracks midterm refresh; Simpson Barracks, Watsonia, redevelopment; RAAF East Sale refresh; Puckapunyal redevelopment; ADF reserves and cadets project; RAAF Pearce midterm refresh; an applications and ICT applications program of work; some consolidation workforce planning tools; air mission training system; Lead-In Fighter Capability Assurance Program redevelopment; joint terminal attack controller training; a deployable defence air-traffic management and control system; the infantry fighting vehicles, Land 400 phase 3; mortar ammunition replacement; and maritime uncrewed aerial systems continuous redevelopment. They were rescoping of those projects.

**Senator BIRMINGHAM:** Can we break down across those three different categories, as you've divided them, in terms of the \$6 billion of savings over the forward estimates, how much relates to the cancelled projects, how much to the deferred projects and how much from rescoping?

**Vice Adm. Johnston:** I'll take that on notice.

**Senator BIRMINGHAM:** Have you got any indication?

**Vice Adm. Johnston:** No.

**Senator BIRMINGHAM:** What are the biggest contributors?

**Vice Adm. Johnston:** Some of the large ones are Land 400 phase 3, the infantry fighting vehicles, with the reduction in the number of vehicles; and the second regiment of the self-propelled howitzers. They're examples of some of the larger quantum.

**Senator BIRMINGHAM:** And what's the order of magnitude for those?

**Vice Adm. Johnston:** I'd take that on notice.

**Senator BIRMINGHAM:** Surely there's somebody here who can help us with what the magnitudes of those big project rescoping or variations are.

**Vice Adm. Johnston:** Elements like the infantry fighting vehicles are subject to renegotiation of the tenders, so it is going to take us some time to have confidence about what those numbers will be.

**Senator BIRMINGHAM:** How quickly does the extra \$1.8 billion have to be landed?

**Vice Adm. Johnston:** As part of the return for the National Defence Strategy next year.

**Senator BIRMINGHAM:** As part of the return?

**Vice Adm. Johnston:** The work we will do in redeveloping the Integrated Investment Program—that will be part of the outcomes that we'll accommodate within that work.

**Mr Hamilton:** Senator, as I mentioned this morning, we will need to undertake a comprehensive review across all aspects of defence planning, including the Integrated Investment Program, to make sure that our activities are aligned with the strategic intent of the *DSR*. The work that the vice chief is referring to will form part of that. It is likely that there will be more activities identified that are no longer suited to our circumstances, as the secretary and I mentioned this morning. That work has commenced and will be completed as part of the 2024 National Defence Strategy.

**Senator McAllister:** If I may, as a consequence of receiving the review, the government has identified some early priorities where it is clear that we need to and intend to make additional investments, and room has been found in the defence budget for those investments to take place. You've just been stepped through some of the ways that that reprioritisation has occurred. I will remind you that we're really clear about how we approach budgeting in the Defence area. There is a significant change in our strategic environment. It requires us to use our resources well. The challenge is, of course, that we inherited a defence IIP that was overprogrammed—32 per cent in the next financial year. We also had the circumstance where your government made very significant commitments without ever explicitly provisioning funding for them within the Defence budget. We are working to resolve those things. It's better to be up front about where our priorities lie and where we will invest than to pretend—as, regrettably, your government did—that all of these things may be done without explicit funding.

**Senator BIRMINGHAM:** Let's take your political comments there. We've just heard that \$7.8 billion has been added to the investment program. Is that correct?

**Senator McAllister:** We've indicated that—

**Senator BIRMINGHAM:** No. That's a pretty factual question. Have we just heard that \$7.8 billion has been added to the investment program?

**Senator McAllister:** There's a range of things which require investment: \$19 billion to implement the findings of the review.

**Senator BIRMINGHAM:** Right; \$19 billion, \$12 billion of which was already there. So \$7.8 billion of additional expenditure—that's what Mr Hamilton told us, isn't it?

**Mr Hamilton:** Correct.

**Senator McAllister:** And reprioritised from within the existing funding envelope.

**Senator BIRMINGHAM:** And \$6 billion that has been reprioritised. So aren't you now overprogrammed by a further \$1.8 billion until you identify what those savings will be? You're coming in here and giving a lecture about overprogramming, but haven't you actually taken it even further in the decisions that the government has taken? And it doesn't yet know where the money is coming from?

**Senator McAllister:** The government has been very clear that we do expect Defence to work through the IIP and resolve the issues that we've been discussing. This is staged work. The *Defence strategic review* was done in an unusually short period of time compared to how white papers might ordinarily proceed. That was because we thought to make early adjustments to the expenditure priorities for Defence to meet our strategic circumstances. There is no sense in which that work is complete. The *Defence strategic review* provides a long-term framework for us to consider our strategic priorities, and Defence is working through implementation.

**CHAIR:** Thank you, Minister. On that note, we will suspend very briefly.

**Proceedings suspended from 11:01 to 11:15**

**CHAIR:** For the next iteration of today's proceedings, Senator Birmingham, I'll return the call to you.

**Senator BIRMINGHAM:** Can I confirm what the process is over the next 12 months to identify the further \$1.8 billion in savings out of the IIP?

**Senator McAllister:** I think the short story is that these are decisions to be taken in the context of developing the defence strategy which is to be released next year, but I will ask Mr Hamilton to step you through some further detail.

**Mr Hamilton:** I might hand to the vice chief as well. That's correct. As is often the case following high-level government direction in relation to a new strategy, we will go through the process of looking at our arrangements within the Defence portfolio, including our capability plans to make sure that they will meet the circumstances set out by the government and meet the government's new direction in relation to what it is that the organisation needs to do.

Very briefly, we, at a high level, have been told that we need to develop a future force that can hold adversaries at risk further from Australia's shores. We need to maximise the deterrence, denial and response options for the government. The Navy must have increased lethality. Army must have more manoeuvre capability in the littoral environments and a longer-range strike capability. Air Force must be positioned to provide air support for joint operations in our north through a range of capabilities. We must also develop our cyber and space capabilities. All those high-level strategic directions are things that will now guide the process within Defence to make sure our plans are aligned with those. The way we do that within Defence is through, on the capital side, looking at our Integrated Investment Program, which is the role of the vice-chief.

**Vice Adm. Johnston:** Mr Hamilton has done a great job of outlining the process. The strategic review gives us a very clear expectation of what the maritime, land, air, space and cyber domains are required to deliver. It adds perspective of time epochs and urgency earlier. We will take the current Integrated Investment Program, which is a plan for the decade, and recalibrate it around the priorities the strategic review has outlined for us. We will determine those capabilities that are now a lower priority and may then become either deferred or cancelled in order to harvest both the workforce and the funding we will need to deliver the capabilities in those areas the strategic review has emphasised. That will be part of the process we'll work through. Some of that will be underpinned by some scenario analysis, testing of some of the capabilities and drawing out options for how we might deliver against them, and then we will compile that in the advice we provide to government.

**Senator BIRMINGHAM:** Is \$1.8 billion the ceiling of additional savings you're looking for out of the IIP, or are you looking for even more?

**Vice Adm. Johnston:** In order to prioritise all the investments we are expecting, we will look further to take money from those lower priorities and place it into the enhanced defence capabilities that the strategic review indicates. The review talks about our targeting function, which has intelligence inputs into it and a requirement to distribute information. We need to make sure we've got sufficient funding to deliver the types of enabling capabilities that underpin some of the harder-edge combat capabilities.

**Senator BIRMINGHAM:** You're looking for potentially even more than \$1.8 billion. How feasible is that over the forward estimates horizon, given the extent to which programs are committed to during that time frame and the long lead times that exist?

**Vice Adm. Johnston:** The initial DSR judgements around those immediate capability priorities—the six that Mr Hamilton has referred to—have the \$7.8 billion against them in addition to the \$12 billion of money available in those programs. We will look at whether there is further flexibility within the forward estimates to emphasise other priorities, but that's the work that is ahead of us.

**Senator BIRMINGHAM:** While we're on budgeting—and I know we'll come to details around AUKUS later, when Vice Admiral Mead is with us: the government announced in relation to AUKUS the medium-term cost of \$58 billion, \$24 billion of which, it said, will be offset from the existing provisions for the Attack class; is that correct?

**Mr Groves:** I think that's correct but I'll just check.

**Senator BIRMINGHAM:** Whilst you're checking there: is the remaining \$34 billion provisioned within the budget?

**Mr Groves:** We have included it in the Defence internal budget. It will be part of what we'll be looking at as part of the reprioritisation—how we manage that within the overall IIP. But it is loaded at this point, and part of the additional funding the government has put into the contingency reserve to help Defence over the back end of the decade will certainly help in managing those pressures.

**Senator BIRMINGHAM:** When you say it's built into the Defence internal budget, how is the Defence internal budget reflected in the actual budget forecasts of government?

**Mr Groves:** We have loaded into the IIP the nuclear powered submarine program; that's reflected as a new program within the Defence PBS but it's also within our internal system. It has been loaded within the IIP.

**Senator BIRMINGHAM:** Is it funded for by government? You've added it into the Defence internal budget and you've put it up against the IIP. Has that extended the degree of overprogramming at this stage?

**Mr Groves:** As I said, the additional funding that's been placed in the contingency reserve was very important for us, to help with our planning over the decade and to know what planning parameters we were budgeting to, as we work towards the exercise the VCDF was just outlining around how we do the major reprioritisation of the IIP, to manage it both within the forward estimates and over the decade.

**Senator BIRMINGHAM:** Does that mean there's adequate funding in the commitments the government has provided already? If not, what is the scale of additional reprioritisations beyond the \$1.8 billion we've been talking about in the forward estimates period that's necessary to meet at least the currently known commitments over the medium term?

**Mr Groves:** The additional funding that was placed in the contingency reserve will be a major assistance in managing the Defence budget over that decade.

**Senator BIRMINGHAM:** That's not really answering my question as to whether that's adequate or not. If it's not adequate, what is the further scale of reprioritisation that's necessary?

**Mr Groves:** It's probably fair to say we still need to do a fair bit of work with the DSR. All that's been costed and allowed for at the moment are those six priority areas Mr Hamilton went through. There are still other components within the recommendations within the DSR that we need to work through as part of the review of the Integrated Investment Program and coming back with the 2024 National Defence Strategy.

**Senator BIRMINGHAM:** In terms of when we get the 2024 National Defence Strategy: that will occur in time for next year's budget?

**Mr Hamilton:** I think the timing of the National Defence Strategy will be a matter for the government. We are working through not just those six priorities but all the adjustments we think we might need to make to our plans to inform its development. A future budget will be a matter for the government in the context of that budget.

**Senator BIRMINGHAM:** Surely, if the further \$1.8 billion in cuts to the IIP just over the forward estimates period is relying upon that strategy being finalised, it's pretty essential to have that settled ahead of next year's budget—or else we'll be repeating this conversation but with one less year available to identify and meet those reductions.

**Mr Hamilton:** The government has provided us with its strategic policy settings through its response to the *Defence strategic review*. That provides us with the strategic basis on which we will have a look at our investment plans, to make sure they are suited to that strategic policy. As the vice-chief has outlined, we're working through that methodically now. It's probably too early to predetermine what the outcomes might be, but there will be potentially new capabilities we might want to pursue. There might be capabilities we have been pursuing for some time that are no longer suited to circumstances. We might need to talk to industry. We would need to then work through with government the decisions it might want to make in that context. In answer to your question: I think we have the information we need now to commence the work to deliver the 2024 National Defence Strategy next year.

**Senator BIRMINGHAM:** I want to bring us right back to the year ahead. In the October budget the military equipment acquisition program's predicted expenditure for 2023-24 was some \$13.46 billion. This figure, in the May budget, has fallen, in terms of military equipment acquisition, to \$12.36 billion. It's a decline of more than \$1 billion in terms of what is being projected for acquisition expenditure just over the next 12-month period. Why is there that decline, and what programs, what acquisitions, are directly delivering that decline?

**Mr Groves:** In 2023-24 the acquisition program was reduced by a few major categories. Around \$550 million of that reduction was to do with the creation of the nuclear powered submarine program and the funding that moved out of acquisition into other areas to support that program. They went into other parts of the Defence budget or were caught up as part of the funding that went to other agencies. The reduction came out of acquisition. There was \$108 million for transfers to the Australian Signals Directorate out of the Defence budget in 2023-24 to fund projects that they're undertaking from the Integrated Investment Program. There was a further \$257 million that was taken out of the acquisition program to support components of two specific initiatives related to DSR. One was around the recruitment initiative. That was funding that moved from acquisition to workforce to fund that in 2023-24. That was \$185 million. There was also another \$70 million moved out to support the Pacific engagement component of DSR. The rest was a range of minor within budget adjustments within Defence, offset by an increase in foreign exchange.

**Senator BIRMINGHAM:** Aren't we just robbing Peter to pay Paul at that stage, if some of that reduction in acquisition expenditure is so that it can go into workforce retention programs?

**Senator McAllister:** Perhaps I'll go through the chair. It is challenging for officials to respond to very colourful language, and verges on asking them for opinions about certain quite political propositions. I think the official has been quite helpful in providing information that Senator Birmingham is requesting.

**CHAIR:** I'll move the call around. Senator Shoebridge, you have the call.

**Senator SHOEBRIDGE:** I might just go back to some discussions about PwC and contracts. Secretary, in the last round when I was asking you questions, I was asking you about the \$19 million IT contract—I gave the contract reference then—which PwC has. Can you explain why it went up from \$6.4 million to, more recently, \$19.2 million? Why did it go up by \$13 million?

**Mr Keefe:** That particular contract is for the provision of project management services for the project that Mr Yannopoulos mentioned previously. That increase was as a result of the project extending. It went longer, and was an approved extension in the scope of that particular project.

**Senator SHOEBRIDGE:** Just to be clear, this is the Defence Secret Network that PwC is project managing? Is that right?

**Mr Keefe:** They are providing project management services to the department for that particular project, yes.

**Senator SHOEBRIDGE:** Was I wrong when I said they're project managing it?

**Mr Keefe:** They're not project managing it independently. That is part of the role that we would perform, and they provide us with additional resources to help us do that.

**Senator SHOEBRIDGE:** Let's be clear: the Defence Secret Network is the secret network under which defence personnel can share information amongst themselves. Is that right, Secretary?

**Mr Moriarty:** Yes, it's an internal network. It also allows us to communicate with other entities, the Department of Foreign Affairs and Trade, for example, and other government agencies have connections on that network.

**Senator SHOEBRIDGE:** I'm assuming that, for that reason, it must have a high level of confidentiality and integrity. Is that right?

**Mr Moriarty:** It has the appropriate wraparounds that you would expect for a network that is handling secret level material.

**Senator SHOEBRIDGE:** And you have not sought confirmation from PwC about the 54 people who have been named in the emails? You've not sought to get their names to see if they're working on the Defence Secret Network? You haven't done that?

**Mr Moriarty:** I think I provided an answer before. There are a number of things that the department's doing in relation to this PwC matter. There are some things that the department is pursuing very appropriately. We're engaging with the department. We've had some engagements to date. There will be additional engagements in the days and weeks to come. We are taking government direction about the broad approach that the government wishes to adopt in relation to PwC, and we are also taking the lead from the Department of Finance, which is playing a central role in relation to this matter.

**Senator SHOEBRIDGE:** How many PwC staff are co-located on Defence premises for the contract on the Defence Secret Network?

**Mr Keefe:** I don't have that detail with me. I'll need to take that on notice.

**Senator SHOEBRIDGE:** Are you managing that contract?

**Mr Keefe:** Yes, I am.

**Senator SHOEBRIDGE:** Well, you must know that there are PwC staff embedded in Defence on the contract?

**Mr Keefe:** That is correct, yes.

**Senator SHOEBRIDGE:** How many have you been dealing with?

**Mr Keefe:** Personally, I don't deal with the full range of that part of the chief information officer group, but I can certainly get that number for you.

**Senator SHOEBRIDGE:** Just tell me how many you deal with who are embedded.

**Mr Keefe:** One or two would be all I would deal with.

**Senator SHOEBRIDGE:** Is it one or two?

**Mr Keefe:** It varies depending on what the topic is. But, for myself, I would typically deal with the lead partner on those types of activities.

**Senator SHOEBRIDGE:** Secretary, do you feel comfortable having PwC staff embedded in the Defence department, having that kind of access to the Defence Secret Network? Are you comfortable with that?

**Mr Moriarty:** We are working through, methodically, how we are going to look at the existing work we have with PwC. We're going to look at some historical work. We will, as part of a whole-of-government effort, come up with an approach to future dealings with the company. I am confident that all of the areas of the department are taking this matter very seriously and are approaching it with proper rigour.

**Senator SHOEBRIDGE:** What separate integrity tests have you done for the PwC staff who have access to the Defence Secret Network and work on the management of the Defence Secret Network? What additional integrity tests have you done since this scandal broke?

**Mr Keefe:** We would ensure that the PwC staff that would have access to those things hold appropriate security clearances to access that level of information.

**Senator SHOEBRIDGE:** I'm assuming you would have checked they had security clearances before the scandal broke?

**Mr Keefe:** Correct.

**Senator SHOEBRIDGE:** So that's not new. Do I understand from that that the correct answer is that you've done nothing fresh, nothing new? Is that the correct answer?

**Mr Keefe:** I have not undertaken any further assurances beyond the normal ones that we would undertake prior to anyone having access to our secret networks.

**Senator SHOEBRIDGE:** What kind of access do they have to the secret network?

**Mr Keefe:** For this particular contract, it would be around project-management-type information to assist us in managing the conduct of the activity. That would be the main type of information that they would be able to access.

**Senator SHOEBRIDGE:** They'd have information about the nature of the programming, the extent to which it's resilient from external attacks and the way in which it works, wouldn't they? You'd need that information to do the project management work, wouldn't you?

**Mr Keefe:** They would have access to standard project management activities. I would need to check any other information, but that is the predominant role that we've engaged PwC for. In terms of the technical aspects of that project, that is undertaken by other firms.

**Senator SHOEBRIDGE:** And no additional checks since the scandal broke—none?

**Mr Keefe:** I have not undertaken any, no.

**Senator SHOEBRIDGE:** Secretary, are you satisfied about there having been no additional checks at all of the PwC staff that are embedded in Defence and working on Defence Secret Network. There have been no additional integrity checks since the scandal broke. Are you satisfied with that?

**Mr Moriarty:** We are working through this methodically. We are—

**Senator SHOEBRIDGE:** Glacial. You're working through it glacially. You haven't even done basic integrity tests, Secretary. It's not methodical; it's glacial. That's a better description, isn't it?

**Mr Moriarty:** That's your word. I am working through it with my colleagues. We are doing this, nested in a whole-of-government approach that is driven by a broad government policy setting. We will continue to engage with PwC. We have engaged with PwC. That work is quite intense, and it is ongoing.

**Senator SHOEBRIDGE:** What about the \$3.6 million contract for 'cyber workforce and cyber college support' that you've given to PwC? What's that for? It's contract No. 3909438. If it assists, it's in the Information Warfare Division—again, maybe something that PwC can give you insights into.

**Mr Yannopoulos:** We're just getting the relevant official to come to the table.

**Senator SHOEBRIDGE:** I'll start with the obvious question. What on earth are you doing, letting PwC into the Information Warfare Division of Defence? What on earth are you doing, leaving them there?

**Mr Yannopoulos:** They are providing labour hire support in learning design and development, workforce management and analysis, and mitigation—to our own capacity gaps in the Commonwealth workforce.

**Senator SHOEBRIDGE:** They're providing staff?

**Mr Yannopoulos:** They're providing people.

**Senator SHOEBRIDGE:** How many PwC staff are embedded in the Information Warfare Division under that \$3.6 million contract?

**Lt Gen. Frewen:** In my area there is a group now known as the Cyber Warfare Division. It was formerly known as the Information Warfare Division. We currently have contracts with PwC. The number of personnel currently employed by PwC is seven to eight, depending on the tasks.

**Senator SHOEBRIDGE:** You say 'contracts'. How many contracts?

**Lt Gen. Frewen:** In Cyber Warfare Division, we have a single contract. There are other areas within my group where we have PwC contracts. This single contract is in relation to workforce. It is workforce, as you've indicated, related to, among other things, the establishment of the defence cyber warfare college.

**Senator SHOEBRIDGE:** Since the PwC scandal broke, what additional checks have you done, Lieutenant General, to check the integrity of the PwC staff who are embedded in the Cyber Warfare Division? And, if you have anything to add, General Campbell, please feel free.

**Lt Gen. Frewen:** We're approaching this as a department, and I have not personally done any integrity checks in relation to this contract.

**Senator SHOEBRIDGE:** Outside of you personally, has Defence done any single additional integrity check of the seven to eight PwC staff that are as we speak embedded in the Cyber Warfare Division of Defence? Have you done anything?

**Mr Moriarty:** I outlined for the committee the approach that the department is taking to these things.

**Senator SHOEBRIDGE:** You haven't even washed them against a list of names. You haven't even asked for the list of names to wash them against the list of names—have you?

**CHAIR:** Last question, Senator Shoebridge.

**Mr Moriarty:** I've outlined the department's approach. If you want to ask what steps are being taken in relation to each project, what I've sought to do is provide the committee with an overview of the approach that the department is taking. It is methodical, it is already engaging with PwC and it will continue to engage with PwC to delve more into these matters. We are also nesting in a whole-of-government approach that's being led by the Department of Finance and in response to broad government directions.

**Senator SHOEBRIDGE:** You need to get rid of the nest; that's the problem.

**CHAIR:** I'll hand over the call to Senator Lambie.

**Senator LAMBIE:** I have some questions for the CDF regarding the Freedom of Information request No. 548/223 that was put to the department earlier this year?

**Gen. Campbell:** I'll just have to pull up the relevant details.

**Senator LAMBIE:** While you're doing that, I'd like to table a letter that I have from the Clerk of the Senate to the committee.

**CHAIR:** Could I please have a look at it before we do that?

**Senator LAMBIE:** Absolutely.

**CHAIR:** We will suspend for two minutes. I just want to have a proper read of this.

#### **Proceedings suspended from 11:46 to 11:48**

**CHAIR:** I might officially kick off again. What was the question that you were seeking to clarify?

**Gen. Campbell:** I just wanted to clarify the FOI number that Senator Lambie wished to speak to me about.

**Senator LAMBIE:** It's information request 548-2223. Do you have that FOI request?

**Gen. Campbell:** I am aware of the FOI request.

**Senator LAMBIE:** Great. Just so the committee is aware of it, the FOI request sought access to some 17 letters sent to service personnel in November last year asking them to consider reviewing a medal they received for service in Afghanistan. The department's response to the FOI confirmed the existence of the letters and cited legal professional privilege as a reason to not discuss the letters. Please note that the legal professional privilege is generally waived once you send the letter. I'm not at all sure how that is going to stack up with the Information Commissioner. First of all, I want you to consider that point in trying to use legal professional privilege because I'm telling you that, from the letter that I've got, it does not stack up. That excuse is now off the table. You were asked to bring copies of those letters to this hearing today. Have you got the copies of those 17 letters here today to table for the committee?

**Gen. Campbell:** I do not.

**Senator LAMBIE:** Why not?

**Gen. Campbell:** Because, in terms of respect both for privacy under the requirements of the Privacy Act and for the integrity of the process that is underway, I have not brought those documents and do not propose to be releasing those documents.

**Senator LAMBIE:** Are we tabling that document with the advice that I have had?

**CHAIR:** We're just waiting for that to be circulated. As is the case, officials may also seek a PII claim, and it is their right to do that as well as to take matters on notice.

**Senator LAMBIE:** We have been very clear about redacting names out of those letters, and I can assure you that's the only thing you'll need to redact out of those letters.

**Gen. Campbell:** Could I ask for some clarification. You mentioned 17 letters, and I am unclear as to which letters you might be referring to.

**Senator LAMBIE:** You know exactly which letters I'm referring to. I'm referring to the ones that you wrote out to certain hierarchy out there, asking them to give their medals back. You've just asked for another seven. You can disagree with me, but you've just asked for another seven. You've sent out another seven letters in the last few weeks asking seven other hierarchy out there to give back their awards. Now we're up to—17 and seven—24. We're up to 24 letters that I'm now chasing that can have their names redacted. I want to see the context of those letters.

**Gen. Campbell:** I take it that you're speaking to letters with regard to the question of command accountability and the recommendation from the Brereton report that a review be undertaken into decorations awarded to certain command persons during their service in Afghanistan.

**Senator LAMBIE:** That's right. The Distinguished Service Cross is what I'm asking about.

**Gen. Campbell:** In that regard, irrespective of the number, for reasons of privacy and the integrity of the process of undertaking this consideration—which, as you will appreciate, is very serious and quite complex—I have not released those letters.

**Senator LAMBIE:** You're happy to stand there and do nothing about those boys with their faces out there that have been accused of war crimes, but you're worried about 24 of those top commanding officers out there that have been asked to bring back theirs—to hand back in their distinguished crosses. You're more worried about their names being released out there, are you? I could just about tell you what their names are, and I could list them here today, seriously.

**Gen. Campbell:** I'd like to make it very clear that Defence has in no way released individual names with regard to any aspect of considerations arising from the Brereton inquiry. While I don't agree with the number that you are proposing, in terms of numbers of letters and so forth, my point remains that I will not release them.

**Senator LAMBIE:** I don't think it's going to come down to you to release those letters because I'm going to fight you every single step of the way. It's going to get even worse for the Senate when I stop it every hour for two weeks straight until I get those letters with the names redacted. There is absolutely no reason in law for you not to redact those letters. The only reason would be, I'll put it to you right now, that every single one of those letters has been altered slightly. Every single one of those letters has slightly different wording in it because, if they pass in those letters to myself or to somebody in the media, you would be able to pinpoint which person passed that letter in. I'll put that to you today.

**CHAIR:** Thank you, Senator Lambie.

**Senator LAMBIE:** Is that why you've done those letters differently? I want to know if that is why every single one of those letters was written slightly differently. Was it so you could pinpoint who gave them to me or to the media if they were to pass them in?

**Gen. Campbell:** Any letter written to a member of the Defence Force or the Defence organisation is written with particularity to their own individual circumstances, and that has been the case through this process.

**Senator LAMBIE:** No.

**CHAIR:** Last question, Senator Lambie.

**Senator LAMBIE:** I don't believe that is the case whatsoever. Once again, I'm asking you, without me going any further today, what time are you giving me those letters today, redacted and with the names out of them?

**Gen. Campbell:** Unless directed otherwise by the government, I am not releasing those letters—

**Senator LAMBIE:** When is the government going to release those letters?

**Gen. Campbell:** for the integrity of the process and for the privacy of the individuals.

**Senator LAMBIE:** The only integrity right now is your integrity, which is right up there on the Richter scale, I can assure you.

**CHAIR:** Thank you, Senator Lambie.

**Senator LAMBIE:** I'm asking once again—Minister, when are those letters going to arrive here?

**CHAIR:** I think the minister was just about to provide you with a response, Senator Lambie.

**Senator LAMBIE:** Or we're going to have a hard few weeks in the Senate, I can assure you. We can stop it every hour every morning.

**CHAIR:** Thank you, Senator Lambie. Minister.

**Senator McAllister:** Thanks, Chair. I will take the question on notice, Senator Lambie. You've heard and, I think, received written advice from General Campbell about his policy advice in relation to those letters and whether or not they are suitable for release. We'll take it on notice and consider his advice and the matters that you've raised here and come to a decision about what information may be provided.

**Senator LAMBIE:** Thank you. The Clerk of the Senate has also written in support of that.

**Senator McAllister:** I note the Clerk's advice, and of course we would consider the Senate standing orders in any subsequent decision as well.

**CHAIR:** Thank you. Senator White, I'll hand over the call to you now.

**Senator WHITE:** Thanks. I have some questions about the Defence budget. The *Defence strategic review* found at paragraph 13.3 on page 95:

Since the *2016 Defence White Paper*, Defence funding over the planning decade from 2022-2023 to 2031-2032 was reduced.

It goes on to talk about what the figures are. There was \$3.6 billion for REDSPICE to 2025-26, there was \$2.7 billion transferred to other agencies and there was \$12.2 billion through a strategic reserve adjustment, which was \$9 billion, and efficiency dividends at \$3.2 billion. You've had questions this morning, I think, from Senator Birmingham about transfers. Is it fair to say that this isn't the first time that transfers have happened?

**Mr Groves:** There are adjustments being done all the time to the Defence budget. What was outlined there in the *DSR* report was some of the larger adjustments that had been done since, I think, the 2016 white paper.

**Senator WHITE:** Those were done under the former government, weren't they?

**Mr Groves:** Yes. It was during the term of the other government.

**Senator WHITE:** So it's not unusual. Anyone who would be suggesting that this is something out of the box and out of the ordinary would be misrepresenting history.

**Mr Groves:** No. There are adjustments being done all the time. It keeps me employed.

**Senator WHITE:** Well, that's a reason to do it, isn't it? There was, or was there not, \$2.7 billion transferred to other agencies since the 2006 Defence white paper? Is that right?

**Mr Groves:** Yes, that is correct. Some of those were transferred to the Australian Signals Directorate, which became a separate agency. There was funding to ANI, Australian Space Agency. They were a couple of the major ones.

**Senator WHITE:** There was a \$12.2 billion strategic reserve adjustment. What was that about?

**Mr Groves:** The \$12.2 billion was a combination of what was called a strategic reserve adjustment, which went back to the 2017-18 budget, and that was around \$9 billion, so that was a reduction in the overall Defence funding over that period. Then the balance of the \$12.2 billion was made up of efficiency dividends that were ongoing in nature, either conventional efficiency dividends or those relating to contractors and consultants that were also done as part of the 2017-18 budget.

**Senator WHITE:** So for those watching at home—I am sure there are thousands of people—do you want to explain what 'efficiency dividends' mean? My understanding, and there might be a more official way of describing these, is it is a bureaucratic word for 'savings measures', isn't it?

**Mr Groves:** It is a reduction to our appropriation.

**Senator WHITE:** I knew there would be a better phrase—a reduction to the appropriation—so a savings measure. There was \$3.2 billion in efficiency dividends from Defence under the former government, wasn't there? Am I right in saying that?

**Mr Groves:** Yes, they were the two I just outlined. The efficiency dividend was a conventional one that was applied across whole-of-government and the other one was a specific one going back to the 2017-18 budget that was an ongoing in nature related to contractors and consultants.

**Senator WHITE:** On my maths, which is not my strong suit, it is about \$18.5 billion pulled by the former government out of Defence. Is that right?

**Mr Groves:** That is about right.

**Senator WHITE:** The DSR goes on to state at paragraph 13.4 on page 95:

Between the 2020 Defence Strategic Update and the commencement of this Review, measures were announced which resulted in excess of \$42 billion in additional Defence spending over the planning decade, without the provision of any additional allocation in the Commonwealth Budget.

It then goes on to highlight what these announcements were—\$7.9 billion further spending for REDSPICE beyond 2025 to 2026; \$32.2 billion for the establishment of the GWEO Enterprise; and \$1.9 billion to achieve AUKUS Pillar II advanced capabilities. To be clear, these are announcements made by the former government without sufficient money to fund them. Am I correct in asserting that?

**Mr Groves:** I would categorise them as they were announcements made by the previous government. We within Defence were tracking what the cost pressures of those particular measures looked like over the decade. We have costed those and they were provided to the DSR. The DSR used them within their report.

**Senator WHITE:** So you have costed them and looked at them. Let me go back. There wasn't money to fund them, though, was there?

**Mr Groves:** Across all three of those initiatives that you mentioned, no, there was no additional funding provided to Defence, even though elements of the GWEO Enterprise there was funding already as part of the Defence budget caught up with that. But what was identified were the additional pressures as we were establishing what we called the GWEO Enterprise.

**Senator WHITE:** I am troubled by that. I think that given their importance to Defence of these particular announcements more generally. What has been the impact on Defence in not having the money to fund these announcements?

**Mr Groves:** Most of those are still being worked through. Obviously, the government funded the REDSPICE component over the forward estimates that were ending in 2024-25, I believe, or maybe 2025-26. That was funded from within the Defence budget and was transferred over to ASD. GWEO—they were cost estimates that we were tracking for that and that was protect provided to the DSR. It is fair to say we are still working through what the full size and scope of the guided weapons enterprise looks like. I guess they were estimates that we were tracking. There is no immediate effect of those. Likewise, the REDSPICE component doesn't start until beyond 2025-26. AUKUS Pillar II was announced. We are still working with partners to work out what the components in the funding are. The 1.94 that was an additional pressure we were tracking at the time we gave it to the DSR.

**Senator WHITE:** I hear what you are saying. You might be being brave. Maybe that's the thing you do in Defence—be brave. But isn't it true that the Integrated Investment Program is going to be overstretched because of this?

**Mr Groves:** I would say that the Integrated Investment Program has always been overstretched. It is a constant juggle to reprioritise, deal with issues around whether we can get the project delivered on time, make space for new capabilities as they arise. It is a bit of a constant juggling act, I would say.

**Senator WHITE:** What is the current level of over programming of the Integrated Investment Program?

**Mr Groves:** It is certainly well above the 20 per cent that was recommended as part of the Defence white paper in 2016. It will get addressed as part of the work that we mentioned earlier around the reprioritisation of the IIP to support the National Defence Strategy in 2024.

**Senator WHITE:** And that is the nub of it, isn't it? In 2016, 20 per cent was what was recommended. These announcements and the overstretching have gone beyond what had been an anticipated, haven't they, under the former government?

**Mr Groves:** It is certainly currently higher than what we would like. The reprioritisation work will need to bring that down.

**Senator WHITE:** Again, putting it in layperson's terms, you basically don't have the money to pay for one-third of what you plan to spend on capability acquisitions. Is that correct?

**Mr Groves:** In layman's terms, yes. Likewise, for the five years I have been in Defence, we've been managing maybe not as high but certainly levels of over programming. It is a thing that we constantly do within Defence around managing programming, managing the IIP in total.

**Senator WHITE:** Don't take this as a criticism of you. It is not a criticism of how you are managing what the direction is. But it is fair to say that you have not had the appropriate level of resourcing committed in recent years, isn't it?

**Mr Moriarty:** The government funds Defence. It balances it along with a whole range of other capabilities. Mr Marles and members of this national security committee of cabinet made it very clear to us they expect us to do the rigorous prioritisation work which is necessary to deliver the most important capabilities within the budget envelope.

**Senator WHITE:** That was going to be my final point, really. Really hard decisions need to be made about where Defence spends its money, isn't it, given what you've inherited and how it's been managed in the past?

**Mr Moriarty:** That is correct, and that is the work that the government has directed us to do as we do a complete rework of the IIP over the coming months to land in the context of this strategic document that the government is intending to produce early next year.

**CHAIR:** Before I hand over to Senator Paterson, we are just trying to identify the individual who has joined us remotely. We are just trying to get broadcasting to see if they can be removed or at least understand if it is a senator who has joined us. Please bear with us. I will hand over the call to Senator Paterson in the meantime.

**Senator PATERSON:** I have a couple of follow-up questions from some earlier evidence given this morning, and then I'll move to my substantive matters. On that final point in the exchange between Senator White and you, Mr Moriarty, Senator White said hard decisions have to be made, and I think you characterised it similarly in earlier evidence this morning about hard choices in relation to the DSR in particular. One of the reasons why those hard choices or difficult decisions have had to be made is that an artificial constraint has been imposed on defence out of the DSR, which is no new money. Had the government provided more money in DSR, fewer of those tough choices or hard decisions would have been needed to be made, wouldn't they?

**Senator McAllister:** Senator Paterson, again, I reiterate my surprise at this line of questioning from coalition senators. I had understood that your shadow Treasurer had indicated his view that defence should make its investments within the funding envelope provided. You are welcome to continue, of course, but it is an unusual line of questioning given that public position.

**Senator PATERSON:** Thanks, Minister. Mr Moriarty?

**Mr Moriarty:** The government has asked us to do some reprioritisation over the forward estimates. We have done some of that work. We will continue to do so. The government has also indicated that, beyond the forward estimates, it is going to make provision for an increase in the defence budget.

**Senator PATERSON:** We look forward to that happening. But, I mean, I've heard all the evidence from other officials this morning about the very bleak strategic environment that we face. It's true, isn't it, that, because a constraint has been imposed, of no extra funding is available within the forward estimates for the DSR, more hard choices and hard decisions have to be made? You are trying to prioritise some capabilities over others. You wouldn't have needed to do all of those things had more funding been made available, would you?

**Mr Moriarty:** That is correct. But I think the government appropriately asks us to look at what the DSR determined in terms of the key priorities it wishes the ADF to address and for us to make sure that the priority investments we're going to make are aligned with those new priorities within the DSR. That means that there will be some scope for projects to be cancelled or to be rescope to free up funds to address those key priorities that the government has identified.

**Senator PATERSON:** Thank you. Moving on to some answers in the exchange with Senator Birmingham earlier, I think it was you, Mr Groves, talking about transfers to ASD as part of the IIP. I took down two numbers, \$764 million and \$108 million. I want to confirm: one of those was related to the forward estimates and one was related to a single financial year, I assume?

**Mr Groves:** Correct.

**Senator PATERSON:** Were those transfers part of funding REDSPICE, or were they part of other components of ASD's—

**Mr Groves:** They were part of other capabilities.

**Senator PATERSON:** What can you tell us about it in this forum?

**Mr Groves:** I don't have the detail on which projects, and they may be classified. I don't have it.

**Senator PATERSON:** Could you come back to me on notice on that?

**Mr Groves:** Yes.

**Senator PATERSON:** Thank you. You also mentioned \$77.5 million for Operation Resolute. What's the reason for that funding?

**Mr Groves:** That's additional funding that we get under no-win no-loss arrangements to support Operation Sovereign Borders.

**Senator PATERSON:** So it's not of reflection of greater demand on the ADF in relation to border protection operations?

**Mr Groves:** Yes, it does reflect that. Where there are additional costs that we incur in supporting Operation Resolute, we can seek them and get them as no-win no-loss funding. That happens every budget update depending on the level of activity that's happening around that operation, or any of our major operations.

**Senator PATERSON:** Perhaps on notice could you break down what components make up that \$77.5 million?

**Mr Groves:** Yes.

**Senator PATERSON:** Thank you. Finally, to you, CDF, in relation to some follow-up questions. I was listening carefully to your exchange with the chair earlier about the strategic environment in the Indo-Pacific. I noted your comment that one of the reasons why we are concerned about the military build-up in China is the lack of reassurance about their intentions about that capability. That's an argument that the Deputy Prime Minister has made a couple of times as well, including in his Shangri-La address last year. I'm trying to reconcile that in my mind with the other comment you made in exchange with the chair that, when planning our own capability, what we need to consider is the capabilities of our potential adversaries, not their intent, because, as you observed correctly, their intent can change very quickly but their capability only changes over time. What possible reassurances could the People's Republic of China provide us that would put your mind at ease about our own strategic environment?

**Gen. Campbell:** I would be more comfortable if the Indo-Pacific were characterised as a region in which disputes were resolved peacefully. The question of the future of the island of Taiwan would be one where I would prefer to see all parties regarded as a matter for peaceful resolution. I would be more comfortable if a range of artificial features in the South China Sea were not developed in the way that they have been. I would be more comfortable if the range of multilateral claims to the South China Sea were progressed through Pacific settlement mechanisms rather than for any one party claim it all unilaterally. There are some examples where I think a different approach wouldn't make just me individually more comfortable or more assured but the region.

**Senator PATERSON:** I would agree with that. All of those changes would be welcome, although perhaps not very likely. Nonetheless, to return to the question: if China continued to acquire new and expanded military capability at the rate that it has in recent years, but materially toned down its rhetoric in relation to Taiwan or other matters in the region, what would that mean for Australia? Would we continue to have to plan according to their capability, or would we be planning according to their intent?

**Gen. Campbell:** We don't plan singularly for one nation's capability, but we do recognise the scale of capability that the PLA reflect and, indeed, the advances in capability we see elsewhere in the region. But certainly the PLA is, geographically, the largest military capability in the Indo-Pacific region. That is a point well considered when we're looking at our own capability development and the areas of prioritisation of capability development. In terms of making a contribution, as one nation seeking to contribute to the security of a community of nations, we are, as has often been said, secure when the community in which we live here in the Indo-Pacific is and feels secure and vice versa.

**Senator PATERSON:** The reason why I ask that question is that there are some voices in public debate who observe that there has been a subtle change in the rhetoric coming from the PRC, and that they are presenting a more benign face in recent years compared to a few years ago—so they argue—and, therefore, some of the investment that this government is making and the previous government made may not be necessary. I just want to make sure that wasn't your view, and I think you made it clear that it's not.

**Senator BIRMINGHAM:** CDF, related to this area of consideration, can I seek your response, assessment and any concerns about the news this morning that China has refused a request from the United States for a meeting between Defence Secretary Austin and new Chinese Defence Minister Li in the margins of the Shangri-La Dialogue. Does that type of refusal to engage make it harder to manage risks?

**Gen. Campbell:** I'm a believer that talking is a very good thing. But you are asking me a question with regard to the decisions of two political leaders, and I'm not in a position appropriately, due to my duties, to respond directly to that.

**Mr Moriarty:** But if I could: the Australian government has called on China to improve its dialogue with the United States. Our ministers have talked about the need for reassurance, the need for guardrails and other terms. It is therefore inconsistent with our desire for the PLA to not agree to a conversation in Singapore with a counterpart. We've encouraged those meetings. We believe that they should take place more often and that the building-up of a sense of confidence between the United States and China is important. I think the government would be disappointed that the Chinese defence minister or the Chinese authorities have not agreed to a meeting in Singapore.

**Senator BIRMINGHAM:** Because those sorts of minister-to-minister discussions could help to establish the guardrails that can then better help to manage risk, avoid miscalculation et cetera.

**Mr Moriarty:** They are important in terms of confidence building, the development of guardrails and the establishment of connections that would allow an accident, crisis or a miscalculation to be better managed.

**Senator BIRMINGHAM:** Thank you.

**Senator PATERSON:** I want to move now to AUKUS—in particular, the regulatory barriers to the success of AUKUS. I have some questions, following the recent bilateral meeting between the President of the United States and our Prime Minister, in relation to the proposed amendments to title III of the Defense Production Act and consideration of Australia being made a domestic source. Are there relevant officials who can assist with that?

**Mr Jeffrey:** With your question around the Defense Production Act, obviously Defence welcomes that announcement by our leaders in Hiroshima a week or so ago. The Defense Production Act is essentially the way in which the US President ensures himself the timely delivery of private sector resources for national defence purposes. Designating Australia as a domestic source will help expand opportunities for Australian industry to participate in US government procurement of tenders and avenues to provide and apply US funding allocations made under the Defense Production Act. These allocations are made by the US government against determined priorities, and they will include things like critical minerals and advanced technologies. We think that this will be a contribution to the broader regulatory work that we are doing with the United States, and the United Kingdom, of course, around ensuring that we can move AUKUS projects through quickly.

**Senator PATERSON:** Do they have any implications, though, for the sharing of intellectual property, for example, that's currently resident in the United States that will need to move to Australia as part of either pillar 1 or pillar 2 of AUKUS, or is it really more about that kind of critical minerals piece and the US government spending on their own defence priorities?

**Mr Jeffrey:** It's more the latter and less the former. The designation under the act doesn't exempt Australia or the United Kingdom from the requirement to observe US regulations in relation to controlled technologies. Any acquisition or co-development would still need to be cognisant of US protective security requirements.

**Senator PATERSON:** I imagine it doesn't go any way towards addressing our concerns about the ITAR system and the restrictions that imposes?

**Mr Jeffrey:** As I said, ITAR is the International Traffic in Arms Regulations. This is part of the US protective security regime. That regulation is important because its objective is to prevent the proliferation of controlled technologies and weapon systems. That's a national interest for Australia. It also aims to preserve and protect the US capability edge. That's also a national interest for us. But, within AUKUS more broadly, what we need to do is ensure that we can create an environment that allows us to navigate these important protective security systems so that we can move at pace and at speed, and that's the content of our discussions with the United States.

**Senator PATERSON:** No, I do understand that, but ITAR is one of many quite significant regulatory barriers that have been identified by a range of commentators—defence industry et cetera—as an obstacle to the successful achievement of AUKUS, and I'm particularly concerned about its impact on pillar 2. The TORPEDO Act has been proposed by a couple of US senators, Senators Hagerty and Risch. What advice do you have for us about the potential impact of the TORPEDO Act for AUKUS?

**Mr Jeffrey:** The TORPEDO Act has been introduced, as you said, by the US Senate foreign relations committee. It's objective, as far as I have been briefed on it, is to improve the barriers to technology transfer and information sharing that relates to AUKUS partners. That's a key objective of the government, and it's fair to say that harmonisation of these barriers is important to ensuring that AUKUS pillars 1 and 2 are fully effective. Many of the reforms proposed under the TORPEDO Act are ones that would significantly improve, in my view, that transfer of information and allow us also to ensure that, as we build a system that allows us to share more freely,

we also ensure that we're not diminishing very important controls around those technologies and their proliferation. Obviously, it's important to underline that this is a US system. It's important for the US system to determine how best it can interact with AUKUS partners, but we're in active discussion with our US and UK colleagues on how we ensure that.

**Senator PATERSON:** There were some comments attributed in a Bloomberg article recently to an Australian defence official at our embassy in DC that talked about the barriers to US sharing of sensitive information and technology as a death by a thousand cuts. It talked about a 'permafrost layer of middle management' in the US defence establishment, and that the nuclear submarines are hopefully going to be a battering ram to clear through those obstacles. That seems to reflect to me pretty widespread concern that our progress on AUKUS can't proceed effectively without dealing with these issues. They are a major barrier, aren't they?

**Mr Moriarty:** It is complex and it does take time. I wouldn't describe it as death by a thousand cuts. We work constructively with our US partners to find a way. We work with defence industry to find a way, but I think the US administration and the Congress are aware of the need to make further improvements, to streamline and to do some of these reforms that will facilitate AUKUS. It is challenging, but we're working through it constructively with our US partners.

**Senator PATERSON:** Yes. I take Mr Jeffrey's point that the United States is a sovereign country and how they resolve these issues are a matter for them, but we also have to have an ask. We have to have our pitch, what is our preferred pathway. From my recent visits to the US, there doesn't seem to be a consensus of what that pathway is, and that doesn't seem to have changed in the last 18 months or so. Are we closer to settling what our request of our US friends is on how to get through this?

**Mr Jeffrey:** I think we are making progress. You are right to say that this has been a longstanding issue, and it's also quite complex. I think it's incorrect and unhelpful to describe the issue as a layer of permafrost officials. Actually, we have excellent relationships with all the key US officials in the Pentagon and the state department in particular. They really do an excellent job, and what they're doing is implementing their regulations. They have to do that by law, so we have great respect and esteem for how our US colleagues conduct their responsibilities as they're required to do.

There is, however, broad strategic agreement on what the objective is, that in a more competitive and contested world, allies acting alone is not going to cut it. We've got to be able to combine our resources more effectively and pool our strengths such that we can deliver an effect greater than any one country alone. That is, ultimately, the core objective of the projects we have under AUKUS. Everyone recognises that, in order to do that, we need to engage in reform of how our systems operate so that they can operate seamlessly and at speed. The question of how you best do that is not an easy one. It's a complex one. It has to involve multiple different pieces of legislation and regulations. But I think we are making progress towards it. I engage constantly with US counterparts, as does the secretary, and many parts of the Australian and US defence systems. But there's no silver bullet here. It does take some time to work at it. But, as you've heard from US Senate and House members, they're keen to work on it, the administration's keen to work on it, and that's what we're doing with them.

**Mr Moriarty:** And if I could: the Prime Minister has raised this issue in his interactions with the President of the United States. Mr Marles has raised it on several occasions, and Mr Conroy, the Minister for Defence Industry. So, it is an important priority for the government, as well as at officials level.

**Senator PATERSON:** Yes. I don't doubt that at all. I'm sure there is an enormous amount of work happening behind the scenes to resolve this. But Mr Jeffrey, when you say we're making progress, that's not readily apparent to people outside the system. It's not obvious—that we have things we can point to that demonstrate the progress that's been made. So, what can you say to give reassurance to people that every effort is being made and genuine progress is being made and we will see the fruits of that soon?

**Mr Jeffrey:** I'd point to the hearings the United States Congress has had. I think it was in late April or early May that the House Foreign Affairs Committee had a hearing where Australia and the United Kingdom were present and were asked to present against the agenda under AUKUS and how we would take that forward. The TORPEDO Act that you mentioned, put forward by the Senate Foreign Relations Committee, is another positive sign. The other positive sign I think is the level of interaction at the political level, as the secretary has mentioned, and at official level on this issue. There's just a lot more dialogue and intensity of that dialogue on that issue than there has been in previous years. So, I would offer that to you, Senator, as a sign of progress. But I take your point: it's easy to overpromise here and underdeliver, and our objective is to do the opposite.

**Senator McAllister:** Just to round out the answer from Mr Jeffrey, from the government's perspective the momentum is very encouraging. Some of this contact has occurred at ministerial level. Much of it has occurred

between officials. I think, though, as the official has been explaining, the government would recognise that there are genuine complexities and big regulatory structures at both ends of this transfer that will need to be adjusted to enable a seamless transfer of technology, and we don't seek to underestimate the complexity of that task. It is why the momentum and the level of contact that's occurring between the systems is important.

**Senator PATERSON:** Have we settled our view that legislative change is necessary, that this cannot be done by regulatory means only—it cannot be done by executive orders, for example?

**Mr Jeffrey:** Again, I think it's unhelpful for me as an Australian official to propose to a US system the best way to manage this. What we do is that we articulate what we think the challenges are and how we want to work more effectively. We talk about the effect that we want. But we want to give the US system space to determine how to best achieve those effects in their system.

**Senator LAMBIE:** [inaudible]

**Senator PATERSON:** I'm not sure that they're as sensitive as you might be worried that they are, Mr Jeffrey. I think it's a pretty robust system; these views are pretty candidly expressed in DC all the time, and there are members of congress who are very open on the record about their concerns about this and how debilitating it would be to AUKUS if we don't solve it. I don't think they would mind at all if you said, 'Yes, we think some legislative change would be helpful and is necessary', or 'No, we think this can be done by executive orders only in the regulatory system.' You're not willing to express a bit of a preference or a bit of a view?

**Mr Jeffrey:** Obviously legislation is enduring; executive orders last for administrations. If you're asking me for a general view, I think any long-term fix would likely involve a combination of administrative change and reforms that would require changes to US law. But, again, you're not going to hear me setting out in exact terms what we think. We do think it's important to provide the US government, in its negotiation with the US Congress, which is an independent arm of government, the ability to determine how best to handle the issue.

**CHAIR:** Last question, Senator Paterson.

**Senator PATERSON:** Noting the comments you've all made about the complexity and the scale of the challenge, but also noting your evidence about the good progress that's been made and the intensity of the discussions that have been had, what sense of time line can you give me for progress? When we meet again in estimates in a few months, will you have actionable, tangible progress to point to, or will we be here saying again that we've got good momentum and have had good discussions, and we're feeling good?

**Mr Jeffrey:** I think that will be evident when we come to the hearing at next estimates. I refer to my remarks about this being no silver bullet. I regard this issue as like gardening; you have to continue to make sure that you're addressing all the barriers in the system because new ones pop up all the time and we need to work at it. It's a constant requirement that we're engaging in, so I don't think we're ever going to get to the situation where we say that this job is done. But I do think that there is a growing consensus, particularly in our three countries, that, as we undertake AUKUS projects, we do need to arrive at a set of arrangements that will allow us to work more effectively and at speed. We would like that to happen as soon as possible, but, like any trilateral project, it takes the other two members and their consideration as well. It's a trilateral conversation, and I can't guarantee you anything, but we're hoping to make progress as soon as possible.

**Senator PATERSON:** I look forward to that. Thank you.

**CHAIR:** I'll give the call to Senator Van for the next 10 minutes before I hand to the crossbench.

**Senator VAN:** Everyone has had longer blocks than 10 minutes. I would ask to have similar rights to my fellow senators, rather than being curtailed to 10 minutes. We've got 25 minutes or so till lunch, so I don't know why I'm being curtailed to 10 minutes.

**CHAIR:** Senator Van, there isn't a point of order, but, as you'd know, in matters regarding timing I consult with the deputy chair on how the opposition manage their time. That's not to say there's been any discussion on this matter.

**Senator VAN:** There's been lots of time given to crossbenchers and your own people.

**CHAIR:** You're more than welcome to waste your own time, but you have the call, and then I'll hand the call to the crossbench.

**Senator VAN:** I might push back on that and keep going, so try your best.

**CHAIR:** You're more than welcome to, but you're wasting your own time, Senator Van.

**Senator VAN:** It's limiting for where I was trying to go to, so I think the chair should reconsider his position on this.

Secretary, looking at the DSR, or the version thereof that was presented to the public, who was the author of that document?

**Dr Moran:** The independent leads were Stephen Smith and Sir Angus Houston.

**Senator VAN:** Let me separate that out. Yes, they were the authors of the classified version. But they didn't write this version, did they?

**Mr Hamilton:** Ultimately, both Sir Angus Houston and Stephen Smith were involved in the drafting of the public version, and they signed the foreword to the public version.

**Senator VAN:** But did they come up with the recommendations that were in the public version? I believe the classified version was 180 pages and had an enormous number of recommendations, while the public version only has a few of those recommendations. Am I correct?

**Mr Hamilton:** That's correct. There was a necessary difference between the classified report that was provided to the government by the independent leads. The Department of Defence, my team, worked with the independent leads to ensure that the public version did not contain material that was inappropriate for public release, but was still a reflection of their judgements and their recommendations. I'm very confident from my conversations that they would not have signed the foreword to the public version if they did not consider it reflected their judgements.

**Senator VAN:** The academic independent lead, Professor Dean, who I think held the pen on the main paper, has said publicly that it had a very different structure to this paper and there's less of a foreword. I think his words were that it's a bit of a cut-and-paste of the original document. The original document—and tell me if I'm wrong, and I don't know because I haven't seen the classified version—very much set out the threat assessment and the strategy that was going to be followed and then the back had capability suggestions. Is that correct?

**Mr Hamilton:** Senator, I'm not going to be drawn on the content of the classified version—

**Senator VAN:** Professor Dean has said so publicly.

**Mr Hamilton:** Professor Dean was not a co-lead; he was a member of the review and he contributed to that. The classified version was considered by government and it forms the basis of the judgements in the public version, but it remains classified and was a cabinet document. In addition to that, I might say that it's normal business for a report such as this to be based on classified material—

**Senator VAN:** I might move on. I think you've made your point. Given I'm going to be curtailed by the chair any minute now, I might move to CDF. General, the defence strategy part of the *DSR*, which I think is part 2 of the classified paper, is a strategy of deterrence by denial. Is that your understanding at least from the public version, if not the classified version?

**Gen. Campbell:** Yes.

**Senator VAN:** Deterrence by denial effectively means that you have to deny access to the enemy that you're planning on fighting. The body of the *DSR* talks about being able to do that via land based long-range strikes. Would that be a very quick summary of the highlights or at least the bits that hit the media the loudest?

**Gen. Campbell:** No. I think that that is a singular example of a type of capability that can contribute to a strategy, as opposed to a much more complex system of capabilities and other effects by government and partners to realise deterrence and ultimately denial.

**Senator VAN:** Just picking up on that, section 8.29 on page 58 of the public document states:

As a priority it must be able to provide:

- a littoral manoeuvre capability by sea, land and air;
- long-range fires, including land-based maritime strike;
- air and missile defence; and
- close-combat capabilities, including a single armoured combined-arms brigade, able to meet the most demanding land challenges in our region.

**Gen. Campbell:** I note for the committee that you are speaking I think to the 'Land domain force structure design priorities' section.

**Senator VAN:** Correct. I can take you through other bits of it, but I'm sure I won't be given time to do so. Given that this is the land based part of the strategy—and I agree with you—and we're looking at strikes, what's the longest range strike capability that Australia has at the moment?

**Gen. Campbell:** Strike can occur from land, air and naval systems. It can also occur not notionally through cyber capabilities.

**Senator VAN:** I agree, but we are just talking about this.

**Gen. Campbell:** If you're talking about current Army or land domain capability then at present our field artillery would be the longest weapon system that is statically employed.

**Senator VAN:** That's the M777.

**Gen. Campbell:** That's correct. Other capabilities, like our armed reconnaissance helicopter, have a more mobile employed effect. The point being, in terms of strike, we don't have a land system designed from a strike perspective at this time.

**Senator VAN:** But the other platform that it has been agreed will be acquired is Land 8116, the self-propelled howitzers. They would have a similar or longer range than the M777?

**Gen. Campbell:** In terms of the scales that we're talking about, you can regard it as a similarly close-in weapon effect.

**Senator VAN:** The HIMARS systems that have been so lauded for their use in Ukraine—and they have been used quite wonderfully there—their range is similar, at about 80 kilometres, isn't it? There are other missiles coming forward that will have a longer range but—

**Gen. Campbell:** It's a system which has got a very well developing cycle of range and weapon system capability improvement, but at the moment, it's 80 kilometres. You can get 80 to 300 kilometres pretty quickly, but beyond there, it's through a development cycle that is well in train. But we do not have a HIMARS capability here.

**Senator VAN:** No, but it would be a welcome addition to our armaments. Let's say, by the time we've got them, they're out at the 300-kilometre range. Where would we deploy them? If you read the DSR, and look at the axes that it suggests we will be fighting on, that would mean those capabilities will have to be deployed on foreign lands. Am I correct?

**Gen. Campbell:** I would start by noting that Australia, thankfully, has never found itself fighting in conflict alone and would never wish to. I think it might be more a question of whether in some theoretical conflict of the future, if diplomatic efforts hadn't been able to forestall such an outcome and we found ourselves fighting with partners, some of those systems might be in Australia and some might be in partner countries working with those nations. Yes, you can see very quickly 300 kilometres, but you could also see to 500 to 1,000 and possibly 1,500 kilometres.

**Senator VAN:** But none of them are going to hit sea lanes of communication up through the Straits of Malacca et cetera from Australia. Even PrSM is not going to do that.

**Gen. Campbell:** Not as we would currently see the immediate development path of that capability. As I say, the most important part of building partnerships is working with partners respectfully and not presuming anything about the opportunities to work with partners.

**Senator VAN:** I understand that. I note that there is the review of surface combatants, and the recommendation is to look at army littoral manoeuvre landing craft medium and heavy—so you're clearly going to have to manoeuvre that capability somewhere. I'm assuming, under the surface combatant review, that Australia's not looking to build aircraft carriers or require aircraft carriers. Given that HIMARS isn't an armoured facility, how are you going to protect this capability when it is on friendly lands, when it's deployed into an area of operations, if you're cutting the numbers of IFVs, for example, and not providing other hardened armour?

**Gen. Campbell:** Every capability that the military has has vulnerabilities and weaknesses. You never deploy any capability singularly, without considering how to mask the vulnerabilities and how to enhance the strengths. That would be the approach taken. So you're deploying a system, you're not deploying a single weapon.

**Senator VAN:** Which is why I think the IFVs that have been cut could form part of that system given the sensors that they would have on them, not just the armour and not just weaponry. The amount of sensors would be a big part of that cooperation and coordination piece.

**CHAIR:** Thank you, Senator Van. I'll hand the call to Senator Shoebridge.

**Senator VAN:** I don't think the CDF got to answer that question.

**Senator LAMBIE:** Yes, I didn't get the answer.

**Senator VAN:** Can we have the answer please before you cut me off?

**CHAIR:** No-one cut you off, but I didn't see the general make of an answer. Would you like to respond to that statement?

**Gen. Campbell:** You noted that the IFVs could do something, but I didn't actually get the question.

**CHAIR:** That's what I thought.

**Senator VAN:** I thought I said, don't they form a part of that cooperation coordination piece?

**Gen. Campbell:** I would be much more thinking about how air, naval, space and—potentially—cyber systems give you an understanding of the environment in which a particular weapon might be employed at its most advantageous range and to the most telling of targets. I'd be thinking about how an entire targeting enterprise that links the sensor systems to the shooter systems would work.

**Senator VAN:** In my next block I'll come back to that and SEAD, DEAD, IAD and all the rest of the things that we need to have cleared up, because they're not very clear in the public DSR.

**CHAIR:** Senator Shoebridge?

**Senator SHOEBRIDGE:** Secretary, I was asking you questions earlier about PwC and your contracts with PwC. You said you were going through some sort of systematic process to deal with the matter. Is that right? Do you remember those questions?

**Mr Moriarty:** Yes. That's correct. The department is working through those issues.

**Senator SHOEBRIDGE:** You'd agree with me that this has been a ticking time bomb. There were concerns raised in January but the scandal really broke on 2 May when all those emails were disclosed and we saw the extent of the conflict. Would you agree?

**Mr Moriarty:** We've followed the developments in the news, but also the way in which other government departments and the government have responded.

**Senator SHOEBRIDGE:** We were all shocked about the 2 May thing. I was shocked. Were you shocked?

**Mr Moriarty:** I was very struck by the extent of the wrongdoing.

**Senator SHOEBRIDGE:** But it didn't stop you signing more and more contracts with PwC, did it? Even that scandal didn't stop Defence signing more contracts with PwC.

**Mr Moriarty:** We've approached entering into the contracts in the appropriate way that we would normally do, engaging through proper processes using panels. Where we have been concerned about issues, that has also been drawn on by the relevant decision-makers.

**Senator SHOEBRIDGE:** What does it take to stop Defence giving public money to PwC? Even after that scandal you still sign contracts with the same mob. What will it take to stop Defence giving money to PwC?

**Mr Moriarty:** We will prosecute our contracts in accordance with the terms of the contract—

**Senator SHOEBRIDGE:** You're entering into new ones.

**Mr Moriarty:** Where we have identified a piece of work that needs to be done, and all of the appropriate checks are taken then we will proceed, unless there is guidance given to us by either the government, or the whole-of-government process leads to an outcome.

**Senator SHOEBRIDGE:** Can you explain how on earth on 8 May this year—a few short weeks ago—in the middle of this scandal, Defence entered into another contract with PwC, this time for audit services, to the value of \$142,000. How do you do that on audit services in the middle of a scandal?

**Mr Moriarty:** I'll take it on notice. I'm not aware of entering into it. It might have been reported on AusTender at that date. If you can give me the contract notice, I'll take it on notice and I'll have a look at it.

**Senator SHOEBRIDGE:** It was entered into on 8 May and published on 9 May. I've done my due diligence. I've checked. Have you, Secretary? Did you even do that check before you came to estimates?

**Mr Moriarty:** As I said before, we're working through these issues in a methodical way.

**Senator SHOEBRIDGE:** You're entering into additional contracts with them in a methodical way. Nothing has changed—business as usual. How much money do you want to give these people?

**CHAIR:** I think the secretary has already provided a response to your question, Senator Shoebridge.

**Senator SHOEBRIDGE:** Mr Yannopoulos, the contract number was 3964130, published on 9 May but happily signed on 8 May. How on earth are you giving PwC audit responsibilities on public contracts with Defence the week after the scandal broke? How did that happen?

**Mr Yannopoulos:** I don't know.

**Senator SHOEBRIDGE:** Nor do I.

**Mr Yannopoulos:** And so, as I said, I'll take it on notice. You've given me the contract number. I will have a look at it.

**Senator SHOEBRIDGE:** But you didn't stop there in Defence, did you, Secretary? You just kept going and signing more contracts with them, didn't you?

**CHAIR:** Do you have a particular reference for the secretary?

**Senator SHOEBRIDGE:** You just kept going and signing more contracts with PwC, didn't you?

**Mr Moriarty:** We comply with the guidance that we are given and, as I said, where we are satisfied that the terms of the contract are being met, we will execute it. But we are doing so in the context in which there are issues being pursued, including by the Australian Federal Police now. We are getting guidance from the Department of Finance. We are getting government guidance. This set of circumstances is evolving, and our approach is evolving. It is being taken through in a methodical way.

**Senator SHOEBRIDGE:** Defence signed off on a contract commencing 12 May. You only published it on 25 May, for some reason. I'm not sure why the delay. But you signed off on another contract with PwC, this time in relation to the Joint Strike Fighter branch, for asset accounting services for \$139,000.

**Senator McAllister:** Senator Shoebridge—

**Senator SHOEBRIDGE:** How did that happen? What does it take to stop Defence, like some sort of addict, handing money to PwC?

**CHAIR:** Thank you, Senator Shoebridge. I think the minister would like to respond.

**Senator McAllister:** Senator Shoebridge, I think the officials have given you one lot of advice, which goes to the way that they are responding to the matters that have been raised around PwC in the context of a broader government response. For clarity, that broader response involves, as has been publicly reported, referral of some matters for investigation, plus a broader consideration of the contracting environment with PwC and then other work being undertaken by the Department of Finance. Defence is working within that framework, and they've given you some indication of the additional steps they have taken to obtain assurances from PwC about the approach that they've taken to their work with Defence. For clarity, there isn't a general prohibition on contracting with PwC. That is not a feature—

**Senator LAMBIE:** Maybe, until the investigation is done, that's something we need to look at, especially when it comes to our national security.

**Senator McAllister:** Well, I think the Department of Finance has provided evidence—in another forum perhaps—for the committee to refer to in relation to the whole-of-government position about this. But Defence have given some indication of how they're approaching it and also that their work in this regard has not concluded.

**Senator SHOEBRIDGE:** Secretary, will you at least put a pause on giving public money to PwC? Will you put a pause on it? I think you should terminate the contracts and end them—let's be clear—but you won't even put a pause on it. Why aren't you even putting a pause on handing public money to PwC while the police investigation is being undertaken?

**Mr Moriarty:** We are taking some approaches to our engagements with PwC. They are being worked through.

**Senator SHOEBRIDGE:** While you're working through them with one hand, you're shovelling more money to them with the other hand.

**Senator LAMBIE:** The standard we're walking past—honestly!

**Senator SHOEBRIDGE:** How does that work? You're working through with one hand and shovelling money into PwC with the other, while the scandal is unfolding, while the police investigation is happening.

**Senator LAMBIE:** It's unacceptable behaviour, and you shouldn't be doing it.

**Senator SHOEBRIDGE:** Is that really what is happening in Defence?

**CHAIR:** Order, Senators!

**Senator SHOEBRIDGE:** Is that what's happening?

**CHAIR:** Order, Senators! The question has already been put, and I think the secretary has already provided you with an answer. It being one o'clock, we will now suspend for lunch break.

**Proceedings suspended from 12:59 to 14:03**

**CHAIR:** I will now hand the call to Senator Lambie.

**Senator LAMBIE:** CDF, I understand that, in recent weeks, you have sent more letters to several personnel regarding their previously awarded medals. Could you please inform the committee of the purpose of those letters.

**Gen. Campbell:** To advise that I had concluded my element of consideration.

**Senator LAMBIE:** Is that your element of consideration for the distinguished service award?

**Gen. Campbell:** It is for consideration under the recommendation of the Brereton inquiry to review the appropriateness of honours and awards to relevant commanders in relevant periods during the operations in Afghanistan.

**Senator LAMBIE:** Just clarify for me: did the Brereton report say to remove those medals? Which recommendation was that?

**Gen. Campbell:** I'll ask Rear Admiral Wolski to find the specific recommendation, but the operative words were 'to review'.

**Senator LAMBIE:** It wasn't to ask for any distinguished service medals to be passed back in; it was just to review?

**Gen. Campbell:** The inquiry recommendation was that 'awards of decorations for those in command positions at troop, squadron and task group level, during particular special operations and task group rotations, be reviewed'.

**Senator LAMBIE:** What was the nature of the review? Who did the work?

**Gen. Campbell:** This is a question of what's known as command accountability, which Justice Brereton speaks to in his report. It could be simply described as the accountability of the leader for the performance of the command that they led.

**Senator LAMBIE:** Who worked on that review?

**Gen. Campbell:** A range of officers and officials from the Department of Defence, under my direction.

**Senator LAMBIE:** In doing that review, how did that work? What input did they seek? Did you just sit in a room and discuss it or did they go out and actually get input and speak to people? What's the connection there?

**Gen. Campbell:** There is a consideration in looking to the question posed by the recommendation in the Brereton inquiry as to whether a command accountability arises, particularly, as Justice Brereton noted, for credible information of allegations of multiple unlawful killing.

**Senator LAMBIE:** Have any of these service personnel that have received those letters been found guilty of a crime that would warrant the removal of the awards in question?

**Gen. Campbell:** Your question misunderstands command accountability. It is distinct and separate from criminal responsibility. It is not a criminal process or an indication of criminal liability but, rather, a commander's accountability for the performance of their command. Hence, it is undertaken under administrative arrangements.

**Senator LAMBIE:** CDF, who has reviewed your own medals and those awarded for your service in Afghanistan? Has somebody else reviewed yours or do you get to review yours as well?

**Gen. Campbell:** The process of considering the appropriateness or otherwise of decorations is to see a recommendation offered by me to the relevant minister—in this case, the Deputy Prime Minister, as Minister for Defence—and the Minister for Defence making a decision on that recommendation, and, indeed, seeking his own advice and counsel as appropriate, and referring that view to the Governor-General, who ultimately is the authority with regard to either the continuance or the cancellation of honours and awards.

**Senator LAMBIE:** Did these letters that were sent out get ticked off by Minister Marles? Did Minister Marles know these letters were going out?

**Gen. Campbell:** No, there is a multistep process here. First, the consideration of command accountability is undertaken by me as the Commander of the Australian Defence Force, in a manner consistent and applied across all commanders at all levels and in all time periods, looking to the area of consideration that Justice Brereton directed it to be with regard to incidents of allegations of credible information of multiple circumstances of unlawful killing. From that consideration, which is separate to the Deputy Prime Minister's, I pass material to the Deputy Prime Minister to consider, again separately from me.

**Senator LAMBIE:** How many of those officers that got letters had adverse findings against them?

**Gen. Campbell:** I know that not only you but a range of other interested parties and the media are circling around this issue like great whites in a feeding frenzy, and I would wish to decline to tell you the number so as to mitigate the enthusiasm with which these people are, quite frankly, hunted down by particularly the media looking for a spectacle.

**Senator LAMBIE:** Nobody is asking you for names; I am asking you for the number. It's nothing.

**Gen. Campbell:** Exactly. It is a small number.

**Senator LAMBIE:** It is a small number.

**Gen. Campbell:** It's a small number of persons who held command appointments during particular periods of operational service in Afghanistan.

**Senator LAMBIE:** Yes, I'm coming to that. Let me get this right. You're the Chief of Army in 2015, you're CDF—was that 2021? Sorry, when were you CDF?

**Gen. Campbell:** Appointed Chief of Army in May 2015. Appointed Chief of Defence in July 2018.

**Senator LAMBIE:** Deputy Chief of the Army for 2013 to 2015, and before that you also—

**Gen. Campbell:** No, Deputy Chief of the Army for 2012 and for about half of 2013.

**Senator LAMBIE:** But you were also in charge. You were in command and control of the Joint Task Force 633. From 2011 to 2012, you were the commander.

**Gen. Campbell:** To be precise, from 14 January 2011 until and including 17 January 2012.

**Senator LAMBIE:** When some of the alleged crimes were happening.

**Gen. Campbell:** Senator, that is a presumption on your behalf.

**Senator LAMBIE:** I just want to make sure this is clear. A command accountability review was conducted by yourself?

**Gen. Campbell:** Yes, Senator.

**Senator LAMBIE:** That was you. I know that we went into the medals, and they come under honours and awards. I'm aware of that. But basically the review was conducted by yourself?

**Gen. Campbell:** With the assistance of quite a range of people from Defence and with opportunities for those whose circumstances I was considering to offer their perspective, as is normal in any kind of review process.

**Senator LAMBIE:** I don't understand. If you're reviewing command accountability, where is your command accountability during the time you're with Joint Task Force 633?

**Gen. Campbell:** As I said, the approach was to review, consistently, across all rank levels and all time periods of service and then to make a recommendation and offer perspectives to the Deputy Prime Minister as the Minister for Defence.

**CHAIR:** Last minute, Senator Lambie.

**Senator LAMBIE:** Let me get this right. Everybody else is accountable. Everybody else is being reviewed.

**Gen. Campbell:** We are all accountable for the times of our command and for the circumstances of those commands.

**Senator LAMBIE:** So if you're so worried about these—I've got 24 people that you've sent letters to; you debate that, but we'll find out how many that is. Was a command accountability review conducted on you?

**Gen. Campbell:** As a member of all of the commanders who were in Afghanistan at different times and in different circumstances I was included in that review.

**Senator LAMBIE:** I'll ask one more question. Was that from the whole table that you had reviewing everybody else or did you come under special circumstances?

**Gen. Campbell:** No special circumstances—there are no special circumstances in this. Every commander at every level was considered. Those whose circumstances warranted further attention were invited to reply to the question of whether they met the criteria of command accountability with regard to the award of honours. All of that material and findings was offered to the Deputy Prime Minister for his consideration, as the penultimate decision-maker, before reference to the Governor-General.

**Senator LAMBIE:** So you were cleared. That was cleared by Minister Marles. Is that what I'm now getting? You were cleared but the rest were hung out to dry.

**Gen. Campbell:** The Deputy Prime Minister has only recently received the materials that I have completed, and it is for him to decide what position he takes on any of the individuals involved.

**CHAIR:** Thank you very much, General. Senator Malcolm Roberts, you have the call.

**Senator ROBERTS:** Thank you for being here today. I want to continue on this sensitive matter, General Campbell. Having worked underground at the coalface and having managed mines underground, I understand the importance of integrity and consistency to people's lives. It's very important. I also learnt some time ago when I used two consultants who had been proud members of the Australian Army about their impression of standards and the importance of standards and consistency, and they confirmed that. I learnt from them that the Defence Force's key strategic weapon is really the mateship of Australians. It's very important to protect. I want to ask these questions on behalf of constituents who have concerns about that. General Campbell, you've already tried to strip 3,000 soldiers of the Meritorious Unit Citation, haven't you?

**Gen. Campbell:** I supported the recommendation made by Justice Brereton in his inquiry report that the Meritorious Unit Citation be reviewed as to whether it continued to be an appropriate recognition of the performance of the unit.

**Senator ROBERTS:** So you did try to strip it from those 3,000 soldiers. The government at the time slapped you down and Peter Dutton, the then defence minister, said when he intervened, 'We shouldn't be punishing the 99 per cent for the sins of the one per cent.' Can you confirm please that, out of the Brereton report, there is currently one soldier who has been charged with a crime?

**Gen. Campbell:** It's not for me to confirm that. That is a matter for either the police or some other judicial authority.

**Senator ROBERTS:** You're the commander over these people. Surely you can do that.

**Gen. Campbell:** It's appropriate for a relevant law enforcement or judicial authority to confirm that for you. Like you, I read issues in the newspaper with regard to the proceedings you're referring to.

**Senator ROBERTS:** I tend to take no notice of the media. The mouthpiece media is not reliable, so I tend to take note of constituents. At the time you tried to strip 3,000 soldiers of their Meritorious Unit Citation had any charges been laid on a single soldier out of the Brereton report and had anyone faced a trial in court?

**Gen. Campbell:** It would be more correct to say that I supported the recommendation—and I don't resile from that support—to remove the citation presented to a unit. That's quite distinct. Citations are presented to units, not to individuals. Of course, I serve the government of the day, and the government of the day always has the executive authority to reconsider or to change a recommendation that I make, as the government of the day did. That's their job. That's what they do. So I don't resile from the recommendation I made and I don't in any way regard the decision made by the government of the day as anything but the business of the government of the day.

**Senator ROBERTS:** It would be interesting to consider what went through the minds of the government of the day. Has any soldier, General Campbell, adversely named in the Brereton report been proven guilty in a court?

**Gen. Campbell:** They have not that I am aware of.

**Senator ROBERTS:** And yet, as we sit here, you are now in the process of making another attempt to strip medals from soldiers. You've referred the removal of further awards to the Minister for Defence. Is one of those awards you're attempting to have removed from soldiers the Distinguished Service Cross?

**Gen. Campbell:** The question of the awarding and the appropriateness of decorations, particularly with regard to distinguished service, arises from whether that service was indeed distinguished and the command accountability of the performance of the leader as much as the question of the command accountability of the leader for the performance of those that they led. This is an administrative issue. It is not and it is separate to questions of criminality, which you are conflating it with.

**Senator ROBERTS:** My question was: is one of those awards you're attempting to have removed from soldiers the Distinguished Service Cross?

**Gen. Campbell:** I'm not going to speak to the specifics, for the reasons I have offered to Senator Lambie.

**Senator ROBERTS:** What was that again?

**Gen. Campbell:** It is the inevitable hounding of those who have been awarded particular awards that I might specify by a whole variety of interest groups seeking, largely, spectacle.

**Senator ROBERTS:** You're required to produce to this committee any information or documents that are requested. There is no privacy, security, freedom of information or other legislation that overrides this committee's constitutional powers to gather evidence, and you are protected from any potential prosecution as a result of your evidence or producing documents to this committee. If anyone seeks to pressure you against

producing documents, that is also contempt. If you wish to raise a public-interest immunity claim, there are proper processes around that, and it is then up to the Senate whether to accept that, not you or the minister. Please take on notice to produce the information that I requested. I want specifically to know whether one of those awards you are attempting to have removed from soldiers is the Distinguished Service Cross.

**Gen. Campbell:** As I said, I think that for three reasons: one, the privacy of individuals; two, the fact that this is a matter still under consideration and for decision by government; and, three, the integrity of the process in that it is best held in a fashion that ensures that there can be no actual or perceived influence on the process. I am declining to offer information that would further move to identify individuals involved in this process.

**Senator ROBERTS:** As I said a minute ago, if you wish to raise a public—

*Senator Lambie interjecting—*

**CHAIR:** Order!

**Senator LAMBIE:** He wants a number. That's all we're asking for. Stop this—

**CHAIR:** Senator Lambie, I think the minister was about to provide a response too.

**Senator McAllister:** Senator Roberts, I heard you ask that the government take this matter on notice, and we will do that. It's a similar response to the one I gave to Senator Lambie, which was that taking on notice would allow us to consider the matters raised by General Campbell which, in his view, militate against the release of the information. We will take it on notice and consider those questions.

**Senator LAMBIE:** We're asking for a number. That is rubbish. This is not the way it should be done. These people are put in front to tell us the truth. This is getting beyond a joke.

**CHAIR:** There is a process—

**Senator LAMBIE:** Yes, the process—

**CHAIR:** The standing orders make it very clear—

**Senator LAMBIE:** He's entitled to the number he asked for.

**CHAIR:** Witnesses are allowed to take it on notice, as has the minister.

**Senator LAMBIE:** He doesn't need to take it on notice, because he already knows the answer.

**CHAIR:** There is a process.

**Senator LAMBIE:** He already knows the answer. You won't be getting away with this.

**CHAIR:** Senator Lambie! Thank you. Senator Roberts.

**Senator ROBERTS:** General Campbell, have you been awarded a Distinguished Service Cross, and are you wearing it now?

**Gen. Campbell:** Yes, I have, and I am wearing the ribbon to the Distinguished Service Cross now.

**Senator ROBERTS:** For what were you awarded the Distinguished Service Cross?

**Gen. Campbell:** It was service in my time as the commander of Joint Task Force 633.

**Senator ROBERTS:** As commander of Joint Task Force 633 in 2011-2012, you were awarded the Distinguished Service Cross for your command of the soldiers which you are now trying to strip the DSC from.

**Gen. Campbell:** That's an emotive and misleading statement.

**Senator ROBERTS:** And factual.

**Gen. Campbell:** No, it's not factual. It's quite false. I am looking to the question of command accountability and therefore the appropriateness of awards for very specific commanders in very specific time periods with regard to the credible information Justice Brereton found of allegations of multiple unlawful killings.

**Senator ROBERTS:** If something did happen, that should be proven in a court. If something happened that justifies stripping awards, as you're now trying to do, shouldn't you be handing yours in first given you were in command at the time?

**Gen. Campbell:** This is an administrative process as honours and awards awarded are an administrative process. It is separate and distinct from and may happen in parallel with criminal processes. For none of the people I am speaking of do I have any concern for the question of their individual circumstances in regard to criminality of circumstance. It is the question of the leader's accountability for the performance of the command that they led.

**Senator ROBERTS:** Exactly. On notice, can you please provide the number of discharges by year over the past 10 years for employment category number 353 SASR and employment category 079 Second Commandos?

**Gen. Campbell:** I will take that on notice.

**Senator ROBERTS:** Thank you.

**CHAIR:** CDF, to follow on from our earlier conversation this morning, it's fair to say we've established that China has a sea based nuclear deterrent in its ballistic missile submarine. China also has a significant nuclear arsenal on land, though, doesn't it, plus airbase delivery platforms?

**Gen. Campbell:** It does. Estimates at the moment are of about 400 nuclear weapons systems. It has the six ballistic missile submarines that I mentioned. It also has nuclear-capable aircraft, as in aircraft capable of carrying nuclear weapons, and it has—

**CHAIR:** Do you know how many?

**Gen. Campbell:** No, I don't know the number with regard to the aircraft. I was about to say that it then has the typical silo weapon of an intercontinental ballistic missile. This is, in combination, known as the triad of land based weapons, subsurface submarine systems and aircraft. You are seeing over recent times and projected into the future the development of those systems and the capacity for those systems to create a mature strategic deterrent effect.

**CHAIR:** How have these grown in recent years?

**Gen. Campbell:** They have been growing. I might ask Hugh Jeffrey, Deputy Secretary of Strategy, Policy and Industry if he might wish to speak further on this matter.

**Mr Jeffrey:** We just need to use caution over numbers in relation to China's nuclear capabilities. We judge from an assessment of open-source information that China is growing its nuclear capabilities. As the CDF has mentioned, under its current judged rate of expansion, it will likely field a stockpile of around 1,500 nuclear warheads by 2035, but China is unusual as a permanent member of the security council. It's the only P5 that I'm aware of that doesn't formally declare its stockpiles, and it's the only member of the P5 currently judged to be increasing the size of its stockpiles. But being able to report those numbers to this committee accurately depends, of course, on China itself declaring authoritatively what those stockpiles are and the delivery mechanisms for them. This gets to the CDF's point earlier today to the committee that China is a recognised nuclear weapon state, but, as you engage in this type of expansion, what's critically important is that that expansion occurs on a foundation of transparency and reassurance to its neighbours that that expansion is not a risk for them.

**CHAIR:** But haven't both the US and Russia committed to not expanding their arsenal?

**Mr Jeffrey:** That's correct. The United States, Russia, France and the United Kingdom—all permanent members of the UN Security Council—are not on record as currently expanding their nuclear arsenals.

**CHAIR:** Yes. But China has not?

**Mr Jeffrey:** I think the question that we are asking ourselves is what the declared rate of expansion is. Our judgement, on observing open-source material, is that it is increasing its stockpile, but the point to share with the committee is that there is no authoritative number in the public domain that China has confirmed.

**CHAIR:** Is it just a numerical expansion that China's undertaken in this build-up, or do you think that they're exploring new technologies as well?

**Mr Jeffrey:** We think they're exploring all mechanisms and all delivery options in terms of air, land and sea launch systems. But, again, it's hard to be authoritative in accounting for those systems without clearer statistics.

**CHAIR:** This is my last question before I hand over to Senator Henderson. Has China stated an end goal for its build-up? Do we have any idea of its nuclear doctrine?

**Mr Jeffrey:** Everything that occurs under the PLA modernisation program—Chinese statements are largely free of significant detail. They are usually framed as critical investments in the defence of China. That's what you would expect; all military modernisation programs are about national defence. I think, going to the CDF's points around transparency and strategic reassurance, the capabilities that the PLA is assembling don't speak of a country that is satisfied with the status quo. They tend to speak of a country that is interested in reshaping that status quo and the international order that underpins it. The question it gets to is what reshaping they are seeking to engage in and how military force factors into that effort. For us, it goes to a question of both capability and intent.

**Senator HENDERSON:** I'd like to ask Lieutenant General Stuart some questions, if I could. Lieutenant General Stuart, good afternoon. Could you describe the benefits of the mobile protected fires—the self-propelled howitzers?

**Lt Gen. Stuart:** Thank you very much for your question. What we would refer to as a combined arms fighting system is a system not unlike a ship or an aircraft that operates together as a range of sub systems. The protected

mobile fires, or the self-propelled howitzers, are one part of that system that provides indirect fire support. So it's an integral part of how that system operates, and the principal aim of that system is to provide the best probability of mission success while protecting our soldiers.

**Senator HENDERSON:** What's the purpose, specifically, in terms of capability, of the howitzer gun?

**Lt Gen. Stuart:** The purpose is to provide indirect fire support, which is fire support for troops who are about to be in contact, or are in contact, in the most protected part of Army's contribution to the integrated force.

**Senator HENDERSON:** What's the range of the gun?

**Lt Gen. Stuart:** It would depend on the ammunition, but it's between 30 and 70 kilometres.

**Senator HENDERSON:** The decision was made to move to the mobile protected fire because of the increased range and capability. Is that correct?

**Lt Gen. Stuart:** If you look at that system, having all parts of that system have similar levels of mobility—so, speed over cross-country—and similar levels of protection for the crews that operate them is the principle by which the design of each part of that system is applied. In the case of protective mobile fires or the howitzer, this provides a level of protection for the crews and a level of mobility that is commensurate with the rest of the system.

**Senator HENDERSON:** Are you able to confirm the status of the contract between the Commonwealth and Hanwha Defense Australia, based at Avalon Airport in Geelong, to deliver 30 howitzer guns and 15 ammunition resupply vehicles, a decision made by the former coalition government?

**Lt Gen. Stuart:** I might ask my colleague, General Bottrell, who's the head of land systems in the Capability Acquisition and Sustainment Group, to comment.

**Major Gen. Bottrell:** We're currently working through the detailed design review for the self-propelled howitzer and the armoured ammunition resupply vehicle. You may be aware that work has already commenced on the construction of the facilities at Avalon. We've also conducted the first articles in Korea that have been constructed, and the blast testing of both the AS9 howitzer gun and the AS10 armoured ammunition resupply vehicle have been conducted in Israel.

**Senator HENDERSON:** Thanks, General. Lieutenant General Stuart, what is the impact of the recommendation in the *Defence strategic review* to cut so much of the Army's capability, including the second regiment of the self-propelled howitzers, which, of course, were to be also manufactured by Hanwha at Avalon Airport, just outside Geelong?

**Lt Gen. Stuart:** We're currently working through how we will rebalance the Army's contribution to the integrated force. That system that I talked about will still deliver a world-class capability; there will just be less of it. I'm focused on the implementation of the direction that we've been given, and we'll continue to deliver the capability that is required by the integrated force within the resource envelope that we have.

**Senator HENDERSON:** You say that this will still provide army capability, but this is a cutting in half of the number of howitzer guns. Can I ask you this directly: what is the impact of that decision to cut this program in half, and what is the cost saving of that cut?

**Lt Gen. Stuart:** I can answer your second question first: I'll confirm what that cost saving is. We work on a range of provision that was articulated in the public version of the Force Structure Plan, but I'll ask colleagues to comment on that. I would also note that there's more work underway to determine what those—

**Senator HENDERSON:** But it's around about a billion dollars, isn't it? Aren't we talking in that vicinity?

**Lt Gen. Stuart:** I think it's more than that.

**Senator HENDERSON:** Is it \$1.3 billion? Are you able to give some just—

**Lt Gen. Stuart:** I'll ask General Bottrell to comment on that.

**Senator HENDERSON:** Could we have the cost saving, General Bottrell?

**Major Gen. Bottrell:** It was actually in the unapproved budget, and the figure was just over a billion dollars.

**Major Gen. Vagg:** No.

**Major Gen. Bottrell:** My apologies.

**Major Gen. Vagg:** The total figure for the acquisition for the second regiment, which was in the unapproved space, was \$2.3 billion, approximately.

**Senator HENDERSON:** That was in total for the second regiment only?

**Major Gen. Vagg:** Yes. That's the second regiment only and for the life of that capability.

**Senator HENDERSON:** Can you break that figure down, and do you have any further details between manufacture, assembly and maintenance over the life of the vehicles?

**Major Gen. Vagg:** No, we can't, because that project never went to tender, and it hadn't actually featured through the capability development process. It only sat in the IIP as a holding figure for us to take it through approvals.

**Senator HENDERSON:** Lieutenant General, I only have a couple more minutes, so I will be as quick and direct as I can. The *Defence strategic review* says of the self-propelled howitzers, 'These systems do not provide the required range or lethality.' Is that an accurate characterisation?

**Lt Gen. Stuart:** The context of that comment is drawn from the requirement to develop a long-range strike capability. Protected Mobile Fires are effectively a tactical weapon, so they provide the fire power, the protection and the mobility that are required from that part of the system—the Land Capability System—that can engage in close combat.

**Senator HENDERSON:** The DSR reflects very negatively on the LAND 400 Phase 3, obviously, but particularly on the howitzers, and yet the first regiment of production of the howitzers is going ahead. Again, can I ask you to respond specifically to the negative reflection on this program, or this project, that these systems do not provide the required range or lethality? If that was the case, why are you producing them at all?

**Lt Gen. Stuart:** Thanks, Senator—

**Senator HENDERSON:** This suggests that there's no benefit, and that's clearly not the case, is it?

**Lt Gen. Stuart:** One of the other things that it says—and I'm paraphrasing here; I don't have a copy of the review in front of me—is that that system is required for the most difficult, challenging and dangerous scenarios that might be faced. But it makes a decision to reduce the overall size of and, therefore, the investment in, that capability, with the specific recommendation that there be a reprioritisation. The weight of that reprioritisation would go to operational- and strategic-level fires, which are different things to what a howitzer does, which is a tactical, close combat effect.

**Senator HENDERSON:** Again, how will that impact on Army's capability, particularly the protection of soldiers on the ground?

**Lt Gen. Stuart:** For that part of the capability, we will have a smaller capability and there will be a reinvestment in LAND's or Army's capacity to contribute to the integrated force's multidomain strike—that is, at operational- and strategic-level fires—

**Senator HENDERSON:** Given that you've now got a smaller capability, what will be the impact on Army? The capability of Army, to a very large degree, has been cannibalised by the recommendations of the DSR. Isn't that the case?

**Lt Gen. Stuart:** I think the DSR very clearly lays out what it has prioritised in terms of what the ADF requires in the current strategic circumstances. It's very clear that that prioritisation reduces the Combined Arms Fighting System. But, importantly, it notes and recommends that it continues to be delivered, albeit at a lesser scope of capability.

**Senator HENDERSON:** So Army now has less capability on the ground?

**Lt Gen. Stuart:** Less in that part of the Army, noting that we provide a very vast range of capabilities that can do everything from domestic humanitarian assistance and disaster relief through to combat operations. The transformation that we were and are undergoing will allow land forces to make a contribution to the integrated force's capacity for long-range strike in all war-fighting domains.

**Senator HENDERSON:** This has been devastating for the Geelong community; such an enormous investment in defence industry has been cut to smithereens. It was devastating for Hanwha Defense Australia, after the former Labor government cut this project back completely in 2012. What do you say to the lack of confidence that arises from defence industry not having certainty in relation to these projects, particularly after the coalition government had announced that this second regiment would be proceeding?

**Major Gen. Bottrell:** Senator, could I perhaps answer that?

**Senator HENDERSON:** I'd prefer it if Lieutenant General Stuart could answer that.

**Lt Gen. Stuart:** We work very closely with industry partners. We will continue to do that because we still need to work together to deliver the capability that is being delivered, including the regiment of self-propelled howitzers and the automatic loaders. In terms of the impact on industry, that's not something I can speak to in detail, but clearly there is an impact.

**Senator HENDERSON:** Very briefly, General Bottrell, did you want to make a comment in relation to the impact on industry?

**Major Gen. Bottrell:** Yes. We've been dealing with Hanwha, as you would realise, and in close contact for quite some time. They've proven to be outstanding industry partners for us. Clearly, we talked to them very shortly after the DSR was announced and discussed how they would continue to deliver the self-propelled howitzer capability. My concern was for the delivery of the existing project. They confirmed for us, with the support of Hanwha in Korea, that they would be continuing to deliver in Geelong. Not only that but Hanwha in Korea was looking to reinforce the work being done by Hanwha Defense Australia with other work for other parts of the world. It was a credit to Hanwha that they were able to acknowledge and accept that and then look at how they reshaped their own commercial arrangements to be able to continue to make Hanwha a viable entity in Australia.

**Senator HENDERSON:** General Bottrell, I'm now going to hand over to Senator Van to continue—

**CHAIR:** Sorry, Senator, I'll be doing that. Senator Van, you now have the call.

**Senator VAN:** I think we've still got the right team at the table, because I'll now switch to the infantry fighting vehicle, Land 400 phase 3 bravo. General Bottrell—or Major General Blain might be better. Welcome. Good to see you again. When did Army hand over its recommendation to government on the decision about which capability to purchase on Land 400 phase 3 bravo?

**Major Gen. Blain:** The evaluation of the two tenderers was completed through a source evaluation report in December 2021, and we are still progressing a live tender. The tender remains live until government makes a decision for a down-select and second pass.

**Senator VAN:** With DSR now recommending a cut of basically two-thirds to the number of vehicles provided, does that just mean it's reopening the monetary debate or negotiations around this?

**Major Gen. Blain:** Based on the reduction in scope to 129 vehicles, we are now we engaging with both tenderers on reviewing price and schedule based on that change.

**Senator VAN:** But, if the evaluation of capability was handed down nearly 18 months ago, couldn't the government or CASG down-select to a final provider and then negotiate price with them? Wouldn't that be a fairer way to do it, given the enormous delay in announcing this capability?

**Major Gen. Blain:** I think it's important that government be given comprehensive information to consider for such an acquisition. Therefore, it's very important, as we look at the reduction in scope, that the government does get additional information to what was the original evaluation. That evaluation remains preserved, but the additional information with regard to price and schedule is important for consideration.

**Senator VAN:** If you reduce by a factor of three, what does that do to a unit cost in your estimate?

**Major Gen. Blain:** I'm not in a position to give you that detail. The tender remains live and we need to continue preserving the probity involving the tender. As I said, we're engaging with both tenderers now on that repricing and on rescheduling based on a reduction of BOP.

**Senator VAN:** Would you agree that it's going to increase, probably two times, the unit cost per vehicle?

**Major Gen. Blain:** I can't give you that estimate. I need to, with the responses from the tenderers, make that assessment and then provide that information for government consideration.

**Senator VAN:** Lt Gen. Stuart, whether it the 450 or the 294—which was the last number we heard of before the DSR was announced—then 129, given an amount of money, Army would get more utility out of more vehicles for roughly the same price, assuming my modelling that unit cost is going to go up significantly. Would that be a fair statement?

**Lt Gen. Stuart:** With regards to the specifics of this project, as Lt Gen. Blain said, it's a live tender and it would be unwise for us to speculate, but I think your general proposition is probably a fair statement.

**Senator VAN:** With the reduction that we're talking about, by my back-of-the-envelope calculation, there's going to be about 2½ thousand infantrymen who wouldn't be mounted under armour with this reduction of 450 versus 129. Is it correct that they all have three crew and can carry eight infantrymen?

**Lt Gen. Stuart:** You're talking about two battle groups.

**Senator VAN:** Yes.

**Lt Gen. Stuart:** They won't all be infantry. It'll be part of that team and part of that system.

**Senator VAN:** But effectively 2½ thousand infantrymen won't be protected under armour?

**Lt Gen. Stuart:** We'll have to confirm the number for you, but there is a reduction because that part of our Army will have a lesser scope in terms of the vehicles and equipment that it has to do its job. As I mentioned, in answering Senator Henderson's question, the qualitative aspect and the capability aspect will remain first class. There'll just be less of it. My job now is to focus on how I can use the resources I have and the reprioritisation of other capabilities to ensure that Army is able to make its contribution to the integrated force.

**Senator VAN:** There'd be less of it and less armour. Have you sought any feedback from your officers and troops on their reaction to these cuts to Army's capability in the DSR?

**Lt Gen. Stuart:** I'm constantly engaged with our people, yes.

**Senator VAN:** Have there been any resignations or people who've said that they're going to resign because of these cuts?

**Lt Gen. Stuart:** Not that I'm aware of. Where I think you and others would be really proud is the way that the Australian Army and our soldiers respond to change and respond to direction. The way it works is fearless and frank advice until the point of decision. When the decision is made, we are absolutely focused on execution.

**Senator VAN:** Given a large part of Army's readiness has a time component, and with all services if you don't have the capability ready or it's in the process of being built your ability to be able to shape, deter or respond is also limited, isn't it? So there is a time cost to some of these decisions?

**Lt Gen. Stuart:** I think it follows that we want to deliver capability quickly and the DSR certainly speaks to delivery more quickly than we've been able to do in the past, and velocity matters given our strategic circumstances.

**Senator VAN:** Given that Army's going to be given long-range strike—whether it's rockets, whether it's just more artillery or whether it's missiles—it's going to need targeting of some sort. Does Army or the Defence Force more broadly have the targeting capability that we'd need to be able to use long-range strike, or is that another capability that needs to be developed alongside it?

**Lt Gen. Stuart:** Before I refer to the vice chief, all I'd say is that Army's contribution to multidomain strike will be centred around HIMARS, Precision Strike Missile and potentially some other capabilities, and we will be part of an integrated sense and targeting system. That's probably a good segue to throw to the vice chief.

**Senator VAN:** VCDF, what sort of time frame are we looking at to have the required sort of targeting? Whether it's AEW&C, space sensors or radar, there's a whole suite of different targeting capability that is going to be required across an integrated force. Are we anywhere close to having that sort of capability?

**Vice Adm. Johnston:** The answer to that is yes. Of course, we have demonstrated the ability to project strike capabilities. The Australian Defence Force's experience in Iraq is an example of how we were able to provide many of our own capabilities. You mentioned the AEW&C aircraft that was part of the combat air element. Yes, we have a targeting system. We recognise that we need to grow it further and to have one that is well tailored to the types of operations that the strategic review requires of us—the focus of being able to provide that defence through our regions and to have the aerial denial capability and the element of sovereignty that's important for our own national systems. They are the components that we are building, concurrent with the delivery of the combat capabilities, in order to ensure that the government has a deployable and employable capability.

**Senator VAN:** Secretary, the DSR was quite quiet on targeting. Was that deliberate or just not thought of?

**Mr Moriarty:** I think there's quite a bit of assumption, but the DSR talks about the importance of the entire combined arms system. Certainly, in relation to long-range strike, if you do not have targeting-quality data available then the weapons systems can never be deployed to maximum effect. The government has announced a number of initiatives to improve ISR capability overall and that targeting aspect. I'll ask Mr Hamilton to talk a little bit more to that.

**Senator VAN:** But isn't that just simply Land 129? What else have you announced?

**Mr Hamilton:** I think at the core of the strategic settings in the *Defence strategic review* for the ADF overall is its ability to deploy force at longer ranges through more integrated efforts across not just the three services but also our space and cyber capabilities. As the vice chief mentioned, our ability to do that relies on a range of investments in advanced targeting systems across all of those elements of the force. The DSR continues to provide for a platform for us to take forward that integration and that enhanced lethality over longer ranges. As you said when starting this line of questioning, we need those capabilities to have that effect, and that continues to be a priority for Defence. As part of working through our plans in response to the DSR, I'm confident that targeting will continue to be a priority for us.

**Senator VAN:** What projects either have been announced or are on track to be delivered in that targeting sensor space?

**Mr Hamilton:** I might pass to colleagues on what's currently been announced, but, as I talked through this morning, we are now embarked on a process of looking at all of our investment plans to make sure the intent of the DSR is delivered, and they will be brought forward in 2024 in the National Defence Strategy. But I might look to colleagues for what's currently in the public domain.

**Senator VAN:** So we won't have any new targeting sensor capability announced before 2024? We've got reviews on more reviews on more reviews that seem to just delay this capability.

**Vice Adm. Johnston:** I could help you with some facts.

**Senator VAN:** Please.

**Vice Adm. Johnston:** The DSR is quite explicit in areas about targeting intelligent systems. They're clearly classified and more sensitive. But a range of parts of our surveillance and targeting system have been made public, like enhancements to the over-the-horizon radar and the system expansion of the capability at our headquarters during operations command, which has a core node in where you fuse information directly to conduct those activities. Elements of the targeting enterprise are public. Components of it, which are being delivered and are in delivery now, are less public because of the sensitivities associated with them. But I'm very confident that our targeting enterprise—and I use that as a whole—is growing and that we have a clear view of what is needed from it.

**Senator VAN:** I have one last question. Minister, the Deputy Prime Minister and the Minister for Defence was quoted in the paper today speaking in Korea, saying that these decisions that we've heard at this table today are going to have major impacts, some potential and some definite, on a Korean sovereign defence manufacturer. Any thoughts on why he would feel that confident that it's not going to have any impact?

**Senator McAllister:** Perhaps firstly, as I indicated this morning, the government is committed to taking the necessary steps to realign the Defence Force, its structure, its posture and its capabilities to meet the strategic challenges in our region. As has been acknowledged, that is going to require change. We are not afraid of having an open conversation about the nature of those changes. The priority areas for investment that were indicated at the time of the release of the public version of the strategic review are the first stage in this process of realignment. You heard the evidence earlier from officials about the company in question—the Korean company that had been engaged in the first phase of this project. I think it is worth observing that the evidence in relation to the second phase was that it was unapproved and had not yet gone to contract. I don't know that I can add any further information to the information that's already been provided by the officials.

**Senator VAN:** That's alright. We'll ask some questions of DFAT later in the week.

**Senator SHOEBRIDGE:** Could I ask about breaches of confidentiality by consultants working with Defence. Is there a register in place to identify the breaches of confidentiality committed by consultants with Defence?

**Mr Yannopoulos:** I don't think we have a register per se of confidentiality breaches. If one was alerted to us, we would refer that breach to AGSVA, our security clearance authority, and then we would probably engage through our Defence Industry Security Program with the entity via the contract that related to that set of services.

**Senator SHOEBRIDGE:** But, if you were going to have an internal knowledge base about whether or not particular contractors could be trusted, surely you'd need some kind of record of at least the number of breaches and the seriousness of breaches. You're telling me you don't have that?

**Mr Yannopoulos:** Yes. I don't know whether Mr Deeble can help me, but I'm not aware of a central register as you've described.

**Senator SHOEBRIDGE:** How many breaches of confidentiality where the breaches were in relation to defence contracts have happened in the past five calendar years? Do you know that?

**Mr Yannopoulos:** I don't know. I'll take that on notice.

**Senator SHOEBRIDGE:** More specifically, how many confidentiality breaches in each of the last five calendar years, including to-date for this year, have been committed by consultants? Do you know that?

**Mr Yannopoulos:** No, I don't know. I'll take that one on notice as well.

**Senator SHOEBRIDGE:** Could you break the data down by how many in relation to each consultancy: how many by KPMG, how many by PwC, et cetera?

**Mr Yannopoulos:** Yes.

**Senator SHOEBRIDGE:** Do you have any idea about the kind of information that's been shared in breach of confidentiality obligations by PwC, for example? Can you shed any light on that?

**Mr Moriarty:** I'm not aware of any having been brought to my attention.

**Senator SHOEBRIDGE:** What about by, say, KPMG?

**Mr Moriarty:** I'm not aware of any.

**Senator SHOEBRIDGE:** I'll try and help. I'll give you two documents. There are multiple copies.

**CHAIR:** What are you seeking to do with these, Senator Shoebridge?

**Senator SHOEBRIDGE:** Just to give a copy of each to the secretary, and there are extra copies for you, Chair.

**CHAIR:** Alright.

**Senator SHOEBRIDGE:** One's headed 'Defence allegation 1' and the other one, helpfully, is headed 'Defence allegation 2'.

**CHAIR:** Bear with us for a second, Senator. We might want to give the witness a chance to review the documents that you're referring to.

**Senator SHOEBRIDGE:** By all means. And I'll be clear, they are internal KPMG documents from presentations that KPMG presented to its own staff.

**CHAIR:** Could you say that again? Are these from a presentation, or are they allegations?

**Senator SHOEBRIDGE:** These are documents produced by KPMG, for their internal purposes, outlining the breaches.

**CHAIR:** Well, it looks like a photo and it does say 'allegation' at the top. It doesn't appear to be a presentation of a formal nature.

**Senator SHOEBRIDGE:** These were part of a presentation that went to a meeting.

**CHAIR:** Someone's transcribed a presentation; is what you're alleging?

**Senator SHOEBRIDGE:** No. They're images. Have you heard of PowerPoint, Chair?

**CHAIR:** I have, Senator Shoebridge.

**Senator SHOEBRIDGE:** Now you're in the ballpark.

**CHAIR:** You're providing something without a lot of context for some of us, so we're trying to establish what's been put, and to help, also, the officials understand the context.

**Senator McAllister:** Chair, it may be that Mr Turner can provide advice as to the way the Senate has generally treated—

**CHAIR:** We've got the material in front of us. I might give the witnesses a few minutes to have a look at the material that's been put to them, but it is important to understand the context in which the allegations are being put.

**Senator SHOEBRIDGE:** They're not long documents. If I might ask you about the following:

Defence allegation 1:

Mid-2019.

Defence notified that a KPMG staff member had their laptop stolen from their car while parked in their driveway. KPMG laptop and other personal belongings stolen. Laptop contained a report about buying a "sustainable solution for deployed ICT capabilities".

Another laptop that didn't have defence data also stolen. Employee had worked on defence restricted network.

- Notification was of a potential security or cyber incident under clause 47.3 of Deed of Standing Offer for providing ICT services to the Commonwealth.

Were you aware of that breach, Secretary?

**Mr Moriarty:** No, I was not aware of that breach individually, nor, without knowing a lot more about that information, could I really shed much light on it, other than to try to take it on notice.

**Senator SHOEBRIDGE:** Where would you go to find out about these kinds of breaches of confidentiality—in this case by KPMG, one of the consultants? I asked Mr Yannopoulos whether there was some kind of register record. There wasn't. How would you go about it?

**Ms Perkins:** I have just briefly reviewed these two documents that you've shared and I think perhaps, to give you and the committee context, we would deal with issues like this through our security programs. When we

establish contractual relationships, particularly when working at a classified level with external providers, be they consultancies or other companies, we have a range of protocols by which we assure ourselves of their capacity to do that work, and that's a spectrum that runs from security clearances for the individuals who will be working with us through to industry security program membership for the companies. When an individual or a company engages with us and is accredited or assured through these mechanisms, they have the same reporting obligations that any member of Defence would have for issues that arise.

So, looking at these two incidents, if there is a breach or a suspected breach of security, there is an obligation to report that in a couple of different ways: directly to my group through a security report or a report into the security clearance vetting system, and also to your contract manager. The part of Defence that has entered into a contract with the provider will have in that contract, as necessary, a range of security clauses and reporting obligations. What I'm seeing here looks like a moderately routine way in which, having experienced an issue, they would report that to their contract manager and then back to my group so, then, we would have a capacity to review security incident reports. It's a form in Defence, as everything is, an XP188. That is a database where we could interrogate the reports that have been made of potential security issues from all of our staff and our contracted companies.

**Senator SHOEBRIDGE:** The same question that I asked on notice in relation to the number of reports that you've had of such breaches by consultants I'll ask of you.

**Ms Perkins:** I would clarify by saying that putting in a security incident doesn't necessarily indicate a breach has occurred. It indicates an issue of concern that we would then review on a spectrum, again, from being a fairly routine matter through to something that needs to be investigated. In that system, I won't get the number right but there would be thousands of incidents a year. If a member of staff loses their access control card, that would be something that we would consider reportable. So it's a large database, but it is an interrogatable database.

**Senator SHOEBRIDGE:** Which you'll be able to interrogate to get the answers I asked for.

**Ms Perkins:** Certainly, yes.

**Senator SHOEBRIDGE:** I'm assuming that letting a consultant take home a laptop with secret defence material on it about ICT capabilities, leave that in a car and let it get stolen would be a breach.

**Ms Perkins:** I can't—

**Senator McAllister:** Excuse me, Senator. The material that has been tabled is unsourced and unverified. Mr Moriarty has undertaken to examine what I think you are tabling as allegations—they are labelled as allegations—and to confirm whether or not they have any grounding or can be located in Defence. You are, of course, quite welcome to invite Ms Perkins to provide some indication about the security expectations of Defence, but I don't think officials are in a position to make comment about the material that you've tabled.

**Senator SHOEBRIDGE:** Do you let consultants routinely take laptops off Defence premises which contain secret Defence information? Is this going on on a daily basis? They get access to secret Defence information, whack it on their laptop and then leave it in the back of the Hilux—is that happening regularly?

**Mr Yannopoulos:** 'Secret' is a national security classification. It can't be removed from our premises on a laptop. We need to be precise with the allegation you've put here. They were on the Defence restricted network, which is a lower classification. So there is nothing in front of me—and we have said we will do some more work on this on notice—that suggests classified secret information.

**Senator SHOEBRIDGE:** You must have read a different document than I did, because it said the employee had worked on the Defence secret network but it doesn't limit the relevant report in that manner.

**Ms Perkins:** We take information and device security very seriously. We are all sitting here with our Defence protected network devices. That is the way that we use multifactor identification to work on the network that's referred to here. Where we have found somebody to have material beyond the protected security classification on one of these devices that would be a serious breach.

**Senator SHOEBRIDGE:** Are you routinely letting consultants like KPMG or PwC download classified or restricted material from Defence—in this case, a report about buying a sustainable solution for deployed ICT capabilities—onto their KPMG or PwC laptops? Is this part of the routine way Defence does its business?

**Ms Perkins:** There are really extensive paragraphs and chapters worth of information security guidance in the Defence security protection framework. Those rules apply to all of us, as they do to people working with us. If contractors are working at a classified level, they have to follow all of those rules and use appropriate devices. We have—

**Senator SHOEBRIDGE:** Is taking a laptop home and leaving it on the back seat of your car when it has a defence report on it part of your standard routine?

**CHAIR:** Thank you, Senator Shoebridge. Senator Lambie, you have the call now.

**Senator SHOEBRIDGE:** Is that normal?

**CHAIR:** Senator Lambie has the call.

**Senator LAMBIE:** I want to go back to the distinguished and conspicuous service awards. I want to know if any action has been taken outside the letters that have been written. Is there more action to be taken?

**Gen. Campbell:** I might summarise where we have got to. This is an administrative process. It's not a criminal process. This is a process that first requires me to look to the question of command accountability, meaning the leader's accountability for the performance of the command they led, and to form a view as to whether I should refer to the Minister for Defence the question of whether awards, any form of award, that might've been given with regard to the leader's performance in a command accountability sense is no longer considered appropriate. The Deputy Prime Minister would then go through his own process of consideration and would make recommendations to the Governor-General. In my case, that work, as I've said, is consistent across all levels of command, all periods of command and all persons in command. We are talking about officers here and we are talking about those periods in which Justice Brereton through his report recommended concern for credible information of multiple allegations of unlawful killing. In doing so, I have both engaged across the entire spectrum of the period of command combat operations in Afghanistan and looked to seek a view from those persons who have come to my attention that might be under this consideration. I have then formed an opinion and offered all of the materials to the Deputy Prime Minister, who, as I said, may make his own judgements or seek his own counsel with regard to the process of a minister of state deciding upon the issue. That's what we're doing.

**Senator LAMBIE:** I'm just wondering how you decide when you send letters out to other high-ranking officers, asking them to pass in their medals—

**Gen. Campbell:** I have not done that.

**Senator LAMBIE:** We don't know that because you won't pass the letters over.

**Gen. Campbell:** We do because I have not done that.

**Senator LAMBIE:** We're not going to know that until you pass those letters over.

**Gen. Campbell:** It is not in my purview to do that. It's only in my purview, should I think it appropriate, to write to ask, if I have a view that it may no longer be appropriate for an award to be maintained, that they offer their view.

**Senator LAMBIE:** How many of them have gotten back to you about what they consider is right and wrong?

**Gen. Campbell:** As I said, I've completed—

**Senator LAMBIE:** How many of them got back to you in written form? This keeps getting better. Have any of them written back to you in relation to any of those letters that you have sent out in relation to that award?

**Gen. Campbell:** Yes. As I've said, I've completed my considerations and passed the issue to the Deputy Prime Minister in his role as the Minister for Defence.

**Senator LAMBIE:** Minister, do you have any idea what the Minister for Defence is planning to do in the future while they're all hanging by a string?

**Senator McAllister:** General Campbell has indicated that he has provided advice to the Deputy Prime Minister, and my advice is that he received that information on 15 May this year, so quite recently. I'm also advised that he will take the time that is necessary to consider those recommendations and also seek any appropriate additional advice that he requires to make a decision.

**Senator LAMBIE:** So he's looking at all the leadership, right from the top all the way down. Is that what you're telling me? That would be starting with the CDF.

**Senator McAllister:** Just for clarity, he is considering the recommendations put before him by the CDF.

**Senator LAMBIE:** Does the Deputy Prime Minister approve of the way this is being done, with the letters that have been put out—the letters that he hasn't seen?

**Senator McAllister:** I'm not in a position to provide commentary about whether Mr Marles approves or doesn't, but he is in receipt of the advice. More broadly, the government is committed to the implementation of the Brereton review, and I note that the review of command accountability is a feature of the recommendations made by Justice Brereton.

**Senator LAMBIE:** So he then goes to speak to the Governor-General. Is that what you're saying? Does the Deputy Prime Minister then go and speak to the Governor-General about his decisions?

**Senator McAllister:** It's my understanding that ultimately the decision to cancel any award is made by the Governor-General, but there is currently a process that's underway. As described, the advice is before the Deputy Prime Minister, and he's considering it.

**Senator LAMBIE:** Tell me how this is done. When General Hurley was Chief of Joint Operations at one point and Chief of Army during the period in question, he oversaw the culture there. Will he also be suggesting he hand in his own medals to himself? Is this not a conflict of interest? This Governor-General has been involved at the top. Do we not have a problem here? I'm not going to ask you, CDF. I'm asking the minister. I'm sorry, but there is a problem here of conflict of interest. You've got a lot of people that are under suspicion here, who should actually be front and centre of this and leading by example, who have thrown others under the bus. That is where we're at today.

**Senator McAllister:** I probably can't provide much more information than I already have. We're stepping through a process. Justice Brereton made a recommendation, and the CDF has undertaken a review, as recommended, and provided advice to the Deputy Prime Minister, which he's considering.

**Senator LAMBIE:** I'll go back to the CDF. Some of the allegations took place while you were commander of our forces in Afghanistan. Did you travel to Afghanistan 34 times during your command there?

**Gen. Campbell:** The first part of your comment is an assumption on your behalf, which I won't enter into, and the second part is on the public record. I personally can't remember, but it sounds about right.

**Senator LAMBIE:** I think it's 34 times. I think that's what I've got. If you were the commander, who was running our forces in Afghanistan? If I could at least get to that, that'd be great. Who is above you?

**Gen. Campbell:** Above me in the chain of command while I was the commander of Joint Task Force 633 was the Chief of Joint Operations, based in Bungendore at Joint Operations Command.

**Senator LAMBIE:** Was he given a letter?

**Gen. Campbell:** As I said, I'm not going to go into the details or the specifics of who and what and for what reasons.

**Senator LAMBIE:** So you shared joint command. Is that what you're telling me, or was it that person in charge?

**Gen. Campbell:** The Chief of Joint Operations was my higher commander. That's the question you're asking, isn't it?

**Senator LAMBIE:** Yes, that's what I'm asking. On these 34 occasions that you visited Afghanistan—that's what I've got; correct me if I'm wrong—did you, firstly, meet with members of the ADF, and, during that period of time, were there any reports of wrongdoing, possible war crimes or gross violations of human rights put in front of you?

**Gen. Campbell:** I met with members of the ADF on every occasion that I was in Afghanistan, and, no, on no occasion where such reports provided to me.

**Senator LAMBIE:** So have we worked out now that you weren't the commander of our forces in Afghanistan—let me get that right—because whoever was in charge of the Joint Forces Command was in charge of that?

**Gen. Campbell:** That's incorrect. If you think of a chain of command, with the Chief of Defence Force at the top of the military chain of command, the person below the Chief of Defence Force in charge of operations is the Chief of Joint Operations, who works at his headquarters at Bungendore. That person was my higher commander, so I reported to the Chief of Joint Operations. With regard to our forces in Afghanistan, there was a person who assisted me in command in Afghanistan. That was a one-star officer who was in Kabul. There were also a range of units who were either assigned various forms of what's called operational control to coalition partner commands. For example, our mentoring task force in Uruzgan Province was assigned by me to operational control under the Regional Command South, based in Kandahar, in Helmand Province. The Special Operations Task Group was assigned by me under operational control to the commander of special operations under the International Security Assistance Force. Elements which were either in individual or small teams might've been assigned to headquarters, ISAF or some subordinate headquarters. Depending on what function was being performed and how that function integrated into the wider coalition effort, the command chain would be different for each function.

**Senator LAMBIE:** But, ultimately, you had commander control. You've picked these: 'This is your section over here. You're doing this—

**Gen. Campbell:** I held what is known as national command and operational command of Australian forces deployed to the Middle East region of operations during my tenure in command of Joint Task Force 633.

**Senator ROBERTS:** Going back to the awarding of your Distinguished Service Cross, or DSC, I have it here that you were awarded it for 'distinguished command and leadership in action as Commander Joint Task Force 633 on Operation SLIPPER from January 2011 to December 2011'. That was the Queen's Birthday Honours list. The letters patent for the Distinguished Service Cross were amended to include war-like service on 13 December 2011, but prior to that the requirement to satisfy the award was to be in action. Is that correct?

**Gen. Campbell:** I believe that's correct. I'll have to ask one of my colleagues from Honours and Awards to come up to the table if it's not correct. Otherwise, we'll carry on in the assumption that it's correct.

**Senator ROBERTS:** Thank you. The Defence Honours and Awards Appeals Tribunal, in the matter of Gilbert and the Department of Defence 2019, provided that 'in action' meant 'to be physically present in a specific action involving direct conflict between opposing forces'. Can you please tell this committee what specific action involving direct conflict with opposing forces you were physically present in between January and December to justify the awarding of your Distinguished Service Cross? Was it this one? This is a photo of you sitting at a desk in an air-conditioned office with Prime Minister Julia Gillard. Which action was it?

**Gen. Campbell:** Thank you, Senator. I'll turn first to Dr Robards to see whether there's anything he wishes to add with regard to your introduction.

**Dr Robards:** In relation to your comment before, Senator, I confirm that yes, the regulations were changed from stating 'in action' to 'on war-like service'.

**Senator ROBERTS:** On 13 December?

**Dr Robards:** I do have that here somewhere. The government recommended that the Distinguished Service Decoration Regulations be amended, which was proved by the sovereign on 13 December 2011 and formally gazetted on 22 February 2012.

**Senator ROBERTS:** Thank you. Continuing, General Campbell: freedom of information request 545/22/23 specifically requested 'any documents Defence held in relation to dates and places where General Campbell was physically present during a specific action involving direct conflict between opposing forces between 1 January 2011 and 12 December 2011'. The response Defence gave was that there are no such documents in existence. General Campbell, I put it to you that you were never in action in the way required to satisfy the letters patent for the Distinguished Service Cross prior to their amendment. It seems you have been illegally awarded the Distinguished Service Cross while you spent much of your time in relative safety or in the genuine safety of Dubai, not Afghanistan. Yet you are now attempting to strip the Distinguished Service Cross from soldiers you commanded who genuinely earned it while in direct contact with the enemy. When will you hand your Distinguished Service Cross back?

**Gen. Campbell:** Thanks, Senator. That's been most enlightening. I don't intend to reply in substantive content. If those who nominated or those who feel that the award is inappropriate wished to raise that, they would do so, either through the government or to the Governor-General. I am not going to step into a process that is clearly one in which I am not the nominator, I am not the determinant of the letters patent criteria and I am not the judge of what the criteria mean. I appreciate the award, but if that award is regarded as not appropriate, then so be it. But let's use the proper process, Senator. Thank you.

**Senator ROBERTS:** Isn't this demoralising for people who earned it under action?

**Gen. Campbell:** Senator, my point remains. If you regard this as not an appropriately awarded decoration then use the process that exists to see it reconsidered.

**Senator ROBERTS:** Well, we've just had the date confirmed. When you were granted the award, it was awarded for 'in action'. That's how the Distinguished Service Cross came about. So I would put it to you that this is demoralising, and that would be an honourable thing to do, for you, in charge of the Australian Defence Force, to actually surrender your medal.

**Gen. Campbell:** Thank you, Senator. That's very interesting.

**Senator ROBERTS:** Let's move on, then. I would like to go to the management of the selection processes for the SASR and 2nd Commandos. This has been tried before, hasn't it, in 1999-2000?

**Gen. Campbell:** Not that I'm aware of.

**Senator ROBERTS:** I'm informed that it was. And that selection—

**Gen. Campbell:** I'm sure that you have an insight, but I'm not aware of it.

**Senator ROBERTS:** Does anyone in your—

**Gen. Campbell:** The Chief of Army may know.

**Lt Gen. Stuart:** I'm not aware that that has been tried before. We've just completed, this month, the first of the common selection courses. That's aligned to the functional re-alignment of our special operations capability and a new special operations operating concept that contributes to the integrated force in response to our changed strategic circumstances. That looks at four functional areas: special warfare, strategic reconnaissance, strategic strike and technical effects. So it's quite a different approach to that capability, and it is better integrated with other capabilities not just in the land domain but, for example, in the cyber domain as well. The way that we now classify is: operators, integrators and enablers, and there's a common set of criteria that we are looking for in all of our people in special operations capability, and that is the focus of the development of the common aspects of selection. Then, for operators, for integrators and for enablers, there are separate aspects to their training and development so that we can tailor their development so that they can be employed together to generate those special operations effects.

**Senator ROBERTS:** Do you believe it's possible to mass-produce special operations forces? Are SASR and 2nd Commandos essentially doing the same job? And can you please provide a breakdown of how much selection was costing for each regiment prior to the merger, in whatever terms are appropriate, whether that be total cost or cost per candidate, at a minimum—so we want those two, at a minimum—from 2015 through to today, with the merged selection process?

**Lt Gen. Stuart:** Can I take that second part of your question on notice, please?

**Senator ROBERTS:** Sure.

**Lt Gen. Stuart:** I don't have that information to hand, but we'll certainly get back to you. To your first point about role clarity between units: as I've just explained, the circumstances are different now, in terms of the functional realignment of our special operations capability into those four functional areas that I just read onto the record. So it is a different way of generating the capability, because it needs to be far more integrated with other parts of our capability, whether those are air, maritime, space, cyber or other land domain capabilities. If I understand your question correctly, what you're referring to is role clarity between the tasks that the Special Air Service Regiment and the 2nd Commando Regiment used to do, where there may have been some overlap or some similarity. That's a different case today in terms of the functional realignment in those four key areas.

**Senator ROBERTS:** Does that mean one of the two—

**CHAIR:** Last question.

**Lt Gen. Stuart:** Sorry?

**Senator ROBERTS:** Does that mean one of the two will disappear—SASR or 2nd Commandos?

**Lt Gen. Stuart:** No.

**Senator ROBERTS:** I remember, 30 or 40 years ago, someone in Britain had the crazy idea of merging all of the pride of British car manufacturing into two groups: Leyland A and Leyland B. People no longer worked for Jaguar or Rover; they worked for Leyland A and Leyland B. It took them a few years, but they worked out that was a mess. I know that amongst SAS servicemen and 2nd Commandos there is enormous pride in what they're doing. They want to identify with what they're doing, don't they? Why would you have the same selection process?

**Lt Gen. Stuart:** I think you might be conflating some things there. There is very clear role clarity, and our servicemen and servicewomen in Special Operations Command retain—

**CHAIR:** We need to move along the call, Senator Roberts, but continue, General.

**Lt Gen. Stuart:** their unit identity, which is a source of pride. It always has been and always will be, as you've referred to. That isn't affected. This is all about role clarity. For example, one of the functions that our Special Air Service Regiment fulfils in those four areas is strategic reconnaissance. So there's better role clarity in a new operating concept that is realigned to our strategic circumstances today. I may not have been clear, but role clarity is enhanced and it is specific. The common aspect of the selection is to say that we want a range of characteristics amongst all of our people that work in our special operations capability across all three services. They might be an operator, integrator or enabler, but they work as teams.

**Senator ROBERTS:** Thank you.

**CHAIR:** Senator Reynolds, you have the call.

**Senator REYNOLDS:** Good afternoon, everybody. I'd like to change tack a little bit through to the *Defence strategic review* report and, in particular, to chapter 10, which is 'Force posture and accelerated preparedness'. I particularly want to focus in on the early implementation of the nuclear submarine Optimal Pathway and start off having a look at the west, in particular. My first couple of questions are general questions, but in chapter 10, on page 75, there's a description of force posture in Australia's north, and it seems to indicate that the key line of forward deployment for the ADF, strategically, is pretty much the Tropic of Capricorn. Would that be a fair statement, Mr Hamilton?

**Mr Hamilton:** The DSR provides us with guidance on the primary area of geographic interest for the Australian Defence Force where we need to have the ability to project power. That stretches from the north-eastern Indian Ocean through the archipelagos to our north and out into the Pacific. We need to be able to project force into that region and beyond, if directed by government, from within Australia. The DSR does highlight that our bases in our north are a highly important part of that, and it does emphasise the importance of investing in our northern facilities.

**Senator REYNOLDS:** It mentions from Learmonth to Townsville, including Cocos Islands, and when you have a look at that geographically, to project power, it's pretty much the bases from the Tropic of Capricorn up. Is that correct?

**Mr Hamilton:** Yes, the DSR does talk about the importance of being able to project power from those bases, but I would say two other things. Firstly, it recognises the importance of our overall network of bases within Australia to sustain our ability to do that, and therefore those other facilities are very important as well. And then, of course, should the government of the day decide that the ADF needs to project further, then we would need the ability to deploy further from Australia.

**Senator REYNOLDS:** We'll come back to that. It's forward deployment to project power from continental Australia—correct?—sort of north of the Tropic of Capricorn, and then it goes to talk about depth in force posture, which, as I read from here, is everything pretty much south of the Tropic of Capricorn. That's really the industrial base and the support base for northern operations—is that correct?

**Mr Hamilton:** The DSR didn't divide it geographically like that in relation to the Tropic of Capricorn. It did, as I mentioned, recognise the importance of our northern bases and the importance of our broader network of facilities—and also our industrial base—to support ADF deployments.

**Senator REYNOLDS:** But it does speak specifically here about which bases and also about bases and facilities in the south-east of Australia. That's pretty much in a traditional strategic and guidance way. You've talked about projecting power north from continental Australia unless we need expeditionary forces north. Then you have south of that and it says, specifically, that the south-east and the south-west are the depth-in-force posture. You've said those are the bases and facilities to support the power projection in the north. I'd like to know—

**Mr Moriarty:** Senator, if I could: there will be exceptions, such as the operation of maritime surveillance aircraft out of Edinburgh in South Australia. Of course they'll conduct operations from there; they may well need to refuel, rest crews and things like that. But the operating base for the maritime surveillance capability will be south of that line which you have, I think, appropriately identified as a key part of the—

**Senator REYNOLDS:** As you know, Secretary, this matters a great deal in terms of the defence strategy. The minister has described it as a 'porcupine defence'. I found that quite interesting, given that's more the continental defence of Taiwan or something from World War II. I want to understand where this government is going and to understand where it's spending money—and we had all the discussions this morning about prioritisation, or reprioritisation, of money. But geography matters.

In essence, the biggest changes appear to me to be in two areas. One is that you now have a continental defence-of-Australia line. It doesn't specifically say that, but that's pretty much where it is—the force projection, with some exemptions. Presumably, submarines will be part of those exemptions because eventually they'll be operating out of the two bases. Is this 'porcupine' defence of Australia adequate? That's how it reads to me in the DSR.

**Mr Hamilton:** I would reflect on the directions that the government has given us in relation to what Defence must have the capacity to do. That includes defending Australia and our immediate region. Secondly, it's to deter through denial any adversary's attempt to project power against us through our northern approaches. We must also protect Australia's—

**Senator REYNOLDS:** Thank you, Mr Hamilton, I think we've all read that in the DSR. My question is that it sounds like it's a defence-of-Australia strategy, where we're projecting power from the north of this nation in the defence of continental Australia.

**Mr Hamilton:** Senator, obviously, you've read the DSR. I think that the five things the government has directed us to do are important. I'll accept your view that you've read them, but those five things are very important for guidance to Defence. The government has also said that we have six priorities to implement. One of those is improving our ability to operate from our northern bases.

**Senator REYNOLDS:** We'll come back to those six priorities; obviously, they're quite critical to the submarine project. Okay, we now think we have a defence-of-Australia type. That isn't what it's called, but that's how it reads to me.

**Mr Hamilton:** Obviously, Senator, you'll read it as you do. But I would say that the concept of national defence as set out in the public version of the *Defence strategic review* report provides a more comprehensive blueprint for reform of Defence than that older notion of defence of Australia.

**Senator REYNOLDS:** As you said, that's for a projection of power north. Does that include west as well, or are we just looking north? Are we looking to project power west or east?

**Mr Hamilton:** At the end of the day, the government will direct Defence to respond to circumstances regardless of where they are, but the DSR is very clear about our primary area of geographic military interest, which is, as I mentioned, is from the north-east and Indian Ocean through and out into the Pacific.

**Senator REYNOLDS:** Did I hear earlier on, Secretary, that there were at least two Western Australian projects that have been delayed—the RAFF Base Pearce midlife refresh and the 13th Brigade/Irwin Barracks project?

**Vice Adm. Johnston:** Possibly; I'd have go back. There were nearly 51 projects on that list. I can confirm it for you.

**Ms Perkins:** The VCDF, earlier this morning, read out the projects that had been either cancelled, deferred or rescoped. The projects you referred to are on that list, yes.

**Senator REYNOLDS:** Do we have a time frame for those?

**Ms Perkins:** I'm just trying to find the list. I'll keep doing that, if you want to go on to other questions. I believe they're in the 'defer' column.

**Senator REYNOLDS:** The document also, on page 75, talks about resilience civil infrastructure. How is Defence currently assessing, particularly in the north, what is critical infrastructure? Who do you engage with—transport infrastructure, NEMA? And how are you identifying what is the critical infrastructure for Defence and what are you doing about it in terms of identifying some of this infrastructure?

**Ms Perkins:** If you read into the detail of the report, the recommendation and the government response to that, one of my implementation tasks is to consider how we might identify new civil infrastructure in addition to those infrastructure and facilities we invest in, in Defence. To give you a sense of that, we work very closely with state and territory governments on these questions generally. We're very interested, as we do the planning work and the implementation work, to see how that can help us deliver infrastructure facilities.

**Senator REYNOLDS:** What is the time frame for that? In terms of doing that analysis—by the sound of it, it hasn't started yet. You're having discussion and consultations. For example, in the north, would you consider Highway 1 as a critical piece of infrastructure?

**Ms Perkins:** Yes, I think we would. It would go further than that, to say, 'What could we work on with the civil community, be it states and territories, local authorities or companies' mines, to leverage infrastructure where it exists—

**Senator REYNOLDS:** In the interests of time, can I ask you to take that on notice and provide a time frame around those negotiations and discussions, and at what point you would be in a position to identify critical infrastructure—ports, airports, railways and roads—particularly in the north. If you could include things like the Outback Highway and the Tanami Road—which the government has confirmed won't be finished for 10 years—that would be appreciated.

Just on that: there's no engagement with NEMA at this point?

**Ms Perkins:** There absolutely is.

**Senator REYNOLDS:** On infrastructure?

**Ms Perkins:** That is not something I can speak to, with NEMA on infrastructure.

**Senator REYNOLDS:** Can you take that on notice as well?

**Ms Perkins:** Yes.

**Senator REYNOLDS:** The document, in chapter 10, talks about a concept of accelerated preparedness. Can someone—I suspect that might be you, Mr Hamilton—explain, in a practical sense, what accelerated preparedness is.

**Mr Hamilton:** In terms of that concept, one of the directions the DSR has given us is three new time frames with which to focus our defence planning—the first from this year through to 2025, the second from 2026 to 2030 and the third from 2031 onwards. The DSR has identified the importance of ensuring that, in those earlier two time frames, our current forces are as prepared as they can be to respond to strategic circumstances. That was an observation in the review, and the government has directed us to take account of that as part of developing the National Defence Strategy in 2024. That will be taken into account, along with the reforms and review of our acquisition program, along with a range of other work that the review has commissioned that will come forward as part of that holistic and—

**Senator REYNOLDS:** In short, it's dividing projects into three different time lines and activities; is that correct?

**Mr Hamilton:** I wouldn't say it's dividing projects into time lines.

**Senator REYNOLDS:** What's being categorised into those three time frames?

**Mr Hamilton:** It's given us the direction that, in that first time frame, it's a priority to look at the preparedness of the Australian Defence Force.

**Senator REYNOLDS:** So it's a preparedness review?

**Mr Hamilton:** It's a range of reviews. The VCDF mentioned earlier that we will need to take account of those time frames in our review of our Integrated Investment Program, to look at what can be delivered in those time frames. It will also inform our consideration of our strategy; the DSR has given us a revised framework for strategic policy as well. Those new time frames will become embedded in our defence planning.

**Senator REYNOLDS:** You've got three activities so far: a preparedness review; a review of the IIP, presumably what then gets staged into those three time frames; and a reworking of the strategy framework into those three time frames. Are they the three major components being looked at in those three time frames?

**Mr Hamilton:** I would say those three time frames are now part of our core policy settings. All the work the review commissioned will need to take account of these new time frames the review has set.

**Senator REYNOLDS:** Can I get some more information about what accelerated preparedness is and how these three time frames work, and what are the reviews and reform processes you're doing in terms of categorising things into those three, and when you expect to have that work done.

**Mr Hamilton:** I'd say the review sets out those time frames as a planning framework. They will inform work across the organisation. The range of work we have discussed through the course of today will be informed by that planning framework. It's not as though we have a big long list of the things that fall into those categories. They are now part of our strategic policy settings.

**Senator REYNOLDS:** I'll ask it another way. In the DSU and the FSP there are very clear activities of type that fall within time frames, in lovely charts. Is that a similar thing you're now doing for these reviews—or perhaps changing those time lines—into those three areas?

**Mr Hamilton:** Our review of the Integrated Investment Program will continue to allocate time frames to new capabilities included in that. We will be looking to lay over that the lens of these three time frames.

**Senator REYNOLDS:** To make this a bit clearer: we've got the Defence review due next year. Will the restructuring of the preparedness framework, the IIP—will all that work be done as input into the next Defence report next year?

**Mr Moriarty:** The IIP certainly will be.

**Senator REYNOLDS:** Can you take on notice what will be reframed in these three time frames under the accelerated preparedness—what will be, what won't be and what might be ongoing—just to provide a little more clarity than, 'Things are generally underway.'

Coming to preparedness for the nuclear powered submarines, particularly the early implementation under the optimal pathway: where does that sit? Has that already been accelerated? Does that fit into these accelerated preparedness time frames?

**Vice Adm. Mead:** The optimal pathway and the acquisition of nuclear powered submarines is on that list of accelerated capabilities; it is No. 1. A lot of work has been done even since the announcement on 14 March. We've had teams over in Western Australia. We've engaged with the communities of Rockingham, Kwinana and Cockburn. We've spoken to the mayors. We've established a task force with the Western Australian government to look at the infrastructure that needs to be developed at HMAS Stirling. We're looking at the workforce in South Metro TAFE—

**Senator REYNOLDS:** We'll come to all those preparations and get some of the detail of those. So the answer, in short, is yes; it is item No. 1 on this accelerated program. What is the current time frame? When you're having a look at what needs to happen now in WA—and I want to unpack all of these in some detail—what is the current time frame you're now working to be ready for the first rotation force to arrive?

**Vice Adm. Mead:** The three leaders announced on 14 March that the US and the UK would rotate nuclear powered submarines, the US up to four Virginias and the UK up to one Astute, out of HMAS Stirling from 2027, so the time line we're working on right now is 2027.

**Senator REYNOLDS:** That's for the first one, and that is just the first US submarine to arrive. What does it actually come with, in terms of people and requirements?

**Vice Adm. Mead:** The disposition of the numbers has yet to be determined, but we intend commencing this in 2027. There are three key components to this if I were to break it down. One is to establish the infrastructure at the Stirling and Henderson precinct to support nuclear powered submarines, to be able to do maintenance and to be able to do that safely and securely. The other one is to establish a suitably qualified and experienced workforce. By 'workforce' we are looking at whole-of government workforce. We are looking at a Navy workforce and we are looking at an industry workforce, both vocational and tertiary. The third component—but there are obviously many subcomponents—is establishing a nuclear regulatory system that can provide the appropriate stewardship and oversight of nuclear powered submarines. But there's also working with the International Atomic Energy Agency and looking at the strategy, the industrial base, the security aspects, the stewardship, and working with our partners on how we're going to do this in a safe and secure manner.

**Senator REYNOLDS:** Thank you; that was a very comprehensive answer. I think you could describe this as a very high-risk critical path project, and you're saying there are three key areas that you are now reviewing to prepare for 2027. Is that early on late 2027?

**Vice Adm. Mead:** Exact details of when the first submarine will arrive in 2027 are yet to be fleshed out, but we are in very deep discussions with INDOPACOM, Pacific Fleet and Washington as well working out the aspects of that, as we are with the UK.

**Senator REYNOLDS:** There are three areas. Can you take on notice for me a bit more information on those three areas you say you are working on: the infrastructure at Stirling and Henderson, workforce and also the nuclear regulatory system? Are those the three key streams you're working on at the moment?

**Vice Adm. Mead:** There are multiple streams, but they are the three that we have clumped together. For instance, on the infrastructure we need to look at what we need to do with our wharf upgrades, supporting infrastructure, the sheds, the maintenance, and, of course, fitting that into the Henderson precinct as well. But I will take that question on notice.

**Senator REYNOLDS:** Thank you. You are still working it out with PACOM and others. Will it come with just the crew, or will their families be basing in the area as well?

**Vice Adm. Mead:** That's one of the many details we need to walk through. We had the commander of the Pacific Fleet out to the task force headquarters very recently. Those types of aspects he discussed, he raised. We do need to work through all the detail in how to do that in a safe and secure manner.

**Senator REYNOLDS:** The short answer would be yes because it would be expected that over time, if they are going to be forward based in WA, they will have families with them that come with requirements for housing, education and all the other support services that go with families.

**Vice Adm. Mead:** When they're operating out of Western Australia, we clearly need to provide them appropriate support services. Navy would be doing that, and Defence would be doing that. As I said, we have engaged with the local communities there, particularly the mayor of Rockingham. They have been, for many decades—and the Chief of Navy can talk to this—providing great support to the men and women operating out of HMAS Stirling, both on ships and submarines. They're equally supportive of US and UK submariners coming to Australia and operating out of HMAS Stirling.

**Senator REYNOLDS:** Let's unpack the state government. At the last estimates, in February, you said there was a task force that's been engaged for Henderson, but there have been other works involved. How are you now officially dealing with the Western Australian government? Is it through that single task force to do not just Henderson but everything to get AUKUS ready?

**Vice Adm. Mead:** The government signed a sort of memorandum with the WA state government after the announcement on how we would work collaboratively together to, for instance, upskill the workforce here in South Australia. There's also a lot of work that Defence is doing in order to coordinate and centralise activities in HMAS *Stirling* with those at Henderson.

**Senator REYNOLDS:** Are you able to table that memorandum? Can you take that on notice?

**Vice Adm. Mead:** I'll take that on notice.

**Senator REYNOLDS:** Thank you. That memorandum is not just for Henderson, is it? Is it for everything?

**Vice Adm. Mead:** It's very similar to what the government signed with the South Australian government immediately after the announcement—it was to establish a network, points of contact and the key lines of activity that we need to address over coming years in order to deliver on the government commitment on the Optimal Pathway and in this case very specifically for the submarine rotational force Western Australia commencing 2027.

**Senator REYNOLDS:** Does that include infrastructure and other major works that are required not only at Henderson but also, for example, the road that goes to HMAS *Stirling* that does the rat run through Rockingham? Is that sort of infrastructure included?

**Vice Adm. Mead:** They're activities we're working through with the Western Australian government. We've had many meetings with Mr Papalia on all these types of aspects. We're working with the emergency services organisation in Western Australia as well.

**Senator REYNOLDS:** Could you just contain your answers to my questions because we've quite a few to go through? In other estimates I asked about the Garden Island Highway, which is the road that's needed to bypass Rockingham so that you don't have heavy industrial trucks and eventually things that have other materials in them that the community could be concerned about. Are you saying that the Garden Island Highway is now on the agenda with the state government?

**Vice Adm. Mead:** That's not really within my direct remit, so I seek somebody else in defence to address that or I'll take that on notice.

**Senator REYNOLDS:** Whose remit would it be then? Didn't you just say 'enabling infrastructure'? Is that somebody else doing enabling infrastructure for AUKUS?

**Vice Adm. Mead:** I'm not too sure whether I said 'enabling infrastructure', but if I did it was very specific to Garden Island, *Stirling* and the Henderson precinct.

**Senator REYNOLDS:** Okay. Well, let's take this out a bit.

**CHAIR:** You have a few minutes left, Senator Reynolds.

**Senator REYNOLDS:** You have well-recognised transport deficiencies around Henderson. There are transport deficiencies to and from Garden Island, which will be exacerbated by the increased traffic in terms of personnel, supplies, trucks and things going across the bridge. Who is discussing those issues with the state government?

**Vice Adm. Mead:** We're working with the state government on how we can best do a number of these aspects there. With respect to Garden Island itself and the choke points that are there, we are looking at opportunities with contractors that are working on the island on how we could best minimise disruption and in fact how we could maximise output on the island utilising the existing infrastructure or doing minor upgrades.

**Senator REYNOLDS:** Could we just go to Henderson now? I'll have to come back in another rotation. Have you got the RAND report yet on Henderson? My recollection is it was due in March.

**Vice Adm. Mead:** I'd probably defer that to NSSG. They are the lead for Henderson.

**CHAIR:** Just one minute left, Senator Reynolds.

**Ms Perkins:** If it's helpful, I can confirm the two projects you raised earlier. RAAF base Pearce midterm refresh is to be rescoped. The Irwin Barracks redevelopment and Leeuwin Barracks relocation will be delayed.

**Senator REYNOLDS:** How long for?

**Ms Perkins:** We'll be working through that as part of the integrated investment program rebalance over the next year.

**Senator REYNOLDS:** Thank you.

**Rear Adm. Malcolm:** We have a number of initiatives that we worked through with the WA state government. We do have an existing task force that does look at issues, particularly around Henderson but also at wider issues. We worked cooperatively with the WA state government right through COVID. There were a number of fast-tracked projects that the WA state government looked after for us—that's, road improvements around the Henderson area. It also looked at wharf studies and heavy vessel transfer pathways. So there was quite a bit of work done in that respect. That's being done with the WA joint task force set up between the deputy secretary of the NSSG and the head of the JTSI, Rebecca Brown. That's a baseline. That's how we have progressed infrastructure issues and wider issues in Henderson at this point.

**Senator REYNOLDS:** Can we go back a bit? We've got the report that was delivered probably about two and a half years ago that the Commonwealth government commissioned, and the state government was then going to undertake a series of works, a lot of remedial work, that was required. It also came up with the blueprint for having a new defence precinct down at Henderson, along with other precincts. There's that report.

**Rear Adm. Malcolm:** That was the WA report.

**Senator REYNOLDS:** It was a WA report, but it was commissioned and paid for by Defence through the state government. Can you tell me what the link is between that and the RAND report. What's the RAND report now doing? It hasn't been delivered.

**Rear Adm. Malcolm:** I'll just ask my colleague Stacey Hall to speak to that.

**CHAIR:** That's your last question, Senator Reynolds. I'll have to hand the call over to Senator Shoebridge next.

**Ms Hall:** We commissioned RAND to undertake a study particularly looking at Henderson capability and capacity in December 2022 to inform the next updated naval shipbuilding and sustainment plan. We have been continuing to develop that work in close consultation with RAND to take into account the decisions and announcements regarding the optimal pathway for nuclear powered submarines and most recently the Defence Strategic Review.

**Senator REYNOLDS:** When is that plan due?

**CHAIR:** I am sorry, Senator, but I'll need to move the call.

**Senator REYNOLDS:** They haven't answered my question yet. Have you received the RAND report yet?

**Ms Hall:** The RAND report is not yet finalised. It will not be finalised until later this year and will be used to inform advice to government in relation to an updated naval shipbuilding and sustainment plan, which government has indicated it intends to release in early 2024.

**CHAIR:** Senator Shoebridge, you have the call.

**Senator SHOEBRIDGE:** Secretary, you and General Campbell joined the Deputy Prime Minister and the defence minister in early December on a trip to the United States and the Pentagon—do you remember that? I've got some photos to show, if that would help.

**Mr Moriarty:** I do remember travelling with the Deputy Prime Minister. I travelled with him twice last year to the United States.

**Senator SHOEBRIDGE:** I'm happy to show you the photos of you and General Campbell at the General Dynamics Electric Boat tour if that helps.

**Mr Moriarty:** Yes, I was certainly on that visit with the Deputy Prime Minister.

**Senator SHOEBRIDGE:** When did it start, and when did it end? General Campbell, you may have a better grasp of your diary than the secretary.

**Gen. Campbell:** We'll get back to you very quickly. My team back in Russell will be able to find that out, and they'll text me.

**Senator SHOEBRIDGE:** Excellent. No doubt, because you're very busy people, it was a very overscheduled trip, I imagine, General Campbell, with not a lot of spare time.

**Gen. Campbell:** Go on, Senator.

**Senator SHOEBRIDGE:** Sorry? Was it a very busy trip? Were you fully scheduled?

**Gen. Campbell:** Yes, I think it was.

**Senator SHOEBRIDGE:** Did you go to the meeting at the Pentagon with US Secretary of Defence Austin and UK Secretary of State for Defence Wallace?

**Mr Moriarty:** Yes, we were both there.

**Gen. Campbell:** Yes, we did.

**Senator SHOEBRIDGE:** Does that ring a bell now, Secretary Moriarty?

**Mr Moriarty:** I recall being at that meeting with Mr Marles, with the CDF and with the Secretary of Defence.

**Senator SHOEBRIDGE:** You travelled over with the Deputy Prime Minister, I assume.

**Mr Moriarty:** That's correct.

**Senator SHOEBRIDGE:** And travel back together.

**Mr Moriarty:** I think so.

**Senator SHOEBRIDGE:** You think so? It is not that long ago.

**Mr Moriarty:** I'll confirm the exact travel arrangements.

**Senator SHOEBRIDGE:** I'm just asking you whether you travelled there and back with the Deputy Prime Minister on a trip in December when you went to the Pentagon and you met with the US and UK secretaries of state, and you can't tell me how you got home.

**CHAIR:** The secretary said they would take it on notice and come back to you very quickly, Senator.

**Senator SHOEBRIDGE:** You can't tell me how you got home?

**Mr Moriarty:** I usually travel with the Deputy Prime Minister on a visit for each leg of the visit. Occasionally the Deputy Prime Minister will do something else, or I will be required to do something else. I will just confirm that for that particular travel the CDF and I travelled all the way with the Deputy Prime Minister.

**Senator SHOEBRIDGE:** Like General Campbell, I assume you were busy and had a heavily scheduled trip. There wasn't a lot of spare time. Is that right?

**Mr Moriarty:** We are normally fully occupied on overseas travel.

**Senator SHOEBRIDGE:** I am asking you about this trip. Was it busy?

**CHAIR:** The officials have already answered that question, Senator.

**Senator SHOEBRIDGE:** With due respect, Chair, Secretary Moriarty hasn't. Was it busy? Was it fully scheduled?

**CHAIR:** He has provided an answer.

**Mr Moriarty:** These are busy visits.

**Senator SHOEBRIDGE:** So you, unlike the Deputy Prime Minister, I assume, didn't go off and play a round of golf. Did you go and play a round of golf?

**Mr Moriarty:** I did not.

**Senator SHOEBRIDGE:** Did you, General Campbell?

**Gen. Campbell:** No, Senator.

**Senator SHOEBRIDGE:** Because you wouldn't have time, on a trip like that, to go and play a round of golf, would you, General Campbell?

**Senator McAllister:** Senator, you are asking officials to comment on decisions taken by the defence minister. I am advised that the program for the defence minister was also, of course, extremely busy. The golf game occurred on a Sunday, in between engagements, with engagements on either side. If you wish to explore that further in this committee, that is up to you, but I am struggling to see how this relates to an examination of the budget.

**Senator SHOEBRIDGE:** You seem to know a bit about the golf game, Minister, so why don't we ask—

**Senator McAllister:** You have asked about it in other forums.

**Senator SHOEBRIDGE:** You volunteered it was on a Sunday.

**Senator McAllister:** Indeed.

**Senator SHOEBRIDGE:** So you know a bit about it. You've obviously got a brief on it.

**Senator McAllister:** I am aware that he played a game of golf on a Sunday, in between engagements.

**Senator SHOEBRIDGE:** You've got a brief about it.

**Senator McAllister:** Senator Shoebridge, please ask your question.

**Senator SHOEBRIDGE:** We know the Deputy Prime Minister played a round of golf on 4 December at Baltusrol Golf Club, hosted by member of the Baltusrol Golf Club. That happened, didn't it?

**Senator McAllister:** It is my understanding that a game of golf occurred. I really don't know which golf club it was at, Senator Shoebridge. Again, my question is—you're asking the questions, but I do raise the issue of how this relates to the budget estimates. Please go on.

**Senator SHOEBRIDGE:** Because somebody paid for that, and the Deputy Prime Minister disclosed that he had the game of golf but hasn't told us who it was that he went with and who paid for it. It's perhaps the second-most exclusive golf club in the United States. Who did the Deputy Prime Minister attend the golf with, and who paid?

**Senator McAllister:** I am advised that the Deputy Prime Minister played the golf with the then Defence attache from the Australian embassy in Washington, DC. Further, this round of golf was added to the Deputy Prime Minister's register of members' interests in January 2023.

**Senator SHOEBRIDGE:** Apart from the Defence attache, who else attended that round of golf?

**Senator McAllister:** The advice I have is that he played golf with the then Australian Defence attache.

**Senator SHOEBRIDGE:** Was the Defence attache the member of Baltusrol Golf Club who hosted the Deputy Prime Minister?

**Senator McAllister:** For clarity, I don't believe anyone else attended that game of golf.

**Senator SHOEBRIDGE:** Was the Defence attache the member of Baltusrol Golf Club who hosted the Deputy Prime Minister?

**Senator McAllister:** My understanding is that in the United States, to play at a private golf course it requires you to be sponsored by a member of that course. Major General Freeman facilitated sponsorship of that game by a Mr Bob Dwyer.

**Senator SHOEBRIDGE:** So Mr Bob Dwyer was the sponsor?

**Senator McAllister:** That is my understanding.

**Senator SHOEBRIDGE:** Who does Mr Bob Dwyer work for?

**Senator McAllister:** I don't have that information.

**Senator SHOEBRIDGE:** Don't you think that's relevant? Shouldn't that be disclosed on the Deputy Prime Minister's register of disclosure? I will give him this credit: every other disclosure that the Deputy Prime Minister has put down identifies who hosted or who paid for it, just not this one. Why is that?

**Senator McAllister:** I've given you the information that I have, but, again, I'm a little surprised at the line of questioning. Mr Marles has disclosed this. It's below the threshold required for disclosure, but, nonetheless, he has done it in any case. And I understand the Deputy Prime Minister has never met or taken any donations from Mr Dwyer.

**Senator SHOEBRIDGE:** You know a lot about Mr Dwyer, but you don't know who he works or, I assume, what his corporate interests are? Do we know what his corporate interests are?

**Senator McAllister:** I don't have that information.

**Senator SHOEBRIDGE:** Will you take it on notice?

**Senator McAllister:** I will take that on notice.

**Gen. Campbell:** The dates we were travelling or in Washington were 3 to 8 December, a combination of both AUSMIN and AUKUS meetings.

**Senator McAllister:** Senator Shoebridge, perhaps an additional piece of information: I understand that Mr Dwyer is an investment banker.

**Senator SHOEBRIDGE:** With which investment bank?

**Senator McAllister:** I don't have that information. I'm doing my best to provide you with the information that I have, and I've taken the balance of your question on notice.

**CHAIR:** CDF, moving on to territorial disputes in the South China Sea—and following on from other conversations as well—when the ADF operates in the South China Sea, how often does it interact with Chinese vessels?

**Gen. Campbell:** It would be routine for any Royal Australian Navy vessel in the South China Sea to have some interaction with a People's Liberation Army Navy vessel, and, quite often, that PLAN vessel will shadow the movements of the Australian naval vessel, meaning to follow or to be in the vicinity of that vessel throughout its movements in the South China Sea. I would invite the Chief of Navy to offer any further detail, should you wish. In terms of the policy settings, I see Mr Jeffrey is here at the table, and the Chief of Navy and also the Head of Military Strategic Commitments can offer support.

**CHAIR:** Thank you. My follow-up question was really around the nature of those interactions. I'm not sure if the Chief of Navy might be able to elaborate further.

**Vice Adm. Hammond:** As the CDF has summarised, it is routine. It is 24 hours a day, seven days a week from the time one of our warships enters the South China Sea pretty much until the time we depart, and, over the last few years, because it's routine, those interactions are carefully monitored and, for the most part, are safe and professional.

**CHAIR:** Does the ADF have any interactions with the PLA in other geographic areas?

**Gen. Campbell:** On occasions, yes, in the East China Sea, and on some occasions in the Yellow Sea—in terms of air and naval operations working in different activities. If you are in the South China Sea or the East China Sea, you ought to anticipate having some interaction with a PLA Navy, Coast Guard or Maritime Militia presence, and, on occasions, all three.

**Mr Moriarty:** We also engage with the PLA when they are working in our EEZ.

**CHAIR:** I was about to ask about our near region as well. I recall—I think it was last year—there was an incident involving a PLA vessel in our north. I think they were shining a laser at an ADF aircraft. Is it fair to say that its presence was unusual?

**Gen. Campbell:** Not necessarily its presence. We expect to see PLA naval vessels in the waters north of Australia on periodic occasions through the course of the year. They might be either transiting through into the Indian Ocean and the Middle East region or perhaps transiting towards the South Pacific.

What we do look to in all our naval and air interactions is the professional and safe interaction of forces, which of course we want, and we wish to present ourselves. So, when incidents arise that we think either are not evidence of the professionalism that would be expected of a modern and quite advanced defence force or perhaps not safe, then we would raise those on occasions with the relevant navy or air force or the relevant country involved.

**CHAIR:** Is it fair to say that we are seeing the PLA deploying further outside their first island chain more often?

**Gen. Campbell:** Yes, that's true. That is also to be expected of a navy that is growing in capability, in numbers and in its professional experience. Navies tend to follow the economic lines of communication that support their nation's development. So, that's correct, and it's an unsurprising development.

**CHAIR:** Roughly how often do we see the PLA vessels that do get deployed near Australia's territory?

**Gen. Campbell:** Not exactly but typically about twice a year. Mr Jeffrey?

**Mr Jeffrey:** I don't have much to add to the CDF's point. We've seen a growth in the rate of PLA deployments to our near neighbourhood, including operating within Australia's Exclusive Economic Zone. That growth, as the CDF has indicated, is enabled by the expansion of the PLA's size and capability, including its ability to operate at distance from the Chinese mainland. Of course, when China is operating in Australia's territorial seas and Exclusive Economic Zone then we expect, as with all other navies operating in that zone, that that behaviour occurs consistent with rules and norms under international law. As the CDF has mentioned, where we have concerns about unsafe or unprofessional behaviour we will engage directly with the Chinese government—including, if necessary, at ministerial level. But I think, to the point of your question, we are seeing a gradual increase in the rate of presence that we're seeing from the PLA navy.

**CHAIR:** Thanks for that. In terms of your assessment, what do you think is China's intention? Do you think they're just trying to demonstrate their capability here? Or are they trying to send another message to the government?

**Gen. Campbell:** I'm going to make a couple of comments and then pass to Mr Jeffrey again. That naval presence near Australia—a couple of times a year it may be in the northern waters between Australia and the archipelago to our north; it might be transiting to the Middle East or the Pacific, as I said. We have on occasions seen vessels transit all the way down the eastern and western coasts of Australia, or vessels that are returning from the Indian Ocean pass through the bight and off into the Pacific—so, to the south of Australia. And we've had them operate perhaps in just a training mode in areas in or near our EEZ in the north-west for a number of days.

We also expect to see, when we have our major or multilateral exercises, some of their ships appear, and typically historically that's been somewhere off the Queensland coast, in and around the Coral Sea. Those ships would give you the impression that they are gathering information/intelligence on capabilities that are being exercised in those major activities, such as exercise Talisman Sabre, which is occurring during the course of this year. With regard to messaging and intent—Mr Jeffrey?

**Mr Jeffrey:** I don't have a lot to add to CDF's description of the nature of the presence and what they might be seeking to achieve. Of course, you'd need to ask the Chinese government about its strategic intentions to hear from them. But if you read the product that's produced by PLA strategists, what they talk about is their perception that China's strategic geography is constrained to an extent that's unique among great powers historically and that they are interested in expanding China's strategic depth. That in part comes from building a blue-water navy that is able to project Chinese power beyond the first island chain and, as the CDF has mentioned, to extend and support China's interest in its global sea lines of communication.

**CHAIR:** Thank you very much. It just helps me and, I guess, the other members to understand the full extent of our strategic circumstances. On that note, we'll now break for afternoon tea.

**Proceedings suspended from 16:31 to 16:48**

**CHAIR:** Senator Fawcett has the call.

**Senator FAWCETT:** While I start with this first batch of questions, I'd like to table and distribute a news article that I'll be referring to. Perhaps, VCDF, I could get you back to the table. You took some of Senator Birmingham's questions in this area around projects that were rescoped, delayed or cancelled, so I'm assuming you'll be the right person to ask some supplementary questions.

**CHAIR:** Is the full article just the two paragraphs?

**Senator FAWCETT:** They're the only ones I'm going to refer to. VCDF, I'd like to run through the projects that have been rescoped. I am interested to understand what rescoping actually means for some of them, which I'll detail, and then I'll ask you to take the remainder on notice to come back to the committee with some more detail, please. Could you talk about what the original scope of the Sydney living-in accommodation was? Was that part of the Single LEAP program phase 2? What's been proposed?

**Vice Adm. Johnston:** If you wouldn't mind, I'll get the respective area leads, who are better placed to give you a more detailed answer on each of those projects that are of particular interest to you.

**Senator FAWCETT:** Sure. Fankhauser, I can see you've come to the table with great eagerness.

**Mr Fankhauser:** The Sydney living-in accommodation project intended to deliver 191 accommodation units at Randwick Barracks. It has been deferred as a result of the reprioritisation activity following the release of the Defence strategic review.

**Senator FAWCETT:** That contradicts what this says. It says it's been rescoped as opposed to delayed. Could you clarify? Has it been deferred or has it been rescoped?

**Mr Fankhauser:** The project has been deferred outside the forward estimates.

**Senator FAWCETT:** VCDF, this question is for you then. I go back to the submission by Defence to the parliamentary works committee, looking at LEAP phase 2. I'm quoting here from the Defence submission: 'The provision of high-quality living and accommodation to ADF members in line with community standards has a direct impact on the ability of the ADF to attract and retain personnel in a competitive employment market.' Given that the DSR also says that a priority is on making investments to address both recruitment and retention, what is the response from Defence to taking away accommodation that would, by Defence's own definition, assist in recruitment and retention? How do you balance those things?

**Vice Adm. Johnston:** You're right: it is a balance of all of those elements. The DSR clearly prioritises some of the capabilities that we believe need to be in the hands of Defence Force people to be able to execute their jobs well. That's important to them being able to perform at the level they would expect themselves. For the projects that I listed out, where there were cancellations and deferments—and you're referring explicitly to one live-in accommodation area—we recognise that we need to meet the duality of that. People need to have the right accommodation to live in, the right support for their families and other people measures associated with it. This is about forming a balance between capability in hand that they need to do their jobs to the level that we expect and making sure that we provide suitable means for them in those other parts of that make employment in the ADF what we would wish it to be.

**Senator FAWCETT:** In your answer on notice, if you could put the dollar value against projects that have been deferred or descoped, to get an indication that relative assessment, that would be useful.

**Vice Adm. Johnston:** Can I confirm that you are referring to all the projects on the list?

**Senator FAWCETT:** Yes. On the Shoalwater Bay midterm refresh, could you describe what is involved in the descoping or rescoping of that project?

**Mr Fankhauser:** As part of the activity that we've undertaken, we've looked at what projects, particularly those with planned expenditure over the forward estimates, could be cancelled, deferred or rescoped. As you're no doubt aware, there's been and there continues to be investment in upgrades to the Shoalwater Bay Military Training Area both to support ADF capability and for an expanded presence of the Singapore Armed Forces. That project, when we looked at the scope of it, was one that we determined could be deferred in order to free up additional resourcing across the forward estimates.

**Senator FAWCETT:** Does the rescoping on this particular refresh have any impact on the Australia-Singapore Military Training Initiative?

**Mr Fankhauser:** No, it won't, because the Australia-Singapore Military Training Initiative is funded under a different arrangement, under the treaty-level agreement with Singapore. It's still delivering new and expanded facilities at the moment particularly to cater for the increasing Singaporean presence. The deferment of the rescoping of this project was seen to have a manageable amount of risk for the ADF.

**Senator FAWCETT:** I'm sure you'll give me a fulsome answer to the question on notice, but can you just give me a quick summary of what was involved in the midterm refresh?

**Mr Fankhauser:** Typically midterm refreshers are looking at, as the name implies, refurbishment of existing structures, in-ground infrastructure, utilities and the like. I note that there has been considerable investment in Shoalwater Bay. We've determined that the rescoping of the project can be accommodated without presenting any significant risks at this time.

**Senator FAWCETT:** I look forward to the complete answer. VCDF, who would you like to talk to Fishermans Bend and the wind tunnels and propulsion laboratories?

**Vice Adm. Johnston:** The representative from Defence Science and Technology.

**Senator FAWCETT:** Professor, good to see you again.

**Prof. Hilder:** Good to see you.

**Senator FAWCETT:** AUKUS Pillar II is all about Australia being a smart alliance partner with the UK and the US. As we look across a range of programs, whether it's hypersonics at the upper end through to electronic warfare and the stalls integration that will go onto certain platforms, in the past DSTG and the transonic wind tunnels have played a significant role in a number of our capability programs around stalls clearance for both kinetic weapons and electronic warfare. What consideration has been given to the impact of cancelling this project on our capability to contribute to AUKUS Pillar II activities?

**Prof. Hilder:** We have, as you're aware, wind tunnels existing at Fishermans Bend, including a transonic wind tunnel. We're managing that carefully in terms of understanding the life of that wind tunnel and maintaining its capability. We're working closely with our AUKUS partners to make sure that we can continue to maintain that capability across the three nations. Cancelling that project means that we need to manage that more carefully, but it's something that is being considered in light of balancing priorities with other areas as well.

**Senator FAWCETT:** What can't we do without that upgrade?

**Prof. Hilder:** It's a matter of the lifetime of the current wind tunnel, and we're exploring other options in terms of how we would manage that. There's nothing that we can't do right now without that upgrade. This is about planning for the future.

**Senator FAWCETT:** Relatively recently hypersonic wind tunnels were announced in Queensland. Does this have any impact on that proposal?

**Prof. Hilder:** No. These are quite different types of wind tunnels.

**Senator FAWCETT:** But that project is still going ahead?

**Prof. Hilder:** That project is completely separate from this project.

**Senator FAWCETT:** It may be completely separate, but my question is: is it still going ahead?

**Prof. Hilder:** As far as I understand, yes.

**Senator FAWCETT:** Can you take that on notice and confirm that for me?

**Prof. Hilder:** Yes, I will.

**Senator FAWCETT:** In that case, VCDF, again through that whole list, could you give us an idea of what the rescoping involves and what the dollar value of that is that has been saved to put towards other priorities? And particularly where there is a direct conflict, in the case of things like retention and recruitment against a measure, understanding what you are doing, or what defence writ large is doing, to actually ameliorate the risk that is caused by those measures.

**Vice Adm. Johnston:** The assurance I'd give you is that as we looked at those projects that were being reduced or deferred, we very much had in mind the priorities around the *DSR* including that people and other measures were part of the filter by which we evaluated those prospects. We'll get you the list.

**Senator FAWCETT:** My concern, in part, is that sometimes people who are making the assessments don't necessarily understand the importance of enabling capabilities, whether it's housing for people or in the case of wind tunnels. I'm amazed at how many people in Australia don't know that Australia actually helped the Americans do the clearance for the small diameter bomb as part of their programs—things like F-22. We need to utilise all these enabling capabilities. We can't be a smart AUKUS partner if we don't maintain those kinds of capabilities.

**Senator McAllister:** May I interrupt? I didn't wish to disrupt Senator Fawcett's line of questioning, but I do wish to make this point: officials were quite happy to provide information about the way that we are allocating resources as a government, but I do wish to emphasise that it is within a context where the previous government made a range of commitments, more than \$40 billion, for which funding was never identified. They were added to the infrastructure pipeline, but the explicit prioritisation and allocation of resources to meet those projects was never identified by the previous government. We are taking a different approach. It does involve being quite direct and upfront about where our strategic priorities lie, and, therefore, what must be prioritised in that pipeline.

**Senator FAWCETT:** Minister, you've made that point a number of times today, but you should also recognise that overprogramming has been a consistent feature of the way defence manages its procurement budget and sustainment budget under both sides of politics. In fact, there are some very good—

**Senator McAllister:** And there is a recommendation that the margin be 20 per cent, and it is projected to blow out to as much as 32 per cent. We are working to remedy that situation.

**Senator FAWCETT:** Can we move on to the article that has been tabled? I'm assuming Mr Deeble will be a suitable person to come forward. You've obviously seen this article. I assume you saw it. You may have even been consulted by Mr Tillett in his writing of it. He wrote:

The Defence Department is squeezing its maintenance and operating budgets for warships and aircraft to free up billions of dollars, sparking alarm over reduced availability of weapons at a time of rising regional tensions with China.

He says in the article:

... program managers have been told to trim 10 to 15 per cent from "sustainment" budgets ...

Could you comment on that article?

**Mr Deeble:** There has been no guidance to my staff to reduce sustainment funding by 10 to 15 per cent.

**Senator FAWCETT:** Has there been any guidance about making savings in sustainment budgets?

**Mr Deeble:** No guidance with respect to making savings in sustainment budgets.

**Senator FAWCETT:** In terms of budgeting, going back to the 2008 review by George Pappas tabled in 2009, it's a bit of ancient history but as recently as 2015 Mr Prior, who was Mr Groves's immediate predecessor, said that it was valid as a way of determining defence costs. Firstly, are you familiar with that? Mr Groves, are you familiar with the Pappas report and the cost-growth pressures model that he developed?

**Mr Groves:** Not in detail, no. I'm aware of the report.

**Senator FAWCETT:** Essentially, you have inflation, and then you have specific cost pressures on top of that to do with high-technology equipment from defence. In that time frame there was 3.2 per cent that he put on top of the non-farm-gate deflator that was used to establish inflation more broadly across the economy. Given that the current non-farm-gate GDP deflator is pointing at around 6.1 per cent, that gives quite a high figure that has to be allowed for if the force in being is actually going to be sustained at its current level. Mr Deeble or Mr Groves, what figure do you use year on year to ascertain what the nominal growth to support any given weapon system, whether it's P8s, Anzacs or E/F Hornets, should be for your planning?

**Mr Groves:** It's not a straightforward answer. Obviously different contracts will have different escalation rates built into them. Generally across our sustainment budget over the longer term we have assumed a 2½ per cent inflationary factor, if you like, across the long-term estimates. It's slightly higher for acquisition, of around 2½ to

three per cent. It would all depend on what actual contractual arrangements are in place and what inflation parameters or indexes they're using in there.

**Senator FAWCETT:** Sure, but over time you should see a trend at least to that 2½ per cent, and, assuming Mr Pappas's view is correct, potentially another two or three per cent on top of that just to maintain parity with the funding you need to sustain complex military equipment.

**Mr Groves:** The assumptions that were built into the 2016 white paper and continue now through to our current funding profile, where we had around five to seven per cent growth in our annual funding—about half of that was for inflationary factors; the other half was for growth in defence capability. If your question is going to the inflationary impacts, whenever we do have those high inflationary impacts that are above 2½ to three per cent, which were the embedded inflationary impacts, yes, we have additional pressures we have to manage.

**Senator FAWCETT:** I guess my concern is when I look at the portfolio budget statement for 2022-23, and particularly annex C, which is your top sustainment projects. Comparing the figures over the last four years of the previous budgets, the average growth—for example, for the F/A-18 Super Hornet Growler weapon system it was 20.5 per cent per year. In this last budget it's zero per cent. So it flags an immediate concern for me that there is a constraint on the funding which is going forward to support the force in being.

If we look for example at the KC-30A Multi-Role Tanker Transport, which is a critical enabler for things like the Joint Strike Fighter to perform its role, again over the last four years 27.8 per cent growth each year. It's minus one per cent going from last year's budget to this budget. Can you or Mr Deeble explain why, if there's no cut to sustainment budget, we're seeing, for some critical weapon systems, pressures being put on systems program officers of not just no real growth but, in some cases, negative real growth.

**Mr Groves:** I'll defer to Mr Deeble on the detail, but I think what is the larger determinant of what we're going to spend on a particular sustainment product is based on the work that's going to get done. That varies from year to year. I don't think it's a constant across years at which, at the end, you can apply the inflationary factor to see what it is. Areas across that are supporting Air Force or Navy are constantly doing that juggle through biannual reviews of their sustainment budget, which ultimately get reflected in the top-30 reports that we've got there to manage within their overall sustainment budget for each capability manager. They're making trade-offs. They might be slowing down work in one product to increase work in another product. What I would say is that, overall, if you look at some of the earlier tables within the portfolio budget statement, with the one minor exception of Army, all of the sustainment budgets in this budget are higher than what they were in the previous budgets for those years, and all of them are trending on an upward trajectory.

**Senator FAWCETT:** Okay. Having had a look at these figures, as I said, some of the growth is actually zero or negative in the last year.

**Mr Groves:** I think at an individual product level you can have those differences depending on the work, and maybe Mr Deeble might talk to that, but, overall, if we're looking at Air Force, Air Force's sustainment budgets this year over the forward estimates are higher than what they were in the previous budgets.

**Mr Deeble:** I would echo those. On an annual basis you will see variations. We work very, very closely with the capability managers to balance out their overall sustainment budgets. I'd note the point that has been made by the CFO that they are on an increase across each of the services. We prioritise that activity. But year on year you might see things like spares, buyers or other things that could be there or major upgrades or other things that might be undertaken in the sustainment budget, that we'll see that year-on-year variation.

In the future we look to modelling these outcomes and working with the capability manager to understand how those escalatory factors can be at play. We talked earlier about seeing increases in indexation associated with both materiel and personnel cost and we work that into our understanding and the discussions that we have with the capability managers on a regular basis. We call them fleet screenings and we're continually looking at those trade-offs, where the priorities sit and where that money is best spent to achieve the operational outcome.

**Senator FAWCETT:** The concern I have when you talk about working closely with capability management, which is a good thing, is that, going back to 2009 to 2012 we saw a similar cycle of very large amounts of absorbed funding, which took away from remediating estate in things like asbestos and took away from the sustainment for weapon systems. The liaison that occurred resulted in reprioritising training, so ships were tied up alongside, track miles weren't allocated for armoured vehicles, flying hours weren't allocated. As I look at it—albeit, as Mr Groves said, the majority of the trend is up—they're not all up above inflation and above the kind of modelling that Pappas did, which says there will be cost-growth pressures on the people who are doing sustainment trying to meet the training and operational requirements of the capability managers. That concerns me.

**Mr Deeble:** Understood.

**Senator FAWCETT:** Do you still track—this is the other measure that, certainly, Mr Coles found in his review of Collins, and we've seen it at various times, things like cannibalisation rates on a regular basis. Do you still track cannibalisation through your SPOs, whether it be on land vehicles, air vehicles, submarines et cetera?

**Mr Deeble:** In terms of how CASG does business we have a fairly sophisticated way of tracking our sustainment solutions. We use that tool and the underlying measures at the SPO level. That gets aggregated to the branch and to the divisional levels, where we can look at those trends for availability of spares and other elements. We do continue to track those metrics and we do use those fundamentally at the system program office to be able to ensure the best capability outcomes are achieved and the right levels of sparing and other things are achieved. That's reported on a regular basis. I look at that system and I have a similar system that supports the performance of our projects during acquisition.

**Senator FAWCETT:** If you already collect things like cannibalisation rates on a regular basis, then rolling up a summary for the committee of performance over the last, perhaps, two years wouldn't be a huge imposition with an expectation that we would see one at the end of the next financial year for a comparison.

**Mr Deeble:** There is a lot of work in rolling that up out across a large number of—

**Senator FAWCETT:** Let's just take the top 30 sustainment projects. That's a nice, limited set that you already work with in the budget papers.

**Mr Deeble:** We can take that.

**Senator FAWCETT:** Thank you. Could you add to that for each environment? I think Navy, for example, call them URDPs for that. The amount of time taken to satisfy the various levels. I think it's three levels in Navy's case, is another metric that indicates the impact on, particularly, the business entities, whether they be primes or SMEs, who are doing repairable parts. Could you give us for that top 30, regardless of the environment, the various metrics around, firstly, how many urgent demands there are and whether we're meeting them within the time frame and if there are any trends indicating that that's becoming more problematic.

**Mr Deeble:** There are a couple of points that I will make that are important. That level of detail in aggregate will have classification associated with it. It will be indicative of the preparedness of our forces from a sustainment perspective. We'll have to look at what that data would mean from a security perspective. I would note that there is a fairly significant amount of effort associated with pulling that together. We'll look at that, return and give you an indication of how long that would take and what form that reporting might indicate.

**Senator FAWCETT:** I'm happy to have a talk with the chair and the deputy chair about other avenues that perhaps we can negotiate with Defence to ease the burden. But I think the taxpayer expects this committee to do its job to actually scrutinise how constraints that have been placed by changes imposed by government are curtailing Defence's ability to be prepared, their readiness and their 'deployability'. That's part of our job in terms of scrutinising both the policies of government and the performance of the department. We'll find a suitable mechanism, but we would like to see that information.

**Senator McAllister:** As is often the case, Senator Fawcett makes a reasonable request. However, the terms in which he described it included a whole range of assumptions about the effect of government policy and are obviously not ones I would accept. But, nonetheless, the officials are committed to working through, with the committee, the kind of information that might be provided that is not unreasonably burdensome but meets the broad objective that you've set out.

**Senator FAWCETT:** I accept your position, but I do note, for the record—if you want to go through *Hansard*—that, in that period from 2009 to 2012, I asked many similar questions and did not get a lot of detail. In about 2014 I finally got a figure out of Defence. We had an unfunded liability of over \$16 billion for remediation work that was required for estate and materiel because of the absorbed costs; they had been reprioritised away from the warfighting capability of the Defence Force. I have a serious concern, and I believe it's the role of this committee to make sure that the taxpayer can be assured that we're not going to repeat history.

**Senator SHOEBRIDGE:** I'll preface this short series of questions in relation to the review of command accountability, including the potential revocation of honours and awards in Afghanistan. I think the review is entirely appropriate, I'm glad it's been undertaken and I'm not seeking any names or further information in relation to the specific details about the review. Given that some of the review will be in relation to senior personnel—and I think that includes you, General Campbell—I think there is a reasonable basis for you to tell us who undertook the review. Can you tell us who undertook the review?

**Gen. Campbell:** I undertook the review. It is a uniquely particular circumstance in which, as the Commander of the Australian Defence Force, looking at the question of command accountability, I am the authority to undertake that review.

**Senator SHOEBRIDGE:** But I'm having difficulty understanding how you can review yourself. Perhaps you could help by identifying how you've dealt with that conflict of interests, and whether or not you considered having that aspect of the review undertaken by a separate officer.

**Gen. Campbell:** I think the useful part of this to recognise is that there is, as described, that three-step process—me, the Deputy Prime Minister and, ultimately, the Governor-General. If the Deputy Prime Minister were to regard my considerations inadequate, inconsistent or self-interested, then the Deputy Prime Minister is actually at the decision-making level. He has access to all of my considerations, and if he were to regard them as insufficient, not sufficiently broad or not encompassing anything it should, then he could ensure that they did.

**Senator SHOEBRIDGE:** He may form that view—

**Gen. Campbell:** Yes.

**Senator SHOEBRIDGE:** one way or another, and I'm not asking you to speculate on what the defence minister will do. But I'm asking you: how did you confront the fact that there was a very obvious conflict of interests? If I say to my kids that they can mark their own homework, they're very ethical children and I'm sure they'd do a very good job, but you can see the conflict of interest there. You were basically marking your own homework.

**Gen. Campbell:** I get it. I can see the perception of the conflict of interest, but having read the complete Brereton report, I felt that this could be done by me, and it could then be considered comprehensively by the deputy prime minister. There are many other circumstances, having read that report, where I would not think that but, in this particular circumstance, that was the conclusion I drew.

**Senator SHOEBRIDGE:** Did you think about getting, or did you get, any probity advice for that? Did you seek legal advice or other probity advice?

**Gen. Campbell:** No, I didn't.

**Senator SHOEBRIDGE:** You don't think that would have been a really sensible integrity measure, given you were basically reviewing yourself?

**Gen. Campbell:** The challenge in that is: to whom would I refer to review me if not me and then the deputy prime minister?

**Senator SHOEBRIDGE:** You could pick a variety of very senior members of the Defence Force, perhaps from another service. You could put in place measures to protect them if they undertook that review. That seems a very obvious initial step.

**Gen. Campbell:** It's a very reasonable idea to propose, but it suffers from the reality that they are all under my command, and that arrangement would suffer from the perception that their recommendation was implicitly because of an outcome that I sought.

**Senator SHOEBRIDGE:** What about a former CDF? You could, obviously, get a former CDF or the Inspector-General. There are so many other potential options.

**Gen. Campbell:** This isn't a military justice issue, so it's not appropriate for the Inspector-General. I did consider whether I might refer myself to some of my predecessors but, quite frankly, with the level of emotion, and unintentional and intentional disinformation about this issue, I didn't want to give them that pain.

**Senator SHOEBRIDGE:** I can see how this issue is very close to you and to the organisation. There are a lot of emotions and very real concerns about it. I have my own views about it, but I'm not going to engage in those now. But now you're left with the situation where, unless the conclusion is to withdraw your honours and withdraw the medals, there's going to be this irremediable question mark about a conflict of interest over the whole process.

**Gen. Campbell:** I think that would be true if the circumstance of the review was not the question of the appropriateness of awards to certain commanders in certain periods in which Justice Brereton found credible information of multiple allegations of unlawful killing.

**Senator SHOEBRIDGE:** Is it open to the Deputy Prime Minister—you may not be the one to answer this, General Campbell—to refer this off to a third party to review that aspect involving General Campbell?

**Gen. Campbell:** It definitely is. The Deputy Prime Minister is open to seek any advice or referential consideration that he wishes.

**Senator McAllister:** I gave evidence before in answer to questions from another senator about the information I have. The Deputy Prime Minister has received the recommendations from the CDF recently. He is considering that and will seek any necessary advice.

**Senator SHOEBRIDGE:** Seeking advice?

**Senator McAllister:** Will seek any necessary advice.

**Gen. Campbell :** I can assure you, although I appreciate that you would wish an independent assurance, that this has been done with meticulous consistency. I have encouraged that the Deputy Prime Minister seek independent views. I understand what you're saying, that it will never satisfy, but that's the way I have done it.

**Senator McAllister:** Obviously, I am not in a position to pre-empt any decision that the Deputy Prime Minister might make. He has only recently received the recommendations from the CDF.

**Senator SHOEBRIDGE:** When were those recommendations received?

**Senator McAllister:** I believe on 15 May. I think I gave that evidence earlier.

**Senator SHOEBRIDGE:** The overall cost that's been released about the nuclear powered submarine project, the figure that Defence supplied to the Parliamentary Budget Office for the cost of the project, is \$367.6 billion up to 2052-53. For assistance, I'll hand up the PBO advice. Is that right, Vice Admiral Mead?

**Vice Adm. Mead:** If I could seek your indulgence, before I answer that question, I would like to make a correction to previous advice which I gave to Senator Reynolds concerning the Commonwealth and Western Australian government. It is not an MOU. The Commonwealth and the Western Australian government have exchanged letters in relation to collaboration to progress Australia's acquisition of nuclear powered submarines. These letters will seek to establish a steering group. That steering group will meet very shortly.

**Senator SHOEBRIDGE:** I'm sure Senator Reynolds can come back to that.

**CHAIR:** Senator Shoebridge, the documentation that you've just provided me is marked as confidential and has an 'Official: sensitive' stamp over it. The person that has made the request is Mr Bandt of the Australian Greens.

**Senator SHOEBRIDGE:** Yes. I have his firm assurance that he's happy for us to share this, and indeed—

**CHAIR:** I understand that. I'd like to take some advice from the Clerk.

**Senator SHOEBRIDGE:** it's already been published in multiple places.

**CHAIR:** I'm not aware of that. I'd like to take advice from the Clerk before we officially table this, but you're free to make reference to it.

**Senator SHOEBRIDGE:** I will make reference to it. Yes, the confidentiality lies in the offices of Adam Bandt. He's very keen on the release of public information.

**CHAIR:** You have 30 seconds left before I have to hand over the call.

**Senator SHOEBRIDGE:** Admiral Mead, that is the advice that Defence provided to the Parliamentary Budget Office—that the indicative cost of the nuclear submarines project is \$367.6 billion up to and including financial year 2052-53. Is that right?

**Vice Adm. Mead:** The costs are \$9 billion over the forward estimates, \$50 billion to \$58 billion over the decade and then 0.15 per cent of GDP. We've sought to be transparent in that aspect. We included a whole-of-program cost out to the early 2050s. We've included sustainment, workforce, training, funding to international agencies such as non-proliferation, interim capabilities and workforce.

**Senator SHOEBRIDGE:** That whole-of-program cost, out to 2052-53—oh, sorry; it's 2054-55—including the allowance for contingency, is \$367.6 billion. Is that right?

**Vice Adm. Mead:** The contingency figure is included in the 0.15 per cent of GDP. There's \$9 billion, \$50 billion to \$58 billion over the decade, and then 0.15 per cent of GDP, which does include contingency.

**Senator SHOEBRIDGE:** Yes, and is that the \$367.6 billion?

**CHAIR:** Thank you, Senator Shoebridge. I have to hand the call over now. Senator Lambie, you have the call.

**Senator LAMBIE:** CDF, this morning I asked you about the Leahy law and its application to and administration of Australian soldiers. I believe those questions were going to be taken on notice. I wanted to clarify something. You don't know anything about this law?

**Gen. Campbell:** I'm aware of the US law and I'm aware of its application in some of the Indo-Pacific nations in which the United States works, but I have to take on notice the questions you ask with regard to whether or not

the Leahy law has been an active component of—I think you are asking—the dismissal of soldiers? Was that the question?

**Senator LAMBIE:** I'm asking whether the Leahy law has had any effect on Australian soldiers—whether soldiers were dismissed, whether that was used on them to remove them. That's what I'm asking.

**Gen. Campbell:** I will have to take that on notice.

**Senator LAMBIE:** So you didn't receive advice on 21 March 2021 from the US embassy that the IGADF Afghanistan inquiry report directly triggered the Leahy law considerations?

**Gen. Campbell:** Senator, because your question has come without expectation, I don't have any material nor have I done any background on it, so that's what I want to take notice on.

**Senator LAMBIE:** So you didn't receive any advice from the US embassy?

**Gen. Campbell:** No. What I am saying is that I need to take notice to be able to understand what it is that we have either from, or not, the US embassy or anyone else and what we have done with regard to Leahy law issues or not.

**Senator LAMBIE:** I have received correspondence that states that you, the CDF, received advice from the US embassy that the findings within the IGADF report had triggered consideration of the Leahy law. CDF, I will ask again: has the Australian Defence Force used United States law to take administrative action against Australian soldiers?

**Gen. Campbell:** Again, I'll have to take it on notice to make sure that I reply correctly and completely.

**Senator LAMBIE:** And that advice will be back by the morning?

**Gen. Campbell:** I can't guarantee that. It depends on the degree to which that information is both comprehensive and readily available, so I'm going to take it on notice.

**Senator LAMBIE:** Mr Moriarty, you've been in that seat since 4 September 2017. What can you tell me about the Leahy law?

**Mr Moriarty:** I'm aware of the general expression of those laws in the US. I'm not aware of the specific detail, nor am I aware that the US embassy has written to the CDF or to the defence organisation, and I'm certainly not aware of any impact of those laws on Australian soldiers. But I fully support the CDF taking it on notice so that we can give you a proper and comprehensive—

**Senator LAMBIE:** But, Mr Moriarty, you with here this morning. You didn't put your hand up. I asked if anyone in here knew about these laws. You didn't say a word, Mr Moriarty.

**Mr Moriarty:** That's because I don't know a lot about these laws. I have heard of them.

**Senator LAMBIE:** Why couldn't you have just said: 'Yes, I've heard of the laws. I don't know that.' Now we're losing trust here. Can anybody ask whether the Leahy laws were ever enacted against any Australian soldiers whatsoever or ever used in conjunction to push their law onto us?

**Gen. Campbell:** I'll have to take it on notice.

**Senator LAMBIE:** Did you or did you not receive advice from the US embassy on 21 March 2021?

**Gen. Campbell:** I will take that on notice.

**Senator LAMBIE:** Okay. Well, we've got the IGADF in this afternoon and late tonight. Will they know anything about this, because they are the legal people? Surely they'd have to know at half past 10 tonight.

**Gen. Campbell:** You're going to have to ask the Inspector-General.

**Senator LAMBIE:** Okay. I'll do that then.

**CHAIR:** Do you have more questions, Senator Lambie?

**Senator LAMBIE:** No, I'll let you pass it on if you like. Thank you.

**CHAIR:** Thank you very much for that, Senator Lambie. Senator Green, who's been patiently waiting, has some questions.

**Senator GREEN:** I just want to ask some questions following on from questions from previous senators about the *Defence strategic review*. Obviously, the review deals with significant changes to strategic circumstances and particularly the key forward line of deployment for the ADF. I'm referring to chapter 10 or part 10 of the review. We talked about the forward line of deployment with Senator Reynolds, so I don't intend to go back through that, but what is essentially the importance of that forward line of deployment in the context of changing strategic circumstances? It's page 75.

**Mr Hamilton:** You seem to be referring to a specific paragraph, Senator.

**Senator GREEN:** Page 75, paragraph 10.2.

**Mr Hamilton:** In essence, the government's direction to Defence in relation to its posture is that we must be capable of projecting power, which is ultimately what the Defence Force is for, so that we can deter any potential adversary from attempting to coerce Australia through our northern approaches. What that means is that in essence we need to be able to deploy our forces at greater range to create a question in the mind of any adversary about their ability to successfully undertake their mission to our north. To do that, we need to be able to have a presence in the north of Australia but also we need to be able to have an impact further from our shores than that. The further we can do that, the better for defence planning.

**Senator GREEN:** Thanks. Following the review, the government announced as part of the response that we would be implementing or prioritising investment in Australia's northern bases. I think that included a commitment to \$3.8 billion over the next four years. What will that funding be spent on, and what locations are we looking at?

**Mr Hamilton:** That's correct. I'll just make a couple of remarks and then hand to my colleagues from SEG. You're right: our northern bases are a vital asset and critical to our ability to project force. The government has directed Defence to improve the ADF's ability to operate from our northern bases, including hardening northern base infrastructure. The government has also directed that the Army and the Air Force must be more capable of operating from our northern facilities. The government has committed a total of \$3.8 billion over the forward estimates to help achieve this, and the detail of that will be delivered by Ms Perkins and Mr Fankhauser.

**Ms Perkins:** I'll give you a broad breakdown of where that \$3.8 billion is, and then we can go through it in quite some detail.

**Senator GREEN:** I have some questions about the detail, as I think you can imagine.

**Ms Perkins:** Certainly. The \$3.8 billion over the forward estimates will upgrade and develop northern base networks as a matter of priority. Broadly over the forward estimates, this is \$2 billion for critical airbases, which includes programs at Cocos (Keeling) Islands, RAAF Base Learmonth, RAAF Base Tindal, RAAF Base Darwin, RAAF Base Scherger and Townsville; \$1 billion for upgrades to land and joint estate capabilities, which I can come to in more detail; and \$600 million for maritime estate investments. They're upgrades at HMAS *Coonawarra*, HMAS *Cairns* and Naval Communication Station Harold E Holt. Then there's an additional \$200 million over the forward estimates to accelerate additional projects. What we're working through there, in the spirit of the strategic review, is where we can add to scope of projects underway across that network of northern bases, particularly with things like additional security upgrades, additional fuel supplies and so forth. So we're working through that detail now, across that network of bases from Cocos (Keeling) Islands and from Learmonth all the way across to Townsville and Cairns, for where we can accelerate additional scope to support new capabilities.

**Senator GREEN:** In terms of those new capabilities, what are the capabilities and the capacity in the northern bases that we don't have now and that we need to accelerate? You touched on it a little bit there, but there are certain things we need to address. I think fuel was one you mentioned.

**Ms Perkins:** As you'll be aware, we've had a pretty ambitious agenda for infrastructure development in the north. This \$3.8 billion recognises that work and adds to it. Over the last eight months in working with the government we've increased the funding to the RAAF Tindal development from \$1.17 billion to \$1.58 billion. That's to deliver a full scope of works as we've experienced cost pressures there. We've increased the funding for the Larrakeyah Barracks redevelopment in Darwin. We've prioritised \$567 million for runway upgrades to Cocos (Keeling) Islands for P-8 Poseidon surveillance operations. We've brought forward \$352 million for a major refurbishment of the runway and airfield infrastructure at RAAF Darwin. We've had approved and we've had go through the Public Works Committee \$389 million for accommodation for troops at Robertson Barracks in Darwin. We've got an additional \$250 million for new hangars and maintenance facilities at RAAF Base Tindal.

Much of this is to improve the capacity for the operations for the capabilities we've been bringing online and will continue to bring online. We will keep looking at that. Additional investment will be for new capability—for instance, the siting and home basing of the new Army watercraft. We have a forward program of works across the bases in the north to both accommodate new capabilities and to account for what are sometimes bigger operating parameters. Many of the new and next generation aircraft require longer runways, for instance. Much of this will be work that we will deliver to support ADF capability, and it will be supplemented for the work we've been doing with United States under the force posture initiative to build capacity, particularly in the Northern Territory and across those northern bases.

**Vice Adm. Mead:** Could I add to what Ms Perkins has said there? You asked about the capabilities that this work would support. They include things like air surveillance of our northern approaches, air defence, again, of our approaches, our ability to conduct strike at long ranges, as well as air transport and an increased capability for our Army units to manoeuvre in our northern approaches, including through an increased littoral manoeuvre capability.

**Senator GREEN:** We heard evidence in response to questions much earlier today about reprioritisation and rescoping of some infrastructure projects. It's fair to say that's part of the difficult decisions that are being made. But a lot of those decisions about that rescoping and reprioritisation are about making sure that this investment can happen and that the acceleration in the north can happen.

**Vice Adm. Mead:** That's correct. The government's given Defence very direct instructions on immediate priorities, and the range of offsets that we've been discussing today will support us in implementing those. As I mentioned much earlier, we are also working on a longer term program of recasting all of our plans to make sure that we are delivering the intent of government policy.

**Senator GREEN:** In terms of HMAS *Cairns*—you knew I'd ask about this, so that's okay.

**Ms Perkins:** He comes prepared, Senator.

**Senator GREEN:** I was lucky enough to be there on the day that this investment was confirmed—not on the base but next to it, in the shipyards. I just want to understand whether we have a breakdown yet of what that investment in the *Cairns* base will be or whether we're still working out how that is going to be best placed.

**Mr Fankhauser:** In February this year we announced a contract award for \$111 million covering three sites. HMAS *Cairns* was one of them. It's the North Queensland Mid-Term Refresh. The other two sites are the Townsville Field Training Area and Lavarack Barracks. In terms of the breakdown of expenditure at HMAS *Cairns*, the mid-term refresh element of that is \$15 million. We have also got a fleet information upgrade project of \$4 million and for a large number of investment facilities for the Arafura class offshore patrol vessel, which is \$214.8 million. That's for replacing the wharf at HMAS Cairns and extending it to join with wharf 12, which is also known as the sugar wharf.

**Senator GREEN:** That's essentially the work that needs to happen in conjunction with the Cairns marine precinct redevelopment.

**Mr Fankhauser:** Yes, that's correct.

**Senator GREEN:** In terms of Lavarack Barracks, which is the other thing, do you have a breakdown of what that work will be?

**Mr Fankhauser:** The Lavarack Barracks make up a portion of that \$111 million. In terms of expenditure in the coming financial year, 2023-24, the works associated with RAAF Base Townsville are \$27.3 million, the Townsville Field Training Area \$16.4 million and the Cairns mid-term refresh \$10.8 million. There are facilities elements to a whole range of new capability platforms being acquired, like the Chinook helicopters. We're also doing runway works to support the introduction into service of the Peregrine intelligence surveillance and reconnaissance aircraft at RAAF Base Townsville. In terms of Lavarack Barracks in particular, we have a mid-term refresh program to commence there in mid-2026 running through to mid-2028, and that will be in the order of \$175 million.

**Senator GREEN:** They're big barracks, and it's a big refresh. Going back to the review, the review in the same section refers to the 2012 ADF posture review and the 2013 Defence white paper and, as a result of those reviews, allocated resources to improve the network of bases, ports and barracks. It is going back a while, but what were the recommendations in those white papers?

**Vice Adm. Mead:** This is starting to dig back a bit, but the government at the time commissioned a force posture review to examine the appropriate posture of the Australian Defence Force in light of the strategic circumstances at that time. The consequent outcome of that review emphasised the importance of investment in the northern bases that we have been discussing now. Subsequent to that, a range of decisions taken by subsequent governments are reflected in this review, but in essence it was a look at force posture in light of circumstances in 2012.

**Senator GREEN:** So in 2012 there were recommendations about northern bases?

**Vice Adm. Mead:** They were covered in the context of that review.

**Senator GREEN:** The *Defence strategic review* says that most of the recommendations about northern bases were not implemented. Why weren't they implemented?

**Vice Adm. Mead:** I think that's probably a question for others who were around at the time, but this review makes the observation that that work needed to be reinvigorated, and that is what we're doing now.

**Ms Perkins:** If I could add, we make choices every year on the balance of priorities for investment across the domains, including the estate as a domain. In supporting the *Defence strategic review* independently, we look very closely at those recommendations from 2012 and the progress on them. While I think independent leads reflected some disappointment we hadn't progressed further, the extensive infrastructure investment already underway and now accelerating across the north indicates that we've been working through that plan.

**Senator GREEN:** No, the review says that most of the recommendations—most of the recommendations—were not implemented. It did not make commentary on the progress you made on the ones that were progressed but said that most of recommendations weren't implemented. These are recommendations from 2012, and now we are in this situation where we are 10 years down the track and having to accelerate the progress because we have not done the work.

**Ms Perkins:** What I was referring to would be, for instance, the upgrade of RAAF Base Curtin, which has not commenced but will be brought forward to government in the coming months. Because the Integrated Investment Program is a multidecade plan, some of the recommendations of the 2012 review are programmed in the later years.

**Senator PATERSON:** I have some questions about AUKUS Pillar 2. Among the advanced technologies listed under AUKUS Pillar 2, has the government identified any among them which are priorities—by which I mean those to be pursued in the shorter term or are more likely to bear fruit in the shorter term, compared to those that are longer term priorities?

**Mr Jeffrey:** In short, the three governments have identified areas where they want to accelerate in the short term, and those areas were identified late last year at about November time. We've begun to see some progress in relation to those near-term priorities, but, of course, the overall priority of AUKUS Pillar 2 is to speed capability to the warfighter in ways that are going to contribute substantively to deterrence—but deterrence that is focused in the Indo-Pacific.

**Senator PATERSON:** What are the technologies within AUKUS Pillar 2 that were identified in November as for acceleration?

**Mr Jeffrey:** You'll appreciate that all of the project areas under pillar 2 are advanced capabilities and highly classified. You'll be aware of the key areas that pillar 2 is focusing on, so I'm not going to go into the specifics of the capabilities themselves. It's fair to say that we will talk less about AUKUS Pillar 2 projects than we will talk about them, for obvious reasons. As we begin to field, test or exercise certain capabilities that have been developed through pillar 2, you'll start to see that coming out. The most recent one was where the US and UK put out a statement around an autonomy trial that AUKUS members conducted in the United Kingdom in April.

**Senator PATERSON:** Yes, and the footage from, I think, a drone trial was impressive. I just want to press a little bit further on these areas for acceleration. Some of these categories under pillar 2 are enormous—quantum. Are we talking about sensing, communications, encryption or decryption? Can you not, in a safe way in a public forum, give a little bit more specificity around the priorities within those?

**Prof. Hilder:** I can say a little bit more to that. Quantum is a good example, where our initial focus is around precision navigation and timing. So that's a specific aspect there. There are also some areas of quantum sensing.

**Senator PATERSON:** That's a good start. How about we go through some of the other categories if you can provide any further flavour on them—like artificial intelligence?

**Prof. Hilder:** Probably, the best example is something similar to the trial that was in the UK. This was about being able to share and hand over algorithms to be able to demonstrate the processing at the edge in order to operate together with our partners.

**Senator PATERSON:** Hypersonics?

**Mr Jeffrey:** I'm not going to go into the content of hypersonics. Three countries have active hypersonic development programs. As you've identified, hypersonics is a key capability area that we're focused on. We will be working on how we, as three countries, develop and align those efforts that we're already undertaking on our own terms. In the event that we have something to announce, of course we will make that announcement.

**Senator PATERSON:** At least in the hypersonics case it is a bit more of a defined category than quantum or AI, which are similar to order. What can you tell me about undersea warfare?

**Mr Jeffrey:** There is currently an undersea trial underway, where we're working under Pillar II. It's one of the areas that we're looking focus heavily on. Again, I am not going into the content of those works under Pillar II, but it is an active area of cooperation.

**Senator PATERSON:** I'll persist with my questions a bit more. I think this does demonstrate—this is not a matter for officials; it's a matter for government—but I think it does demonstrate the case for some sort of classified forum in which parliamentary oversight about these priorities can be pursued. It's been proposed by a number of parliamentarians. Something equivalent to the intelligence and security committee for AUKUS would be helpful, where officials can be more candid about these technologies in a secure way and parliamentary oversight can still be provided. It's not adequate, with such significant expenditure of public funds and such consequential decisions of capability for our future, to have no forum where these things can be explored by parliamentarians. Minister, do you have thoughts on that?

**Senator McAllister:** I will take that on notice, just bearing in mind that I am not sworn to this portfolio, so I would want to consult with Mr Marles before I provide an answer.

**Senator PATERSON:** Fair enough. We served together on the intelligence and security committee in the last parliament. I'm sure from your experience there you would agree that it's a highly functional committee of the parliament and is a useful forum for both government and opposition and indeed helps prepare ministers of government to hit the ground morning when they come to government, having more familiarity with the issues, as well as providing that democratic oversight. But I will leave that as a comment and look forward to your answer on notice. How were the priorities for acceleration within Pillar II identified? What was the process for identifying them?

**Mr Jeffrey:** There is what's called a joint steering group. I sit on the group with my American and UK counterparts. We met last year in November and we saw presentations from the trilateral capability managers groups. We have working groups that are comprised of capability managers for the three countries. They presented to us and we chose to recommend to defence ministers for agreement that they choose to accelerate certain capability areas or projects for rapid delivery. The test use in the UK is one example, one outcome.

**Senator PATERSON:** Are there any kind of criteria you have to provide this advice? Is it about speed? Is it about impact? Is it about affordability? What are the criteria that you're using?

**Mr Jeffrey:** Pillar II seeks to address specific operational problems, so we are seeking to ensure that work under Pillar II is addressing those specific problems. That's a key factor. The other factor is what work is going to deliver outcomes in the near term versus what work requires longer lead times. We look at a range of factors to determine which ones we prioritise and which ones we keep going.

**Senator PATERSON:** Would it be possible on notice for you to provide those factors? I don't need the details of the technologies, obviously, but what are the key criteria that you would use?

**Mr Jeffrey:** We can provide on notice some parameters which were used to focus on.

**Senator PATERSON:** That would be helpful. Was there consultation with academia or defence industry or others in helping to form these priorities?

**Mr Jeffrey:** We haven't yet engaged broadly or outside the trilateral framework. As I said, all these programs are highly classified. But the members of Pillar II do anticipate that we will be needing to engage specifically with industry, research sectors and universities. Our anticipation will be that that engagement remains relatively narrow and point-to-point. It won't be very broad. We won't be broadcasting that, but we will be engaging directly. We anticipate that that engagement will come when we're seeking direct input. One of the opportunities that Pillar II presents is the extent to which we can use the environment we create under AUKUS to mobilise and incentivise new forms of investment and capital and interest from the business sector and technology sectors in particular.

**Mr Moriarty:** A number of Australian defence industry companies have already presented proposals to us. They've engaged. There is some defence industry engagement, but I would say at this stage it is very much that we need to learn more about the capabilities that are available. We need to match that with a priority that all three countries can agree on and then work out a capability development pathway. We are certainly looking at what we might do to also harmonise this work with the capabilities accelerator that the government has recently announced. There is quite a bit of work to be done.

Pillar II, in some ways, represents complexity. We're trying to talk about systems in the three countries that need to be harmonised so that we can have really free-flowing data on some of the most sensitive technologies. All three countries are really determined to get after this, but it is complicated work.

**Prof. Hilder:** I can comment further on that. In the recent trial in the UK there was industry involvement including co-investment from industry in the trial. As Mr Jeffrey mentioned, this was something that was highly targeted to make sure that we were getting after the most important aims rather than necessarily a broad call around an area, which is an important aspect for AUKUS Pillar II. When we were looking at the assured position on navigation and timing, again we are working both with industry and academic partners who have the requisite expertise in that area and tying into other activities that we expect will be part of the Advanced Strategic Capabilities Accelerator. So it's about making sure that we use that as a mechanism to help drive some of these technologies into capability.

**Senator PATERSON:** Would you consider providing on notice, in an appropriate way, the external parties that Australian officials have met with in relation to these AUKUS 2 priorities? I will let you consider what you can provide on notice. Moving on, in the DSR there was a sentence in relation to advanced capabilities: 'This requires dedicated senior level focus in relation to breaking down the barriers to AUKUS.' What does the government have in mind to provide this? What do the reviewers intend by 'dedicated senior level focus' and what does the government have in mind to provide that?

**Mr Moriarty:** The government has directed us to do the work internally to identify an appropriate position with the right authorities. That work has been done, and the government's very close to making an announcement about the individual who will be appointed to lead that Pillar II work.

**Senator PATERSON:** There is this reference that the senior official officer with sole responsibility and singular focus on implementation should be appointed. So the decision has been made as to who that person should be, but it has not yet been announced—is that my understanding from your evidence?

**Mr Moriarty:** I have identified an officer and I'm just waiting for final consultation with my ministers.

**Senator PATERSON:** Is it a decision for the minister? Does it need to go to cabinet? What is the process from here?

**Mr Moriarty:** It will be one that the Deputy Prime Minister—obviously this is something that the Minister for Defence Industry is also closely involved in. But it will be within their authority to establish the position.

**Senator PATERSON:** Have you made your recommendation already to the minister? Are they considering it?

**Mr Moriarty:** I've engaged my ministers and am waiting for a final tick-off to move forward.

**Senator PATERSON:** You're waiting for the green light, effectively?

**Mr Moriarty:** It's imminent.

**Senator PATERSON:** Good. When did you propose this candidate to the minister?

**Mr Moriarty:** A week or so ago.

**Senator PATERSON:** This will be a uniformed officer; is that what you're saying? Or will it be an official in the department?

**Mr Moriarty:** An official of the department but working with the ADF.

**Senator PATERSON:** At what level of seniority in the department will they be? What will their designation or classification be?

**Mr Moriarty:** My initial recommendation is at the first assistant secretary level.

**Senator PATERSON:** So they'll work within the Defence Department. Will they have a team underneath them?

**Mr Moriarty:** At the moment we have a number of people working on AUKUS Pillar II projects and work. That work will be consolidated under this person, and I anticipate there will be some additional resources that will build over time.

**Mr Jeffrey:** Perhaps I could add that the secretary referred to the complex challenge of institutionalising Pillar II. That essentially means that if you're going to fund innovation and pooling through the capability on projects trilaterally you've got to build a system that can do that. So a lot of the focus, in addition to moving projects forward quickly, is on building a self-sustaining system that's going to do it over time. One key outcome of that is we've agreed on an institutional structure for Pillar II. Again, it's not in the public domain but I can talk about its existence.

One key deficit that all three countries identified was a set of officials sufficiently senior to compel resources through their respective organisations. They could work this full time. It could be their sole day job. We have created an advanced capability mechanism that will sit within the Pillar II structure, that'll be staffed by the person

that the secretary, under the instruction of the Deputy Prime Minister, will appoint. That person will sit on that group and work directly with his or her full-time counterparts in the US and the UK, and we think that that will allow us, when we identify barriers, to work on solutions more quickly.

**Senator PATERSON:** Mr Moriarty, you mentioned additional resources. What funding has been set aside for this position and their team, and what funding do you anticipate they will need going forward?

**Mr Moriarty:** We're still in the process of working through the nature of the resources that will be required, but there's staffing and other resources allocated at the moment and there are also resources allocated across the services that are looking at some of these issues, and in our Defence Science and Technology Group. We'll pool all of that together and then we'll look at what additional resources are required and take that through the normal processes to the Deputy Prime Minister.

**Senator PATERSON:** We might seek information on that in future estimates. Will this position supersede or eliminate any of the existing AUKUS coordinating functions, either within Defence or in any other departments? There are number of people who have AUKUS-coordinating titles. Does this replace any of those people?

**Mr Moriarty:** This will be the senior single point of authority on AUKUS Pillar II work, so they will assume some of the responsibilities that are currently dissipated. Again, as Mr Jeffrey said, this is going to be a role that somebody does full time; it is their day job.

**Senator PATERSON:** And will they report direct to you, or through someone to you?

**Mr Moriarty:** Mr Jeffrey is the current member of the joint steering group on AUKUS Pillar II. That structure will remain in place, so this person will be part of that structure but they will also be able to engage directly with me and the CDF on AUKUS Pillar II issues as they see fit.

**Mr Jeffrey:** If I could add to that: again, on the institutionalisation of Pillar II, but also of AUKUS more broadly, you'll appreciate that it's the defence ministers themselves that are ultimately the decision-makers on Pillar II, so the three of them are our collective bosses. The secretaries are then the next step down. So we work this through institutionally in our systems in a way that makes most sense.

**Senator PATERSON:** Okay. Chair, I'm mindful of the time. I imagine you're about to take the call off me. I won't launch into a brand-new topic yet.

**CHAIR:** I wouldn't do that to you, Senator Paterson, but thank you for your indulgence. I'm happy to pass over to Senator Malcolm Roberts.

**Senator PATERSON:** Yes. We'll have further questions.

**Senator ROBERTS:** Thank you again for being here. I have two sets of questions, one about PFAS and one about General Campbell's duties. General Campbell, during your tenure as Chief of the Defence Force, the force has slipped to the point that the government commissioned the *Defence strategic review*. Now that that review has been released, an independent panel has been appointed to implement the recommendations. My question is: what are you doing? You are the Chief of the Defence Force, yet an independent body has done all the work reviewing your operations, and now an independent body will be implementing the recommendations. Why do we need you? It looks like independent bodies are doing all the work that you should be doing to keep the ADF in shape. That's what it looks like.

**Senator McAllister:** Just before I invite General Campbell to respond, I would indicate that the origin of the *Defence strategic review* was a recognition by our government as an incoming government that our strategic circumstances had changed; that that would necessarily require an adjustment to our capabilities, our structure and our posture; and that it would be important for that work to be done early in the life of the government to allow any subsequent decisions to be made. I offer that because I think we would characterise the origins of the review a little differently to the way that you did in the question that you addressed to General Campbell.

**Senator ROBERTS:** Perhaps, Minister, we could then ask the question: what inputs were given by General Campbell before the government changed and after the government changed?

**Senator McAllister:** Obviously, I wasn't here before the government changed.

**Gen. Campbell:** In support of the objectives of the government of the day—both the former government and the current government—during the tenure of my duty as the Chief of Defence Force I have served by seeking to fulfill those duties. If you find them wanting, so be it.

**Senator ROBERTS:** I'm asking a question as to what inputs were put in to require or spur the strategic review from the independent panel and then implementation of the recommendations.

**Gen. Campbell:** I, with senior colleagues—military and civil—in the defence enterprise, was fully engaged with and supportive of the independent leads who undertook the review. They, of course, engaged widely both in Defence and well beyond Defence extensively, and internationally also. I was involved in supporting that work, and they then made their independent views known to the government. The national defence document is now an expression of the government's policy position, which the secretary and I, and the senior leadership group, will vigorously execute. In doing that, the independent leads are part of an implementation oversight mechanism to be able to report to government that that is what we are doing and to offer further advice with regard to how it might be undertaken or nuances in their thinking expressed in the *Defence strategic review*.

**Senator ROBERTS:** Thank you, General Campbell. Sticking with that for a minute, the reason we were given for the review is that strategic circumstances had changed militarily in Australia and our region and perhaps globally. So I'm wondering: did you trigger that request for a review? Did you see that need and request? If so, in what way?

**Gen. Campbell:** No, I didn't trigger it.

**Senator ROBERTS:** Did you call for it?

**Gen. Campbell:** I am just going to turn to the deputy secretary for DSR implementation. The triggering, I would offer, from my perspective, was from the government and the Deputy Prime Minister.

**Senator ROBERTS:** So you didn't raise a flag?

**Gen. Campbell:** Certainly throughout my tenure I have been engaging the government of the day on our military capability on the strategic circumstances evidenced within the Indo-Pacific and beyond and working to seek to progress defence and national security interests.

**Mr Hamilton:** It was the government, the Deputy Prime Minister, in July last year who asked His Excellency the Hon. Stephen Smith and Sir Angus Houston to conduct a review. At the time the government said they wanted an independent process to look at the judgements that were made in the 2020 strategic defence update and to recommend how defence policy planning, posture and capability should respond to these changing circumstances. The review was independent, and the review leads took that independence seriously, but they did seek advice from Defence on occasion, as is usual for a review of this sort, and Defence provided that on request. But it was a very independent process.

**Senator ROBERTS:** General Campbell, do you take any responsibility for the state of the Australian Defence Force right now, with billions in blown-out and delayed acquisitions, the retention and recruitment crisis and the hollowing out of the special forces capacity?

**Gen. Campbell:** I am accountable for everything that is occurring in the Australian Defence Force.

**Senator ROBERTS:** I have heard from a lot of diggers that they don't want to have cash thrown at them like you are doing with the \$400 million in retention bonuses. They just want to serve in a defence force that is proud of its warriors and values our special forces. In fact, I have had suggested to me from a number of former and current ADF members that you could help the retention issues by stepping down. It's clear to me why people are feeling that way. Have you commissioned any surveys on whether the diggers approve of the job you are doing where they can remain anonymous to give you feedback?

**Gen. Campbell:** No, I haven't. Thank you for your advice.

**Senator ROBERTS:** It's not advice. It's a question. It might be something to consider.

**Gen. Campbell:** I meant your advice about stepping down.

**Senator ROBERTS:** Let's turn to PFAS. My questions about PFAS come from a story reported by the *Newcastle Herald*. It's something I've been engaged with in various parts of the country for quite some time, especially with the Defence Force. The *Newcastle Herald* reports that Laureate Professor Ravi Naidu from the University of Newcastle conducted research at the Sydney food markets and in a Newcastle supermarket and found PFAS in 53 fruit and vegetable samples—pretty much every fruit, vegetable and herb most Australians would have in their weekly shopping. Laureate Professor Naidu concluded this was a serious concern as PFAS builds up over time in a person's system to levels that can cause health issues. The defence department has for many years advised residents in PFAS red zones that they should not eat produce from their own land but that it was safe to send to market. Who's right here? Is the laureate professor right that this is a serious health issue, or is the defence department right in advising red zones residents to make PFAS someone else's problem?

**Ms Perkins:** As you rightly recognise, Defence has been involved for many years in a process of reviewing the potential impacts of PFAS contamination emanating from defence bases into planning areas and working with those committees as we undertake both investigation into that contamination and substantial scientific research,

including with Mr Naidu, and remediation. We have many remediation programs around the country. As we've been doing that work with the investigations through to the remediation, we have worked with local and state governments, environmental protection agencies and health authorities on the current best practice and knowledge around PFAS and its human health effects. The precautionary principle has been the way in which we have worked with state governments and local authorities, particularly on the health advice you referred to. That advice has held that the evidence around human health effects of PFAS remain scientifically unsettled and we haven't yet determined consistent evidence of human health effects. We have suddenly certainly learned and understood over the last probably five or seven years that PFAS is a persistent chemical and that it does build up over time through—

**Senator ROBERTS:** It's called a permanent chemical.

**Ms Perkins:** A forever chemical, indeed. For those people living in areas of high contamination, because of persistent exposure to the contaminant, particularly from groundwater—we've been supporting people who have tank water on their properties—and also through fruits and vegetables, and through chicken and eggs or other livestock, and the more regular ingestion of that material, the precautionary health advice would be not to eat it.

**Senator ROBERTS:** So we just spread it around and dilute it?

**Ms Perkins:** The health advice is that PFAS contamination is extremely widespread and that the levels at which it would be present, for most of us, in the way in which we would buy food and drink, would be below the health levels that we're seeing.

**Senator ROBERTS:** Let's look at those health levels. I'm referencing the *Sydney Morning Herald* regarding Wreck Bay:

A two-year investigation has revealed devastating sickness and death in an Indigenous community located next to a defence base that used toxic firefighting foam.

The Defence department disclosed PFAS chemicals 'had been seeping into the community's waterways, food supply and sacred sites' for at least 30 years. Can you confirm the accuracy of the *Sydney Morning Herald's* comment?

**Ms Perkins:** Wreck Bay is one of the sites that has been investigated by Defence. As I said, we've had a program of investigation at those sites most likely to have experienced contamination from PFAS, which was primarily used by us as a firefighting foam on airbases and aviation sites. Certainly, the Wreck Bay site is a site where we've undertaken that investigation work, and we will continue to work with that local community on remediation.

In the period of time that we've been doing this work, we've investigated and we've learned about this chemical and how it moves through the environment. We've worked with authorities on advice to residents. We've been providing a range of support for affected communities, and that varies based on the community and what they've experienced. In some communities that might be the provision of bottled water; in some communities it's been some support around raised garden beds and soils for vegetable growing; in some communities it's been connection to town water, as that's the key vector through which PFAS contamination spreads. We're going to continue doing that work, and we're going to continue remediation at these sites.

The remediation programs, as we've completed the investigations, are now moving into maturity. That's going to seek to do a couple of things: firstly, to continue to remediate any remaining PFAS contamination on bases and, secondly, to keep monitoring the flow of PFAS through water tables. That's going on all around the country so that over time we can apply more solutions to resolving the flow of this chemical and work with those communities on remediation of the PFAS but also support them in other ways that it'll be affecting them, including through their water supply.

**Senator ROBERTS:** The lived experience of the Wreck Bay Aboriginal community is heartbreaking. This is from one resident:

There's no old men and no old women in Wreck Bay ... There used to be.

The community is now asking questions about the loss of 400 community members and about a cancer cluster that exists in the community. The *Sydney Morning Herald* says:

Jervis Bay had the second-highest percentage of years of life lost ... in Australia in the years 2014, 2018 and 2020.

Another resident added, 'We're all thinking who's going to die next?' Minister, is Defence covering up another PFAS scandal at Wreck Bay? This has happened time and time again.

**Senator McAllister:** I am advised that there is a class action in relation to Wreck Bay and that questions in relation to that matter ought to be directed to the Attorney-General. I have limited additional information that I can provide to you at this point.

**Senator ROBERTS:** The Commonwealth has just settled a PFAS contamination claim for \$132 million. One may think that's the end of it. Are you aware there are 920 PFAS affected areas in Australia from defence bases, fire stations and waste dumps? PFAS is not going away; it's just getting started. What are you doing to safeguard public health, especially from the worst contamination zones in defence base red zones? People have moved to retire and their whole livelihood has been smashed. Their retirement income has been smashed, their retirement assets have been smashed by the Defence Force, and Defence won't own up.

**Senator McAllister:** I'll ask officials to talk through the Defence response. As I've indicated, I have limited information before me to assist you, but I'll see what Ms Perkins can offer.

**Ms Perkins:** I'll start by just saying that I think what has characterised the Defence response to PFAS contamination has been a real commitment now over many years to transparency with communities. We are out in the communities and have been for many years. We hold community information sessions, particularly through the investigation phase and as we move into remediation. We maintain a regime of making available all the research and investigations that we undertake publicly for affected residents.

You referred to a class action. There have in fact been a number of class actions. A class action settled around three years ago that covered Williamtown, Oakey and Katherine, and that was, variously, \$86 million, \$34 million and \$92 million. The Haswell class action and the Wreck Bay class action that we're referring to here have not settled yet. A settlement has been proposed, and there are a series of legal discussions and agreements with the proponents of the class action before they settle, but they are separate—for the Haswell class action, which is over a number of sites, it's \$132 million, and for the Wreck Bay class action, it's \$22 million. We're also managing a number of non-litigated claims at sites around the country.

The final thing I would just mention is that we've been working with the government, particularly with Assistant Minister for Defence Thistlethwaite, on a government election commitment to undertake a review of land use around those Defence sites that have had PFAS contamination. We're working through the details of that now, and that will be particularly work designed to work with local authorities and state governments on what additional options we might have in addition to investigation, remediation and support to communities around zoning of land and other options to help these affected communities.

**Senator ROBERTS:** Minister, I have a final question.

**CHAIR:** You may ask one clarifying question, then I'll have to move the call along.

**Senator ROBERTS:** We know that the manufacturers of these killer chemicals—DuPont, 3M and others—have been found guilty in the United States. Is it time to set up a PFAS commissioner to oversee the remediation, compensation and like-for-like settlement of PFAS affected communities instead of fighting lawsuit after lawsuit with citizens of Australia? Isn't this money better off in the hands of affected residents, not lawyers on both sides, and putting the responsibility and the onus to pay up on DuPont and 3M? When are you going to stop these multinational killers from doing it? They've known about it for decades.

**Senator McAllister:** Perhaps I can take that on notice. I recognise it as a policy suggestion, in fact, and I will take it on notice and see what we think about it.

**Senator ROBERTS:** The question was addressed to you. Thank you, Minister.

**CHAIR:** Senator Shoebridge.

**Senator SHOEBRIDGE:** To continue down the PFAS point—because it's convenient—there was a \$212.5 million settlement for three matters in 2020, \$132.7 million for the broader class action on 25 August and then a further \$22 million for the Wreck Bay settlement that was announced some five days ago. That's more than \$360 million. Has that all been paid by Defence or is payable by Defence?

**Ms Perkins:** I might need to take that on notice. I believe so.

**Senator SHOEBRIDGE:** In answering the questions earlier about Wreck Bay, you said that it's still the subject of a class action. But are the reports right that there was a settlement agreement reached, although not yet approved by the court, of \$22 million?

**Ms Perkins:** Yes. Those two settlements that you referred to are what are referred to as the Haswell class action and the Wreck Bay class action. While there have been publications around the proposed settlement, they have not yet worked through the final process. From our position, they remain to be settled, but those are the indicative figures.

**Senator SHOEBRIDGE:** And is it true that, as part of the settlement for Wreck Bay, Defence has refused to admit liability? Is that true?

**Ms Perkins:** I am not a party to the legal negotiations.

**Senator SHOEBRIDGE:** I see Mr Fankhauser nodding. It's true, isn't it?

**Mr Fankhauser:** I'm also not part of the management of the legal proceedings.

**Senator SHOEBRIDGE:** Well somebody in Defence must know whether, as the client, they are admitting liability or they're not, or they've refused to admit liability, on Wreck Bay. You're the client. Has Defence refused to admit liability for the untold damage that it has inflicted upon the Wreck Bay community?

**Senator McAllister:** Senator, I understand that these matters are in fact still before the court. They are active legal matters. I think it's best if the department takes these on notice because the questions you are asking obviously go to a matter that's before the court.

**Senator SHOEBRIDGE:** Has Defence apologised for poisoning the water, the land and the people of Wreck Bay? Has Defence apologised for poisoning that community?

**Ms Perkins:** I would characterise that as an emotive term. For many years now we've been in these communities regularly. We sit down in the communities and talk with the people. We hear from them very directly. I'll guarantee you that when we leave the table Mr Fankhauser's phone will be full of messages from communities, and he'll also be getting a lot of career advice.

Defence used over many decades the most commonly used firefighting foam in the world. It is ubiquitous. It was the recommended firefighting foam, particularly for aviation. As we became aware of these issues we started really difficult work very transparently in communities on investigating, researching and now remediating. We've also been working assiduously to remove PFAS from the firefighting foams that we use.

**Senator McAllister:** Ms Perkins, I indicate my earlier advice to senators, which is that this matter is still before the court. We're happy to take questions on notice, Senator Shoebridge, but it's really not appropriate for it to be discussed—

**Senator SHOEBRIDGE:** Minister, the question is simple.

**Senator McAllister:** in the way that you're asking officials to discuss it.

**Senator SHOEBRIDGE:** Has Defence apologised to the Wreck Bay community for putting PFAS through their water, through their land and into the people themselves? Have you apologised to the Wreck Bay community?

**Ms Perkins:** We'll take that on notice.

**Mr Fankhauser:** There's one thing I could add. Ms Perkins touched on earlier that we do regular community consultation events with affected communities. I can confirm that one was held on 27 February with the Wreck Bay community. That was led by Assistant Minister Thistlethwaite. Similarly, he has also led other community consultation events, including at Williamstown last October. Minister Keogh led one, which I also attended, in Bullsbrook near RAAF base Pearce in December last year.

**Senator SHOEBRIDGE:** Did Assistant Minister Thistlethwaite apologise to the Wreck Bay community in February for poisoning their land, their water and the community with PFAS?

**Senator McAllister:** Senator, the official has already taken your question on notice, and this is essentially the same question asked in a different way. It has been taken on notice and will be dealt with through those means.

**Senator SHOEBRIDGE:** When was Defence first put on notice about the adverse health consequences of exposure to PFAS? When was Defence first on notice about it?

**Ms Perkins:** I think it's best just to take that on notice. Our history in becoming aware of the issue and starting investigations is long and well before my time in this role. So we could take that on notice.

**Senator SHOEBRIDGE:** And when you answer that can you advise us when Defence stopped the use of it?

**Ms Perkins:** Yes.

**Senator McAllister:** On notice. Ms Perkins will assist you on notice.

**Senator SHOEBRIDGE:** This is the final question that comes from that earlier round of questioning. This is probably to you, Minister. Has the government, including through Defence, obtained advice on recovering the costs paid by the Commonwealth from the manufacturers of this poisonous product—in this case, DuPont and 3M?

**Senator McAllister:** I'll take that on notice, Senator Shoebridge.

**Senator SHOEBRIDGE:** If the answer is 'no': if not, why not?

**Senator McAllister:** I will take your question on notice.

**Senator SHOEBRIDGE:** Thanks, Minister. In the earlier round, I was asking some questions of Admiral Mead. I would like to come back to those. They were about the cost of the nuclear submarine project.

**CHAIR:** Just so you know, you've got just under five minutes.

**Senator SHOEBRIDGE:** Sure. And did we get a copy of that document to Admiral Mead in the previous round?

**CHAIR:** Sorry—which one are you referring to?

**Senator SHOEBRIDGE:** It was the one you were seeking advice on that is now published on the Parliamentary Budget Office website.

**CHAIR:** I think Admiral Mead was already at the table discussing—

**Senator SHOEBRIDGE:** Has he got a copy of that document? Admiral Mead, have you got a copy of it?

**CHAIR:** We'll get him a copy, if that's what your concern is.

**Senator SHOEBRIDGE:** Admiral Mead, this is a one-and-one-tenth-page advice provided by the Parliamentary Budget Office on the cost of the nuclear-powered submarines. Do you see that?

**Vice Adm. Mead:** I have that document in front of me; it was provided. Thank you very much.

**Senator SHOEBRIDGE:** You will see that, at about point 7 on the first page, the Department of Defence has advised, in providing these figures, that a year-by-year breakdown could not be provided. Do you see that?

**Vice Adm. Mead:** That's correct.

**Senator SHOEBRIDGE:** The Department of Defence provided the figures that you'll see in that table about halfway down the page to the Parliamentary Budget Office, didn't they?

**Vice Adm. Mead:** That's correct.

**Senator SHOEBRIDGE:** And those show that the whole-of-program costs of the nuclear submarine project, up until 2054-55, which includes a \$129.9 million contingency fund, is \$367.6 billion. Is that right?

**Vice Adm. Mead:** That's correct.

**Senator McAllister:** You're correct that that is how that document presents the information, but you'll also be aware that the government has chosen to describe the long-term cost of the program in the context of GDP, and that reflects the variables that are in play when a project runs over an extended period of time as this one does.

**Senator SHOEBRIDGE:** Admiral Mead, just to be clear: these were the figures that Defence provided to the PBO at the PBO's request, in order to provide this costing?

**Vice Adm. Mead:** That is correct. But, as the minister indicated and as the Deputy Prime Minister has indicated, we believe that a more accurate assessment is \$9 billion over the forward estimates and \$50 billion to \$58 billion over the decade, and, to the uncertainty, 0.15 per cent of GDP thereafter.

**Senator SHOEBRIDGE:** So, if our economy grows at a higher rate, the cost of the nuclear submarines project is expected to increase, in accordance with the increase in the size of our economy—is that why you use 0.15 per cent of GDP?

**Vice Adm. Mead:** The 0.15 per cent of GDP is in order to capture uncertainty—cost variables, such as inflation and exchange rates and—

**Senator SHOEBRIDGE:** It's a nonsense figure, isn't it? If our economy grows at a higher rate, somehow, bizarrely, the cost of the nuclear submarine project, on your estimate, will increase, and, if our economy grows at a sluggish rate, somehow, bizarrely, the cost of the nuclear submarine project will be less. It's a nonsense figure, isn't it?

**Vice Adm. Mead:** I don't agree with your characterisation there, and I'm not going to enter into offering opinion. We believe that 0.15 per cent is the most accurate way to forecast a project of this duration.

**Senator SHOEBRIDGE:** Nevertheless, you told the PBO—

**CHAIR:** Senator Shoebridge, this is your last question.

**Senator SHOEBRIDGE:** when they requested it, that, up to 2054-55—including the 50 per cent contingency allowance—the cost is \$367.6 billion. That's what you told the PBO.

**Vice Adm. Mead:** That is advice we provide the PBO, correct.

**CHAIR:** I will hand the call over to Senator Fawcett. Just to let the officials know: the committee has agreed to have the department here until 9 pm, until our tea break, and then we'll continue on with the remainder of the program, that being the agencies. If you could stick with us throughout the duration of the dinner break and then one hour after that—so here until 9 pm.

**Senator FAWCETT:** I have some questions on GWEO. Welcome, Air Marshal Phillips, and congratulations on the new role. Can you explain to the committee what the new role entails in terms of heading up GWEO, and what you will bring to it that is different to what's existed before in terms of accelerating our procurement of guided weapons and explosive ordnance.

**Air Marshal Phillips:** The government, in its recommendations from the *Defence strategic review*, made it clear it wanted a single accountable officer to deal with strategy, capability development, acquisition and the uplift of domestic manufacturing for guided weapons and explosive ordnance across the ADF. On 8 May I was appointed to that role, as the inaugural chief, and it is my job to go and uplift that. What will support that endeavour is the uplift in funding there has been to get after the GWEO enterprise—at least the domestic manufacturing war stock and enabling parts of that; the government has committed \$2.5 billion to that. There's an additional \$1.6 billion identified for long-range strike, in the Army sense.

**Senator FAWCETT:** As part of the whole domestic manufacturing war stock procurement matrix—it's a broad and involved piece—what analysis have you done regarding the usage of precision guided munitions as well as things like 155 rounds in the Ukraine conflict, and mapping that across to the kinds of war stocks we may need in the foreseeable future and the productive capacity of our allies, if that's where we're currently procuring it? Let's start there: what analysis have you done?

**Air Marshal Phillips:** That's a very broad question. I think you've just described my activities for the next few months, anyway! In this country we have a level of domestic manufacturing, particularly around small calibre explosive ordnance capabilities we produce in this country. When you get to the other end, such as long-range strike and high complex capabilities, we do limited to none of that. We are looking at all those capabilities, certainly to uplift and expand on the present domestic capabilities we have at the moment, to look at if we can do an expanded range of products we manufacture in this country. We are also looking at where it makes sense to start uplifting our domestic manufacturing, particularly in the guided weapons space. We are under an obligation to return to government by quarter 2, 2024, with options for both war stock uplift and domestic manufacturing. That's what I'll be working on within the department, with my colleagues, to pull that together.

**Senator FAWCETT:** Going back to the first part of my question, on analysis of the usage rates we see in the current illegal war in Ukraine—let's take two as an example: the 155 Howitzer ammunition and, given the NASAMS system has been deployed and is remarkably effective there, the usage rate of the AMRAAM effector in that system. What are the figures that you are working on in terms of the observed usage per week, per day or per month of those two munition types?

**Vice Adm. Johnston:** I might answer that question, because it falls inside my role of supporting the CDF and the secretary on preparedness measures. We have modelled a range of scenarios that the government might ask the Defence Force to contribute to, including what the weapon usage rates might be in those scenarios. That's what will inform Air Marshal Phillips's view of priority for stock levels and domestic manufacturing. We've looked, and we do look, at what's occurring in Ukraine, in a continental land combat scenario, to understand particularly about supply chains and weapon effectiveness. There are lessons that we are gaining from the Ukraine conflict, but they need to be contextualised into the type of employment that the ADF might be asked to perform. So the force design and preparedness team are looking at all of those scenarios and have conducted in-depth analysis in order that Air Marshal Phillips has the demand signal of what it is we might need and therefore can determine how we best get after meeting that requirement.

**Senator FAWCETT:** Sure. Broadly speaking with those two categories, are the public reports of up to 6,000—some are saying even up to 8,000—155 rounds a day being used plausible from Defence's perspective?

**Vice Adm. Johnston:** I think they would be plausible but uncertain. We couldn't independently verify them.

**Senator FAWCETT:** Sure. What about NASAMS usage? Given that Ukraine is using it largely for point defence around Kyiv and Kharkiv—and I think there is one in the south that's been moved there—it's not dissimilar to the kind of point defence that we might look to use against cruise missiles and other long-range weapons directed against us. Do you have figures that you are working on for their usage in this kind of conflict?

**Vice Adm. Johnston:** We have figures on what we believe we require in our scenarios, but, as my earlier comments mentioned, we are looking at the effectiveness of NASAMS. That is our short-range ground based

efforts air defence capability, so it's insightful to help inform weapon effectiveness against a range of different potential target sets.

**Senator FAWCETT:** Sure. In terms of provisioning for war stocks, with procurement plans but also potentially domestic manufacturing, does your analysis also look at what the State Department in the US has approved to allies who, for example, use the AMRAAM? Almost any ally of the United States that has fast jets or NASAMS type systems will have various variants of the AMRAAM approved by the State Department. Have you mapped out that sales obligation with the productive capacity and therefore the potential gaps in supply or lead times to supply that Australia might be facing?

**Vice Adm. Johnston:** We understand the productive capacity of a number of those weapons, of course. The answer is that it can depend on the circumstances or whether the priorities may change in terms of the weapons providers, so that's a reasonable dynamic element of it. But I think Air Marshal Phillips—without speaking on his behalf—is looking at the viability of domestic manufacturing and the need in terms of demand signal, and those are the two combined parameters that will inform his work.

**Air Marshal Phillips:** Yes. Just to add to that, we'll be looking at the effectiveness of those weapons. We agree about the worldwide supply system. We are looking to complement, not compete with, some of those other manufacturing sites. Then we'll also need to balance and look at technology release as well as the willingness of companies and industry to grow in this country. They'll all be factors in deciding which is our best course of action to start the journey on domestic manufacture in this country.

**Senator FAWCETT:** You mentioned evaluating weapons' effectiveness. We've seen, I think, Secretary Blinken talking about potential scenarios developing as early as 2026-27. Is it your view that the ADF, if it were required to deploy, would most likely deploy with the platforms we have and the weapons we already have integrated, which people have trained on and which we have support systems in place for, as opposed to some bespoke new thing that might come?

**Vice Adm. Johnston:** In the near term, yes.

**Senator FAWCETT:** We have appointed two strategic partners in Lockheed Martin and Raytheon.

**Air Marshal Phillips:** That's correct: we have appointed two strategic partners in Lockheed Martin and Raytheon, and we are working closely with them. They present probably the most obvious and credible first steps moving forward into uplifting both repair and domestic manufacturing in this country for missile systems that we either currently employ or are looking to employ in the future.

**Senator FAWCETT:** When were those two strategic partners identified? Do you have the date?

**Air Marshal Phillips:** In April 2022 we appointed Raytheon Australia and Lockheed Martin Australia to be our initial strategic partners for the GWEO Enterprise.

**Senator FAWCETT:** If we accept the fact that, if we needed to deploy forces, they would go with our existing platforms and our existing weapons, and those two strategic partners would, by my calculation, provide well over 90 per cent of the weapons we use in terms of the SM series ships—things like AMRAAM AIM-9X for aircraft and AMRAAM for NASAMS—why have we gone 12 months without follow-up in terms of requests to the US State Department for IP to manufacture here, and actually establishing or giving contracts or money to those partners to start the process of looking at a secondary supply line for the US and its allies for primary use here in Australia? What has taken 12 months?

**Air Marshal Phillips:** We have already done some funded work with both of those companies to progress options and assess viability. In terms of working with the US government, I had a team in the US last week exploring one of those options. I won't go into too much more detail because of the commercial nature of it, but we've already started that dialogue with the companies and, in this case, the US government to explore exactly how we might release that technology not just for consumption but also for domestic manufacture, and to see how we might walk our way up the level of sovereign ability to repair and manufacture those capabilities.

**Senator McAllister:** This is a scenario where it is somewhat surprising to receive questions about the pace and the resources attached to this. The previous government, as you know, announced this—it made a very big, flashy announcement with a big headline number but actually provisioned just \$1 billion over the forward estimates to undertake what is quite a significant program of work. This government is taking a different approach. You heard the officials speak about the fact that \$2.5 billion has been allocated to support the GWEO enterprise. We have also taken the steps, as you can see by Air Marshal Phillips being at the table, to appoint a person who will lead on this project and bring focus and energy to it. We recognise that it is a very important part of our capability, and this was emphasised in the *Defence strategic review*.

**Senator FAWCETT:** Could you talk to us about the status of programs announced by then minister Reynolds announced for both the SM-6 and the SM-2 in January 2021. As the minister has highlighted, allocated \$1 billion to support the initial works around what design requirements and industry and procurement requirements would be required. Can you tell us the status of those two particular programs?

**Air Marshal Phillips:** I might ask the Chief of Navy if he can come and support me in answering the questions around naval capabilities. What we have done in the last couple of years is pursue the acceleration of a range of guided weapons projects. These are beyond the \$2.5 billion we're talking about lifting enterprise. They are things like the joint air-to-surface standoff missiles ER, so JASSM ER; the Kongsberg naval strike missiles; and sea mines. So we have made some efforts and acquisitions already, and we have more in the wind. I know the US government recently gave approval for us to consider the purchase of the Tomahawk missile system, as well.

**Senator FAWCETT:** On JASSM ER and NSM, I know Mr Dutton in April 2022 announced that along with \$3.5 billion of funding. Does the \$4.1 billion that has been allocated to GWEO incorporate the \$3.5 billion in terms of overall scale of cost?

**Air Marshal Phillips:** Not for those capabilities. There is \$2.5 billion dedicated to the GWEO enterprise, which is some uplifting of war stock, as well. The \$1.6 billion is largely around HIMARS and the acceleration of GMLRS and the like and the cooperative development of the PrSM follow-on capability.

**Vice Adm. Hammond:** The navy guided weapons program is a budget of between \$10 million and \$25 million over the next two decades. That includes acquisition of the naval strike missile, Tomahawk, SM-6 and ESSM.

**Senator FAWCETT:** Can you confirm that the work that was initially done for both service ships and, potentially, submarine Collins for Tomahawk has progressed?

**Vice Adm. Hammond:** I confirm that work has progressed. It is still progressing. The work on Tomahawk into the Collins capability is still under assessment. We're awaiting that advice from the United States, which we expect before the end of the year, as briefed at the last estimates hearing.

**Senator FAWCETT:** I understand the state department has provided approval now for the sale of that. Is 220 the correct number?

**Vice Adm. Hammond:** That's for the surface fleet.

**Senator FAWCETT:** Has there been a request made for the subsurface fleet—as in Collins?

**Vice Adm. Hammond:** The viability and value for money of acquiring a submarine launched Tomahawk capability for the Collins submarines is part of the assessment work that we're doing with United States Navy. The production line for horizontally tube launched Tomahawk missiles closed a while ago, so in order to understand the return on investment, we're awaiting the advice from United States Navy.

**Senator FAWCETT:** Do you anticipate any delays in the progression of the vertically launched project?

**Vice Adm. Hammond:** No, I do not.

**Senator FAWCETT:** I'll come back to that shortly. On associated upgrades while you're here, Chief of Navy, the air warfare destroyer was programmed for a \$5.1 billion, I think, upgrade at Osborne for the Aegis system. Is that still on track?

**Vice Adm. Hammond:** I believe you're referring to the destroyer capability enhancement program, which is the updating of the baseline combat system, the Aegis combat system, in the three air-warfare destroyers. That program is still on track. It is still the program of record. I would note, however, that all surface combatant programs are part of the service combatant review that is currently underway.

**Senator FAWCETT:** So the review has the potential to derail that upgrade, I think it's to block 10 in terms of Aegis, as well as the SPY-6 radar?

**Vice Adm. Hammond:** It's the block 9 upgrade, and I wouldn't characterise it as having the potential to derail. They are validating the program of record and making recommendations to government on options to increase the lethality of the surface fleet as required under their terms of reference.

**Senator FAWCETT:** Are there any long lead time items which would need to have been ordered by now to make the 2024 commencement date for that program, which was the original date?

**Vice Adm. Hammond:** My understanding is that all those long-lead items have been ordered. They are on track. I'll defer to my colleagues from Naval Shipbuilding and Sustainment Group.

**Proceedings suspended from 19:00 to 20:00**

**CHAIR:** We will continue with today's hearing. I will hand over now to Senator Reynolds.

**Senator REYNOLDS:** Good evening again. I'd like to go back to the optimal pathway in Pillar I and particularly the SRFW arrangements. Thank you for the clarification that it was an MOU. Admiral Mead, are we able to get a copy of the MOU or the agreement—what was it, a memorandum?

**Vice Adm. Mead:** Exchange of letters.

**Senator REYNOLDS:** Can we get—not now, but can we get that on notice? If someone's got a copy here, can it be tabled?

**Vice Adm. Mead:** I will take it on notice.

**Senator REYNOLDS:** I just want to confirm some of the information that you gave us. What I'm looking now is to get a little more fidelity around the process between now and 2027. As I understand, in the accelerated process, it falls between the first and second gates, between 2025 and 2030, which I understood are the first two acceleration time frames. Is that right?

**Vice Adm. Mead:** The time lines that we're looking at and the Deputy Prime Minister articulated in the submarine announcement commences from 2023. So 2023 is when we will see increased port visits from US nuclear powered submarines to Western Australia, and from 2025 we will see increased port visits from United Kingdom nuclear powered submarines to Western Australia, with a 2027 time line to have US and UK submarines rotating out of HMAS *Stirling*.

**Senator REYNOLDS:** So it's sometime in 2027. Prior to 2027—as you said, sometime during that year—in terms of the requirements to support the submarines as they're rotating through, is it safe to say that the current infrastructure and support arrangements, particularly at HMAS *Stirling*, are sufficient?

**Vice Adm. Mead:** The government and the Deputy Prime Minister have indicated that we we'll be looking at spending or investing approximately \$1 billion in the forward estimates for HMAS *Stirling*—wharves, infrastructure, power et cetera—in order to support the nuclear powered submarines. Then we've obviously got the Henderson precinct as well.

**Senator REYNOLDS:** Have you got a plan to spend that additional—presumably it is an additional \$1 billion?

**Vice Adm. Mead:** We do have a plan. I have here my counterparts from SEG, who we're working with very closely on work that needs to be done at *Stirling*. Before I hand over to Celia, we have done many site visits over to US nuclear powered shipyards that would be similar to *Stirling* in Guam, San Diego and Pearl Harbour over the past 12 to 15 months in order to identify what these requirements are from a workforce, infrastructure and emergency management perspective. We're now handing those requirements over to the Security and Estate Group, who are now working that into a plan. I will hand over to Ms Celia Perkins, if you're happy, Senator.

**Senator REYNOLDS:** Can I just clarify, then. You said before that there were three key streams of activities going into this forward planning between now and 2027 and beyond. So there's infrastructure, workforce and the nuclear regulatory system?

**Vice Adm. Mead:** Correct.

**Senator REYNOLDS:** This is point 1 we're about to go into now—the infrastructure?

**Vice Adm. Mead:** Correct.

**Ms Perkins:** As the admiral has described, now that we have commenced work on the optimal pathway, we're working really closely with the task force to start scoping and design of additional infrastructure requirements at *Stirling*, and we'll be taking those forward to government in the coming months for approval. But, as the admiral said, we've been working hard at *Stirling* for some time now—

**Senator REYNOLDS:** You have.

**Ms Perkins:** and we're working through what the additional requirements are for what we're calling phase zero. To get to 2027, they would be additional requirements—

**Senator REYNOLDS:** Sorry, this is phase zero, did you say?

**Ms Perkins:** Yes. What can we accommodate within the existing footprint at *Stirling*—and that is a site where we've hosted nuclear powered submarine visits for some time. What will be the additional requirement to start that presence from 2027? As the admiral indicated, that scope of works is likely to include some lengthening of the Diamantina wharf, which is the wharf the submarines currently use, shoreside facilities that uplift support to conventional powered submarines—so additional power, potentially. We'll be working through in the coming months what might be additional security and safety requirements, and that will feed into the nuclear and regulatory phase of work.

**Senator REYNOLDS:** Can you just unpack that? The security requirements obviously come in a lot of different ways. As part of the review you've been doing overseas, presumably it's physical security—everything from the fishermen in tinnies coming in through to many other people who shouldn't be coming close anymore. Is it physical security as well?

**Ms Perkins:** Yes, certainly. Why *Stirling* is the initial focus of effort is that it is of course a port that has hosted US and other nuclear powered submarine visits in the past. The basic way to operate around the visit of a nuclear powered boat—we know how to do that. This is about what would be additional to meet the requirements of the US and the UK for a more sustained presence.

**Senator REYNOLDS:** In the lead-up to 2027, there will be multiple visits. Admiral Mead, did you say they would be, potentially, concurrent—so one UK and one US? You could have two nuclear powered submarines there at any one time?

**Vice Adm. Mead:** From 2027, the US will commence forward-rotating submarines, with a disposition at some point that that there will be four US nuclear powered submarines. From 2027, the UK would commence forward-rotating one Astute submarine to HMAS *Stirling*.

**Senator REYNOLDS:** Coming back a bit—because I want to walk from today forward so that we can get a much better understanding of the magnitude of the task that you're facing. At the moment, as Ms Perkins has said, at *Stirling* you are well used to and capable of hosting nuclear submarines at the same time that we have a Collins berthed there. You'll be moving from that in the next couple of years to more frequent rotations. Will that be just one at a time? You indicated there could be two berthed there at the same time.

**Vice Adm. Mead:** It's more than likely it would just be one. It's increased frequency. But, in particular, it is going to be increased duration, and duration would include Australia providing maintenance support to US or UK submarines. Generally, when they come, as you know very well, Senator, they may come for a liberty visit for three or four days and then they'll go back on deployment. The aim of this is really to deepen our understanding of maintenance and sustainment to train up our workforce and train up the regulatory system as well, and industry.

**Senator REYNOLDS:** We'll come to all of that. So this year and next year we probably won't have two at once, but we might have one more frequently, with us doing deeper maintenance and deeper sustainment, and support, no doubt, as we progress. For 2027, what has to be delivered that is materially different from having the forward-rotation submarines operating out of *Stirling*? What is the material difference from today that has to be delivered by 2027? What is that ramp-up?

**Vice Adm. Mead:** The ramp-up is the infrastructure. As Ms Perkins was talking about, it's power, wharves, maintenance facilities and that. It is a workforce. That's very important. We need to grow a superqualified and experienced workforce that can do maintenance—that's in-water maintenance, I would stress—of US and UK submarines. We intend to use the next four years as a glide path in order to derisk 2027. So as the submarines come to Australia next year we will do more complex maintenance of longer duration, as we will in 2025 and 2026. We would then do that concurrently with the US and UK potentially.

**Senator REYNOLDS:** Focusing on the first four years, then, it sounds like it is on *Stirling*, using and adapting the infrastructure that is there while you are working out what new infrastructure you need. Is that where, over the forward estimates, the billion dollars is going to? Is it going to enhancing what is already there?

**Ms Perkins:** Yes, and in some cases expanding or extending it. We're still settling the scope, but that's—

**Senator REYNOLDS:** When do you expect the scope to be finished?

**Ms Perkins:** Within the next month. We're working at an incredible pace. The scope that we intend to take to government will be lengthening the Diamantina Wharf. That is also the wharf that the Collins submarines use. So we need capacity for the Collins submarines and these visiting submarines. The workforce will need additions to the base, with more accommodation for people to stay. So it's extending the work we've been doing at *Stirling* for an enlarged workforce—accommodation, messing—

**Senator REYNOLDS:** With accommodation and messing, who is responsible for scoping and delivering that?

**Ms Perkins:** We work hand in glove with the task force. We will be delivering that infrastructure—we'll do that all over the country—to the requirements that the task force has.

**Vice Adm. Mead:** So I will be responsible for identifying the scope and requirements. Then I will hand that over to Ms Perkins's team.

**Senator REYNOLDS:** You will be doing that, so there won't need to be additional accommodation on Garden Island until 2027. Is that right?

**Vice Adm. Mead:** Correct.

**Senator REYNOLDS:** Is this for temporary accommodation? You'll have transit accommodation for individual submarines and then you'll look off island for family accommodation?

**Vice Adm. Mead:** Yes. We are already working with and have had very good discussions with the local mayors in the communities there on those types of aspects and how we would integrate potential families into the community.

**Senator REYNOLDS:** We will come back to the local councils. Obviously they have a big role in making this a success, particularly Rockingham. But, in terms of housing, is that something DHA is going to work with you on? As you'd know, in WA it is almost impossible to find a house. There's 0.5 per cent rental vacancy and housing is taking two to seven years now to build. So what sort of housing stock are you going to be looking for for families when they come in 2027?

**Vice Adm. Mead:** We're finalising the scope and requirements at the moment. Then we will work with SEG and other agencies, including DHA, on a range of options. We would want to engage with the local community.

**Senator REYNOLDS:** Engaging with the local community is very good, but, again, there's not enough housing in the local region for people who are already living there. Is this something that you are just turning your mind to now? What's the lead time?

**Vice Adm. Mead:** We have been thinking about this for quite some time. We need to look at a range of options there, both on base for single accommodation and off base for families. We need to talk to the US about what their requirements are.

**Senator REYNOLDS:** For families, would you be looking at the local schools and health on the island or off?

**Vice Adm. Mead:** I think we will probably use the model that we currently use now for Australian sailors and families working on Garden Island and living along the shoreline all the way from Fremantle down south and have their families at schools there and are integrated in the community.

**Senator REYNOLDS:** Is this something that's part of the new agreement or letter you've signed with the state government? Is it housing?

**Vice Adm. Mead:** No.

**Senator REYNOLDS:** What agreement have you come to with the state government that you'll be working with them? What was the process in that letter?

**Vice Adm. Mead:** It's primarily to identify, in the first instance, that skilled workforce that we need to work with the Australian government and aspects such as South Metropolitan TAFE.

**Senator REYNOLDS:** I'll come back to the workforce, because it's incredibly competitive in WA at the moment. It's hard to find anybody. Ms Perkins, you're putting all of this together now. Could I get, on notice, some more fidelity around the process and the timeline for this infrastructure development for Stirling? Then could we come to the Henderson piece. You said that Henderson has taken a backseat for now—

**Ms Perkins:** Just as a point of clarification, the Security and Estate Group does on-estate development. Henderson, of course, is not a Defence site—it is an industry site—and my colleagues in national-level shipbuilding will lead—

**Senator REYNOLDS:** I'll ask [inaudible] to come back. On that, given they are two separate pieces of estate with different ownership models, are you then looking after and considering the security arrangements that will need to go into Henderson?

**Ms Perkins:** Yes. That's a great question. We have a lot of experience with this and, over the last seven or eight years, have been uplifting security generally around the shipbuilding enterprise, including at Henderson, through both our broader defence security and our Industry Security Program at Henderson and at Osborne. We've been doing a lot of work with the companies and proponents on that site to build a broad approach to security, so when you go to Henderson, there's a common perimeter security and physical security approach, and then each of the entities working at Henderson work with us to meet the security requirements that we have for them delivering defence capabilities at that site.

**Senator REYNOLDS:** Is that current defence capabilities—not nuclear capabilities?

**Vice Adm. Mead:** Ms Michele Miller is here right now, and she's our lead on the task force for security. She's spent a lot of time in the US. She's about to go over there now to understand and exchange information with them on security. If you like, I could bring her to the table.

**Senator REYNOLDS:** That would be great, because obviously a lot of us are getting a lot of questions now from industry. What does this mean for us? What do we need to do? What training do we need? What security clearances do we need? What are the opportunities for us?

**Ms Miller:** Good evening. You were looking at what requirements we may have for defence industry. Is that correct?

**Senator REYNOLDS:** There are a range of security issues wrapped up here. We've talked about physical security at Garden Island and at Henderson. Obviously, that's a different project team, but what are the security requirements that are going to need to be met at Henderson as well as at Stirling? Are they the same? Are they different? How are you going to upskill and work to get it up to speed and to make it what it needs to be?

**Ms Miller:** We've been working with both the US and the UK on what the security settings need to be around, both in our industrial facilities as well as the naval facilities that we have. Largely, I can say that, from our settings that we have at the moment, Australia has fairly robust security settings, not just in physical security but also in information security, cybersecurity and governance areas, building on our personnel security settings. Our US and UK partners are fairly satisfied with that level of baseline that we have. We also have existing standards and settings at Fleet Base West, which we've been building on for a number of decades, as well as—as we were just discussing—the uplift that we've been doing at Henderson naval shipbuilding and security. There's no one broad set of security settings that you put in place for nuclear-powered submarines. It is a layered approach, and we're taking a security-by-design approach to all of that to minimise the security footprint that we need to put in place and to optimise it so that we're applying the right settings in the right place, rather than being overly restrictive in places where we don't need to be. The types of layers that we are considering are not only physical security, which may have been our settings several years ago, but also include things such as industry—I'm trying to think of the name. It's gone out of my head—

**Ms Perkins:** Industry Security Program membership.

**Ms Miller:** That would be part of it. There's the Defence Industry Security Program membership, but also the identity assurance program—that's the word I was missing—that we're looking at, over critical infrastructure in places like Osborne. It's building out those personal security layers, adding those with the physical security layers and then increasing the governance requirements, such as through the Defence Industry Security Program.

**Senator REYNOLDS:** How is this project being managed? We've got two lots of estate programs that will be run—HMAS *Stirling* and at Henderson. How does your organisation fit in? How are you overseeing it and what is the time frame? How does your project work?

**Ms Miller:** As the admiral explained before, we've been working with the US and the UK on what the requirements look like. Importantly, understanding what the outcomes need to be, so that we can decide how we need to do it in our context because the shape of our land and also our settings are different to what they are for the US and UK.

**Senator REYNOLDS:** How advanced are you in that process? Where are you up to?

**Ms Miller:** We've been setting the requirements over the course of the last year in particular and feeding them into the Security and Estate Group, for Fleet Base West. We've been going through, as I said, security by design, so designing in the security requirements as we're looking at the facilities upgrades at Stirling so that it's not an addition later on that could be less optimal or more expensive. The same at Henderson: as the security settings are changing there as well, we're starting to feed in the requirements. Although, Henderson requirements will be much later than they are for Fleet Base West or for Osborne.

**Senator REYNOLDS:** To implement the security requirements, are they something that you can implement yourself within defence? Do they require legislative change of federal, state and possibly local regulations as well?

**Ms Miller:** Largely, the settings we've been looking at, at the moment, are those within the requirements that we have, legislatively. In the longer term, where we may consider other forms of protection required, such as increasing armed protection, we may look to legislative requirements. We're working through that on a step-by-step basis, to look at how we best secure the submarines in our own context.

**Senator SHOEBRIDGE:** Regarding the pathway, you'll remind me, when it is intended to first start obtaining Virginia class nuclear submarines?

**Vice Adm. Mead:** From the early 2030s. We see the optimal pathway really commencing with the Submarine Rotating Force, Western Australia. We are looking to be—what we are saying as a milestone, or as a benchmark—SRF-West ready in 2027.

**Senator SHOEBRIDGE:** I know that.

**Vice Adm. Mead:** The reason I want to emphasise that, is that it is an essential pathway to become what we're saying is sovereign-ready in the early 2030s, at which point the US and Australia would enter into the transfer of the Virginias to Australia.

**Senator SHOEBRIDGE:** So early 2030s, then the optimal pathway suggests three Virginia class submarines acquired throughout the 2030s. Is that right? With the potential to ramp it up to five, if needed.

**Vice Adm. Mead:** That is correct.

**Senator SHOEBRIDGE:** Effectively, the plan A is three Virginia class in the 2030s. Then, at end of the 2030s and the beginning of the 2040s, you start bringing on board the SSN-AUKUS. Is that right?

**Vice Adm. Mead:** That is correct.

**Senator SHOEBRIDGE:** There's an assumed period to bed down the first one of those. Then, under the optimal pathway, you start acquiring them on a regular basis, once you get production up and running.

**Vice Adm. Mead:** Yes. We start delivering our submarines at Osborne, in South Australia, from the early 2040s.

**Senator SHOEBRIDGE:** Remind me, over how many years do you start delivering them on a regular basis? Is it every three years?

**Vice Adm. Mead:** We just need to do more work on the exact tempo and bell rhythm. There is a learning curve associated with building boat 1 compared to boat 4. It would take more time for the first boat to be delivered than for boat No. 3, boat No. 5—this is a fundamental attribute of shipbuilding construction.

**Senator SHOEBRIDGE:** That's intended to go up until the acquisition of those AUKUS SSNs, bringing them on, building them and putting them online into the mid-2060s. You've got an arc that takes us to the mid-2060s—or maybe the late 2060s; you might correct me.

**Vice Adm. Mead:** Yes, we are planning on delivering SSN-AUKUS in South Australia from the early 2040s.

**Senator SHOEBRIDGE:** I'm asking you about the delivery of the last AUKUS SSN. Are you expecting it in the mid-2060s or late 2060s under your optimal pathway?

**Vice Adm. Mead:** The government has indicated eight nuclear powered submarines for Australia. Based on our modelling and working with our US and UK partners, we are looking to have a fleet of eight SSNs for the Royal Australian Navy in the mid-2050s.

**Senator SHOEBRIDGE:** All the previous—sorry, eight AUKUS SSN?

**Vice Adm. Mead:** No; eight nuclear powered submarines. That includes three of the Virginias.

**Senator SHOEBRIDGE:** I'm asking when the eight AUKUS SSN proposed to be delivered will be finished—mid- or late 2060s?

**Vice Adm. Mead:** The government has indicated a fleet of eight nuclear powered submarines. We're working on, initially, the three Virginias to be transferred to Australia, and then commencing construction on SSN-AUKUS by the end of this decade and delivering them at the beginning of the 2040s.

**Senator SHOEBRIDGE:** Yes, but the intent is, at some point, there will be eight AUKUS SSN. That's what you've told those nice people in the United Kingdom about supporting their industry: you're going to have eight AUKUS SSN submarines. Or have you not told the UK submarine industry you want to have eight AUKUS SSNs—in which case, that'll be bad news for them, I'm sure.

**Vice Adm. Mead:** We have been working with the UK and the US on this optimal pathway for the past 18 months—deep discussions. It was highlighted by the three leaders' announcement on 14 March.

**Senator SHOEBRIDGE:** So I expect you to be able to tell me how many AUKUS SSN submarines you and the government are intending to acquire. It's not a hard question: how many?

**Vice Adm. Mead:** At this stage, the government has committed to eight nuclear powered submarines for the Royal Australian Navy—three Virginia class submarines in the 2030s and then SSN-AUKUS after that.

**Senator SHOEBRIDGE:** I don't know how much plainer I can be or how much more obvious the question can be: how many AUKUS SSN—not Virginia class—submarines is the government and the Defence Force intending to acquire? I don't know how much simpler the question can be. I don't know why the answer is so hard.

**Vice Adm. Mead:** I understand your question. The decision to go beyond eight nuclear powered submarines would be a question for a government in the future.

**Senator SHOEBRIDGE:** The optimal pathway indicated there would be eight AUKUS SSN submarines acquired through to the mid- or late 2060s. Are you now saying that the only decision is to build five AUKUS SSN submarines, and that you've kicked down the road the decision about whether more than five submarines will be built in Australia?

**Vice Adm. Mead:** The optimal pathway did not articulate there would be eight SSN-AUKUS. The decision to go beyond eight nuclear powered submarines will be a decision for the government in the future.

**Senator SHOEBRIDGE:** Secretary, the industry in Adelaide and the workers in Adelaide have been promised building eight AUKUS SSN submarines, and we're now hearing that all that's been promised is five. Don't you think you should be upfront about whether it's five or eight?

**Mr Moriarty:** I think the government has been very upfront. The government has said it has decided to acquire eight nuclear powered submarines. Three of those will be Virginia boats on transfer. The government has decided on five, but Mr Marles has also said that a future government will take a decision about acquiring additional SSN-AUKUS. In Mr Marles's view, once we have that production line going, he thinks we will involve ourselves in a continual shipbuilding production run of SSNs in Adelaide.

**Senator SHOEBRIDGE:** Is that just the personal opinion of Mr Marles, the defence minister—of how he was feeling? There's no government decision; it's just some personal kite the defence minister has flown?

**Mr Moriarty:** No. Mr Marles was flagging what he regards as the government's intention. The government has taken a decision to acquire eight boats.

**Senator SHOEBRIDGE:** If Mr Marles is right, and there are more than five AUKUS SSN submarines—and I know the promise has been made for eight—this isn't a \$367 billion project, is it; it's at least a half-a-trillion-dollar project. In fact, as I understand it, there's no end point for this. It could be a \$1 trillion project if you keep churning them out.

**Vice Adm. Mead:** It is a 0.15-per-cent-of-GDP program.

**Senator SHOEBRIDGE:** If our economy grows at a rapid rate, it could be a \$3 trillion program. You're using that nonsense figure again, aren't you? It is a total nonsense figure which no accountant, no auditor, would do anything other than laugh at.

**Senator McAllister:** Senator Shoebridge, what is being established is a multi-decadal industrial capability aligned to our defence requirements. The government has acted transparently to establish the optimal pathway and to provide the best possible information that could be available about a multi-decadal investment. As we've indicated to you, the best way, and the most accurate way, of describing the budget impact of such a program that runs over so many decades is to do it as a proportion of GDP. Any program that runs over that length of time is subject to a measure of uncertainty, and the government's judgement is that a nominal dollar figure is not as useful as a figure that is expressed as a component of GDP.

**Senator SHOEBRIDGE:** Who on behalf of the government backgrounded journalists in the United States the night before the announcement was made that the project would cost \$368 billion? Who backgrounded the media on that, if not the government? Was it a leak, Secretary?

**Mr Moriarty:** I'm not aware.

**Senator SHOEBRIDGE:** How did the media get the exact same figure that Defence gave to the Parliamentary Budget Office? How did that happen? Was it some sort of mysterious coalescence? How did the media, on the night before the announcement, get exactly the same figure that Defence gave to the PBO?

**Mr Moriarty:** As I said, I'm not aware of how that figure—

**Senator SHOEBRIDGE:** Did you give it to PwC? Is that what happened? You gave it to PwC the night before?

**Mr Moriarty:** No.

**Senator SHOEBRIDGE:** Then how did the media get the figure of \$368 billion the night before the project was announced? Do you know, Vice Admiral Mead, or does Defence just leak like a sieve?

**Vice Adm. Mead:** I do not know.

**CHAIR:** Senator Shoebridge, you're asking the officials here to speculate around an agency that clearly is not before the estimates today. I would ask you, when you put questions to officials, to put them in their capacity and particularly with reference to the budget papers before us. Asking them about media outlets—I ask that you approach those outlets directly rather than going through the officials. Can we focus back on the budget papers before us.

**Senator SHOEBRIDGE:** General Campbell, do you know how the media, the night before the announcement was made in the United States, got the exact same figure that Defence gave to the Parliamentary Budget Office? Or is that a mystery to you too?

**CHAIR:** I'm going to rule that out of order. It has nothing to do with the officials. The minister has already provided a response, as has the secretary.

**Senator SHOEBRIDGE:** You can't protect them from this. That's an inappropriate role from the chair.

**CHAIR:** It is not.

**Senator SHOEBRIDGE:** I have not complained about any of your calls today. That is totally out of order. It's well within the bounds of estimates—

**CHAIR:** It is not within order to ask officials about what may or may not have been in the media.

**Senator SHOEBRIDGE:** for us to ask Defence if they provided the media with the exact same figure they gave to the PBO. It's well within the bounds of budget estimates.

**CHAIR:** An answer has already been provided by the secretary, and the minister has done so as well. I ask that you continue.

**Senator SHOEBRIDGE:** The secretary said he didn't know.

**CHAIR:** Correct.

**Senator SHOEBRIDGE:** Admiral Mead has said he didn't know. I want to know if the Chief of the Defence Force, General Campbell, knows how the media got exactly the same figure that Defence gave to the Parliamentary Budget Office.

**CHAIR:** A response has been provided by the government. I suggest that you move on.

**Senator SHOEBRIDGE:** Thank you for your suggestion. General Campbell, do you know how the media got exactly the same figure as Defence gave to the Parliamentary Budget Office the night before the announcement?

**Gen. Campbell:** I follow the lead of the chair because he's the chair.

**Senator SHOEBRIDGE:** Do you know—

**CHAIR:** The minister wants to provide a response. Minister?

**Senator McAllister:** Perhaps I can take this on notice for you, Senator Shoebridge. I, as I indicated, do not know the answer to your question, and Mr Moriarty has indicated in the same terms. I will take it on notice, and we'll see what can be provided.

**Senator SHOEBRIDGE:** Minister, are you not troubled by somebody, either in Defence or in the minister's office, backgrounding the global media on a figure and then seeing Defence and the government drop it like a gun and try and pretend it's not their number and deny it for months afterwards? Are you not troubled by that—telling the public one thing in the heat of the announcement and then denying any responsibility for it after that? Are you not troubled by that at all?

**Senator McAllister:** Senator Shoebridge, I don't accept that characterisation of the approach. I actually think that the government has been quite upfront with the community about the scale and significance of the investment that is proposed, and that has involved a quite expansive laying out of the range of actions that the government will need to take to establish this capability over a very long period of time. Ministers have given numerous public statements about it. They have subjected themselves to questioning about it. There has been extensive public comment. I just don't accept your characterisation of the way that the government is approaching this. I do understand that it's not, as I understand, a proposition that the Greens support. But we think that this is an important project for our country, and we have stepped through it in a very public way.

**CHAIR:** Last question, please.

**Senator SHOEBRIDGE:** Are you able to tell us how many AUKUS SSN submarines are going to be built?

**Senator McAllister:** The evidence that was provided to you earlier was correct: that the commitment is to establish a fleet of eight nuclear powered submarines.

**CHAIR:** Thank you, Senator Shoebridge. I will hand the call to Senator Fawcett for 20 minutes, and then in the time that I have left, which should be around five minutes, I will hand to Senator Lambie. Senator Fawcett.

**Senator FAWCETT:** We'll pick up where we left off when we had 10 seconds before dinner. If we could have the VCDF, the head of GWEO and the Chief of Navy back at the table, that would be great. Vice Admiral Hammond, perhaps we could continue where we left off. We were talking about the long-lead-time items that had been purchased as part of the Aegis upgrade, and I was questioning the value of having the review of surface

fleets if we've already committed to those long-lead-time items. What's your understanding of the left and right of arc of outcomes of this review when it comes to the AWDs and their upgrades and potential role?

**Vice Adm. Hammond:** My understanding is that the size, shape, disposition and lethality of the surface combatant force is all in scope for the independent assessment team. I have been directed to continue with the program of record until further direction, and that's what we are currently doing. As I stated before the break, I am comfortable that long-lead-time items for the destroyer capability enhancement, particularly the baseline 9 upgrade of the air warfare destroyers, are all on track. I also indicated that that was best spoken to by my colleagues from Naval Shipbuilding and Sustainment Group.

**Senator FAWCETT:** Ms Lutz, do you have anything you'd like to add to that?

**Ms Lutz:** Yes. We have the first FMS order for long-lead items, and they are on track at the moment.

**Senator FAWCETT:** Sure. In a similar vein, my understanding is that a contract extension has been granted for the Anzac which spans current work and goes into the first phases of TransCap. Likewise, can we assume, given that contract extension incorporating the first part of TransCap has been let, that the TransCap program will continue to the original envisaged scope and number of ships?

**Ms Lutz:** I'll have to get Rear Admiral Steve Tiffen to comment on that.

**Senator FAWCETT:** It's a cast of thousands!

**Rear Adm. Tiffen:** Thanks, Senator. With regard to your question, I think that's also subject to the IAT's considerations.

**Senator FAWCETT:** Sure. So if we've let a contract to finish one program and commence the TransCap then are you inferring that this review could result in a—

**Rear Adm. Tiffen:** It could result in a descope, a rescope or an upscope.

**Senator FAWCETT:** From an industry confidence perspective, as they seek to invest in people, supply chains and long-lead items et cetera for TransCap, where do they get their confidence to make those investments if we can't be clear about what this contract actually means?

**Rear Adm. Tiffen:** We're still in the middle of the AMCAP program for the Anzac class. We still intend to conduct maintenance and we still intend to start the program of work come the end of this year, rolling into a TransCap-like arrangement.

**Senator FAWCETT:** Have you had any concern expressed by industry about the impact of this uncertainty on their ability to order their workforce and materiel?

**Rear Adm. Tiffen:** Not at this point.

**Senator FAWCETT:** Okay. I'll go to the towed array for Anzac. My understanding is that a decision has been made on that. Is that correct?

**Rear Adm. Tiffen:** I'll have to pass that back to Sheryl Lutz.

**Ms Lutz:** We're just waiting on the outcomes on the towed array from DSR. We'll progress that once it's confirmed with the IAT as well.

**Senator FAWCETT:** My understanding was that a decision had been made to sole source that from a US company. Is that correct?

**Ms Lutz:** That's not for the Anzacs, that's for the towed array sonar for undersea surveillance—it's a strategic towed array sonar, not a tactical towed array sonar.

**Senator FAWCETT:** Given you would have heard some disquiet from industry around that decision, can I assume that if the Anzac towed array progresses in line with the government's policy intent to build and leverage existing capability in Australian industry with companies like Sonartech, Thales, Ultra and others—who are well established and in fact exporting sonar-related products to nuclear submarines—then they would be very much in the running as opposed to being ousted for a sole sourced contract offshore?

**Ms Lutz:** That is what I would expect, yes.

**Senator FAWCETT:** Have you had any initial engagement with them to scope out what they think they could offer for this task?

**Ms Lutz:** We haven't for an engagement. Previously, we've done studies for the Anzacs with Thales. When the Defence Strategic Review commenced, we put going out to tender on hold. We'll go out to tender, and it's likely to be a tender limited to one or two suppliers that currently supply in Australia.

**Senator FAWCETT:** Okay. My final question for surface ships, before I come back to GWEO specifically, is where are we up to in terms of the design activity around SM-6, ESSM-2 and Tomahawk-4 surface ships?

**Ms Lutz:** That's very—

**Vice Adm. Hammond:** We are—

**Senator FAWCETT:** I'm a little unclear here as to why Ms Lutz is responsible for some questions but not for others, Chief of Navy. What gives?

**Vice Adm. Hammond:** The Chief of Navy sets the capability requirements, as you know, and those capability requirements are then met through the delivery mechanism of the project, involving industry. That's managed through our capability partners. That's the dance that we're doing here at the moment.

The best way I can answer your question is that we are working hard to conduct missile firings of SM-6, Tomahawk and naval strike missiles sooner rather than later. I don't want to go into specific timings, obviously, for capability reasons, but that is one of the highest priorities that we are working on. And I am comfortable with the risk profile around that, including the necessary design integration work. We are micromanaging the fleet activity schedule over the next 18 months to enable those activities.

**Senator FAWCETT:** Is all the NRE, non-recurring engineering, for that integration complete?

**Vice Adm. Hammond:** No, it is not complete at this stage.

**Senator FAWCETT:** Who is conducting that? Is that happening in-house or through a contractor? Where is the design effort occurring?

**Ms Lutz:** The NRE is happening in-house in my division.

**Senator FAWCETT:** And is schedule a risk that the Chief of Navy should be concerned about?

**Ms Lutz:** We have regular meetings, and the Chief of Navy is regularly updated on the status of where we're at. We remain on schedule.

**Senator FAWCETT:** Speaking of schedule, I only have eight minutes before the chair will wind me up. So surface fleet, please feel free to leave. Can I come back to GWEO. We spoke before about 155 artillery. My understanding, from seeing some photographs of people from GWEO and CASG, I think, up at NIOA's facility at Maryborough, is that clearly there is some intent—or interest in understanding what they offer. Can you talk to us about (a) what we have ordered over the past 12 months in terms of 155, which I understand is from the States, and (b) what plans are moving forward for Australian manufacture?

**Air Marshal Phillips:** Certainly. The 155-millimetre artillery rounds is an area that we're exploring to see if we can do more domestic manufacturing in this country. We have visited NIOA's forging facility at Maryborough to better understand that capability. We would look to work with all parties—NIOA for the casings and shells, some more work on the primary fusing aspects, as well as the fill—to see if we can do more of that. Another factor for us is to ensure that any domestically manufactured round is certified to go in as many systems as possible. So they're all items we're exploring. We do look to come back to government, and we did say we would come back with options by quarter 2 of 2024. I think we will have something to say on 155s, but we'll have to do the business case work between now and then.

**Senator FAWCETT:** One of the findings of the Joint Standing Committee on Foreign Affairs, Defence and Trade inquiry into defence industry and exports, back in 2015, was that Defence were very reluctant to become involved in helping a company export. It strikes me that, for the stakeholders involved, their commercial viability and, therefore, price to the ADF as a customer will be significantly enhanced if there is a government-to-government framework that says, 'We can be a trusted supplier to like-minded nations,' whether in Europe, North America or elsewhere. What work is underway to facilitate those kinds of discussions with like-minded nations?

**Air Marshal Phillips:** That is work we're starting to pursue as well. That will be part of our return to government by quarter 2 of 2024—to see what we can do in that space. Yes, we do accept that the greater volume that we can produce, which is either for our own purposes or for export, the more enticing a business case that creates, and a greater level of Australian industry involvement. That is something we would look to explore as part of that business case.

**Senator FAWCETT:** Minister, you'll be glad to know I'm about to ask a question that predated the last election, so I'm not having a crack at the government. The election was on 21 May 2022. On May 26 2022—so it clearly has heritage back to the previous government—the state department made a determination about a possible foreign military sale to Australia of HIMARS launchers for the estimated cost of \$385 million. They listed a range of elements, like 20 of the M142s and a whole range of other elements. You've probably seen that

release. What is the current status of that approval, and, from the discussions with the DSR and the DPM, does the intent to place orders actually reflect what was in the release from the state department?

**Air Marshal Phillips:** Are you talking about the HIMARS and the vehicle itself or the actual weapons that are fired from it?

**Senator FAWCETT:** This would be the pods—yes, predominantly the pods et cetera. So it's the system.

**Air Marshal Phillips:** What I may do, if you don't mind, is get the head of land capability to start, and I can take any specific questions on the weapons.

**Senator FAWCETT:** So you're only concerned with the effectors, not the system?

**Air Marshal Phillips:** I'm concerned with both, to be honest, because part of gripping up this roadmap for the ADF weapons will be about not just what weapons we may procure, hold and manufacture but also how weapons that aren't effectively integrated into the systems that carry them into the battlefield aren't really viable weapons. We work very closely with the service sponsors and other parts of CASG that deliver the trains, planes and automobiles—if I can use that term—that carry the weapons everywhere.

**Senator FAWCETT:** Before we go to Major General Vagg, can I ask what orders have been placed or what approvals have been gained from the state department for both the current version and Prism, in terms of the effectors to be used in the HIMARS system?

**Major Gen. Vagg:** Senator, to go back to the first part of your question, we have 20 HIMARS on order. The first of those are due to arrive in Australia in Q1 2025, and the remaining 12 will arrive in Q2 2026. We've got a number of missiles that come with that system, such as the guided MLRS missile and the ATACMS, the artillery tactical missile system, which is part of that order. That'll arrive at the same time as the launchers arrive.

**Senator FAWCETT:** I'm sure that if I looked for the appropriate approval from the state department I would find an indication of number, just like I did with Tomahawk 220. Can you tell us what they've approved, even if you're not happy to tell us what you've ordered?

**Major Gen. Bottrell:** As part of that original approval—and it's publicly advised by the US—up to 300 GMLRS and up to 10 ATACMS were approved as part of tranche 1.

**Senator FAWCETT:** Based on the expenditure rate we see in places like Ukraine and in that kind of intense conflict, is there an expectation of building a larger war stock in the near future or investing heavily in standing up a domestic production capability?

**Major Gen. Bottrell:** As part of the recent announcements from government, we have submitted a subsequent letter of request to the US for further acquisition. We're waiting for that to go through the US system, and that will be advised at some point in the near future for both additional launchers and additional weapons.

**Senator FAWCETT:** In terms of the recent upgrade at Orchard Hills, is that facility going to be suitable in terms of capacity and structure for the volume of weapons that we are now looking to procure?

**Air Marshal Phillips:** In terms of storage?

**Senator FAWCETT:** Yes.

**Air Marshal Phillips:** Currently, we are satisfied with the storage capacity we have for weapons in the ADF inventory. But, given the ambitions to grow that inventory and given the larger and more complex weapons we are getting, we do have companion projects to uplift storage commensurate with those acquisition programs. We'll return to government by quarter 2 of 2024, not just talking about war stock but also making some further comments on storage and other enabling aspects for weapons in this country.

**Senator FAWCETT:** We are going through all these processes because we want peace; we don't want conflict. The consequence of having peace is that you're going to run into shelf-life issues. What investment is being done in our own processes to extend shelf life, or what discussions are occurring with the US on rotation of stock?

**Air Marshal Phillips:** We will have those discussions as well, particularly around whether there are areas where we can repair or revitalise the weapons that we hold and whether we could do that locally, and then we can talk to the US about how we plan to rotate and use items that we've stored at length. It's early days yet.

**Senator FAWCETT:** I have two questions, then, relating to local manufacture under the GWEO banner, both for the 155s. You mentioned casings, powder, fuses, primers et cetera. Are you looking for the whole system, end to end, to be produced here?

**Air Marshal Phillips:** We are looking to do more and more of that domestically, where it makes sense. We'll see how much we can completely do domestically versus what sub-elements we may buy in and hold.

**Senator FAWCETT:** So you're thinking you could buy those sub-elements that you can't manufacture here and hold in sufficient numbers, if they're not affected by shelf life, and then you would be good to manufacture the remainder. Is that the plan?

**Air Marshal Phillips:** That would have to be our consideration, yes.

**Senator FAWCETT:** Turning to HIMARS, the comments that the DPM has made indicate that that is perhaps where the focus on potential domestic manufacture is. Where are we at in terms of applications for IP, negotiations with the prime partner and an ecosystem of SMEs to provide all the component parts?

**Air Marshal Phillips:** I said earlier that we would return to government by quarter 2 of 2024 with options for domestic manufacture. We had a team in the US recently working with their OEMs and government representatives on how we might increase domestic manufacture in this country. Certainly, GMLRS is a credible option that we are looking to accelerate, and I expect that we'll return to government before quarter 2 of 2024 with options to make a start on that, to meet what we believe is a credible time line for a level of production of missiles in this country in 2025.

**Senator FAWCETT:** On that spectrum, would you also have a target date for PrSM?

**Air Marshal Phillips:** Not at this stage. I think GMLRS is a logical start point, and then we might work our way up in terms of our industrial base, our certification, our competencies and our releasability and ITAR issues with the US government.

**Senator FAWCETT:** My final couple of questions are on proving ranges. We have places like Port Wakefield, Woomera et cetera. What investment has gone into the enabling infrastructure once we've manufactured first of type, production testing et cetera?

**Air Marshal Phillips:** You ask a good question. You're correct in assuming that, if we want to uplift domestic manufacture in this country, it's not just manufacturing, but we need to be able to sample some of those products. We need to be able to quantify their performance, so we do need test facilities and any measurement in order to understand the performance of those systems. Again, as part of subsequent returns to government, we'll be looking at not just storage, like I mentioned before, but also what are the test range and proving capabilities that need to similarly be uplifted to match our appetite for domestic manufacturing in this country.

**Senator FAWCETT:** I can foresee that, with enough focus, we could get industry there. Given that we've got many of the component parts kind of there, particularly in the 155 space. It is a reasonable target, 2025, possibly even for the HIMARS effectors. But to get contracts, parliamentary works approval et cetera for testing facilities, I'm less optimistic. What early work are you doing ahead of your return to government to start putting some of those things in place so that at least they're primed and ready to go?

**Air Marshal Phillips:** We mentioned our strategic partners, and we mentioned Raytheon and Lockheed Martin. We also have two enterprise partners that are supporting us with some of that analysis—one of those is Aurecon. They'll do some work with us to understand, in partnership with Security and Estate Group, just what we need to do to prepare submissions, particularly when there are public works requirements.

**CHAIR:** Thank you to the department and the officials. We will see you again tomorrow, at 9 am. But, if anyone is listening, don't go, because we do have other agencies here tonight. We'll suspend for a very brief tea break and then come back with the Australian Signals Directorate.

#### **Proceedings suspended from 21:00 to 21:14**

#### **Australian Signals Directorate**

**CHAIR:** I now welcome Rachel Noble, the Director-General of the Australian Signals Directorate, and officers of the agency. Ms Noble, do you wish to make an opening statement this evening?

**Ms Noble:** No, I don't.

**CHAIR:** I'll hand over to the opposition. Senator Paterson, you have the call.

**Senator PATERSON:** Welcome, Director-General and officers. I'm interested in the budget cuts to the ASD in the budget. There were two that I could identify, so I firstly want to make sure that I've got those right and there aren't any that I have missed. There is a cut of about \$9.3 million to fund additional oversight of the intelligence agencies; is that right?

**Ms Noble:** Yes, that's correct.

**Senator PATERSON:** Then there's another cut of \$12.3 million for cybersecurity, which appears to be a transfer of some kind to Home Affairs.

**Ms Noble:** That's right.

**Senator PATERSON:** Are there any other cuts to ASD's funding?

**Senator McAllister:** Senator Paterson, I think you will appreciate that we wouldn't characterise either of those things as a cut, but you of course should ask your questions of the officials about the way the budget is structured.

**Senator PATERSON:** I'll come to that, Minister; I appreciate that. To clarify, there are no other measures that reduce ASD's funding—no cuts or any other language that you would use to describe taking money away from ASD?

**Ms Noble:** There's a third measure that you can see in the portfolio budget statements that's titled 'Other adjustments'.

**Senator PATERSON:** Unpack that for me—explain that to me.

**Ms Noble:** The definition of an adjustment is that money that was to be appropriated to ASD, I guess from the contingency reserve, is now being appropriated elsewhere.

**Senator PATERSON:** So it's money that you won't get?

**Ms Noble:** Correct.

**Senator PATERSON:** And how much was that?

**Ms Noble:** That amount has been designated as 'not for publication' on national security grounds.

**Senator PATERSON:** Can you give me a broad sense of the quantum? Is it comparable to the other two reductions, is it much larger or is it much smaller? Just so I'm in the ballpark.

**Ms Noble:** I don't feel comfortable doing that, given that it's not an adjustment that we own, if you will. It's better to leave it to the Department of Finance to provide us guidance about that.

**Senator PATERSON:** Can you tell me whether it has remained within the Defence portfolio or whether it has gone outside the Defence portfolio?

**Ms Noble:** It's not in the Defence portfolio.

**Senator PATERSON:** So I couldn't even ask the Department of Defence about it—they wouldn't be able to help me.

**Ms Noble:** That's right.

**Senator PATERSON:** So I have to ask the Department of Finance. Some unknown quantity of money has gone from ASD to some unknown agency for some unknown purpose that you can't share with me.

**Senator McAllister:** I understand that the Parliamentary Joint Committee on Intelligence and Security has been offered a briefing on this matter in particular. I think Ms Noble has indicated to you the grounds on which it wasn't published, but there is a forum in which those matters could be canvassed, and that is the PJCIS.

**Senator PATERSON:** That may well be the case. It's news to me, but it's possible I've missed some correspondence. I'll check in with the chair about that and see if and when that has been scheduled or if that can be scheduled, because I think it is appropriate to pursue. I guess we'll have to set aside that mystery cut and just focus on the other two for now. First of all, on the \$9.3 million to fund additional oversight of the intelligence agencies, is it your view, Director-General, that there was something deficient about the oversight of ASD prior to this measure?

**Ms Noble:** I don't feel comfortable expressing an opinion about that. That's really a matter for others to have judged. The three entities that that money has now been appropriated to—that being the PJCIS, the Independent National Security Legislation Monitor and the Inspector-General of Intelligence and Security—are all entities we certainly engage with on an ongoing and almost daily basis.

**Senator PATERSON:** Perhaps, then, you could just talk about the impact on your organisation of the money, rather than what it's going to. Were you consulted prior to the budget measure?

**Ms Noble:** Yes, we were aware of the budget measure.

**Senator PATERSON:** Being made aware of it and being consulted are two different things, though. Were you asked about what the impact of this would be on ASD, what you would have to cut in order to fund it or how much you could bear?

**Ms Noble:** We haven't worked through that level of detail yet. I need to work that through with my colleagues and then discuss with the Deputy Prime Minister what changes to our capability output might be a consequence of these adjustments to our budget.

**Senator PATERSON:** To be fair, I don't want to overdramatise this—ASD has a large and growing budget, particularly thanks to the REDSPICE investment of the former government—but I also imagine that you're not

prone to wasting money, either. You were given that money because it's necessary—because there is a very serious purpose for which it has been appropriated. Where would you find savings of about \$10 million over four years to compensate for this? What areas will you have to cut?

**Senator McAllister:** If I may: I appreciate, Senator Paterson, your commitment to not overdramatising the situation. The total ASD budget, of course, includes transfers from Defence, which are shown on the same page in the portfolio budget statement, page 165. It also includes provisioning for the continuation of REDSPICE, something which was not done under the former government and has been incorporated by this government. Ms Noble may make any further comments she wishes to in relation to the direct question you asked about the impact of the funding for intelligences oversight.

**Senator PATERSON:** Thank you. That would be good.

**Ms Noble:** We're in the process now of working through what capabilities we won't now pursue as a consequence of the changed funding arrangements. That's a piece of work in progress.

**Senator PATERSON:** I take from your answer, then, that it's not possible to reduce your funding in this way without it impacting capability. There's not spare cash hiding down the back of the couch at the office that you can find to offset this. There's not a catering budget you can dial down a bit to make up a cut of this quantum. It will have to impact capability.

**Ms Noble:** We have to work that through, but, as you understand, we have a plan for all aspects of our budget—both operating budget and capital budget that comes to ASD—as well as the 11 major capability programs that ASD is delivering as part of the defence Integrated Investment Program.

**Senator PATERSON:** I'll move on to the other measure, the \$12.3 million, which appears to have been a transfer to Home Affairs for cybersecurity of some type. Can you explain the background to that change.

**Ms Noble:** That's like a mini machinery-of-government change. The function of running the Act Now, Stay Secure national cybersecurity awareness campaign has been moved from ASD to the Department of Home Affairs. That transfer that you see there is the money that we had apportioned to that function. It has now transferred to the Department of Home Affairs for them to perform that function.

**Senator PATERSON:** What is the rationale for taking it away from ASD and giving it to Home Affairs?

**Ms Noble:** It is to ensure that, through Home Affairs policy leadership, the awareness-raising activities are all done in one place. Previously, Home Affairs had a range of cyber outreach offices, as I think they were called, for example. What this does is just move the administration of that national campaign into the Department of Home Affairs.

**Senator PATERSON:** Are people moving with it? Are there people who were previously at ASD who will now be at Home Affairs?

**Ms Noble:** Home Affairs were provided with six ASL, average staffing level, positions, but, as is fairly commonly the process, when the numbers are small like that, individuals were given a choice to either move with their function or stay with their home agency. In this instance, those people who were working on the campaign have stayed with us, but Home Affairs will have the positions, and we'll support them in the transition to make sure there's no interruption to the campaign.

**Senator PATERSON:** Okay. So, the campaign will be delivered as it was planned to be, just from a different agency.

**Ms Noble:** That's right.

**Senator PATERSON:** So, it's not new money for cybersecurity in the Department of Home Affairs, is it? It's just a transfer of money that was previously allocated to you that will now be spent by Home Affairs instead.

**Ms Noble:** That's right.

**Senator PATERSON:** Okay. Thank you. Noted. Moving on to another topic, I'm interested in a couple of issues in relation to the public attribution last week of malicious online activity to a PRC cyber actor in relation to critical infrastructure. For completeness, I've requested a briefing from you, through the minister's office, on this topic, and I understand there'll be some things that you can say only in that setting and not in this setting. I look forward to that being scheduled. But I do want to ask some things. It's a significant step for Australia, with our Five Eyes partners, to publicly attribute this activity to the People's Republic of China. What was the process leading up to making that decision to be involved in that public attribution?

**Ms Noble:** ASD's role in all public attributions is to provide technical advice into that process, and then it's really a matter for the foreign minister and the Minister for Home Affairs to ultimately make that decision, but of

course with advice and support from us through the Deputy Prime Minister. This one, as you can tell from the advisory itself, was triggered by information that US company Microsoft had. Within the Five Eyes agencies, the National Security Agency was the one that reached out to us to start the process of coordinating on the advisory itself, including the text of the advisory among the Five Eyes nations.

**Senator PATERSON:** So, in simple terms, Microsoft, through NSA, reaches out to Five Eyes colleagues. You assess it independently, make your own judgements about it, and provide that advice to government, and then it is a decision of government as to whether we participate in the public attribution; it's not a decision for ASD.

**Ms Noble:** That's right.

**Senator PATERSON:** In this instance, who was the minister who made the decision that Australia would participate in this? Was it the defence minister? Was it the home affairs minister? Was it the National Security Committee of cabinet? What was the process, to your knowledge?

**Ms Noble:** It's the foreign minister and the Minister for Home Affairs, under the process that we have within government for decisions about public attribution.

**Senator PATERSON:** Is there a framework that's public or—

**Ms Noble:** There is a framework. It belongs to the Department of Foreign Affairs and Trade, and I believe they've been asked about that through their own estimates, in previous estimates. What I can't recall is whether the framework itself is public, but I don't think it is.

**Senator PATERSON:** Okay. Perhaps you could take on notice whether or not you can provide it. And, depending on whether you can, I might choose to pursue it with them as well. On the specifics of the alleged activity, I think it was interesting in a couple of respects. One is that it was targeting critical infrastructure. Is there an innocent reason for a foreign government to be active on civilian infrastructure?

**Ms Noble:** 'Innocent'—that's sort of a loaded word! State actors will usually undertake such activities for the purpose of espionage. But typically—it's more the norm—state-on-state espionage would be targeted to other government or military entities. I suppose it would be fair to say that it's outside of the norm for a state based actor to be on a private network—privately owned critical infrastructure—for the purpose of espionage, let alone possible other nefarious intent.

**Senator PATERSON:** Yes. So, it could be espionage, but it also could be sabotage. It could be planned sabotage for the future.

**Ms Noble:** It could be for the purposes of denying services. We certainly saw that in the Russia-Ukraine context. Disruption of the operation of the network, or destruction of the network—it could be anywhere on that spectrum of activity.

**Senator PATERSON:** Is there any reason to believe, if they were on US critical infrastructure networks or attempting to be on them, that they wouldn't be making the same attempts on Australian critical infrastructure networks?

**Ms Noble:** That's why it was so important to us that this advisory did go out publicly. You'll see there that we made the judgement in terms of the text of the advisory in that we thought it was possible that the same techniques could be used by the actor against sectors worldwide. It's really important for Australian private sector critical infrastructure to be heeding the technical information in this advisory and to be running the tests that we recommend that they run, and then we would strongly encourage them to report to ASD what they have found as a consequence of running those tests.

**Senator PATERSON:** I imagine you can't say whether you've had of those reports yet from Australian companies?

**Ms Noble:** We would rather brief you separately on that.

**Senator PATERSON:** Fair enough.

**Senator McAllister:** Senator Paterson, you indicated that you hadn't sought a briefing on this. My advice is we have agreed to provide such a briefing, or the Deputy Prime Minister's office has agreed to do so.

**Senator PATERSON:** Great. Thank you, Minister, I appreciate that and have been careful about the questions I ask. I won't press you if you tell me you can't answer them in this forum.

**CHAIR:** Senator Paterson, sorry to interrupt your line of questions, but Senator Shoebridge has to go to another committee very shortly. Would it be okay if I hand the call to him for about 10 minutes and then come back to you, unless you wish to continue with this train of thought?

**Senator PATERSON:** I do on this topic, but I'm happy to come back to it.

**CHAIR:** Thank you so much. Senator Shoebridge, I'll give you the call for the next 10 minutes and then hand the call back to Senator Paterson.

**Senator SHOEBRIDGE:** I appreciate that, my thanks to both of you. The UK's GCHQ warned in an advisory note through its National Cyber Security Centre that ChatGPT was an emerging security threat. Does ASD intend to do the same?

**Ms Bradshaw:** ASD ACSC has generic advisories that go to giving advice about the types of cybersecurity issues which are raised by applications like ChatGPT or generative AI in general. Those are, in the first instance, data security, so that is advice which we publish on the input by private citizens of any information on the web, whether that's into ChatGPT or a dating website, and that goes to the data security of persons. Secondly, in relation to people who, in an individual sense or as a company, seek to purchase software or technology products, we have general advice about supply chain risks as they relate to cyber products. Those include the risks of access to data and other general cybersecurity risks. But, no is the short answer to your question.

**Senator SHOEBRIDGE:** So we came to no at the end? Was that the answer, no on the basis that you haven't issued an advisory on ChatGPT?

**Ms Bradshaw:** No on the basis that we do have general cybersecurity advice which relates to the specific threats.

**Senator SHOEBRIDGE:** You must know this is a live issue across the Commonwealth government, and there's a totally unprincipled random response that's happening across different agencies. You must be aware of that.

**Ms Bradshaw:** I'm not aware of an unprincipled random approach by Commonwealth agencies.

**Senator SHOEBRIDGE:** We have the AFP and the ACIC saying they've had a look at it and they're not touching it, not allowed to use it. Meanwhile we have Home Affairs, which is meant to be part of the cyber police, experimenting with ChatGPT in at least four parts of their operations. And so far as we can tell the rest of government is just saying 'We don't have a policy. There are no policy settings as far as we can tell.' Is that acceptable?

**Ms Bradshaw:** In relation to Commonwealth entities, I recall the evidence which was provided by Secretary Pezzullo. I believe what he said—although obviously it's a matter for Home Affairs—was in fact that on the issue of ChatGPT he was not in a position where he was authorising the use of data held by Home Affairs in the conduct of their roles in the context of that application. That practice would be consistent with our general advice on cyber supply chain risks.

**Senator SHOEBRIDGE:** Have you looked at the answers that Home Affairs have given on notice, where they detailed the four parts of the department where they use, or to use their phrase 'experiment' with ChatGPT?

**Ms Bradshaw:** I have not, but I do think there's a distinction between—I won't speak for Home Affairs and the use of it. I'm recalling the evidence provided this week by the secretary.

**Senator SHOEBRIDGE:** So the position of ASD is it's okay to experiment with ChatGPT in any part of government, including Home Affairs, providing you don't put data in?

**Ms Bradshaw:** No, Senator. What I said was, our advice in relation to the use of any product in the cyber supply chain is already set out in public-facing advice, and secondly, for Commonwealth entities, in the information security manual.

**Senator SHOEBRIDGE:** But you've said already that that doesn't mention ChatGPT. If you're a mid-level bureaucrat and you're trying to crunch a whole lot of data and your boss says 'Why don't you try ChatGPT?' you'll say, 'Hang on, I'll have a look at what ASD does about it.' They get no guidance apart from some sort of generic statement about IT. Is that what happens—no guidance?

**Ms Bradshaw:** We don't provide advice on every single software application. That would be an exhaustive task. That's why the general advice is provided in the cyber supply chain risk management advisory.

**Senator SHOEBRIDGE:** Is there a specific reference in that cyber supply chain risk management advice about generative AI more broadly?

**Ms Bradshaw:** No, there is not.

**Senator SHOEBRIDGE:** I'm just troubled by you not making it clear to the Commonwealth government, with all the resources you've got, bucket loads of REDSPICE, you haven't provided clear advice to any part of the

Commonwealth government, from what I can tell, about the dangers of generative AI or ChatGPT, given how topical and timely and how persistent its use is across society at the moment.

**Senator McAllister:** Again, I think this is an example of a question which mischaracterises the evidence that's been provided to you. Ms Bradshaw indicated that that advice is available in the context of broader advice about the risks in the cyber supply chain. Perhaps we could revisit some of the advice that I know has been given to you in other estimates hearings by the same officials about their role, which is not to be a regulator but to provide advice that is then acted upon in the specific context for each department.

**Senator SHOEBRIDGE:** Is ASD comfortable with there being no government policy on generative AI? Do you think that's the right place for the Commonwealth government to land, that different departments and different agencies can make it up as they go? Is that a good outcome?

**Ms Noble:** We're not responsible for providing policy—

**Senator SHOEBRIDGE:** Advice?

**Ms Noble:** The Attorney-General's Department is responsible for giving protective security policy advice and directions to the Commonwealth entities, as Ms Bradshaw has outlined. It's our job to provide technical advice. We think it is satisfactorily included in the advice that's public.

**Senator SHOEBRIDGE:** Even though it doesn't mention ChatGPT and generative AI?

**Senator McAllister:** Chair, one of the challenges in design of questioning being pursued by Senator Shoebridge is that it is asking officials who have a really clear role in the architecture of cyber, which is to provide technical advice, Senator Shoebridge is directing questions to them around the policy settings. I understand Home Affairs were available last week, am I correct? The Attorney-General's Department is also available to answer questions. These policy agencies are the place to direct the questions, not toward the officials whose role is to provide technical advice.

**Senator SHOEBRIDGE:** Has ASD provided technical advice on generative AI to the Attorney-General's Department? If so when, and what was it?

**Ms Bradshaw:** No.

**Senator SHOEBRIDGE:** Have you provided it to Home Affairs? If so, when and what was it?

**Ms Noble:** We can't add anything more than the advice that we've already given you about the publications that we think are relevant to that question.

**Senator SHOEBRIDGE:** Have you provided any advice to Home Affairs on generative AI or ChatGPT?

**Ms Noble:** Not beyond what we've already catalogued.

**Senator SHOEBRIDGE:** Generic. Did you provide advice to Attorney-General regarding the decision to ban TikTok on government devices?

**Ms Noble:** We provided technical advice that was an input to the decision ultimately, through the Attorney-General's Department, by the Attorney-General on the question of use of TikTok by Commonwealth entities.

**Senator SHOEBRIDGE:** Did you provide any similar advice on the risks of other social media platforms such as Twitter, Facebook, Instagram or Telegram in that process?

**Ms Noble:** We provided contextualised and general advice about all social media applications, including the ones that you have listed, in the context of our technical advice to the Attorney-General's Department about TikTok.

**Senator SHOEBRIDGE:** Again, are we dealing with you providing generic advice which might cover Twitter, Facebook, Instagram or Telegram, or did you provide specific advice on those platforms? Is it generic advice that may apply or is it specific advice on the platforms?

**Ms Bradshaw:** It was specific advice in relation to TikTok in the context of the general practices for use and acquisition of or acquiring of data by comparison to other social media applications.

**Senator SHOEBRIDGE:** Does ASD use any generative AI products? Do you have a policy on it?

**Ms Noble:** We use machine learning but not generative artificial intelligence. We have a public document which we released a few weeks back, which goes through the principles for the ethical use of artificial intelligence in the Australian Signals Directorate, which you can find on our website.

**Senator PATERSON:** Returning to where we were on the Volt Typhoon declaration, I have some further questions on that. One of the interesting aspects of the cyber security advisory and of the attack was the kind of sophisticated method that they were using, which has been described as living off the land, which as a lay person I

understand to be using the tools inherent in the software rather than trying to place malware, which is more easily detectable. How common is this kind of technique? How often do you see this?

**Ms Noble:** Not very common is the short answer. It is certainly the hallmark of a pretty sophisticated cyber actor.

**Senator PATERSON:** Even large criminal gangs operating in this space wouldn't have the capability to use these kinds of techniques, would they? This is a nation-state kind of activity, isn't it?

**Ms Noble:** That's right. We don't typically see this sort of technique used by cyber criminals, though, as we discussed before, sometimes the activity of state actors and cyber criminals can become pretty blurred, one acting on an implied direction from the other or an explicit direction from the other. We certainly see sharing of capabilities and trade craft, and sometimes we see state actors doing a bit of criminal side hustle as individuals to supplement their salaries, I suppose.

**Senator PATERSON:** A good point. But the purpose of using a technique like this primarily is to avoid detection?

**Ms Noble:** Absolutely.

**Senator PATERSON:** What can you say in this forum about Volt Typhoon, about the specific entity that we believe this to be?

**Ms Noble:** I don't think we can add to the advisory in a public forum other than to say it is activity associated with the People's Republic of China.

**Senator PATERSON:** So you can't identify the specific entity within the mosaic of cyber operations in the PRC?

**Ms Noble:** That's right.

**Senator PATERSON:** Understood. Finally on this: one of the options available to the Australian government that goes further than just public attribution is to use the cyber component of the Magnitsky sanctions regime to sanction the individuals or entities responsible for it. Similar to my questions about the framework for a public declaration: is ASD's advice sought in a technical sense when the Department of Foreign Affairs and Trade and the foreign minister are contemplating using the Magnitsky cyber sanctions?

**Ms Noble:** Yes. Our input to such a process is twofold: first, to provide technical information and advice; and second, to assist with, if we can, the attribution of the activity down to an individual person—their name and, potentially, their whereabouts—to the extent that a sanction could be applied to that individual, without doubt that they've become mixed up with someone else with the same name, which is extremely hard.

**Senator PATERSON:** I appreciate that that is a very high bar. Has the government sought your advice in this instance about whether Magnitsky sanctions could be applied?

**Ms Noble:** No, we haven't.

**Senator PATERSON:** Has the government sought it in relation to the Medibank hackers?

**Ms Noble:** Yes, we have been involved in such a process in relation to those.

**Senator PATERSON:** It has obviously been reported publicly that the AFP has provided information to the Russian government about who they believe is behind that attack. Obviously within this broad Australian government we have a level of confidence about who it is, and obviously the Russian government has not cooperated in relation to bringing those people to justice, which is probably not of great surprise to anyone. So that option remains available for us to sanction them. When did the government seek that advice from you?

**Ms Noble:** I would have to take that on notice. It was in the midst of the cyber incident over a long few months last year.

**Senator PATERSON:** Thank you. I will move on to my next bracket of questions. As I think you know, I have an interest in ASD's recruitment and retention, particularly in the context of the REDSPICE program, because it is a very ambitious scaling up of personnel. Can you give us an update of how ASD is going in attracting and retaining talent?

**Ms Noble:** We are going extremely well. Unbelievably, we received 19,000 applications to ASD, which is more than double any record we've hit in our history. We currently have 1,000 merit selection candidates in the security clearance process. We are on track to fill all positions required of us through REDSPICE, but also that we were looking for across—as I mentioned before, there are 10 further major capability programs for this financial year, after correcting for attrition, if you will. I'm incredibly proud of my team that we've managed to recruit to the numbers we hoped to.

**Senator PATERSON:** There certainly were sceptics out there when REDSPICE was announced that said there was no way you could ever recruit this many people, given the well-known shortages of cyber skills. What do you attribute those very high levels of interest to?

**Ms Noble:** ASD is a really cool place to work—I think that's the first thing! We certainly used the occasion of our 75th birthday throughout the last 12 months to raise the public profile of our organisation, having a museum exhibition and a book about the organisation, amongst other events. Also we've made some changes ourselves to the way that we were going about recruitment: really doing tailored things to focus on people who maybe want to be codebreakers; creating a selection process that people with those sorts of skills found was more tailored to them; and then a process which was less conventional from the Public Service norm, including giving people, for example, who are neurodiverse a different experience of the selection process. Mr Furse can help me. Are there some other things we've done differently that have really helped?

**Mr Furse:** We have also used targeted advertising on platforms that are appealing to people.

**Senator PATERSON:** I've been getting some of this targeted advertising, actually. If it all doesn't work out, you might get an application from me!

**Mr Furse:** We look forward to that. That has been quite successful. We've also had a lot of outreach in terms of our entry-level programs for getting in cadets and apprentices. We've been spending a lot of time in that area in order to build the skills that we will need into the future.

**Senator PATERSON:** So no shortage of applicants. The funding profile of REDSPICE, as was set out in the March 22 budget, is being delivered? There are no reductions in that?

**Ms Noble:** It is.

**Senator PATERSON:** So no budgetary constraints on getting those people in. I guess the only constraint would be clearing people to an adequate standard. How are we going with the time taken to clear people and get them in?

**Ms Noble:** That has been impacted by the issues that Defence have had with the myClearance process. We are working as closely as we can with the Department of Defence and AGSVA to continue to prioritise ASD people in that pipeline to get them through as quickly as they can. You may recall that about \$5 million of REDSPICE money was transferred to AGSVA in order to ensure that they had the resources, both people and money, to cope with ASD's REDSPICE growth over the period of the program. Whilst I think we've made the target this year, we are not in as strong a position as I would have liked to have been in getting into the next financial year. That's what we're working with Defence on, to try and address—

**Senator PATERSON:** Because of those continual issues at AGSVA in the vetting. That's very frustrating, because you've got ready, willing and suitable people, you've got the money to pay them to come on board and they've got a very important mission to work on, but they're being held up by a technical problem, I guess, with the vetting process. Do you have an average length of time for different clearance level holders?

**Mr Furse:** I do.

**Senator PATERSON:** Can you take me through that?

**Mr Furse:** These are the vetting time frames without the prevetting coordination, the time it takes for somebody to submit their pack. This is just for the assessment time. We're currently tracking about 37 days for a baseline, 105 days for an NV1, 156 days for an NV2 and 203 days for a PV.

**Senator PATERSON:** Can you give me a rough breakdown of the proportion of people who are being employed in each of those categories? I don't imagine there are a lot of baseline people coming in.

**Mr Furse:** We have changed our process to try and attract people with a baseline and to provide a baseline. We did that in order to effectively try and get people in the door quicker. We still do an organisational suitability assessment before people come in. That gives us confidence around the integrity and security of that person. Then we have sufficient work so that they may participate in those mission activities at that level until they get their subsequent PV.

**Senator PATERSON:** Yes, and I know your new facility at Majura Park facilitates that process. It's not all high side, and you can have people working on lower classifications, so that is good. But 203 days to get a TS clearance for a person is way too long. You're going to be losing good applicants who can't wait that long to take up that opportunity. They should be on the mission earlier. Have you got any sense from AGSVA of when those processes will be improved and we can get those numbers back down again?

**Ms Noble:** We don't have a time frame at this point in time.

**Senator McAllister:** I think probably some of these questions need to be directed to the Defence team, and of course they are back here tomorrow morning.

**Senator PATERSON:** Indeed. Yes, thank you. Chair, I think I will have to follow that up with them. Finally, on retention, how are ASD's retention rates tracking?

**Ms Noble:** Very good.

**Mr Furse:** Very good.

**Ms Noble:** We can give you the data.

**Mr Furse:** We've maintained a consistent retention rate. It hasn't really changed. It's sitting at 10 per cent at the moment. I know that that's below the last published APS rate of 13.3 per cent.

**Senator PATERSON:** I think it has been below the APS rate for a while. A few years ago it was 9.2 per cent—I've got that here in the 2020-21 figures—so it's a slight uptick from there. But, given the competitive environment for people with their skills, I can understand that. Is that lower or higher than broader Defence retention?

**Mr Furse:** I don't have the figures for Defence, sorry.

**Senator PATERSON:** Alright. If you could take that on notice, that would be helpful.

**CHAIR:** Senator Paterson, can I get an indication of how much you've got to go?

**Senator PATERSON:** That's a good question, Chair. I'm just finishing on that topic, and let me see how many more topics I have to go.

**CHAIR:** I'm just mindful that we've got three more agencies to get through.

**Senator PATERSON:** I've got two topics that I need to do tonight, and I think I can get through them pretty quickly, if that's okay with you.

**CHAIR:** Another five or 10 minutes?

**Senator PATERSON:** Ten at the most would be my hope.

**CHAIR:** Then I think Senator White also has a question.

**Senator WHITE:** Could I follow up on one now?

**CHAIR:** Just one question? Yes. Senator White.

**Senator WHITE:** No, I didn't say one! I just want to talk about the recruitment that you're undertaking—your thousand applicants. What's the gender breakdown of those thousand applicants that you're putting through security clearance?

**Ms Noble:** It was 19,000 applicants.

**Senator WHITE:** The thousand that are going through security clearance.

**Ms Noble:** Yes, 1,000.

**Mr Furse:** I don't have the exact breakdown, based on gender, of how many are in the current pipeline, but I can tell you that we have been tracking this. Our commencements were tracking at just over 50 per cent female.

**Senator WHITE:** You're aware that there is a differential in the public sector for the standard levels. Where does your agency sit in that? Are you at the top or at the bottom? You could take that on notice. That would be fine.

**Mr Furse:** Are you talking about—

**Senator WHITE:** As against, for instance, Defence, or as against what you think would be a like agency.

**Ms Noble:** I don't know where we sit in comparison to other agencies. But our last statistics, as at 31 March this year, are that over 40 per cent of staff in ASD identify as female, just over 30 per cent self-identify as being diverse and just under 30 per cent report as being culturally and linguistically diverse.

**Senator WHITE:** Sorry, what I was talking about was pay rates. Thank you for that; they're interesting statistics. I'm talking about the differentials for each of the levels between agencies in the public sector. Remarkably, the Indigenous agencies are at the bottom, by a long shot. Defence and Treasury tend to be at the top. Do you know where you are, relative to other agencies?

**Ms Noble:** Our base salary is the same as the Department of Defence's. We are in lock step with them. I'm not entirely sure whether they sit in the top or mid percentile or what have you. Most staff within ASD, though, do have access to an additional four per cent, as high security clearance holders. We also have a program which remunerates our staff who have certain skills, and there's a framework within that. The sort of principle for that is

that, if you are highly skilled in a particular field where there is very strong competition in the private sector marketplace for your skills, you can access a higher salary payment on the basis of those skills—cybersecurity, for example.

**Senator WHITE:** I'm interested in quite specific detail. Could you take that on notice—

**Ms Noble:** Absolutely.

**Senator WHITE:** Can you give to me in writing where you stand and details of what those amounts actually are? I suspect that might be one of the key reasons you have so many people applying. I have one further question. I take from what you said, because of the levels you're offering them at, they're mostly from outside the Public Service. What percentage would be from inside the Public Service transferring across?

**Mr Furse:** The percentage of people transferring from the Public Service was sitting at about 30 per cent the last time we looked at this.

**Senator WHITE:** That's interesting. This is a question on notice. Where are they transferring from?

**Mr Furse:** I'm not sure that we record that information. We can certainly have a look at it.

**Senator WHITE:** Well, perhaps a feel for it. That's my last question.

**CHAIR:** Thank you. Senator Paterson.

**Senator PATERSON:** I want to move on to the hackers task force. I think the AFP corrected me and said it has a proper name, but 'hackers' sounds pretty good. What date was it established?

**Ms Noble:** The task force has been going for some time, but the more recent iteration was established in December last year. The AFP and we signed a memorandum of understanding in February this year.

**Senator PATERSON:** You said that the task force has been going for some time. How long? You might not have it in front of you. If you need to take it on notice, that's okay.

**Ms Noble:** It was around June 2020. We called it CESAR, Cyber Enhanced Situational Awareness and Response—we love an acronym—\$31 million was given to ASD as part of our contribution to a task force jointly with the AFP to disrupt offshore cybercriminals.

**Senator PATERSON:** So it has been in operation for nearly three years, but it has this new iteration post December when the MOU was signed. What's the staffing profile of the task force from the ASD side? How many nominal people are allocated to it? How many people are actual allocated to it? I know these things are fluid.

**Ms Noble:** Just around 50 real humans.

**Senator PATERSON:** Yes, 50 from the ASD side?

**Ms Noble:** Yes.

**Senator PATERSON:** My advice from the AFP is that there's a similar number from their side. They are people actually working on this today who don't have any other things to do, they don't have other jobs to do?

**Ms Noble:** That's absolutely right. They can be and are supported at times by other people within ASD who of course produce intelligence to support their activities. When we're working, for example, on instances like Medibank and Optus we at times had 150 staff supporting those incidents from end to end.

**Senator PATERSON:** Understood. Out of curiosity, which minister does the task force report to? Obviously you're a Defence agency and the AFP is an Attorney-General's agency, and it was the Minister for Home Affairs who made this announcement. Which minister do you report to?

**Ms Noble:** We report to the Deputy Prime Minister on all of our operations.

**Senator PATERSON:** So who directs the task force? Who is ultimately the minister responsible for the task force?

**Ms Noble:** To answer your question about who directs the task force, this is a joint operational task force between us and the AFP. The AFP are overall responsible for fighting cybercrime and we provide advice and assistance and do disruption operations when the criminals are offshore. That is set out in the Intelligence Services Act from our perspective and it's in the SLA(ID) Act for the AFP. In that sense we are two independent operational agencies and decide for ourselves what operations are undertaken, and on balance we take our guidance from the AFP; they're our national crime fighters.

**Senator PATERSON:** Yes, I take your point about your independence. I don't mean that ministers are on the tools telling you who to hack tomorrow. I more mean: who had the ultimate policy responsibility for this? Which minister does it sit under?

**Ms Noble:** We will brief the Deputy Prime Minister, as the Minister for Defence and therefore the minister responsible for operations of ASD, and we also brief the Minister for Home Affairs on what activities we have undertaken through this task force to support her role in providing cybersecurity policy advice, and of course she's cross-sworn to the Defence portfolio, for the very purpose of getting briefings directly from us on this matter.

**Senator PATERSON:** Understood. You mentioned in passing the SLA(ID) legislation—the Surveillance Legislation Amendment (Identify and Disrupt) Act—which passed in the previous parliament. That is effectively the legal underpinning that facilitates cooperation between ASD and AFP on these sorts of operations, isn't it?

**Ms Noble:** I'm not sure I would quite characterise it like that. Our legal basis is through section 7(1)(c) of the Intelligence Services Act, which was introduced in July 2018. That gave us the power, of our own accord, I suppose, 'to prevent and disrupt, by electronic or similar means, cybercrime undertaken by people or organisations outside Australia'.

**Senator PATERSON:** But the SLA(ID) legislation gave the AFP the ability to apply for a series of warrants, including a data disruption warrant, which includes within Australia as well, which obviously ASD could not do—

**Ms Noble:** That's right.

**Senator PATERSON:** but now provides technical assistance advice to the AFP to do, I imagine.

**Ms Noble:** That's right, and that allowed the two operational agencies to close any seam between where we stopped and they picked up, or vice versa.

**Senator PATERSON:** Can you say how many disruptions this task force has engaged in, either offshore or onshore, or both?

**Ms Noble:** We prefer not to speak to the exact number but can assure you that there has been quite a number of disruptions over the past year.

**Senator PATERSON:** Can you say whether they've been both onshore and offshore?

**Ms Noble:** I can't speak to onshore. Once the AFP starts to undertake operations in that regard, we're out. But there have certainly been offshore disruptions.

**Senator PATERSON:** Alright. Moving on to a final matter in relation to the cyber exercises being conducted: the Minister for Home Affairs said there was an exercise on 25 May with the major banks. What's ASD's role in these exercises?

**Ms Bradshaw:** Members of staff from ASD attended to support that exercise. ASD also runs a series of exercises which are more closely focused on our technical counterparts. That includes national exercises. Last year we ran an exercise with the water sector. This year we will run one with the logistics companies, based on logistics networks. And the year before last we ran one based on the electricity sector. So, we do a couple of large national exercises, and then we run tailored programs. The distinction I would put this way: ASD is a technical agency, and ACSC is an agency that provides technical advice. Our exercise suite is typically targeted at the CISO technical level, then with report-backs to the executive level. There is most certainly scope, I think, for exercises that address a more board-level, policy-level response or so. I don't think you can exercise too much.

**Senator PATERSON:** No. So, that one on 25 May with the banks was not the first one. There would have been previous ones with water and electricity.

**Ms Bradshaw:** The one that was run with the finance sector was run by the Department of Home Affairs. But, of course, we went along to provide a technical aspect or any technical assistance. The large national technical exercises are run by ASD.

**Senator PATERSON:** Why is Home Affairs running some exercises and ACSC running others?

**Ms Bradshaw:** I think its critical infrastructure function is a matter for Home Affairs, but it is not unusual for a regulator—and it's, I think, consistent with the critical infrastructure responsibilities—to have relationships with the C-suite in those organisations and to practise cyberscenarios, because, as we've learnt through brutal experience, a cybercompromise can have many noncyber impacts and consequences which need to be managed.

**Senator PATERSON:** Are both types of cyberexercises run under the critical infrastructure legislation?

**Ms Bradshaw:** No, in the sense that ASD is not confined and does not stop giving advice simply because you don't fall under the jurisdiction or you are not a sector within the critical infrastructure legislation. In fact, there are groups of entities which we would run exercises for. For example, we will go to board meetings and support boards in their own board-level response. Having said that, of course we run our exercises in the context of the mandatory requirements and powers which arise under that legislation.

**Senator PATERSON:** Yes, and that's what I was going to follow up with. There were provisions in the critical infrastructure reforms passed before the election, which I think gave the secretary of the Department of Home Affairs the power to require entities that are defined as critical infrastructure to engage in these sorts of exercises. Would it be fair to say that the previous ones that you were doing with other sectors at the CISO level were purely voluntary arrangements? Were you doing it in that way? These new ones might be compelled—I'm not suggesting that the banks were reluctant or anything like that, but they were conducted under the powers of the SOCI Act.

**Ms Bradshaw:** I'm not sure that that is so. I think that's actually a question for Home Affairs. There are a variety of ways in which you could impose a requirement to take part in exercises, and that would include, for example, specifying in the enhanced mandatory cybersecurity obligations to engage in exercises in a generic format. I'm not aware of the particular compunction, although I am aware that that exercise suite was well attended by the financial sector.

**Senator PATERSON:** I don't doubt that. I will take that up with Home Affairs. Were there any findings from these exercises, and can you talk to those findings?

**Ms Bradshaw:** Certainly. We write two levels of report at the end of each major national exercise, where we reflect, first of all, in a panel of technical personnel that engaged. These are large—sometimes these exercises can play out over weeks—and we might have hundreds of technical advisers joining in. They are then rolled up into a lessons learned report, with a variety of things that entities could do themselves to improve their response to a specific event, and that includes, for example, how government might improve its own role in providing advice and assistance to private entities. That report is made available to the C-suite of every entity that takes the time to engage in those exercises.

**Senator PATERSON:** Is that report made public, and is there any reason why that report couldn't be made public?

**Ms Bradshaw:** I'd need to take that on notice. The only reason I want to be careful is that we are very grateful for the very brave people that choose to be the victim-entity in these scenarios and I would not want to release publicly a report which provides commentary on their performance. So, if I may, I'll take that on notice.

**Senator PATERSON:** Of course.

**CHAIR:** Thank you, Ms Noble and your team, for appearing tonight. I now call on the managing director—

**Senator SHOEBRIDGE:** Chair, I do have a few more quick questions of ASD.

**CHAIR:** I am mindful of time. We have three more agencies tonight before 11 pm.

**Senator SHOEBRIDGE:** I just have a few more brief questions of ASD.

**CHAIR:** How brief is brief?

**Senator SHOEBRIDGE:** It depends on the answers.

**CHAIR:** I will be releasing this agency, and I'll be asking senators if they want to pursue other options. If you can be brief, I will give you five minutes. We need to get to three more agencies; they have been waiting all day.

**Senator SHOEBRIDGE:** I hear you. Thank you, Chair. I'm asking this because I have had questions on notice that have been outstanding for quite a significant amount of time to ASD, and I have just inexplicably not been provided with answers. One of those questions is in relation to the SOCI Act, or Security of Critical Infrastructure Act, which includes a last resort power for the ASD to step in and take control of a company's systems if it's subject to a cyber attack. I've been waiting for an answer now for a significant amount of time. Has the minister used these powers? Did the minister consider using them in any of the recent hacks? Can I please have an answer?

**Ms Bradshaw:** The power has not been utilised.

**Senator SHOEBRIDGE:** Was there consideration of it being used in any of the more recent attacks?

**Ms Bradshaw:** No.

**Senator SHOEBRIDGE:** The Security Legislation Amendment (Critical Infrastructure Protection) Act 2022 passed in March 2022, and I think came into effect soon after. It gave the ASD powers to order nationally significant companies to install software to pass on data in certain situations. Have those powers been used? If so, in what circumstances?

**Ms Bradshaw:** No.

**Senator SHOEBRIDGE:** As I understand it, in certain circumstances, the Cyber Security Centre can refer complaints that have been made to it from members of the public back to other agencies. Is that the case?

**Ms Bradshaw:** Sorry, Senator, could you say that again?

**Senator SHOEBRIDGE:** I can go through this whole question, which again was not answered despite being substantially out of time. How many complaints has the Australian Cyber Security Centre received from members of the community regarding cybersecurity attacks on personal bank accounts in the last financial year and in the financial year before?

**Ms Bradshaw:** The ASD runs a portal called ReportCyber. That portal received last year 76,000 reports. The analysis of those reports is published publicly in the *Annual cyber threat report*, and those are broken down on page 23 of those reports. I can tell you that 12.6 of those reports related to online banking, 14.4 per cent to shopping and 26.9 per cent to fraud.

**Senator SHOEBRIDGE:** Perhaps I could get the balance of the answers that I've asked for promptly answered on notice, rather than having to ask them again here in estimates. Can we get that commitment?

**Ms Noble:** Of course. Our apologies, Senator. I believe those were answered, so we will check into what's going on.

**Senator SHOEBRIDGE:** Maybe you did everything you could.

**Ms Noble:** Yes,

**Senator SHOEBRIDGE:** That might be the answer. My final question is: in what circumstances was John Blaxland's contract terminated? He was originally contracted to write the official history of the ASD. He says he was gutted when he was sacked. He says he was sacked because he was 'not prepared to just do what I was told'. Is that right?

**Mr Furse:** Our contract for that particular book was with ANU. Professor Blaxland was one of the authors for that. As we presented in testimony in October 2020, we had a difference of opinion with the ANU about the best balance of content for the actual book. So it was at that point a difference of opinion. The first volume was about the start of ASD, but a large part of that content related to, effectively, the history of cryptology. In the discussion with ANU, we had a difference of opinion about what the focus of that book should be, and we agreed that we should part ways.

**Senator SHOEBRIDGE:** Mr Blaxland said:

They wanted much greater control and were reluctant to give me editorial licence.

When he said that he was right, was he?

**Mr Furse:** I wouldn't characterise it that way. I would say that we had a difference of view around what the content should be, but we certainly weren't trying to influence the way that somebody would write about it.

**Senator SHOEBRIDGE:** Don't you think that if you're getting an official history there's an obligation to give genuine independence to an academic who is writing the history, and, by sacking one halfway through, this looks very much like a managed history, a manicured history, rather than a genuine history? Don't you think it leaves that impression in the public's mind?

**Mr Furse:** In relation to the contract that we had with the ANU, we were very careful to make sure that we didn't want it to be an infringement on their academic freedom, and we respected that. In terms of the subsequent contract that we had to write the ASD official history, that was undertaken by an independent author. They were entitled to write as they saw fit.

**Senator SHOEBRIDGE:** For clarity, if you could provide the committee with the two contracts, so we can compare the difference, I think that would provide at least a level of public scrutiny of what happened. Will you provide the contracts?

**Mr Furse:** I will take that on notice.

**CHAIR:** On that note, again, Ms Rachel Noble, thank you and your officers for appearing before estimates tonight. There are no questions for Defence Housing Australia, so we'll move on.

#### Department of Defence

[22:26]

**CHAIR:** I now welcome the Inspector-General of the Australian Defence Force. Do you have an opening statement?

**Mr Gaynor:** I don't, Chair.

**CHAIR:** Fantastic. I'll now hand the call over to Senator Lambie. Thank you, Inspector-General.

**Senator LAMBIE:** I have some questions for the IGADF around the Office of the Special Investigator and their questioning techniques. IGADF, are you aware of the techniques used by the Office of the Special Investigator when questioning soldiers about allegations of war crimes in Afghanistan?

**Mr Gaynor:** No, I'm not. The Office of the Special Investigator is entirely separate from my office.

**Senator LAMBIE:** Have you had any complaints made or concerns raised regarding the operation of the Office of the Special Investigator and their questioning techniques?

**Mr Gaynor:** I have received no complaints, but I don't think such complaints would be within any jurisdiction if they were to be made.

**Senator LAMBIE:** Who do they make those complaints to, then?

**Mr Gaynor:** That would be a question for the Office of the Special Investigator. I don't know.

**Senator LAMBIE:** So you want me to go back to the people who use these techniques, the Office of the Special Investigator, and ask them who I should send these men to?

**Mr Gaynor:** Senator, they will be—

**Senator LAMBIE:** They will guide me?

**Mr Gaynor:** No, the Office of the Special Investigator will be the ones who can tell you where anyone who has concerns about their processes should go.

**Senator LAMBIE:** They're not going to the OSI, and you know that as well as I do, Mr Gaynor. Anyway, I've received complaints that the OSI use techniques akin to interrogation, and I've heard many of them. I'll list some of these now for you to respond to: turning up the air conditioner so that the room was exceptionally cold; denying people access to advice from their lawyers during the interviews; telling people that all questions must be answered and that—I quote—"I don't remember" would be considered lying or hiding something'; no assignment of a welfare officer for early parts of the investigations; displaying graphic images of dead insurgents that were not related to the questioning; jumping around within time lines from 2011 to 2012 to 2010, back and forth—and we know why we do this, and that is to confuse them, which I know because I did military police and questioning, and that is what they use for that; planting an actor in the room to pretend he was a former senior soldier on their side and to comfort them; and asking questions about colleagues and friends who have died in action but were not relevant to the investigation. You're a man of the law. Do you consider these techniques to be standard interviewing techniques?

**Senator McAllister:** Senator Lambie, I think you heard Mr Gaynor's—

**Senator LAMBIE:** Okay, Minister. Who do you suggest I tell these men to go to? They're not going to the OSI, so who can I tell them to go to?

**Senator McAllister:** I think these questions need to be asked in the Attorney-General's portfolio, which is where the OSI sits. I don't comment on the legitimacy of the questions, but I think it is difficult for Mr Gaynor to respond to them, because it's not his organisation or his agency.

**Senator LAMBIE:** Whereabouts in the military do these men go to make their complaints, Mr Gaynor? Tell me. Don't tell me the military's not set up for this, because this will blow me away for a six now! Tell me where they go.

**Mr Gaynor:** Senator, the minister has already explained: as to the work of the OSI, complaints about the OSI should really be referred to the Attorney-General's Department. The investigations that are underway are not being conducted by the Defence Force; therefore, they are not matters that fall within my jurisdiction, and they are not matters that fall within the Defence Force's jurisdiction either. They are separate investigations being conducted entirely separately from Defence and from the Defence Force.

**Senator LAMBIE:** Okay. I have some questions I'd like to ask of you regarding the Leahy law. Do you know that? Are you aware of that?

**Mr Gaynor:** I am aware of the Leahy law. It is based, I understand, on two pieces of United States legislation. I am not across all of the detail of the Leahy law.

**Senator LAMBIE:** Can you explain to the committee its application in Australia? What types of issues could a unit or individual be involved in to trigger consideration of the Leahy law?

**Mr Gaynor:** My understanding is that the Leahy law does not apply to individuals; it only applies to military units, and the operation of the Leahy law is that it is possible for the United States state department and the United States Department of Defense to withhold support or aid or other assistance from military units that have been

involved in grave breaches of human rights law. But we are really getting outside my area of knowledge and there's not much more that I can say about it.

**Senator LAMBIE:** I'm sorry—what does the IGADF do again? Just explain that to us. Can you just explain your function.

**Mr Gaynor:** My office oversees the military justice system. I also superintend the redress of grievance complaints system, the statutory complaints system that is established for members of the Defence Force to use. I also inquire into the deaths in service of ADF members.

**Senator LAMBIE:** How long have you been doing the deaths in service of ADF members?

**Mr Gaynor:** Since October 2016, but, under administrative arrangements, since July 2014.

**Senator LAMBIE:** Oh! So these are deaths that have occurred—these aren't suicides?

**Mr Gaynor:** No, it includes suicides in defence as well.

**Senator LAMBIE:** How many suicides have you looked at in the last eight years?

**Mr Gaynor:** I'll have to take that question on notice. I'm not sure of the exact figure in the last eight years.

**Senator LAMBIE:** I'm sorry—why do they go to you and not a coroner?

**Mr Gaynor:** The coroner also has jurisdiction. My jurisdiction is to examine deaths in service, to find out if there are systemic features. The aim, of course, is to prevent the recurrence of other deaths or serious injuries.

**Senator LAMBIE:** If that's been the case, why have they been recurring? Why are we hearing this all over? I'm assuming your people are listening to the royal commission. And where was your office when I was out there talking about all these veterans' suicides? Where was your backup for the men and women in uniform then? Why didn't your department come forward and say anything—that this was going on—or did you simply not know about the suicides? We knew there was a suicide problem going on in defence. Did you talk to anybody outside of defence about that?

**Mr Gaynor:** I publish an annual report to parliament—

**Senator LAMBIE:** Oh, that's great! Did you put that in the annual reports every year? Did you put how many suicides had come across your table, in all those annual reports from 2014?

**Mr Gaynor:** I will have to go back and check what we put in the previous annual reports, but I publish annual reports to parliament on the operations of my office. I am not sure if I quite understand your question.

**Senator LAMBIE:** Let me rephrase my question. We already knew there were suicides going on in defence. Defence sat there in denial: 'Nothing to see here.' And now you're saying that you were watching, that you were looking into suicides. Nobody ever said that in defence. Since when did that come out, apart from hearing that today? That's just blown me over. All this questioning, all these years I've been up here, and not once have I ever heard out of anyone from defence, any hierarchy, let alone yourself, that you were looking into suicides.

**Mr Gaynor:** It hasn't been a secret. To say that my office looks into suicides doesn't tell the whole story. My office looks into deaths in service, so my office assesses all deaths to find out whether or not a death arose out of or in the course of the ADF member's service. We look at training deaths, we look at deaths by illness and we also look at death by suicide.

**Senator LAMBIE:** What do you do about those deaths with suicide? Are they referred to a coroner?

**Mr Gaynor:** As I said before, coroners also have jurisdiction in relation to every death. Often coroners will take my reports, or sometimes my reports will be postponed pending a coronial inquest or a coronial outcome.

**Senator LAMBIE:** How many coronial inquests has your department been involved in?

**Mr Gaynor:** My office does not get involved in coronial inquests. Occasionally—

**Senator LAMBIE:** They're not asked to be a witness?

**Mr Gaynor:** No, because I'm not a witness to the matters under the inquest.

**Senator LAMBIE:** But if you're going to supply them a paper, if they needed to question you about it, would you not show up?

**Mr Gaynor:** I've never been summoned to a coronial inquest.

**Senator LAMBIE:** Can you tell me if the Office of the Special Investigator is uniformed people?

**Mr Gaynor:** No.

**Senator LAMBIE:** Did any of your department participate in questioning special forces soldiers—any part of that department whatsoever?

**Mr Gaynor:** At what time? Obviously, my office conducted the Afghanistan inquiry and was involved in interviewing witnesses as part of that inquiry, but that inquiry was delivered to the Chief of the Defence Force in November 2020. Since then, my office has not been involved in investigating or interviewing special forces witnesses in connection with allegations of war crimes in Afghanistan.

**Senator LAMBIE:** Hang on. I'm a little confused. Did you not say you didn't have anything with the war crimes? What were you doing between 2016 and 2020 on these war crimes? What was your office doing?

**Mr Gaynor:** My office conducted the IGADF Afghanistan inquiry. It started in May 2016 and concluded in November 2020. Your question was, 'Have you interviewed any special forces witnesses?'

**Senator LAMBIE:** Fine. Let's just re-question that, then. Were any of your staff involved in turning the air conditioner up, denying access for lawyers, saying that all questions must be answered and all those things? Your office were questioning these guys as well.

**Mr Gaynor:** Based on your earlier comments, my understanding is that those are complaints that have been made by people who are being interviewed by the Office of the Special Investigator. My office has had absolutely no involvement with the work of the Office of the Special Investigator, in terms of interviewing witnesses and conducting those investigations. Those investigations have been taking place entirely separate from my office and entirely separate from defence.

**Senator LAMBIE:** No, no. These are complaints about your office as well. These are not just complaints about Brereton and his lot. These are about your lot as well. These are complaints made of your lot, about their techniques. Who trains you in technique training? What technique training do they have for asking questions? Run me through that.

**Mr Gaynor:** People in my office who are involved in inquiries undertake a series of training, inquiry officer courses. We also undertake training—

**Senator LAMBIE:** Do they take interrogation courses?

**Mr Gaynor:** Some of the personnel in my office are police. While I wouldn't describe them as interrogation courses, they do have training in police questioning. But once again, none of those people have been involved in any questioning of special forces witnesses.

**Senator LAMBIE:** None of the—

**Mr Gaynor:** None of the police staff in my office. None of the staff in my office who are members of police.

**Senator LAMBIE:** So it's been the military? The military has been speaking—

**Mr Gaynor:** My office is staffed by a mix of civilian staff and military staff. Some of those staff conduct administrative inquiries, which is what the IGADF Afghanistan inquiry was. It wasn't a police investigation. The IGADF Afghanistan inquiry, in which the inquiry team was led by General Brereton, that inquiry was conducted by General Brereton and his team. Staff in my office generally, though, have training in the conduct of inquiries, but they also have other training. That other training includes training in trauma informed approaches and trauma informed questioning techniques. That generally describes the training that my staff undergo, those of my staff who are involved in IGADF for inquiries.

**Senator LAMBIE:** And the military stuff they've got, have any of them ever done any training with the conduct of capture?

**Mr Gaynor:** I'm unable to say what they may have done before joining my office.

**Senator LAMBIE:** I'd like to know that would be resistance to interrogation. I want to know if they've been cross trained in the proper techniques that you would do normally and interrogation. Because now you've crossed it over. That's a no-no, an absolute no-no. Find out.

**Mr Gaynor:** No, Senator, I haven't. I think you have misunderstood my answer.

**Senator LAMBIE:** Okay. All I want to know is, have any of your people done resistance to interrogation, been part of any of those courses when they were in uniform, or conduct to capture courses? That's what I want to know.

**Mr Gaynor:** My understanding is no. I do not believe any of my staff have ever been involved in resistance to interrogation training, because my understanding is that that training is usually undertaken by members of intelligence cores, and none of my staff is from the intelligence—

**Senator LAMBIE:** No, that's not how it works. I've had military police over there doing the same thing. They are cross trained, and they're not just interrogators. They don't just come from there, I can assure you. I spent many years on this conduct to capture. I would like to know.

**Mr Gaynor:** I'll take the question on notice.

**Senator LAMBIE:** And you're going to tell me that all those questioning techniques that I explained to you, when it comes to the Office of the Special Investigator, your people use none of those techniques that I listed to you during their interviewing process?

**Mr Gaynor:** The Office of the Special Investigator is entirely separate from my office. None of my staff work in the Office of the Special Investigator.

**Senator LAMBIE:** During your investigative phase, when you're investigating this, did any of your people use any of those techniques?

**Mr Gaynor:** I will take the question on notice, but my office did not conduct an investigation. It conducted an inquiry.

**Senator LAMBIE:** So when you've done the inquiry, you didn't question witnesses?

**Mr Gaynor:** As part of the inquiry process, witnesses were interviewed.

**Senator LAMBIE:** That's what I mean—interview. But there is a very tight thing between interrogation and interviewing, and sometimes it can go over, Mr Gaynor. I'm very sure you're aware of that.

**Mr Gaynor:** Perhaps, then, to revisit your question, if someone wants to complain about the conduct of an assistant IGADF during an IGADF inquiry—not the Office of the Special Investigator but an IGADF inquiry—then they can complain to my office. They can also complain to the Defence Force Ombudsman.

**Senator LAMBIE:** I have some questions on the number of Defence staff attending hearings. Can you tell me if any of your staff attend the royal commission hearings?

**Mr Gaynor:** No.

**Senator LAMBIE:** Do they listen to any of the royal commission hearings?

**Mr Gaynor:** Yes. We do monitor the work of the royal commission. I'm very supportive of the work of the royal commission.

**Senator LAMBIE:** What are you monitoring the royal commission for exactly?

**Mr Gaynor:** We are listening for—I should perhaps use a different word to 'monitoring'; I don't want to suggest we are checking. The royal commission has asked my office for assistance. We make sure that we keep an eye on their proceedings so that when they ask us for assistance we know how best to provide that assistance and what information is going to best assist them.

**Senator LAMBIE:** Do you have any problems giving them the information they are asking for?

**Mr Gaynor:** I provide information to the Commonwealth lawyers. The royal commission and the Commonwealth have set up an information transfer system. When the royal commission asks me for documents, I provide those documents to the Commonwealth lawyers. The Commonwealth lawyers go through a consultation exercise as part of providing advice to the whole of the Commonwealth. I don't actually provide the information directly to the royal commission; I provide it to the Commonwealth lawyers, and they provide it to the royal commission.

**Senator LAMBIE:** Mr Gaynor, have you presented in front of the royal commission as yet?

**Mr Gaynor:** I have not been someone who is a witness to the royal commission, no.

**Senator LAMBIE:** How many staff are employed in the office of the inspector general?

**Mr Gaynor:** I have 37 permanent staff, and part-time and non-ongoing staff number about 125. So a total of 162 people, but 125 of those work on a part-time basis.

**Senator LAMBIE:** I don't want to get you into trouble here, but do you find that's enough?

**Mr Gaynor:** I have all the financial resources I need. The difficulty I have is finding people with suitable qualifications, experience and training to undertake what is really sensitive inquiry work.

**Senator LAMBIE:** Are they all located in Canberra?

**Mr Gaynor:** No, they are located across Australia, but the permanent staff are mainly located in Canberra.

**Senator LAMBIE:** Are they varied classifications? I'm just assuming.

**Mr Gaynor:** When you talk about classifications, you mean—

**Senator LAMBIE:** Security classification and that sort of stuff, I guess.

**Mr Gaynor:** Some people have high security classifications so that we're equipped to deal with matters which require a high security clearance. Not everyone needs that, so not all the staff have high security clearances. Everyone, of course, has baseline.

**Senator LAMBIE:** Do you believe you have enough with that high security clearance?

**Mr Gaynor:** Yes, and when we need more then we upgrade their clearances.

**CHAIR:** Senator Lambie, we have about 10 minutes left and we have one more witness.

**Senator LAMBIE:** I only have a couple of questions, and then I'll be done. Does your office conduct any investigations on behalf of Defence?

**Mr Gaynor:** Under the legislation that establishes my office, a minister or the CDF can direct me to undertake inquiries into any matter affecting the Defence Force. No minister has ever directed an IGADF inquiry, but the CDF has from time to time directed an IGADF inquiry into matters affecting the Defence Force.

**Senator LAMBIE:** When was the last time an audit was done on the IGADF and its operations by the National Audit Office?

**Mr Gaynor:** The ANAO has never audited my office.

**Senator LAMBIE:** Who does the IGADF report to? I'm assuming that it will report to the same two people that can give it commands to move in defence. Is that right?

**Mr Gaynor:** I report to parliament, and that's why I publish an annual report and that report goes to parliament. I'm part of the Defence portfolio. I'm a statutory office holder, so I'm independent within the Defence portfolio and a bit like ASD. But the difference between my office and ASD is that the legislation that establishes my office provides that Defence will provide the staff to assist me in the performance of my statutory role and functions. The staff in my office, the civilian Defence APS employees and the ADF members, are effectively seconded to me while they work in my office.

**Senator LAMBIE:** I have two final questions on the fact-find. Do we yet have a central database going at the moment?

**Mr Gaynor:** No, there is no central database for fact finding

**Senator LAMBIE:** Why not?

**Mr Gaynor:** Defence has a project in place. It's a project of which I have been a strong supporter since even before the life of the project. The project is called 'the Project for the Case Management System'. Once that system goes live then there will be a central database in Defence for the recording of incidents and also for the tracking of inquiries and fact finding. Fact finding is essentially a low-level administrative inquiry. Once the case management system goes live then there will be a central database.

**Senator LAMBIE:** How is that going to work? If you're allocated a fact-find, you're an investigating officer on that mission and you've been designated to look at that case, will it be registered with a number and all that sort of stuff? Will every fact-find that's being done be registered in that

**Mr Gaynor:** Yes. The case management system will be a way for managing cases, and any fact finding that is done will be able to be recorded on the system.

**Senator LAMBIE:** I have one final question. I want to go into this fact-find. You train military police for weeks on end, and you have to teach them how to question, their technique and how to write their statements and all that sort of thing. What courses have these people that do a fact-find been on to make sure they're writing a statement and they can do a statement well? What checks are done on them? Also, what investigative courses did they do before they actually were allowed to do that?

**Mr Gaynor:** There are—

**Senator McAllister:** If I may say, Mr Gaynor obviously has some knowledge of how Defence organises these matters because of his role oversighting them, but some of the policy questions you allude to are really—

**Senator LAMBIE:** They're fact-find. They're to do with his office. They go up to his office. What happens is they're a fact-find. They see if there's anything in them and if there's any truth to the matter. These are not people who have trained in the military. They just said, 'Go and have a look. Do this investigation. Write us, like, a police report.' That is what we're talking about here. I can tell you, if they're bad enough, they will go to him.

**Senator McAllister:** That's right.

**Senator LAMBIE:** I just wasn't sure. It's fact-find. It's like a police report. This is what it should look like. My problem is their qualifications.

**Mr Gaynor:** Understood. I've got to compress a lot of information into a very short answer, given the time. You're quite correct. If someone has an issue with a fact-finding and they think it's been unfair, then they can come to my office. We often review the conduct of fact-findings. In terms of the training that people in Defence—in the department and in the Defence Force—undertake to do fact-findings, there is a course for them to do. It's an online course. But there is also guidance in policy manuals for the conduct of fact-finding. Importantly, a fact-finding is an administrative process. It's not a police investigation. You mentioned the training that members of police have to undergo before they are allowed to conduct military police investigations. That's correct as well. Those courses are very important, but that's partly because a military police investigation is a much more complex activity than an administrative fact-finding. That's because a military police investigation, essentially, is aimed at preparing evidence to go into a brief of evidence, which can then be considered for the preferring of charges. All of the evidence has to be admissible in a court of law. An administrative process is less formal. An administrative inquiry is still a formal process, but it doesn't have to meet the same evidentiary standards, necessarily, as a military police brief of evidence.

**Senator LAMBIE:** Nor do people need to be trained in it. By the way, it's no different than what we used to write in our police notebooks. Then you went round and read the statement. These people are not trained, and they are causing chaos. That is my whole point. They are causing chaos. If you haven't heard that from the royal commission, your people aren't listening. We have a problem with these fact-finds. I've been telling you this for years, and we are still waiting for it to be fixed. These are the things that are causing suicides, by the way, because you've got people that are untrained doing this stuff when it should be done by policing in the first place. I'd really like you to go back and fix this fact-find because it's really starting to annoy me. I've been up here for years. It is causing deaths whether you want to hear that or not. I have no further questions. Thank you.

**CHAIR:** Thank you very much. Minister.

**Senator McAllister:** Before we adjourn, I think Senator Shoebridge was asking earlier about ASD questions on notice. The advice I have is that they have now been tabled. I'm not quite sure about the timing of that, but I just want to let the committee know that that is the case.

**CHAIR:** Colleagues, we only have two minutes left. I know the Air Commodore has been sitting patiently at the back there. I will have to release him in less than a minute. Would you like me to still call him, Senator Lambie?

**Senator LAMBIE:** Who?

**CHAIR:** The Director of Military Prosecutions

**Senator LAMBIE:** No, thank you.

**CHAIR:** Alright. It's your lucky day, Director. You are free to go as well. On that note, we'll adjourn tonight, and we'll see everyone nice and early tomorrow morning at 9 am with the Department of Defence. Thanks, everyone. Enjoy your evening. See you tomorrow morning.

**Committee adjourned at 22:58**