



COMMONWEALTH OF AUSTRALIA

Proof Committee Hansard

SENATE

FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION
COMMITTEE

Estimates

(Public)

WEDNESDAY, 25 OCTOBER 2023

CANBERRA

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FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION COMMITTEE

Wednesday, 25 October 2023

Members in attendance: Senators Birmingham, Chandler, Ciccone, Fawcett, Green, Lambie, McKenzie, McLachlan, Paterson, Barbara Pocock, Rennick, Roberts, Shoebridge, Van and White

DEFENCE PORTFOLIO**In Attendance**

Senator McAllister, Assistant Minister for Climate Change and Energy

Chief of the Defence Force

General Angus Campbell AO, DSC

Secretary

Mr Greg Moriarty, Secretary

Afghanistan Inquiry Response Taskforce

Rear Admiral Brett Wolski AM, RAN

Air Force

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

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

Army

Lieutenant General Simon Stuart AO, DSC, Chief of Army

Major General Stephen Jobson AM, CSC, Commander, Army Aviation Command

Major General Richard Vagg DSC, Head, Land Capability

Associate Secretary

Mr Matt Yannopoulos PSM

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

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

Mr Adrian D'Amico, Chief Counsel

Mr Ben Wright, First Assistant Secretary, Defence Integrity

Rear Admiral Katherine Richards AM, CSC, Head, Nuclear Powered Submarine Regulatory Design

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

Mr Paul Robards, Chief Data Integration Officer

Capability, Acquisition and Sustainment Group

Mr Chris Deeble AO, CSC, Deputy Secretary

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

Mr Gavin Rawlins, First Assistant Secretary, Joint Systems

Air Vice-Marshal Graham Edwards AM, CSC, Head, Aerospace Systems

Major General Jeremy King CSM, Head, Joint Aviation Systems

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

Ms Sarah Myers, Acting Head, Armoured Vehicles

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

Ms Amanda Toms, Group Business Manager

Ms Suzanne Kerrigan, Acting First Assistant Secretary, Strategy, Planning and Independent Assurance

Mr Michael Howell, Acting First Assistant Secretary, Procurement and Contracting

Chief Information Officer Group

Mr Chris Crozier, Chief Information Officer

Defence Finance Group

Mr Steven Groves, Chief Finance Officer

Mr Samuel Volker, First Assistant Secretary, Budget and Financial Services

Defence People Group

Ms Justine Grieg, Deputy Secretary

Lieutenant General Natasha Fox AO, CSC, Chief of Personnel

Major General Wade Stothart DSC, AM, CSC, Head, Military Personnel
Rear Admiral Sarah Sharkey AM, CSC, RAN, Commander, Joint Health
Ms Leisa Craig, First Assistant Secretary, Workforce and People Strategy
Ms Cassie Haynes, First Assistant Secretary, People Services
Ms Fiona McSpeerin, First Assistant Secretary, People Policy and Culture

Defence Science and Technology Group

Professor Tanya Monro AC, FAA, FTSE, FOSA, FAIP, Chief Defence Scientist
Professor Emily Hilder FTSE, Interim Head, Advanced Strategic Capabilities Accelerator

Defence Strategic Review Implementation Taskforce

Mr Tom Hamilton, Deputy Secretary, Defence Strategic Review Taskforce
Ms Amy Hawkins, First Assistant Secretary, Policy and Engagement
Mr Ciril Karo, First Assistant Secretary, Implementation

Guided Weapons and Explosive Ordnance Enterprise

Air Marshal Leon Phillips OAM, Chief

Joint Capabilities Group

Lieutenant General John Frewen AO, DSC, Chief
Major General Jason Walk, Commander, Joint Logistics
Major General Ana Duncan AM, CSC, Head, Cyber Warfare
Rear Admiral David Mann CSC, Head, Joint Capabilities
Major General Murray Thompson AM, CSC, Head, ICT Operations
Air Vice-Marshal Catherine Roberts AO, CSC, Commander, Defence Space Command

Navy

Vice Admiral Mark Hammond AO RAN, Chief of Navy

Naval Shipbuilding and Sustainment Group

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

Security and Estate Group

Ms Celia Perkins, Deputy Secretary
Mr Dan Fankhauser, First Assistant Secretary, Infrastructure
Mr Peter West, First Assistant Secretary, Defence Security
Ms Sue Goodear, Acting First Assistant Secretary, Service Delivery
Mr Pat Sowry, Acting First Assistant Secretary, Infrastructure

Strategy, Policy and Industry Group

Mr Hugh Jeffrey, Deputy Secretary
Mr Bernard Phillip, First Assistant Secretary, International Policy
Dr Sheridan Kearnan, First Assistant Secretary, Strategic Policy
Mr David Nockels, First Assistant Secretary, Defence Industry Policy
Ms Susan Bodell, First Assistant Secretary, Pacific Division
Mr Stephen Moore, First Assistant Secretary, AUKUS Advanced Capabilities

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
Brigadier Stephen D'Arcy, Acting Head, Force Design Integration

Australian Submarine Agency

Director-General

Vice Admiral Jonathan Mead

Government and Executive Division

Ms Megan Lees, Chief Operating Officer

Ms Marlena Davis, Chief Financial Officer

Capability Division

Rear Admiral Matthew Buckley, Head, Nuclear Capability

Policy, Strategy and Engagement Division

Ms Alexandra Kelton, First Assistant Director-General

Virginia Acquisition Division

Air Vice-Marshal Philip Tammen, First Assistant Director-General

Stewardship and Security Division

Michele Miller, First Assistant Director-General

Technical Division

Jasmin Craufurd-Hill, Assistant Director-General, Technology Enterprise Branch

Naval Shipbuilding and Sustainment Group, Department of Defence

Mr John Chandler, First Assistant Secretary, Submarines

Australian Signals Directorate

Ms Rachel Noble PSM, Director-General

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

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

Mr Dale Furse, Chief Operating Officer

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

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

Mr Cody Smith, Acting First Assistant Director-General, Legal, Compliance and Strategy

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

Inspector-General of the Australian Defence Force

Mr James Gaynor, Inspector-General

Defence Housing Australia

Barry Jackson, Managing Director

Brett Jorgensen, General Manager, Service Delivery

Paul Groenewegen, Chief Financial Officer

Ross Jordan, General Manager, Governance and Communications

Lisa Barlin, Chief General Counsel

Katische Vinning, Chief Information Officer

Nathan Dascarolis, Head, Finance and Corporate Support

Department of Veterans' Affairs

Ms Alison Frame, Secretary

Ms Teena Blewitt PSM, Chief Operating Officer and Deputy Secretary, Client Benefits

Ms Alison McLaren, Deputy Secretary, Veteran, Family and Stakeholder Experience

Mr Andrew Kefford PSM, Deputy Secretary, Policy and Programs

Ms Kate Pope PSM, Deputy President

Mr David Pullen, First Assistant Secretary, Claims Process Improvement
Ms Natasha Cole, First Assistant Secretary, Client Benefits Division
Ms Katrina Jocusen, Acting First Assistant Secretary, Chief People Officer Division
Mr Glen Casson, First Assistant Secretary, Finance, Technology and Insights Division
Ms Liane Pettitt, Acting First Assistant Secretary, Ministerial, Engagement and Communications Division
Mr Luke Brown, Acting First Assistant Secretary, Royal Commission Implementation Division
Ms Leonie Nowland, Acting First Assistant Secretary, Open Arms—Veterans and Families Counselling
Ms Veronica Hancock, First Assistant Secretary, Policy and Research Division
Ms Leanne Cameron, First Assistant Secretary, Program Delivery Division
Ms Peta Langeveld, Acting Chief Counsel, Chief Audit Executive and Chief Risk Officer
Prof Jenny Firman AM, Chief Health Officer
Mr Tim Bayliss AM, Director, Office of Australian War Graves
Ms Alison Hale, Assistant Secretary, Transition Branch
Mr Mark Brewer, Assistant Secretary, Hubs Branch
Ms Yvette Sims, Assistant Secretary, Portfolio Management Branch
Ms Laura Sham, Assistant Secretary, Chief Information Officer
Mr Dylan Kurtz, Assistant Secretary, Health and Wellbeing Branch
Mr Simon Hill, Assistant Secretary, Legislative Reform Branch
Ms Amanda Taylor, Assistant Secretary, Litigation and Advice Branch
Ms Laura Winkler, Acting Assistant Secretary, Corporate Law Branch
Ms Thy Huynh, Senior Executive Lawyer, Royal Commission Taskforce
Ms Sarah Kennedy, Assistant Secretary, Client Programs

Repatriation Commissioner

Mr Kahlil Fegan AM, DSC, Commissioner

Australian War Memorial

Mr Matt Anderson PSM, Director
Ms Anne Bennie, Assistant Director—Public Programs
Major General Brian Dawson AM, CSC (Retired), Assistant Director—National Collection
Ms Leanne Patterson, Assistant Director—Corporate Services
Mr Wayne Hitches, Executive Project Director
Ms Helen Petrovski, Chief Finance Officer

Committee met at 09:01

CHAIR (Senator Ciccone): Good morning, everyone. I declare open this meeting of the Senate Foreign Affairs, Defence and Trade Legislation Committee. The Senate has referred to the committee the particulars of proposed expenditure for 2023-24 and related documents for the Foreign Affairs and Trade and Defence portfolios. The committee may also examine the annual reports of the departments and agencies appearing before it. The committee has set 15 December 2023 as the date for the return of answers to questions taken on notice. The committee has also set 2 November 2023 as the deadline for senators to submit written questions on notice.

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

The Senate by resolution in 1999 endorsed the following test of relevance for questions at estimates hearings: any questions going to the operations or financial positions of the departments and agencies which are seeking funds in the estimates are relevant questions for the purpose of estimates hearings. I further 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 to superior officers or to a minister. This resolution prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanations of policy or factual questions about when and how policies were adopted.

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

I remind all senators that we continue to work by implementing the *Set the standard* report. As chair, I'll ensure that the proceedings are conducted in an orderly, respectful and courteous way. I ask members of the media to follow the established media guidelines and instructions of the committee secretariat. As set out in the guidelines,

senators and witnesses' laptops, mobile phones, other devices and personal papers are not to be filmed or photographed. I remind everyone in the gallery that they are not permitted to speak or interfere with the proceedings, or with witnesses, at any point during the hearing.

Witnesses and senators who are seeking to table documents during the committee's hearings are requested to provide an electronic copy of those documents to the secretariat so that the documents can be circulated electronically during the hearing. Please liaise with the secretariat if you need any assistance.

Before inviting those at the desk to give evidence, I'd like to acknowledge that since the last round of estimates the nation has mourned the loss of four Australian servicemen who, tragically, died as part of Exercise Talisman Sabre. As the chair of the committee, I extend our condolences to the families of Captain Dannel Lyon, Lieutenant Maxwell Nugent, Warrant Officer Class 2 Joseph Phillip Laycock, and Corporal Alexander Naggs. Whilst we do not share in your joy of their lives, we share in your grief over their deaths. Their sacrifice in the service of the nation is one that we hope to honour in the work that we do here. Lest we forget.

Department of Defence

[09:06]

CHAIR: Good morning, Minister.

Senator McAllister: Good morning.

CHAIR: Do you have an opening statement that you'd like to make?

Senator McAllister: No, I do not.

CHAIR: Okay. Good morning, Mr Moriarty, secretary of the department. Do you have an opening statement that you'd like to make this morning?

Mr Moriarty: I do, thank you. Chair and senators, yesterday marked six months since the release of the Defence Strategic Review, and it's timely that I provide the committee with an update on this work. On 1 July, the government established the Australian Submarine Agency within the defence portfolio, to manage the delivery of conventionally armed nuclear-powered submarine capability. Australia, the United Kingdom and the United States are collaborating closely to ensure the design of SSN-AUKUS, leverages the best technology to deliver a world-class submarine. This will deliver a critical capability for Australia and bolster trilateral industrial cooperation.

Also on 1 July, the Advanced Strategic Capabilities Accelerator, or ASCA, commenced operations. ASCA will deliver advanced technologies supporting Australia's contributions to AUKUS advanced capabilities. ASCA launched its first innovation incubation challenge on 31 July, to build a sovereign, small uncrewed aerial system capability, and over 250 responses were received from industry.

The independent analysis of Navy's surface combatant fleet was handed to government on 29 September. The team considered more than 63 submissions to inform its analysis; held an industry briefing in June, attended by representatives of 83 companies, and state and territory governments; and held more than 20 one-on-one sessions with industry.

We are adapting the Australian Army to Australia's strategic circumstances. On 28 September, government announced changes to Army units, formations and locations to support Army to lift its capabilities, preparedness and projection. The DSR identified the need for greater coherency in cybermilitary information operations and space. The decision to move Defence Space Command and ICT Operations Division into the Joint Capabilities Group, alongside cyber, will enable a more integrated approach to the development and sustainment of space and cybercapabilities. The Chief Information Officer Group will focus on strategic foresight, technical agility and the delivery and sustainment of effects necessary for Defence's mission.

Work is advancing on delivering the government's commitment to establish the local manufacturing of guided weapons and to expand the domestic manufacture of explosive ordnance. On 6 October, the government announced a \$220 million investment in domestic manufacture of munitions at factories at Mulwala and Benalla. Defence is working with our industry partners to deliver local production of HIMARS-compatible guided multiple launch rocket system—or GMLRS—missiles from 2025.

We have commenced a program of works to upgrade our network of northern bases, drawing on the budgeted commitment of \$3.8 billion over the forward estimates. This includes \$700 million for an Apache helicopter base in Townsville. At the same time, Defence is supporting the independent audit of the defence estate announced by government in August. This is another significant body of work that will ensure our estate and infrastructure is best positioned to support our operational and capability requirements.

These steps are just the beginning. Implementing the DSR will require a multiyear transformation of the defence enterprise, and this will have its challenges. First, the defence budget has been under pressure for some time. The impacts of supply chain disruptions are very tight. Labour market, heightened inflation and a depreciating Australian dollar place further pressure on Defence's spending capacity and our buying power. It will take time and tough decisions to repair the defence financial position and ensure that only the highest priority investments are progressed. The government decision to allocate additional resourcing in contingency reserve over the planning decade will assist. This will be a substantial long-term effort to review defence expenditure, which will be undertaken in parallel to the rebuild of the Integrated Investment Program.

Second, growing a skilled workforce will be just as critical to achieving Defence's mission. We are focused on the welfare of serving and former members of the ADF, and to fully supporting the ongoing work of the Royal Commission into Defence and Veteran Suicide. Lieutenant General Natasha Fox has commenced as the inaugural Chief of Personnel, working alongside the Deputy Secretary, Defence People, to transform the defence people system. The Minister for Defence Personnel has launched ADF Careers as a key element of the journey towards a modernised ADF recruitment system. The government is investing \$395 million in a pilot ADF continuation bonus to increase the number of junior ranks committing to an additional three years of service. This will address structural pressures within ADF middle ranks.

To attract and retain the best talent, we recognise that we must continue to shape and evolve our culture. We are also strengthening our APS workforce and reducing our reliance on external labour. Defence is increasing the proportion of work undertaken by public servants and is investing in the professionalism of our APS workforce. Defence has taken steps to reduce our use of 'above the line' contractors by 2,000 by December 2024. We have already achieved a net reduction of 908 contractors, based on our September 2023 external workforce census.

As the organisation prioritises reform and transformation to meet DSR intent, we also remain focused on delivering on our international partnerships and exercise program. Australia's alliance with the United States remains fundamental to our security. AUSMIN reaffirmed a shared commitment to operationalise the alliance, including through enhanced force posture cooperation.

In the region, Defence welcomed the first international deployment of two Japan Air Self-Defense Force F-35s to Australia, marking the inaugural application of the reciprocal access agreement. We also marked 30 years of flight training of the Republic of Singapore Air Force at RAAF Base Pearce, demonstrating our longstanding partnership that continues to grow with the Australia-Singapore Military Training Initiative.

Australia's flagship regional engagement activity, Indo-Pacific Endeavour 2023, commenced with joint maritime interoperability training between a RAAF P-8A Poseidon and an Indian Navy P-8I Neptune in India. We hosted Exercise Malabar for the first time—a premier Indo-Pacific naval activity which brought together partners from India, Japan and the United States. We've also held the longest, largest ever iteration of Exercise Talisman Sabre this year, involving 13 nations and more than 34,000 military personnel. This included, for the first time, integrating soldiers from Papua New Guinea, Fiji and Tonga. We continue to support Ukraine. Australia's total military assistance to Ukraine now comes to \$730 million, including the additional \$20 million package announced by government today.

Finally, I would like to acknowledge the tragic events in the Middle East over recent weeks. The brutal assault on Israeli civilians by Hamas illustrates that strategic surprise is an enduring feature of our world. It also underscores the urgency with which Defence is implementing reform under the DSR to ensure we can deliver to government and, through it, to the Australian people an ADF that is fit for purpose in a more precarious strategic era.

On indulgence, I'd also like to make a short clarification about the proceedings today in relation to the Australian Submarine Agency. As I mentioned, on 1 July the government established the Australian Submarine Agency by executive order as a non-corporate Commonwealth entity. It is responsible and accountable for the delivery of the nuclear-powered submarine program. Today, the Australian Submarine Agency will appear before the committee for the first time. To assist the committee in directing questions about Australia's submarine capability and the nuclear-powered submarine program to the relevant department or agency, I'd like to advise that matters relating to the following might appropriately be directed to Defence: Australia's current submarine capability; management of the Defence estate, including relevant ports; defence industry workforce development; establishment of the new statutory agency involved in regulating the nuclear-powered submarine enterprise; AUKUS Pillar II and advanced capabilities; and legislation related to export controls.

Matters relating to the following would be most appropriately directed to the Australian Submarine Agency: all aspects related to the delivery of the nuclear-powered submarine program; US legislation related to the Virginia class submarines; and workforce development related to the nuclear-powered submarine program. I'd also like to

inform the committee that Vice Admiral Mead tested positive for COVID today and will be unable to appear before the committee, but the Submarine Agency will be represented by senior officers to provide evidence to the committee.

CHAIR: Thank you, Mr Moriarty. What a day to be off with COVID! General Campbell, would you like to make an opening statement?

Gen. Campbell: I would. Thanks for the opportunity to make this statement. I wish to address two issues: the first is the loss of our people in the MRH-90 accident in July this year, and the second is to briefly comment upon Operation Beech, the assistance to evacuating Australian and other designated foreign nationals from the Middle East.

On 28 July this year, four Australian aviators from the 6th Aviation Regiment were participating in a night-time training activity during Exercise Talisman Sabre. When the MRH-90 Taipan helicopter they were flying impacted waters near Lindeman Island in Queensland, Captain Danniell Lyon, Lieutenant Maxwell Nugent, Warrant Officer Class 2 Joseph Phillip Laycock and Corporal Alexander Naggs sadly lost their lives that night. On behalf of the Australian Defence Force, I again wish to extend my sincere condolences and prayers to their families, friends and colleagues, who've been deeply affected by this incident, which is a stark reminder of the risks that accompany military service. I'd also like to acknowledge the Defence members, emergency services personnel, our international defence partners, civilian agencies and the local community for their assistance with our search and recovery efforts—operations conducted in a very challenging maritime environment.

On the following day, Defence instituted a cessation of all MRH-90 flight operations, and on 29 September this year the Australian government announced that the Australian Defence Force's MRH-90 fleet would not return to flying operations. There are currently four ongoing investigations into the July incident. The Defence Flight Safety Bureau, the Queensland coroner, Comcare and the Inspector-General of the Australian Defence Force are carrying out these investigations, each of which have their relevant statutory authorities and responsibilities. Defence is committed to supporting all of these investigations. I won't be able to comment or speculate on possible causes of the incident, and the government's decision for the MRH-90 fleet to no longer fly does not suggest the outcome of any of these investigations. It's important that incident investigations are allowed to pursue all lines of inquiry, and I'm advised that this may take up to 12 months or more to complete.

The Australian Defence Force continues to provide a ready aviation capability through a fleet of aircraft, including our CH-47F Chinook helicopters, Tiger armed reconnaissance helicopters and MH-60R Seahawk helicopters. The cessation of the flying of the MH-90 Taipan impacts our overall operational helicopter capability, which we are working to remediate. The Chief of Army can speak further on this if senators wish. As a priority, we're focused on introducing into service our new fleet of 40 UH-60M Black Hawk helicopters to replace the MH-90 fleet. In September, the first three Black Hawks commenced flying operations in Australia, and the remaining Black Hawks will be delivered over the coming years.

Turning to the ongoing situation in Israel and the occupied Palestinian territories, I'd like to provide an update on Operation Beech, Australia's contribution to the DFAT led whole-of-government response. Defence deployed all Australian Air Force aircraft and ADF personnel to assist Australians wishing to leave Israel. These flights commenced on 15 October. As of 24 October, the ADF has assisted 394 Australians and their families and other approved foreign nationals on five flights from Tel Aviv to Dubai and one flight carrying 97 Australians and approved foreign nationals from Dubai to Perth. Royal Australian Air Force aircraft and ADF personnel remain available to support these efforts. Defence personnel serving in the region assigned to Operation Paladin, Operation Mazurka and Operation Fortitude have been accounted for and are currently in safe locations.

CHAIR: Thanks for that opening statement. I've just got a few questions I want to start off with before I hand over to the opposition. You mentioned ADF support to evacuate the Australians and citizens of partner nations from Israel. I want to thank you and your personnel for your efforts. I understand the Deputy Prime Minister this morning announced additional details in relation to that operation, and I appreciate you might be limited in what you can say, but, to the extent that you can, could you and any other officers provide further details, in addition to your opening statement, about what the ADF is doing?

Gen. Campbell: Yes. I'll make a couple of comments and then turn to Air Vice-Marshal Chappell. We are working in complement with and in support of a wider Department of Foreign Affairs and Trade consular responsibility to provide assistance to Australian citizens and designated foreign nationals, of which there are many in Israel and in the wider Middle East region. Our work there is in terms of seeking to assist people to depart. I'm conscious that, through the good efforts of the whole-of-government work supported by Defence and led by DFAT, we've seen people leave that region and, in particular, Israel through regular public transport

international air travel, through contracted flights and through the Australian Defence Force RAAF flights that I mentioned.

This morning the Deputy Prime Minister noted that we were seeking to have three RAAF aircraft and supporting personnel available to undertake evacuation operations where needed. These are activities that are done in a non-contested setting—working with nations in the region, with international partners who similarly may have their own nationals wishing to depart the region—and it's very much a process at the moment of contingency planning and positioning rather than moving beyond what we have already committed to, which is the assistance as requested to the evacuation of personnel from Tel Aviv. I'll just ask Air Vice-Marshal Chappell if he might wish to add any further details.

Air Vice-Marshal Chappell: General Campbell's answers summarise the situation. This repositioning has come about through the request from the foreign minister, as part of the DFAT led whole-of-government response. As General Campbell has stated, it is a precautionary and prudent repositioning of assets and capabilities to assist future eventualities.

CHAIR: General, I don't know if you're able to provide any other updates but do you have an indicative time frame for when you expect to have personnel over there?

Gen. Campbell: I think it is uncertain at the moment. The conflict we see between Israel and Hamas appears to be in its early stages. We want to be well positioned, so I can't characterise it in time yet. But I would very much encourage Australians to follow DFAT's advisories in regard to travel and to pay attention to their safety.

CHAIR: Thank you very much.

Senator BIRMINGHAM: Thanks to the department and Defence Force officials for being with us today and for your opening statements. CDF, have you had the chance to brief the Prime Minister on the evolving conflict situation in the Middle East?

Gen. Campbell: Yes, I have, as part of a whole-of-government process.

Senator BIRMINGHAM: So you haven't briefed the Prime Minister directly one on one; it's been part of NSC or other deliberations?

Gen. Campbell: I've offered my advice to the Prime Minister.

Senator BIRMINGHAM: When and in what format has that occurred?

Gen. Campbell: Through advice to our Deputy Prime Minister—my responsible minister—and through the NSC process.

Senator BIRMINGHAM: In terms of direct communication with the Prime Minister, when has that occurred?

Gen. Campbell: As I say, through the NSC process, when I have directly spoken to him.

Senator BIRMINGHAM: That's the where. My question was on the when.

Gen. Campbell: On the occasions when NSCs have been held.

Senator BIRMINGHAM: When have you had the chance to brief the Prime Minister?

Gen. Campbell: Just give me a moment and I'll check our dates and times.

Senator McAllister: Senator Birmingham, I think you're straying into areas where the Senate has not historically pressed for an answer. The activities of cabinet, in particular the national security related activities of cabinet, are not generally broadly discussed.

Senator BIRMINGHAM: I'm not seeking to discuss the content of deliberations in NSC or of cabinet in general. It's a pretty precise question. It is 17 days now since the situation occurred. It's a pretty precise question about when the chief of Australia's Defence Force had the opportunity to brief the Prime Minister of Australia. I would have thought it was pretty sensible just to answer that directly, and we can move on.

Gen. Campbell: I have directly briefed the Prime Minister during the National Security Committee cabinet meetings that have been held. In terms of dates, those are, I think, the responsibility of the Department of the Prime Minister and Cabinet to release or not.

Senator BIRMINGHAM: How long after 7 October did you first brief the Prime Minister?

Gen. Campbell: Because of the way this conversation has unfolded, I would be answering the former question, which I have said I'm not the appropriate authority to answer, by answering the current question. I think we are where we are.

Senator BIRMINGHAM: By implication from your answer, the first occasion on which you briefed the Prime Minister was via NSC; is that correct?

Gen. Campbell: Yes, that's correct.

Senator BIRMINGHAM: Are NSC meetings the only occasions on which you've directly briefed the Prime Minister?

Gen. Campbell: That's correct.

Senator BIRMINGHAM: Thank you; I appreciate that. You referenced in your opening statement the three operations that Australia has longstanding engagement in across the region—Operation Fortitude, Operation Paladin and Operation Mazurka, each with implications there—and you provided assurance in terms of the safety of personnel in those operations. What is the impact of the conflict on those personnel and their responsibilities?

Gen. Campbell: Operation Mazurka is our contribution to the Multinational Force and Observers in the Sinai. Clearly, that operation is made more difficult by the situation on the Egypt-Israel-Gaza border areas. It is a matter of the commander of the Multinational Force and Observers attending to the security settings of that force, so it can continue to undertake its duties. It is in a more a challenging setting. The personnel on Operation Paladin are in the UN Truce Supervision Organization, operating on the border areas of Israel and neighbouring states.

Air Vice-Marshal Chappell: Israel, Lebanon and Syria.

Gen. Campbell: Israel, Lebanon and Syria. And the last, Operation Fortitude, is the UN mission for—I have to get the name of it right.

Senator BIRMINGHAM: The UN Disengagement Observer Force.

Gen. Campbell: That's the one, thank you—UNDOF.

Senator BIRMINGHAM: Here to help!

Gen. Campbell: In both cases, UNTSO and UNDOF, they are similarly under a heightened security environment able to continue their duties but with more attention to the fragility in the security setting and the ease with which it may escalate or be adversely affected by miscalculation or misadventure.

Senator BIRMINGHAM: You have personnel in the region in those circumstances that you've just described, in terms of the heightened level of challenge and threat they are facing. You've outlined the announcement today in terms of additional aircraft positioning that has occurred. Given it's 17 days since the assault by Hamas was undertaken, and well over a week since the first airlifts of Australians were occurring, what has prompted the repositioning of additional aircraft in the region now that wasn't necessitated or thought to be required a week or two ago?

Gen. Campbell: I describe the first phase of Op Beech as being focused on the concern for the Australian nationals seeking to depart Israel. In the early days, that was where our attention was focused.

The next stage is, as it is has been described, contingency, preliminary planning and positioning to continue to provide that assistance but with a capacity that might enable additional effort if additional effort were required. I do not wish to characterise additional effort. It's simply that we're in a situation in which a conflict has broken out, that conflict is potentially in its early stages, and there are many Australian nationals in and around Israel, the Palestinian territories and the immediate adjacent nations.

Senator BIRMINGHAM: Thanks, CDF. I appreciate why you would draw the line there. In terms of contingency planning, has Defence been asked to look longer-term in terms of Australian potential to participate in or provide assistance to whatever missions may be necessary? We've outlined already the three different types of what could broadly be called peacekeeping or type missions in the region. Many would hope that something similar may be necessary down the track in terms of international cooperation in the region. Is that type of contingency work underway?

Gen. Campbell: I'm not quite sure what you mean. Certainly, we are working with international partners who similarly have concerns for their nationals. We're working in close coordination with them. We maintain a series of contingency plans and branches and sequels, as they are described, with regard to our own contributions to operations throughout the world. Those are active, and they are regularly and consistently refreshed. So, in terms of understanding our continuing contribution to Mazurka, Fortitude and Paladin, they are part of that process. Have I covered the area that you were speaking to?

Senator BIRMINGHAM: Sort of. I'm just looking a further step down the very uncertain path that lies ahead. In terms of contingency, should multinational force be called upon to operate in ways after this conflict to seek to preserve peace, to restore order, to achieve rebuilding and to ensure observance of whatever truce or otherwise

might be achieved, what type of contingency work is being undertaken in relation to those sorts of longer-term scenarios?

Gen. Campbell: Thanks. I understand what you mean now. First, what we are doing now is cooperative, non-combatant, assisted evacuation under civil-led arrangements. What you are talking about is the setting beyond the conflict. That, ultimately, would be a national and international policy question. If the Australian Defence Force were in any way part of that, we would be a subsequent component to that consideration, which I think is certainly not in my bailiwick. Given that we're at the early stages of this conflict, I think we have a little time to run, and it would be in Australian and multinational policy environments that that would be considered.

Senator BIRMINGHAM: What contact has there been between the ADF and the IDF over the last couple of weeks?

Gen. Campbell: Other than through our operational engagements through those three operations I mentioned, which occur at a local tactical level, engagement with the defence official who is given responsibility for engagement with Australian defence from Israel, there hasn't been a senior ADF to senior IDF engagement in recent times.

Senator BIRMINGHAM: Can I take from that that there has been no request from the IDF for any particular assistance from the ADF?

Gen. Campbell: No.

Senator BIRMINGHAM: Has there been an offer extended by government of any assistance in terms of intelligence, knowledge or otherwise from the ADF to the IDF?

Gen. Campbell: Not from the ADF to the IDF, but I think what you are asking is a wider whole-of-government question, which is again more appropriately a policy question.

Senator BIRMINGHAM: Okay. Thank you.

CHAIR: One last minute, Senator Birmingham, before I hand the call over.

Senator BIRMINGHAM: I was about to change direction, Chair.

CHAIR: We can come back to you a little later on.

Senator BIRMINGHAM: Sure.

CHAIR: Senator Shoebridge.

Senator SHOEBRIDGE: I thank everyone for their attendance today. I echo the very real thoughts and concerns about the lost service personnel. I have some initial questions for Air Marshal Chipman. One of the core obligations in this process is ensuring that accurate information is given at estimates, isn't it, Air Marshal?

Air Marshal Chipman: Yes.

Senator SHOEBRIDGE: If there's any intentional or unintentional misleading of the committee, I imagine that would be a matter you would urgently seek to correct.

Air Marshal Chipman: Yes.

Senator SHOEBRIDGE: In the last estimates I asked you a series of questions about an unacceptable behaviour investigation that found that a senior chaplain had been subjected to 10 different types of unacceptable and inappropriate behaviour by another chaplain, including sexual harassment, bullying, intimidation and the spreading of lies. I asked if you were aware of that investigation and its conclusion. Do you remember that?

Air Marshal Chipman: Yes.

Senator SHOEBRIDGE: Do you remember what you said?

Air Marshal Chipman: Yes.

Senator SHOEBRIDGE: Just to assist the record, you said:

I am aware of allegations. They have been investigated. I would have to take questions on this on notice because it is a very sensitive matter, and allegations have been thrown both ways. I don't have all of the details with me today.

Do you remember saying that?

Air Marshal Chipman: Yes.

Senator SHOEBRIDGE: The senior chaplain who was the subject of that appallingly unacceptable behaviour in your organisation was deeply offended by your suggestion that allegations have been thrown both ways. You're aware of that, aren't you?

Air Marshal Chipman: Yes. I would like to point out that there was no identification of the chaplain when you asked your question in November last year. Senator, I would like to make another point. I am aware that a member of the Australian Air Force was deeply offended and, in fact, harmed by that conversation. You will recall the point of me responding to your question was to take it on notice because I was concerned about the sensitivities around that case. I remain concerned about the sensitivities of talking about individual cases in chaplaincy branch in this forum because of the potential for it to cause harm.

Senator SHOEBRIDGE: Yes. You were given the opportunity to correct on notice the offensive and wrong allegation you made against that senior chaplain. This is the answer we got on notice:

Air Force is aware of this complaint. The allegations were investigated and appropriate action taken against the respondent at the time. For privacy reasons, Defence cannot comment further on individual matters.

Air Marshal Chipman: That is my answer to the question on notice. That is on the public record.

Senator SHOEBRIDGE: Yes. Group Captain, Director of Strategic Issues Management in Air Force Headquarters, communicated with the senior chaplain after your comments on the record. She said: 'First let me apologise on behalf of the Chief of Air Force for his initial response to the questions. His answer did not relate specifically to your situation. As PAC Cox has confirmed, there were and are no allegations against you. As the Chief of Air Force indicated at the hearing, further questions were taken on notice. Under this process, Defence responds to the questions in writing, and the answers are published on the Senate committee web page. Here is a link to the publicly accessible questions on notice database. In its answer to the question on notice, Defence intends to clarify that no allegations were made by or about the complainant (that is you); rather, the answer will include the explanation that the individual complaint took place in relation to a number of contemporaneous sensitive issues concerning Air Force chaplains, which have been separately subjected to the inquiry.'

On receipt of that, the senior chaplain waited for the answer and then, contrary to the assurance she got from the group captain, the answer given was the one that I read onto the record. Why have you let that slur, that attack against the senior captain, that you know was wrong remain on the record? Why have you not gone out of your way to ensure that false slur you made was corrected to this committee?

Air Marshal Chipman: I stand by the statement that was made in response to the question on notice. I will not be drawn any further on individual cases, because of my concern that they will cause harm.

Senator SHOEBRIDGE: They cause harm because you wrongly, falsely made an allegation against the senior chaplain, who had already been the subject of grossly unacceptable conduct, and then the Chief of Air Force double doubles down on that and, when given the opportunity, fails to correct the record. Your behaviour, Air Marshal, does not fit the standards expected of someone in your office, does it?

Air Marshal Chipman: I deeply regret that the discussion that was had in November of last year caused harm. No-one was identified in that discussion, and I stand by the response that I made to the question on notice. I do not want to be drawn on individual cases.

Senator SHOEBRIDGE: Air Marshal, your answer caused harm. Your answer, which referenced a very sensitive matter and then made the false statement that allegations had been thrown both ways, caused harm. Despite being given the opportunity and, in fact, having the obligation to correct it, you chose not to. What do you say to that senior chaplain now?

Air Marshal Chipman: The chaplain is aware, and I deeply regret that harm was caused. I have responded to a question on notice. It is on the public record.

Senator SHOEBRIDGE: I was advised by the senior chaplain this: The Chief of Air Force, AM Chipman, put the false statement on the record that complaints of abuse had been raised against me as well as my abuser. The Air Force assured me in writing that there were no complaints made against me, that the Chief of Air Force had misspoken and that it would be corrected in the written responses to questions on notice. The response to the question on notice did not correct the defamatory statement made against me and in fact made it worse by doubling down, stating that the allegations were investigated and appropriate action taken at the time.' What do you say to the senior chaplain when she tells you that your statements and your failure to correct them doubled down on the offensive conduct and made it worse?

Air Marshal Chipman: I respect that that is the view that was formed by the senior chaplain.

Senator SHOEBRIDGE: Why won't you apologise now?

Air Marshal Chipman: I have issued an apology to the senior chaplain. There was an apology issued on my behalf.

Senator SHOEBRIDGE: Why didn't you correct the record, knowing your obligations not to mislead this committee and, indeed, as soon as you become aware of a potential to have misled the committee, to correct the public record? Why did you not do that?

Air Marshal Chipman: I have responded to the question on notice. It is on the public record.

Senator SHOEBRIDGE: Your failure to acknowledge the harm you caused, your failure to correct the harm and your obdurate refusal to acknowledge that in this hearing just doubles down again on your behaviour, doesn't it? If that's the position of the most senior leadership, it shows a significant cultural problem, doesn't it, if you're giving that message as the head of the organisation?

Air Marshal Chipman: The message I'm giving as the head of my organisation is that I deeply regret that harm was caused and I don't want to be drawn on individual circumstances because of the harm that it may cause.

CHAIR: Senator Shoebridge, you've got one minute left.

Senator SHOEBRIDGE: Your failure to accept any personal responsibility for your own conduct, knowing that it caused harm, is indicative of senior leadership in this organisation. The repeated blatant refusal to accept any kind of personal responsibility—and this is a case in point, isn't it? It sends exactly the wrong message to the whole of your organisation, doesn't it? If senior leadership, when they so blatantly and obviously cause harm, cannot apologise on the public record, that sends the wrong message through the entire organisation, doesn't it?

Air Marshal Chipman: I don't agree with your characterisation of these circumstances.

CHAIR: Thank you, Senator Shoebridge. I'm now handing over the call. Senator Lambie, you have the call.

Senator LAMBIE: Thank you. I will follow on from that questioning, if I may. Is the accused chaplain still serving? I'm not sure if I missed that or what I heard? Is he still serving in uniform?

Air Marshal Chipman: Which chaplain are you referring to?

Senator LAMBIE: I'm referring to—

Gen. Campbell: Excuse me, Chair. We've got to be really careful here. There are gender pronouns moving around. We're going to get into names. This is a bad place to be, and I'm sure there might be an opportunity, perhaps, for an offline engagement with the relevant senators on a particular issue if they have details that they wish to pass. But we're in really dangerous territory in terms of the wellbeing of people.

Senator LAMBIE: Okay. I understand that, but the reason we had a royal commission is that this is part of it: the abusers have been left in uniform while those who have been abused—and we've heard story after story. I want to see whether or not you are changing your ways within the military to fix these issues. This has been a big thing at the royal commission. People have been pushed out. They've done the wrong thing. They have been abused, yet their abusers have been left in uniform. I'm asking you. On the person that was accused of this—and we've heard the stories—what actions have been taken to remedy this problem?

Air Marshal Chipman: I am not at liberty to disclose that. I do not want to be drawn on individual cases—

Senator LAMBIE: Okay, so the person is still serving on full pay.

Air Marshal Chipman: I would be happy to have a private briefing with you.

Senator LAMBIE: You're not learning anything from the royal commission.

General Campbell, I want to refer to the letters that we spoke about last time—the letters that are going through the AAT. I'm sure you know which ones I'm talking about and looking for. You refused to provide them to this committee. Are you aware that the release of them is now subject of FOI proceedings in the AAT?

Gen. Campbell: Yes, I am.

Senator LAMBIE: Are you using external lawyers to keep these letters secret?

Gen. Campbell: My colleague can advise.

Rear Adm. Wolski: Regarding the AAT application: it is very early days at the moment. Defence has had some meetings internally. We are considering engagement of the Australian Government Solicitor, but, as yet, it is early days.

Senator LAMBIE: I presume that you have been provided an estimate of their legal fees for that matter? Have you received that so far?

Rear Adm. Wolski: Not yet. It is too early.

Senator LAMBIE: I now would like to speak about the Defence remuneration, if I could. I was wondering if you might be able to explain to me how Defence remuneration is agreed and decided upon. What is the procedure for that?

Ms Grieg: With regard to ADF remuneration, if you are referring to the salary of ADF members, that is decided through submissions to the Defence Force Remuneration Tribunal.

Senator LAMBIE: So does the CDF himself get to put in a submission as well?

Ms Grieg: A submission is taken by Defence, with agreement from the remuneration tribunal. So that is put forward through the CDF, yes.

Senator LAMBIE: Is that document accessible?

Ms Grieg: Yes, that would be accessible.

Senator LAMBIE: Would I be able to have access to that document today by any chance? We've just heard that Defence pays, and we've just heard that it goes to the remuneration tribunal. The remuneration tribunal decides that this is how it's going to go down. Did anybody object to the tribunal's latest decision on pay increases?

Ms Grieg: Can I just clarify: are you asking if anyone on the tribunal objected?

Senator LAMBIE: No—not on the tribunal. Since you've made your decision, have you had any objections to the way those pays have been handed out?

Ms Grieg: There has been consultation with the workforce.

Senator LAMBIE: What workforce?

Ms Grieg: There has been consultation with the ADF workforce.

Senator LAMBIE: Was that after the decision was made or before the decision was made?

Ms Grieg: So the process in terms of short consultation is that we've had avenues for people to respond to our team that has been working on the offer. We can provide you with the consultation approach and how that has been undertaken.

Senator LAMBIE: What I'm asking you is: since that decision has been made, have you heard any objections from Defence itself to those decisions being made?

Ms Grieg: In terms of—

Senator LAMBIE: Diggers are not happy about the pay that they are receiving. I'm wondering if, after that decision was made—that you're going to give them so much increase over the next, what, three or five years—you have heard their objections that that pay increase is not enough.

Ms Grieg: In terms of the feedback that we've had—

Senator LAMBIE: Feedback from who?

Ms Grieg: It was feedback from the ADF workforce. I would like to provide a summary of that feedback, but I haven't got—

Senator LAMBIE: So do you have diggers? Who's on that table?

CHAIR: You have one minute, Senator.

Senator LAMBIE: Who's on that table? Do you have any diggers on that table giving you feedback?

Ms Grieg: We provide avenues for all of the ADF workforce to provide feedback to the team in People Group, which has been working on the submission and working on the arrangements for the pay offer.

Senator LAMBIE: Who's giving you the feedback? I'm asking you: are there diggers giving you feedback, or is it senior command?

Ms Grieg: I don't want to put a quantity on it, because I don't want to give wrong information, but, in terms of feedback, we've had a variety of feedback from a variety of levels, which I can provide to you.

Senator LAMBIE: Great. You'll be able to cut those levels down and provide that to me on what levels, from private right through to general? Sure you can. You know who's sitting at the table. You know who the feedback is. I don't need their names. You should be able to give me numbers. Can you do that, please?

Ms Grieg: Senator, can I come back to you with a summary of the information? I don't want to commit to specific levels, but we would be able to provide it in general terms, yes.

CHAIR: Senator Birmingham, you have the call.

Senator BIRMINGHAM: Can I go to the restructure of Army, please? I want to look back before we look forward. Can I understand what the rationale was, over the last decade or so, for moving personnel from the north to the south?

Lt Gen. Stuart: Can I just confirm your question relates to the move of Army personnel from Darwin to Adelaide in the past decade? Is that correct?

Senator BIRMINGHAM: Correct.

Lt Gen. Stuart: There are a range of factors, including access to training areas—moving elements that had been in Darwin to Adelaide to provide additional training areas. In doing so, that provided additional training areas for the brigade that was, or is, in Darwin. There are also the advantages that Adelaide, as a major capital city, affords in terms of quality of life and opportunities for families. Those are two of the key drivers for that decision at that particular time and clearly in different strategic circumstances.

Senator BIRMINGHAM: So that can be distilled down to better access to training areas and retention, presumably, as the key driver of why you're caring about access for family members and others to better services and the like. That goes to satisfaction, which goes to retention as a critical reason. What has changed in relation to those particular factors? Let's look at them both in terms of a move of personnel back to Darwin and also to Townsville. Is the retention equation fixed?

Lt Gen. Stuart: I will start with your first question, Senator. In terms of what's changed, if you look at the aggregate numbers of soldiers in each of those locations that you've mentioned—Adelaide, Darwin and Townsville, and I'll expand that to Brisbane, because those are the areas where the bulk of our Army is located—the changes will lead to either modest increases or about the same numbers. For example, at end state, the number of Army personnel in Adelaide is about the same as it is today. There will be some increases in Townsville, most particularly, and then a very modest increase, but roughly the same, in Darwin, as we've made a number of changes. What changes is the types of units and the jobs that those units do.

In terms of access to training areas, the brigade in Darwin will look substantially different in its make-up of capabilities and therefore its demand for training areas. The profile of that demand will change as well and can be better accommodated by its location, particularly its access to the ocean and the river systems in northern Australia. In Townsville there will be a gross increase in personnel. That is contributed to by the location of Army's attack aviation capability as well as the concentration and consolidation of the Combined Arms Fighting System—the armoured part of our Army. Could you repeat the second part of the question?

Senator BIRMINGHAM: I'll come back to the training element, which you jumped into, but the second part went to retention. You had made decisions to locate to a larger capital city to increase opportunities for family members to have access to higher quality services and, within that, to lead to greater satisfaction and therefore greater retention. What's changed?

Lt Gen. Stuart: Nothing has changed in regard to our desire to make sure we've got the best possible conditions of service in place for our people. As I remarked earlier, the number of soldiers in Adelaide won't change, but the types of units will.

Senator BIRMINGHAM: That goes to those new activities, which are not yet being undertaken by the Army but are planned to be in the future, that are intended to exist in Adelaide, but the units that are being moved back out of Adelaide are going elsewhere, fine communities though they are, reversing the decision that Defence took not so long ago to move them to Adelaide. So what's changed about the access to services that those personnel and their families will have, and how will their retention be better addressed in the future, given that reversal of decision and direction?

Lt Gen. Stuart: In terms of what we're doing to retain people, today the team from our career management agency are in Adelaide, and will be there this week, engaging with our people and their families to work out, essentially, individualised plans as to how their next moves will unfold. Some of them will remain in Adelaide. Others will go to other places in Australia, whether that's Brisbane, Townsville or Darwin. It will depend on the individual, their trade and skills and their family situation, but we're seeking to manage this in a way that supports families and ensures that they have access to the services they require.

Senator BIRMINGHAM: Whilst it's the best practice you can pursue to have that work underway, it's notable that you also feel that work is necessary in terms of the reassurance and support necessary. Can I go to the training part of the equation? The previous decision was driven, as you indicated, in part by access to training areas. That's because during the wet season it was hard to access those training areas in the northern bases, wasn't it?

Lt Gen. Stuart: That's correct, for the training areas proximate to the 1st Brigade in Darwin. The relocation and consolidation of that aspect of our capability to Townsville is in part because of Townsville's proximity to excellent, year-round, all-season training areas as well as proximity to things like the port and the airport. Obviously, it's also closer and easier for regional partners to come to us and for us to go to them for the many activities that we do together.

Senator BIRMINGHAM: So the operations that will be based in Darwin will not require the types of training areas that could be affected by the wet season?

Lt Gen. Stuart: They'll be less impacted. I would also offer that the environmental conditions in northern Australia are indicative of the difficulties of operating in the region, but the 1st Brigade in Darwin has been working towards reorienting to a lighter formation that is more mobile, particularly via littoral manoeuvre craft and as part of the ADF's amphibious force.

Senator BIRMINGHAM: What's the current total number of serving ADF personnel?

Lt Gen. Stuart: Do you mean ADF personnel?

Senator BIRMINGHAM: ADF personnel firstly.

Lt Gen. Stuart: I can't answer that question but I can speak to Army numbers.

Gen. Campbell: It is approximately 58,000. I'll get a more exact number in a moment.

Senator Lambie interjecting—

Senator BIRMINGHAM: Thank you, Senator Lambie, just confirming there reserves versus full-time.

Gen. Campbell: Your question was full-time?

Senator BIRMINGHAM: Yes. That is the 58,000. And for Army, Lieutenant General?

Lt Gen. Stuart: Let me get the exact figures for you.

Lt Gen. Fox: The Army figure for full-time personnel is 27,552.

Gen. Campbell: That is an ADF workforce full-time of 57,218.

Senator BIRMINGHAM: What is the current target for both ADF and for Army?

Lt Gen. Fox: I'll just confirm that. The current guidance for financial year 2023-24 for AFS is 31,130.

Senator BIRMINGHAM: So Army's target is 31,130 but actual is 27,552?

Lt Gen. Fox: That's a head count. I want to make sure we're not confusing numbers. The financial guidance we have for our workforce is that 31,000. Our average funded strength at the moment is 28,294.

Senator BIRMINGHAM: It helps to compare apples with apples in these sorts of hearings. If I was looking for a comparison between actuals and target for Army, it's 31,000 versus 28,000?

Lt Gen. Fox: That is correct.

Senator BIRMINGHAM: So a 31,000 target, 28,000 actual, a delta of 3,000 personnel not currently recruited?

Lt Gen. Fox: A delta of around 2,800 in guidance.

Senator BIRMINGHAM: What's the equivalent for the ADF overall?

Lt Gen. Fox: The funded strength guidance for the Australian Defence Force overall is 62,735, and the funded strength year-to-date average is 58,483.

Senator BIRMINGHAM: So is it about 3,300?

Lt Gen. Fox: It is just over 4,000.

Senator BIRMINGHAM: Sorry, I was doing that the wrong way. Thank you for correcting me on the go there. So we have the ADF running about 4,000 behind its current recruitment target and, within that, unsurprisingly, Army being the main component of ADF employment, therefore also the lead component here in being about 2,800 behind its target?

Lt Gen. Fox: That's the funded strength guidance. We do have an issue with the recruiting target that we recruit to, which is just over 8,000. That's based on growth and separation rates. We also generate capability through the total workforce system and through prior personnel wanting to re-enlist in the Australian Defence Force, so we generate capability across a number of different ways to achieve that guidance.

Senator BIRMINGHAM: I appreciate capability is generated through a range of different ways. Strength guidance, though, when I tried to distil what we actually seek to measure, as to whether or not ADF is meeting the

personnel strength that is necessary, what we're getting is that ADF totality is running around 4,000 below personnel strength and Army is running around 2,800 below personnel strength.

Lt Gen. Fox: That is below funded guidance.

Senator BIRMINGHAM: Below funded guidance?

Lt Gen. Fox: Yes.

Senator BIRMINGHAM: Well, we'll come to funded guidance. That may help to explain why there was such a big underspend in the last budget. Of course, if you're not filling the positions, you're not therefore spending the money that's budgeted; hence, the big return to budget that occurred perhaps.

Senator LAMBIE: Are you losing more than what you're—?

Lt Gen. Fox: Last financial year, in the annual report, we recruited 75.5 per cent of the targets that we were seeking to achieve. Overall, the number coming into the Australian Defence Force by the combination that I mentioned previously is over 7,000 in that combination of prior service, re-enlisting and personnel volunteering to join the Australian Defence Force that have not served before.

Senator BIRMINGHAM: How many have left during the course of this financial year?

Lt Gen. Fox: Are you talking about this or last financial year?

Senator LAMBIE: This one.

Senator BIRMINGHAM: Let's do both if you have the data for both last financial year and to date this financial year.

Lt Gen. Fox: The separation rate last financial year as reported in the annual report was 11.1 per cent. Its current separation rate is sitting at 10.5 per cent, so the retention initiatives that have all been put into place over the last period of time are starting to retain our people in the Australian Defence Force, which is great. Those retention initiatives are a combination of increasing the Australian Defence Force family health benefit. We have evidence where we know more people are accessing the family health benefit and there are more applications to access that coming in, so that's part of our retention initiative. We have increased the availability of study opportunities for our people for personal and professional development. We are also ensuring through a combination of working with our people longer posting tenures in geographic locations for family stability and geographic stability. We have introduced a number of retention benefits, either by category and/or by a continuation bonus to be implemented from January 2024, which will target our personnel at junior ranks in relation to having career conversations about staying longer in the Australian Defence Force. We also have improved through our employment offer modernisation, availability and more choice in accessing housing opportunities. We've increased additional leave through to all personnel in the Australian Defence Force for their service. This work is part of the broadening and improving our employment offer modernisation to both attract people into the Australian Defence Force and to retain them.

Senator BIRMINGHAM: In raw numbers, can you advise us of separations last financial year and year to date this financial year?

Lt Gen. Fox: For last financial year, the personnel numbers that left the Australian Defence Force, equating to the 11 per cent, was 6,400. This financial year we have had just over 1,300 leave.

Senator BIRMINGHAM: Have any given notice since the Army restructure was announced and cited that as a reason?

Lt Gen. Stuart: I can probably help you with that. We've been closely engaged with our people in all of the change-affected locations. That is not a feature of the feedback. We're currently working with our people, as General Fox said, to ensure they understand the total value of their employment offer, and that includes the support for families for things like spouse employment, education assistance for members and families, health benefits and the like. The resounding message in the conversations that I have with soldiers is that they just want to know what their part in the mission is and how they can contribute, and they're very clear on what that is in terms of our efforts this year to implement government's direction around the DSR, which very clearly provides the reason for the changes to Army structure, the orientation towards littoral manoeuvre operations, the orientation in the north of the country and the consolidation of capabilities so that we can, in the short term, address some of those workforce challenges and fill up those units so that we take pressure off people. So I would characterise the response from our soldiers as one of focused interest in how they fit into Army's part of delivering the Defence Strategic Review.

CHAIR: Thank you very much. I'll have to hand the call around. Senator Shoebridge, you have the call.

Senator LAMBIE: Chair, if I may, I'll table some documents. I asked a question of Admiral Wolski before, and the information that he gave me was actually not the correct information.

CHAIR: Senator Lambie, I'll hand the call back to you later this morning, but I need to hand the call—

Senator LAMBIE: I don't want to question him; I just want him to think about it during the break, because it was actually an incorrect answer.

CHAIR: Thank you very much. Senator Shoebridge, you have the call.

Senator SHOEBRIDGE: General Fox, can you remind me what the budgeted number for the total permanent Defence Force was meant to be at the end of 2022-23? If my numbers are right, the actual number of total permanent force in 2021-22 was 59,803. Tell me if I'm wrong in any way on that. Then, can you remind me what the target in the budget was for the end of 2022-23?

Lt Gen. Fox: In terms of the funded guidance for 2022-23, it was 62,063. I don't have the annual report sitting in front of me; however, it will be referenced in that.

Senator SHOEBRIDGE: I've got the benefit of the annual report in front of me, which I thought was useful to bring to estimates. It shows that, if you do the maths, at the end of 2023 the budget was 62,063. It seems to show 57,328—45,619 male and 11,709 female—on page 98.

Lt Gen. Fox: Thanks, Senator. That's a headcount figure on page 98.

Senator SHOEBRIDGE: It says total ADF permanent, which is the same metric used in the budget papers. The budget papers say it should be 62,063 at the end of the financial year, and the annual report has—correct me if I'm wrong on the maths—57,328. We're comparing like for like?

Lt Gen. Fox: No. Let me refer to the correct table in the annual report. Table 6.1 in the annual report, on page 86, has the actual funded strength, which is the paid strength, and the average funded strength for the financial year in terms of achievement. Then table 6.2 has that broken out by budget estimates and revised estimates. For the average funded strength, the revised estimate for financial year 2022-23 was 62,063 and the actual result was 58,642.

Senator SHOEBRIDGE: At the end of 2021-22, the numbers were 59,803.

Lt Gen. Fox: Correct.

Senator SHOEBRIDGE: The target was to increase it to 62,000 by the end of that financial year, and, despite all the gloss you've just put on answers to Senator Birmingham, it went backwards to 58,642. That would have been a good way of answering Senator Birmingham's questions, to actually tell us the numbers. It went backwards, didn't it?

Lt Gen. Fox: In terms of raw numbers, yes, the strength of the Australian Defence Force went backwards despite recruiting 200 more people into the Australian Defence Force in the financial year 2022-23 than financial year 2021-22. The Australian Defence Force is on a growth path, and we will constantly be growing to achieve different targets.

Senator SHOEBRIDGE: No, the Australian Defence Force is not on a growth path.

Senator LAMBIE: No, they're leaving.

Senator SHOEBRIDGE: The Australian Defence Force is on a shrink path, despite the money that's been given in the budget and despite all that's been said. It's on a shrink path.

Lt Gen. Fox: I'll correct my statement. Your statement in terms of actual numbers into the Australian Defence Force is correct. We have reduced in strength. The target is a growth path.

Senator SHOEBRIDGE: But this is a target that, under the current secretary, hasn't just been missed this year, last year or the year before but been missed on every single year under Secretary Moriarty's leadership. How do you explain that?

Senator LAMBIE: And you're still sitting there.

Senator SHOEBRIDGE: How do you explain missing your target and shrinking the Defence Force, despite being given the money and the direction from the government to do the opposite? Secretary Moriarty, how do you explain it, and why won't you be honest in the exchanges with the committee this morning about it?

Mr Moriarty: This is the first time you've asked me to answer a question relating to personnel numbers, so let me say the department has, with our ministers, worked on a number of initiatives to seek to grow the size of the ADF.

Senator LAMBIE: Well, you've failed.

Mr Moriarty: We are struggling to grow the overall—

Senator LAMBIE: You've failed.

CHAIR: Thank you, Senator Lambie.

Senator LAMBIE: You are losing the best. They're walking on you. They've had enough.

CHAIR: Senator Lambie, interjections are disorderly.

Senator LAMBIE: Sure. Let's just be brutally honest, though, about what's going on in this country.

Mr Moriarty: We are struggling to meet our growth targets. The government has responded to the challenges in a number of quite innovative ways. Pay and conditions is one of them.

Senator LAMBIE: How'd that go for Defence?

Mr Moriarty: Recruiting is another. We're looking at flexibility. The Chief of Army talked about additional things in relation to education and the employment of spouses. The organisation is looking creatively at what it can do to grow the overall strength of the ADF. It is important that we recognise the scale of the challenges we face in an environment where there is very high employment in this country. A number of cohorts that might traditionally look to the ADF for a career are finding employment elsewhere, and a number of people are separating because they're finding excellent opportunities in the private sector. The ADF gives people skills and capabilities which make them attractive to the private sector workforce. We are managing that. We are seeking, with our ministers, to continue to work on initiatives. Pay and conditions is part of it. Spouse employment and family circumstances are some of those. The department will continue to work with our ministers to respond to the challenges we face. It is a very challenging environment.

Senator McAllister: The government does not dispute the challenging environment described by Secretary Moriarty. In fact, our intention is to work with the department and with the ADF to meet it.

I make this point: it is a very different approach to the approach taken by the previous government. They made some very big announcements, as you are aware, about ADF targets, but they didn't deliver on them. We don't imagine that you can turn around some of the challenges that are there quickly, and there isn't any single measure that will resolve it. The secretary is correct. There is a concerted effort to put in place a range of different interventions that will assist us to meet these growth targets. We're already seeing some dividends as the evidence has been provided. The rate of separation is coming down from its peak, both in the ADF and in the APS. We have a retention bonus. And we are very pleased that we have Lieutenant General Fox in place to play a leadership role in what recognise as a key priority for defence.

Senator SHOEBRIDGE: Minister, you speak of dividends. Let's just be clear what the numbers show. The budget was given, the money was given, and the directive was given to the ADF to increase Defence numbers by 2,260 in the last financial year. And far from getting a dividend, it went into debt and went backwards by 1,160. If that's the kind of dividend the government is looking for, that's the kind of dividend that bankrupts a corporation. It is driving it backwards. Secretary Moriarty, where in the annual report, in the 180 pages, does it say that the numbers in the ADF, despite the money and the direction given to you, went backwards by more than 1,100? Where does it say it frankly and honestly in the annual report?

Senator McAllister: Chair, before the secretary answers, may I say this: the answer I provided to the committee just now doesn't seek to establish black-and-white criteria as you do, Senator Shoebridge. We understand that it is a challenging task that we have set Defence. Unlike the previous government, we seek to work with them to meet it and take the steps that are necessary to deal with it. It is one of the priorities that the government has set for the department. I will invite Secretary Moriarty to seek to answer your direct question, but the broad characterisation is not reasonable. This is an area where the department and the ADF are making changes and seeking to step through what is required to recruit more people and retain the personnel that presently serves.

Senator SHOEBRIDGE: Minister, the core metric here isn't brochures or policies or statements or intent; the core metric is numbers. On numbers, you'd have to give this a big 'F' fail. Instead of going up by 2,200, it went back by 1,100. That's the metric—not the brochures, not the glossies, not the path, but the numbers. Where do we find that in the annual report, that honest reflection, Secretary?

Mr Moriarty: If I could frame that by saying that both Minister Marles and Minister Keogh, who had primary responsibility for this, have spoken on a number of occasions about the great challenges facing the ADF in terms of growing its numbers. Mr Marles has talked about a personnel crisis. The government has been very upfront, I believe, in talking about the nature of the challenges that we face and the need for urgent action—

Senator SHOEBRIDGE: The annual report?

Senator LAMBIE: You've been sitting there for years. What have you been doing?

CHAIR: Thank you, Senator Lambie.

Senator SHOEBRIDGE: Where in the annual report?

Mr Moriarty: Investing in Defence people is under key activity 4. It's referenced on page 38.

CHAIR: We'll now break for morning tea and come back in 15 minutes.

Proceedings suspended from 10:34 to 10:49

CHAIR: Good morning everyone. We'll resume the proceedings. General, I understand that you wanted to make a very short correction?

Gen. Campbell: I'll just hand over to Admiral Wolski.

Rear Adm. Wolski: Before the break, in response to a question from Senator Lambie regarding the early engagement of the Australian Government Solicitor to do with an AAT application by a Mr Patrick, I mentioned that a quote from the Australian Government Solicitor had not yet been passed. I'm now informed that a quote has been passed and is in the hands of Defence legal.

CHAIR: Thank you.

Senator LAMBIE: What was the quote?

Rear Adm. Wolski: The quote was to cover the matter of the AAT—

Senator LAMBIE: How much was the quote?

Rear Adm. Wolski: I'll hand over to Defence legal, to Adrian D'Amico.

CHAIR: Can we just—

Senator LAMBIE: Sorry, I thought it was only figure.

CHAIR: Senator Van has to head off to something else. I'll hand the call over to Senator Van. Throughout the course of the morning we'll deal with that other matter.

Senator VAN: I have some questions about the DSR. How would you categorise the defence strategic review? Was it simply a review? Is it a strategy document; is it a planning document? How would you categorise it?

Mr Hamilton: I would categorise the defence strategic review itself as an independent strategic review of Australia's strategic circumstances and the sorts of defence strategies and policies, capabilities and plans that needed to be put in place to respond to those circumstances. I would characterise the government's response to the strategic review as a directive from the government and an articulation of how the government expects Defence and the rest of government to respond to those circumstances.

Senator VAN: Thank you for differentiating for those at home that there is the review and then there's government's response, which is the bit that was made public. In the response, in my mind, there are a lot of complexities but also some conflicts in its thinking. I'm hoping you can help me tease out some of those conflicts. It sets out a strategy—the strategy of deterrence by denial—yet it doesn't fill out any of the key points about what that strategy is. It talks about long-range fires but not much about what the capability looks like. I think it mentions HIMARS a couple of times. Is there another review going on into that sort of capability, like the surface combatant review? Is this just a springboard for more reviews, or is that work actually being done now by you and your team?

Mr Hamilton: I'll put it in some context. The strategic review was a very short and sharp strategic review, in the context of the history of strategic papers in Defence. Some of them have taken years in the past to be conducted. In this case, the review commenced in August last year and was delivered in February this year. The government's response was in April this year.

The response was a mix of some very specific directions to Defence to commence implementation immediately. They include six immediate priorities that the government directed us to move on immediately. They included the nuclear powered submarines, and the secretary this morning in his opening remarks referred to the establishment of the agency in July this year. They included the importance of acquiring more long-range strike, which, again, we've moved on through commitments to additional HIMARS and the continuation of the acquisition of a range of long-range missiles for Navy as well as missiles for Air Force. Another of the specific directions, the immediate directions, was to increase our investment in innovation. As the secretary said, ASCA—the Advance Strategic Capabilities Accelerator—has already commenced operations and is moving very quickly. We were directed to invest more in our people, and we've done that, as the secretary alluded to. We've also

invested in northern bases, and our ability to operate from those bases, with the acquisition of additional air mobility aircraft. Finally, the government directed us to increase our international engagement, and, as the secretary again mentioned this morning, we've done that through a very significant expansion of our international exercises as well as new activities with regional partners. The Chief of Army also spoke about structural reforms in the defence organisation as well.

Senator VAN: We heard those.

Mr Hamilton: The second part is that the government told us very clearly that it needed us to make sure that all of our activities were aligned with the strategy in the Defence strategic review.

Senator VAN: What is that strategy?

Mr Hamilton: The strategy in the Defence strategic review or the new work?

Senator VAN: You said that your work had to align with the strategy. Can you articulate what that strategy is?

Mr Hamilton: You've articulated it yourself: a strategy of deterrence by denial. The government in its response to the review has given the ADF five new tasks—it was very clear about those five tasks: firstly—

Senator VAN: Quickly.

Mr Hamilton: to defend Australia; secondly, to respond to any attempt to coerce Australia through our northern approaches; thirdly, to maintain our economic connection to the world; fourthly, to work with partners to maintain stability in the Indo-Pacific; and, fifthly, to work with partners to ensure the stability of the global rules-based order.

Senator VAN: Can we stick with that strategy—the strategy of deterrence by denial. Were other forms of deterrence assessed in the DSR? There are lots of ways of deterring an adversary. Were other forms of deterrence assessed? Why was denial chosen as the only one? Surely, in any strategy of deterrence, a successful one would have more than one form of deterrence involved in it, not just one?

Mr Hamilton: Fundamentally, they are questions for the independent leads who undertook the review. They were—

Senator VAN: Sadly, we were never offered them in estimates, so I don't think can I go there. So I get to put these questions to you now, or those present here today. I assume, from everything that's public in the DSR, that there were no other forms of deterrence entertained or that they were rejected.

Let's go to deterrence by denial. It talks about denial through long-range precision fires. If you're looking at the Indo-Pacific—and I'm talking geographically—how does a deterrence by denial get set up if you're only using long-range fires or precision strikes?

Mr Hamilton: Sorry, I'm not quite following the question.

Senator VAN: It's quite simple. Think about it geographically. Any activity that we're going to have to deter is going to be happening north of Australia, probably somewhere between the South China Sea and the Timor Sea. Then there's the Malacca strait on one side, and the western Pacific islands on the other. If you're trying to deter an enemy or an adversary in those areas, where would you put those long-range strikes?

Mr Hamilton: We're now starting to move into military strategy, some of which you would not expect to discuss in a public forum. The DSR does set out a very clear expectation that we are to maintain the ability to hold at risk at a greater distance any potential attempt to coerce Australia.

Senator VAN: Okay. What are those distances? Any assessment of currently available long-range strike, particularly ground to ground, which is what the DSR primarily talks about—what are we talking about with HIMARS at the moment—150 kays, possibly going up to 300, and, if we acquire PrSM, maybe up to 500?

Mr Moriarty: If I could just add, I think the government's response to the DSR was clear. It said it wanted us to develop the capacity to hold adversaries at risk at longer ranges in all domains. You're absolutely right: there is a land dimension to this, very appropriately, but we are also looking at additional long-range strike capability for Navy and air platforms as well. It is balanced across all domains.

Senator VAN: I can only work from what's in the public domain. I'm very happy to take a classified briefing, if this will assist, but I can only work from what's in the public domain. Given the ranges that are currently available, or available in the near term, if you're using ground-to-ground long-range strike, you're going to have to put that capability somewhere north of Australia. What countries do we have SOFA agreements with in the region, in the Indo-Pacific?

Mr Hamilton: I'd just return to the secretary's comment. I think that does mischaracterise the government's response to the DSR. Yes, it has directed Army to acquire more long-range capability itself, including the ability to counter maritime threats, and asked that the Army develop more capability to operate in the littoral environment, but the government has also given us a very clear direction to continue to prioritise long-range maritime strike, including through the acquisition of Tomahawk long-range weapons as well as ongoing investment in our air platforms which are capable of delivering long-range strike capabilities.

Senator VAN: I understand all those capabilities, but the DSR is very clear when it talks about ground-to-ground strike. What I'm trying to tease out is, if that's what we're prioritising—and we're spending an awful lot of money on HIMARS—where are you going to put that capability for it to be able to do its job? In my mind, it will be in countries like Malaysia, Singapore, Indonesia, Brunei. You're going to have to base it or put it on someone else's land. I'm struggling to see, if we don't have SOFA agreements with those countries, how are you going to deploy that capability for it to do its job?

CHAIR: Last minute, Senator Van.

Mr Hamilton: There are two parts to my response to that: firstly, the DSR was clear we needed to be capable of preventing any attempt to coerce Australia through our northern approaches, and the sorts of long-range strike capability that we would envisage developing should be capable of being operated from the north of Australia. In relation to other countries, it's hypothetical at this point to comment on which countries we would need to seek agreements to deploy capability—

Senator VAN: No, it's not. You need to be thinking about that now. If you're going to acquire it, you need to be able to deploy it. If it's not deployable, why acquire it?

Mr Hamilton: As the Chief of Army gave evidence this morning, the restructure of the Army is designed to provide that deployable capability.

Senator VAN: Therefore, you're telling me that we'll be going back to a defence-of-Australia posture as opposed to the national defence that the DSR talks about. That's all it can do if it can only be deployed from Australia?

Mr Hamilton: In terms of our ability to project force, the Army's restructure will provide the government with a range of options to project force from Australia into the region.

Senator VAN: How far into the region?

Mr Hamilton: This is where I might start to seek assistance from some of my colleagues.

Gen. Campbell: It's been mentioned that we're talking about land, air and sea capabilities.

Senator VAN: Sure. I understand that.

Gen. Campbell: We're also in an era of very rapidly advancing steps in range and clearly in precision. I don't think we can have an unclassified conversation beyond 'We're developing capabilities across all three domains in long-range systems, and, yes, they will start in sovereign Australian territory, meaning the continent, our ships and our aircraft.' Beyond that, I think we're moving into issues that are at a higher classification.

CHAIR: Senator Van, I'm going to move the call on. I can come back to you later today.

Senator VAN: I appreciate that.

CHAIR: Senator White, you have the call.

Senator WHITE: I want to ask some questions about the Collins class life-of-type extension. What is Defence's current assessment of the risks associated with the life-of-type extension of the Collins class? I recall that Defence has stated previously that they were significant but manageable. Is that still the case or has the risk assessment changed?

Vice Adm. Hammond: My assessment is there's been no change since our last estimates hearing. We continue to work with ASC and our capability partners to lock down the scope for the life-of-type extension. That work remains ongoing and will result in advice to government early in 2024.

Senator WHITE: Have there been any recent efforts to seek to verify the level of risk associated with the life-of-type extension and the level of preparedness by Defence and industry to support the life-of-type extension?

Vice Adm. Hammond: Yes. There have been a couple of initiatives. Internally, I kicked off a Three-Star Capability Manager's Steering Group looking at the Collins capability earlier this year. We've met a couple of times with all relevant partners, working very closely with Jim McDowell and his team to make sure we take a very focused look at the capability, not just through the life-of-type extension lens but also through a complete review of the material state of the class so that we are managing and eliminating all of the risks. Additionally, the

government has initiated an external assurance program, and I believe there has been a media release to that effect this morning.

Senator WHITE: When did the government direct that independent assurance activity?

Mr Chandler: In terms of a precise date for a direction of the activity, I would have to take that on notice, but some months ago the government sought advice on options for an independent assurance activity. The department, in consultation with other agencies, provided advice on options. Those options were recently accepted by the government, leading to the announcement today.

Senator WHITE: In previous Defence estimates hearings, officials have said the intention is for the life-of-type extension to commence in 2026 and for the activities to be conducted within a two-year full-cycle docking window. Does that remain unchanged?

Mr Chandler: In terms of the life-of-type extension of the Collins class, it will commence in mid-2026, with HMAS *Farncomb*. That's just a matter of the fact that the designed and planned withdrawal date of the class ends in mid-2026 with *Farncomb*, so that's when the extension must occur. In terms of the aim point, the plan of record is for all six Collins class submarines to be extended by one full 10-year operating cycle, preceded by a two-year full-cycle docking period. That's the plan that we're aiming for, yes.

Senator WHITE: What was the last Collins class submarine to undergo full-cycle docking? Did that take 24 months or did it take longer?

Mr Chandler: The last Collins class submarine to complete a full-cycle docking was HMAS *Dechaineux*. There is a submarine undertaking full-cycle docking at the moment, and that is HMAS *Sheean*. The *Dechaineux* docking did not take the two years. I would say that the scheduled time for full-cycle dockings is two years, but on top of that and borne off the Coles review, as part of our family of benchmarks we recognise a benchmark degree of maintenance overrun, and recognising that benchmark allowance of overrun essentially helps us to balance the availability and capability across the class. The fact that a full-cycle docking for *Dechaineux* went over, to some extent, through our benchmark arrangements—we planned for it, and that assists us to manage that. On top of that, the *Dechaineux* full-cycle docking was impacted—and there's earlier testimony on this, particularly from the Chief of Navy—by COVID and also impacted by a fire in one of our other submarines, HMAS *Waller*, and that impacted that availability.

Senator WHITE: Let me try and dissect what that means. So it's a notional 24 months, but sometimes it isn't 24 months. Is that right?

Mr Chandler: No. The scheduled period is 24 months. But, with that being the scheduled period, we anticipate a degree of overrun on that 24 months, due to the complexity of these activities. There are over 1,000 individual tasks and a lot of interdependencies in them, and so anticipating a degree of overrun helps us manage the overall capability outcome.

Senator WHITE: When was the last time that a full-cycle docking was concluded within a 24-month period?

Mr Chandler: I'd have to take that on notice, for the exact date. I believe we have achieved a two-year full-cycle docking once in the life of the Collins class.

Senator WHITE: You might want to take this on notice: how many Collins class submarines have undergone a full-cycle docking and how long did each one take?

Mr Chandler: I will take that on notice, just to get that exact.

Senator WHITE: I was testing whether the 24 months is notional and realistic or whether it's—

Mr Moriarty: Some of it would depend on the exact nature of the work that needs to be done on each boat. And the boats will vary. They've been used differently. They're in different conditions. Certainly the government has said that is the aiming point. We are working to do the work as quickly as possible. But we do want that work. It's vital to the safety and security of our crews operating them forward. So in some ways we must get that quality assurance right. We must get the essential upgrades that are necessary, but, again, that is where Chief of Navy and others will be involved in professional discussions about what the capability, schedule and cost trade-offs are that we need to do to get that work done. All of that is a complex process. The aiming point is around that two-year period. Some anticipated overruns is, I think, a sensible way of managing it, and, as long as the Chief of Navy can assure the CDF that he's got the assets available to the fleet to conduct the missions that the government requires, I'm reasonably comfortable about whether it's to a day or it's within a band.

Senator WHITE: I do get that. I understand that. I understand there are many factors that weigh into it. I get that. I have had some experience with aircraft maintenance. So they're in the same situation, right? I'm just trying to test, when you say that these are the estimates, what are the variables, what's the outlier, what's the shortest

period—if you understand me—and what are the factors of that? But I get that. What is Defence's current assessment of how long an FCD that includes a life-of-type extension will take? You've said 24 months is what you bank on, but what is it going to be when you weigh all these factors you've just discussed with me?

Vice Adm. Hammond: The first life-of-type extension will be some of the most complex work that we've conducted on the Collins-class submarines since build. Whilst the reference is the two-year full-cycle docking—and, as you would expect, I think we had a lot of success in the earliest full-cycle dockings—the submarines did not have a lot of mileage on the clock, so to speak. We're getting to the point now where we're doing a life-of-type extension on submarines that are toward the end of their design life. Until we lock the actual scope down, which we're continuing to do, a full assessment of the schedule and schedule risk won't be possible. To Secretary Moriarty's point, each submarine has been used differently. Notably, the first-of-class has done more time on sea but hasn't covered as many miles. The second-of-class, *Farncomb*, which will go into life-of-type extension, has done more miles than any other submarine in the force. Their condition overall is going to be different. I anticipate the work package for each submarine will be therefore different, and we will learn from one life-of-type extension to the next. At the moment, we're still in the formulative phase, locking down the scope, and I think we'll be in a position to have a more fulsome discussion about the activity and the associated risks early in 2024.

Senator WHITE: That's what I was going to ask you about. What would be the potential impact if a life-of-type extension cannot be achieved within a two-year window? Could that potentially impact the availability of the Collins-class submarines?

Vice Adm. Hammond: From a capability management perspective, we've had overruns in the full-cycle docking period. As my colleague Mr Chandler mentioned, when we had a fire in *HMAS Waller*, that diverted workforce from the boat that was in FCD. We have managed all of those overruns, and we've consistently achieved the Coles review benchmarks for availability. I think it's reasonable to do a review of those benchmarks for the submarine operating beyond its design life. I think that's part of the due diligence work that we need to do. But, at this stage, the work that we are doing is deliberately intended and designed to avoid a submarine capability gap. Notwithstanding the risks involved, I'm very comfortable with where we sit at the moment.

Senator BIRMINGHAM: I'm just trying to close off on some of the workforce questions quickly, if I can, please. I want to come to the year that we are in—2023-24. What, in terms of full-time permanent force—or by all means give us another metric if need be and explain what that is—have we seen in the year to date in exits and commencements?

Lt Gen. Fox: The ADF head count as at 1 October was 57,218. That does not include 696 gap-year personnel who are also serving in the Australian Defence Force.

Senator BIRMINGHAM: Thank you. If 1 October is the metric and you've got the data, too, that will do. The year to date is from 1 July to 1 October. That's commencements and exits.

Lt Gen. Fox: Yes. In terms of the result for personnel entering into the Australian Defence Force, it is 1,252 in the financial year to date.

Senator BIRMINGHAM: Thank you. And what about the other half of the equation?

Lt Gen. Fox: In terms of separation rates, the outflow rate is currently 10.5 per cent. I will need to get the actual outflow numbers for you. They're not in this specific report.

Senator BIRMINGHAM: Can we get somebody to get those? That shouldn't be too hard to find. Are the outflows exceeding the inflows? Are separations exceeding commencements?

Lt Gen. Fox: I will get that data when I get the actual year to date separation numbers versus the percentage.

Senator BIRMINGHAM: You can't tell us from the percentage in terms of that particular question?

Gen. Campbell: It won't take too long. It's better that we're correct.

Senator BIRMINGHAM: Thank you, CDF. I'd appreciate it if we can get that quickly. Don't run away, Lieutenant General Fox. I'm not sure we're done there yet. Are there any revisions to the planned workforce allocation for 2023-24? Has defence revised down its expected permanent force?

Lt Gen. Fox: I'll get the CFO to come up to talk about the budgetary guidance that is estimated because I don't want to get the PBS result wrong.

Mr Groves: In our 2023-24 portfolio budget statement, the budget estimate for the permanent force is 59,673 for this financial year.

Senator BIRMINGHAM: Yes, indeed it is, in table 8. Is there any variance to that?

Mr Groves: We'll have an opportunity to review that as part of the production of the additional estimates. I don't have a revised number at this point.

Senator BIRMINGHAM: Do you anticipate that number will be met or can be met?

Mr Groves: Given the discussion that Lieutenant General Fox just outlined, I think we'll have to look at—because we start to move into what's our estimated actual for this year. It'll have to be influenced by how those inflows and outflows that you were talking about are going. Our budget estimate at May was that 59,673, but we'll have to see how things are tracking as we're producing the additional estimates document.

Senator BIRMINGHAM: If I look at that table in the PBS, the single largest uplift predicted in total permanent force occurs between 2023-24 and 2024-25, when close to 4,000 additional full-time personnel are expected to be recruited. Is that scale of uplift realistic?

Mr Groves: We are certainly hoping that our new recruitment arrangements are supporting that growth. But, as you know, these numbers are always under review.

Lt Gen. Fox: The chief finance officer has mentioned a new recruiting contract. That contract commenced on 1 July. It is a new partner: Adecco Australia. We are currently in an interim service delivery model, moving to a new service delivery model of how we recruit. It is quite a substantial change from how we've done it previously—and bringing in different innovations in relation to recruiting. One of those is that the former model required people to come into one of 16 centres instead of defence going out and into the community in mobile recruiting arrangements—for example, out to regional areas. One of the innovations that we have in place now is the mobile ADF Careers Centre, and that launched only recently to go out into communities instead of forcing people to go into career centres.

The other innovations in this new contract to improve numbers coming into Defence are that we are removing disadvantage or elements where there are barriers to service. For example, we used to require people to obtain a specialist report if they had certain medical conditions. That had to be paid for by the individual on a pretext that they might join the Australian Defence Force. That has now been removed, and Defence will now pay for specialist reports. So, we're removing any disadvantage as we come across where people want to volunteer to serve in the Australian Defence Force, to enable them to serve.

We're also, instead of doing a one-size-fits-all approach to recruiting, changing conditions based on role types. So, as we move to, for example, a space cyber force, they may not necessarily be deployed in certain circumstances, and therefore we can adjust standards or approaches to enlistment. One of those approaches we're adjusting across different mechanisms is fitness entry level. That does not remove the requirement at this point in time to pass a fitness test in the Australian Defence Force, but we're reducing the requirement for different levels based on roles and where it is safe to do so. So, we're removing every barrier to service as we come across them to enable people to serve their country.

Senator BIRMINGHAM: Thank you. It's pretty concerning, when I ask a question about whether the workforce projection numbers are realistic, that the response I get is that we are 'hopeful'. Hopeful and optimistic is a fabulous thing to be in all walks of life, but what we're wanting here is realism and realistic assessment. How are the measures and the contract change that you talk about, Lieutenant General Fox, being assessed in terms of their success? What is the new contractor being held to in terms of their initial KPIs? What's the first KPI that they have to meet in terms of whether they are actually meeting those recruitment targets?

Senator McAllister: Perhaps I could just make the point that we entirely agree that a realistic approach based on facts is the way that we ought to approach this, and it is in stark contrast to the very many commitments made under the previous government, which were not met. I will of course invite Lieutenant General Fox to answer the specifics of your question, but I think it is unfair to characterise the evidence from her to you this morning in the way that you just did. She set out the approach that we're taking. She's indicated that any revisions will be made in the estimates process that is to come, and she's explained to you the practical steps that are actively underway to improve recruitment and retention outcomes within the ADF. So, I'll invite her to answer your question, but I think it's not reasonable to characterise her evidence in this way, and I'd make the point that the government is being very upfront about the challenges here, unlike the previous approach.

Senator BIRMINGHAM: Well, Minister, these are the targets in your government's budget papers. They're not the targets of previous governments—

Senator McAllister: Precisely.

Senator BIRMINGHAM: It's your budget, your budget papers—

Senator McAllister: And we will update them in the ordinary way.

Senator BIRMINGHAM: But do you stand by them as being achievable?

Senator McAllister: We will update them in the ordinary way, and if there are any changes we will update the Senate and the public.

Senator BIRMINGHAM: So, I couldn't get a response to endorse them as being realistic, and you're not saying they're achievable either?

Senator McAllister: The government has set out targets and it's also set out a set of steps that we expect Defence to undertake to improve the outcomes. We've been very clear that this is a challenging set of circumstances. The labour market is very tight. Defence is not the only organisation in Australia that is finding aspects of their recruitment challenging. For those reasons, we have asked the department to work to develop new approaches to improve both recruitment and retention outcomes. I indicated earlier that there are some improvements in relation to retention, and we are pleased to see those. But it doesn't understate the scale of the task, and I'd make the point again that we are realistic about it an upfront about it. Your government made very significant commitments without properly funding them, and we're taking a different approach. We are upfront about the challenges before us.

Senator BIRMINGHAM: Lieutenant General Fox, a precise question: what are the initial first-step KPIs that your new contractor has to meet?

Lt Gen. Fox: They are numbers, targets. The targets are just over 10,000 as a combination of part-time and full-time force for this financial year.

Senator BIRMINGHAM: Do they have any interim targets they have to meet during the course of the financial year?

Lt Gen. Fox: We measure the targets. The targets are linked to the training system, so it's when the courses are available for people to move into. In the financial year to date, we have only achieved just over 41 per cent of the targets in the first three months of this year as we adjust an interim service delivery model.

Senator BIRMINGHAM: Is that running to budget, essentially? Is that meeting the targets you had expected to meet at this stage of the financial year?

Lt Gen. Fox: No.

Senator BIRMINGHAM: So you have a new contractor and it's running below target of what was expected to be met?

Lt Gen. Fox: Yes.

Senator BIRMINGHAM: You said it was 41.3 per cent?

Lt Gen. Fox: It's 41.7 per cent for ab initio, and all forms of service—that's the prior service that I was talking about—takes it to 60 per cent. But in terms of the recruiter and no-one who has served in the Australian Defence Force, it's currently 41.7 per cent.

Senator BIRMINGHAM: How far below year-to-date expectations are they running?

Lt Gen. Fox: They've only achieved 41.7 per cent.

Senator BIRMINGHAM: You just said they're not meeting targets where you expected them to be at this stage of the financial year.

Lt Gen. Fox: That's the financial-year-to-date target, where I expect them to be at. They are only at 41 per cent of achieving those targets.

Senator BIRMINGHAM: Yes. Is that where you expected them to be at at this stage of the financial year?

Lt Gen. Fox: No.

Senator BIRMINGHAM: How far below expectations are they?

Lt Gen. Fox: Fifty-nine per cent.

Senator BIRMINGHAM: Let's try to unpack just what that means, for those who are following at home and probably even for most people in the room. You've got new recruiters working with the ADF. You're putting much store in them reversing the shrinkage in the ADF that has been identified. In the new financial year, those new recruiters are not meeting the targets you would expect to date. How far off the mark are they?

Senator McAllister: Before Lieutenant General Fox answers your questions, I reiterate the point I made earlier, which is that there is no silver bullet. There are a series of things that need to occur to improve both recruitment and retention, and officials can talk you through the many measures that are underway. One of these

many things goes to recruitment arrangements, which Lieutenant General Fox is speaking to you about now. But it's not correct to characterise this as the only measure that is underway to improve outcomes.

Senator FAWCETT: You can't manage if you don't measure. Measurement is important.

Lt Gen. Fox: We are currently around 800 people behind in terms of targets of the full-time force into the Australian Defence Force.

Senator BIRMINGHAM: So, for where you would expect to be, year to date, your recruitment is around 800 behind. You gave us a figure before that year-to-date recruitment has entailed 1,252 extra.

Lt Gen. Fox: No.

Senator BIRMINGHAM: I think you did.

Lt Gen. Fox: I apologise. The current percentage of achievement, year to date, for the total force recruited was 41.7 per cent. That's a combination of full time and part time. In terms of where we are behind in the full-time force—the actual number—we're around 800 behind where we want to be at this point in time as a target, year to date, of the full-time force.

Senator BIRMINGHAM: We're around 800 behind in the full-time force of where we want to be in terms of recruitment at this stage. You did tell us before that, as at 1 October, recruitment was 1,252, year to date.

Lt Gen. Fox: That's the combination of initial joining, who've never served in the ADF before, and the prior service personnel who've joined, which is 60 per cent.

Senator BIRMINGHAM: Right, whereas the 800 down are fresh recruits?

Lt Gen. Fox: Yes, fresh recruits.

Senator BIRMINGHAM: Okay. Let's break down the 1,252 if we can, please. How many of those are fresh recruits versus the other category you described?

Lt Gen. Fox: It's the sum of that.

Senator BIRMINGHAM: Yes, it is the sum of those two things. Can we break it down?

CHAIR: There's one minute to go, Senator Birmingham.

Lt Gen. Fox: We'll take that on notice and come back to you with the actual detail.

Senator BIRMINGHAM: Has anybody messaged you or provided a piece of paper to indicate what the separations have been so far this financial year?

Lt Gen. Fox: Yes. The separation figure for this financial year—equating to 10.5 per cent, as I indicated—is 1,373.

Senator BIRMINGHAM: That is comparable, in terms of type of personnel, to the commencements of 1,252?

Lt Gen. Fox: Yes.

Senator BIRMINGHAM: Again, we're still losing more than we're gaining.

Lt Gen. Fox: Yes.

Senator BIRMINGHAM: And you're not recruiting under the new contract as fast as you had hoped?

Lt Gen. Fox: Yes, with separation rates reducing month-on-month based on the retention initiatives that are coming into place.

Senator BIRMINGHAM: Okay.

CHAIR: Senator Shoebridge, you have the call.

Senator SHOEBRIDGE: To round the numbers off: on 30 June 2022 there were 59,803 permanent employees, according to the budget; on 30 June 2023 there were 58,642 permanent employees, according to the annual report; and three months later, on 1 October 2023, there were 57,218. Is that right, Lieutenant General Fox?

Lt Gen. Fox: I'm just tracking your numbers against the budget. You were reading across three different documents and I'm just trying to track where you're reading from. So the budget estimate you indicated was—

Senator SHOEBRIDGE: For 30 June 2022, the number in the budget was 59,803.

Lt Gen. Fox: Yes, I see. At the end of the financial year we were 1,161 under where we should be, based on a change of force over the years.

Senator SHOEBRIDGE: Between 30 June 2023, when there were 58,642 in the ADF, according to the annual report, and 1 October 2023, it went down by—is it 1,400?

Lt Gen. Fox: The 1,300 figure I just mentioned has reduced the overall force. I just need to explain the generation of the force because we have a combination of entry mechanisms. Those numbers are not clear for you in the annual report, where we bring people in onto full-time service on an ongoing basis. So 1,300 people—the number I just mentioned—have left since the start of the financial year. We've only enlisted those numbers I mentioned before. That is through the ab initio and prior service, but we bring reservists in onto continuous full-time service, who also then increase our headcount, so that's the combination—

Senator SHOEBRIDGE: After all the wash in and wash out—the brochures and the like—according to your numbers, on 30 June 2023 there were 58,642 permanent ADF staff in the three forces, and three months later there were 57,218, which, on my numbers, is about 1,420 less. They're the actual numbers. If that follows through for the rest of the year, far from meeting your target of being 3,000-odd more, it's going to be disastrous. And you'd say it's going well?

Lt Gen. Fox: The 57,218 is correct in terms of the permanent force—SERCAT 6 and 7. We have an additional 696 people who are serving in the Australian Defence Force, who are our gap year personnel, and we have an additional number of personnel who are undertaking continuous full-time service, at a strength of 1,269.

Senator SHOEBRIDGE: Rather than going well, this year, this is actually going really badly, isn't it?

Lt Gen. Fox: We are not achieving our recruitment targets.

Senator SHOEBRIDGE: I have some questions about defence exports. I asked some questions on notice about defence export permits from 2017 to the date on which I asked them at the end of March this year. Rather remarkably, defence approved defence export permits, for example, to both South Sudan and Sudan at the same time there was a civil war in Sudan and significant concern that Sudan was fostering and arming the belligerents in the civil war in South Sudan. How was Australia providing weapons to both sides of the conflict in that region, as they were doing in 2017, 2018 and again in 2021? How do you sell weapons to both sides of a conflict in an ethical fashion?

Mr Jeffrey: Defence Export Controls permits are for military equipment and dual-use equipment, so a permit that is issued by the Australian government under the Defence Export Controls process could relate to a weapon or it could relate to a dual-use item, which could include, for example, a radio, sporting equipment or vehicle parts. The answer to the question that you're asking about what was provided would be dependent on the permit itself.

Senator SHOEBRIDGE: What did defence approve to sell to South Sudan and Sudan in 2017, 2018, 2019, 2021 and 2022? What was approved?

Mr Jeffrey: As you know, we don't go into the details of individual permits, but I advise you and the committee that Australia has a peacekeeping operation in Sudan under the UN mandate. If we were to provide equipment for ADF forces there, we would need a permit under our export control legislation. I will take on notice to provide you with what information I can in relation to export permits for Sudan.

Senator SHOEBRIDGE: How about the 38 weapons permits that were given to Saudi Arabia in 2021 and 2022 up to November 2022? At the same time, 60-odd defence weapons permits were granted to the United Arab Emirates, knowing full well the involvement of Saudi Arabia in particular in the brutal civil war in Yemen? How, in an ethical way, do you feed that conflict?

Mr Jeffrey: Senator, I'll caution you on your language: you're talking about weapons permits. The language we use is 'permits for military and dual-use equipment' and, as I've explained, that may involve a weapon or it may not.

Senator SHOEBRIDGE: What weapons were exported? What permits were granted for the export of weapons to Saudi Arabia and the UAE?

Mr Jeffrey: As explained—

Senator SHOEBRIDGE: Again, even if you say that magically each one of these 100-odd permits was for dual use, what possible guarantees do the Australian public have that they weren't fed into that brutal conflict?

Mr Jeffrey: As we've engaged with you before on this, each permit is made on a case-by-case basis. Each permit is decided against 12 legislative criteria. Those criteria include, as you know, Australia's international legal obligations with respect to human rights. If we have a serious concern that agreement to an export permit would involve those goods being exported contributing to the abuse of human rights, for example, in a conflict in which we had serious concerns then we'd not agree to the permit.

Senator SHOEBRIDGE: Is it the position of Defence that arming the armed forces of the Kingdom of Saudi Arabia can be done in an ethical manner, given the countless allegations of atrocities committed in the course of that conflict?

Mr Jeffrey: I refer you again to the process.

Senator SHOEBRIDGE: My question is: is it Defence's view that you can ethically supply weapons to the military in Saudi Arabia? Is that Defence's view?

Mr Jeffrey: My response to you is that the ethical decision there would be made on a case-by-case basis. The export control regime is designed to ensure that Australia is acting in a manner consistent with its international legal humanitarian obligations and if we made a decision on a permit for export it would be based on ensuring that we are in compliance with those obligations.

Senator SHOEBRIDGE: Who makes the call that arming the Kingdom of Saudi Arabia meets Australia's international obligations?

Mr Jeffrey: Again, I think it's not accurate to describe an export permit being granted as a decision to arm Saudi Arabia. It could mean something very different. It could mean a decision to provide sporting equipment. It means that we have looked at an application. That application has been put to Defence by industry because the item they wish to export is on the defence strategic goods list and that makes it a controlled item. There are many things that are controlled items, including software.

Senator SHOEBRIDGE: I thought you said 'sporting equipment'.

Mr Jeffrey: Including sporting equipment if, for example, it's a sporting gun, which would have no use—

Senator SHOEBRIDGE: A lot of sporting equipment to the Kingdom of Saudi Arabia, isn't it, going through your defence exports desk?

Mr Jeffrey: Is there a question there? I'm not sure what your question is.

Senator SHOEBRIDGE: It's disingenuous to suggest that this is sporting equipment or that it's all for civilian use or that we can ignore the ethical issues of arming a belligerent in a conflict as brutal as that.

Senator McAllister: Senator, it's not reasonable to mischaracterise the official's evidence in the way that you have and then ask them to respond. Mr Jeffrey may step through the advice he has given to you, but none of the propositions that you have just put to him accurately characterise the information that he has provided to you. I understand the interest of senators in characterising propositions in a highly political way, but I caution you. These are serious questions. We're happy to answer them seriously. It is made easier if the official is not required to respond constantly to mischaracterisations of the information they're putting to you.

Senator SHOEBRIDGE: Minister, arming belligerents in appallingly brutal conflicts which are notorious for human rights abuses is inherently political, isn't it?

Senator McAllister: You are asserting a whole range of things in that proposition that we wouldn't—

Senator SHOEBRIDGE: Are you denying that the civil war in Yemen, which Saudi Arabia has a significant role in, is brutal and notorious for human rights abuses?

Senator McAllister: I'm saying to you that the export guidelines require an assessment of the end user and the technology itself and place a range of obligations in relation to those permits, which the official has just stepped through for you. That is quite different to asking the official to form judgements about other conflicts. That is not the matter before us. In relation to export controls, the official has stepped through with you the considerations in relation to end users, technologies themselves and the obligations on the government.

CHAIR: Thanks, Minister. You've got just one more question, Senator Shoebridge.

Senator SHOEBRIDGE: When it comes to the current conflict in Israel-Palestine, the bombing that we're seeing in Gaza, is there any assurance you can give that none of the more than 300 defence export permits that have been granted for exporting weapons to Israel—none of that material—is currently being used in Gaza?

Mr Jeffrey: On the 322 export permits for military and dual-use items that you have referred to: during that time period the export permit process did not go to lethal equipment. As to the lethal munitions and military equipment that Israel is using in this conflict, it has a very large indigenous defence industry and, of course, a very strong bilateral defence industry relationship with the United States. Australia's permit process, as I've explained, would relate to military and dual-use items. Again, I'm not going to go into the details of the permits themselves, but those permits would involve things like radios, body armour, software, vehicle parts—sporting equipment too, Senator. It's anything on the defence strategic goods list.

CHAIR: Thank you, Mr Jeffrey. Senator Lambie, you have the call.

Senator LAMBIE: Thank you. I'm just wondering if I could have Rear Admiral Wolski back at the table. He may want to go back over the answer that he gave me. Rear Admiral, I think your answer was that you were talking, or chatting with, the Australian Government Solicitor. It's come to my attention—I'm sorry I didn't have this on me before—that the AGS was actually instructed to act for the Secretary of the Department of Defence in response to the matter, and that was nearly two weeks ago.

Rear Adm. Wolski: Yes, that's correct. There was a—

Senator LAMBIE: That's correct? So we're going ahead with it, so what I'm asking you is: how much is it going to cost? You've got to do a cost estimate, so can I please have the cost estimate of what that's going to cost the taxpayer?

Rear Adm. Wolski: Yes. For the details—

Senator LAMBIE: That would be great. When can I have that?

Rear Adm. Wolski: For the details of the quote, I'll hand over to Adrian D'Amico, Defence legal counsel.

Mr D'Amico: The quote is \$39,500. That's the quote we've received.

Senator LAMBIE: Wowzers! Just to keep some letters secret! Blow me over. I hope those letters are good, because there is no reason why you should hold them over. You may want to consider that. Thirty-nine thousand dollars! For what reason do you believe that they should be kept secret, CDF, apart from you being able to redact names and other bits and pieces? I just want the content of those letters provided to me. What is it possibly going to do—apart from flinging back on you—when we spend \$39,000 of taxpayers' money on these letters for me to obtain them?

Gen. Campbell: As I think was mentioned at our last estimates hearing, it's so as to preserve the integrity and independence of a process that is still underway.

Senator LAMBIE: Oh rubbish! Okay, well you can pay for that later on. Anyway, I think it's just to prove my point. Either way, I'm getting those letters. You could save the taxpayer that money and you could show some integrity and release them to me, instead of them paying \$39,000 for us to continue this fight. That's the decision that you could make today. I will leave that with you. Thank you very much, gentlemen.

This question is for you, CDF. On Wednesday last week, the *Australian* ran a story on its front page that the RBA is worried inflation will remain high for some years. Just yesterday the commissioner of the Reserve Bank of Australia doubled down on her concerns regarding inflation. While inflation continues to impact our economy, diggers are getting a real-term pay cut. Their pay isn't covering the increasing cost of living. I don't know if you noticed in the last hour, but inflation has just jumped 1.2 per cent. Last week, I asked Minister Wong, representing the defence minister in the Senate: why are you giving our diggers a pay cut? The minister told me that the second two years of the pay deal will be higher than inflation when it comes to pay keeping up with inflation. When the Defence Force Remuneration Tribunal decided what our diggers were going to get, were you happy with that pay decision for our diggers?

Gen. Campbell: Under the advice we received from the Defence Force Remuneration Tribunal and given the wider national economic circumstance and the projections at that time with regard to the state of inflation in Australia and its forecast, yes, I was pleased with the outcome.

Senator LAMBIE: A few days before the diggers were given a pay cut, the Defence Force Remuneration Tribunal also announced a decision to grant ranks of brigadier, commodore, air commodore and up—that's the senior brass—a boost to their executive vehicle allowance—because they're so concerned about the economy, obviously! I will agree with what you just said. This increase works out to be an approximate additional 10 per cent on top of their salaries.

Gen. Campbell: I think you grossly and maliciously misrepresent what has occurred. I will ask Deputy Secretary Justine Grieg to explain it in simple, clear terms for everybody at home to understand.

Ms Grieg: I think what you're referring to is the executive vehicle allowance for that cohort of officers.

Senator LAMBIE: Yes. It's about an extra \$39,000 a year; is that right?

Ms Grieg: No, that's not correct. The vehicle allowance was always paid. What was determined by the DFRT was to roll that allowance into salary. So there was no increase in what that cohort of officers was taking home in their pay. It's just part of salary, instead of it being an allowance.

Senator LAMBIE: So they have been given nothing extra? They've been given the same deal as the diggers have been given—is that what you are telling me? There's nothing extra for senior command?

Ms Grieg: In terms of—

Senator LAMBIE: Tell me that. I know what the diggers have got. What have they got extra?

Gen. Campbell: There is no additional money being received. An allowance has been pushed into the salary. It is very simple and very clear. You are maliciously attempting to drive a wedge between senior command and Australian naval sailors, aviators and soldiers across the force. I see it constantly from you, and I think it is deeply undermining of the cohesion of the force. Quite frankly, Senator, you should be ashamed of yourself.

Senator LAMBIE: All I'm asking is if you are getting the same rise as what the diggers are getting. That's all we need today. You are not getting anything extra? That's all I'm asking you.

Gen. Campbell: So, Senator—

Senator LAMBIE: Are you getting the same as what they are?

Gen. Campbell: It is—

Senator LAMBIE: Yes or no?

CHAIR: Order! Please, can we take—

Gen. Campbell: All those—

CHAIR: General, can we please take a moment. Let's get back to an orderly transition here of questions and answers, please. Senator Lambie, what was your question?

Senator LAMBIE: My question is: is the senior brass getting exactly the same pay rises as the diggers and nothing extra? That's all I'm asking you.

Ms Grieg: That's correct.

Senator LAMBIE: So there's nothing extra. Okay. That's all I needed to know.

Gen. Campbell: What I ask—and I appreciate this is not the forum to do so—is: why do you come out publicly and make statements that are untrue and divisive of the force?

Senator LAMBIE: What statements would they be, CDF? If you want to talk about undermining, how about you pass those letters over instead of charging the taxpayer \$39,000, which is not your money.

CHAIR: Thank you, Senator Lambie. Did you have more questions?

Senator LAMBIE: Yes, I do have more questions.

CHAIR: Are they on another matter?

Senator LAMBIE: Yes.

CHAIR: You've got one more minute, and then I've got to do the rotation again.

Senator LAMBIE: That's okay. Obviously, General Campbell, you haven't had the recruits signing up, so is it true that courses at 1RTB, at Kapooka, have been forecast to go ahead and have not gone ahead? Have you had to reduce those courses going through 1RTB because we're not getting the numbers going through for the year?

Gen. Campbell: We'll just have the Chief of Army step up to the table.

Lt Gen. Stuart: Could I take that on notice, Senator Lambie? We'll get you the exact figures. As a holding answer for you, I'm not aware that we've cancelled any courses. We do make adjustments to meet the inflow requirements, but I'm not aware that we've cancelled any. I'll take it on notice and get you the exact figures.

Senator LAMBIE: Thank you for that. I have no further questions.

CHAIR: We'll come back to you later today, Senator Lambie. Secretary, I have a couple of questions for you and the department. Over the last few days I've been asking questions at the legal and constitutional affairs committee to Home Affairs and AFP about some concerns in relation to the security of parliamentarians, particularly when it comes to what they call the pattern-of-life data. I'm keen to understand from you what Defence has done in relation to the pattern-of-life data.

Mr Moriarty: This is a very important topic. It impacts Defence, particularly in relation to the special-purpose aircraft capability and the information that is put into the public arena there, but it's a broader concern which, in particular, AFP and ASIO have concerns about. Again, I think Defence, as the operator of SPA capability, is also very concerned that the environment has changed internationally in relation to designated persons—members of parliament and ministers. I believe—and it's not just me; our security agencies believe—that the level of threat towards those people, not only across the board but particularly in relation to specific individuals, has heightened.

We've seen an increased number of threats—really uncivil, unpleasant discourse—in social media that, in some cases, the agencies are particularly concerned about. They have a very legitimate concern that we should, as

government agencies, take steps to ensure that pattern-of-life data, which might go to identifying the movements or likely activities and patterns in relation to important persons, is protected. One of the challenges for that has been in terms of how we address that in relation to the special-purpose aircraft schedules.

Could I also let the committee know that the protective security board, which has very senior officials from a range of relevant agencies, has met to discuss the matter and agreed that Home Affairs and the AFP, drawing on other agencies as appropriate, should jointly work across government regarding the publication of data. This is not limited to the use of special-purpose aircraft. It's also extended to other means of transport, accommodation and offices—those types of issues. That work is going to be undertaken with a focus on the safety of high officials. That is the primary driving concern. Also, there'll be operational procedures that need to be protected in that way. Certainly, as the department has approached the issuing of data in relation to special-purpose aircraft, we have been very much concerned by advice from the relevant agencies about these security considerations. We understand of course that there's appropriate balance with other factors of accountability and transparency, but, as Defence, our focus is primarily on security, and that is where we believe that we bring some expertise to this matter.

CHAIR: Am I correct from what you've just outlined that the department has responded to security advice by not just the AFP but, I'm assuming, from others, but predominantly from the AFP, and you've had to make changes to a range of policies, frameworks—I note you note the special-purpose aircraft—and I'm assuming the guidelines that relate to the SPAs to remove information?

Mr Moriarty: That's right. Very much so. There was a long period where the schedule data was not published. That was tabled by the former Minister for Defence Mr Dutton on 3 August 2021. It's just recently been published in the new format, according to the draft guidelines. The guidelines are being worked through. That pause in publishing schedules was for a number of reasons, but it was certainly impacted by the view that the Australian Federal Police took, that pattern-of life data should be removed from the way that information was presented.

It's also the case that there was a long period where our procedures needed to be reworked. A number of people had been posted in and out and we'd lost some expertise in that. After the data was no longer published, Air Force ceased doing some of the checks that they normally did with officers to validate data, so there's been some concerns there. That has also impacted on the timing issues. But data has been published on the website in the new format, which has been developed in consultation with other agencies.

It's also important to note that we've also identified some errors in the data that have been discovered subsequent to some of that information being published. We believe that there's been a corruption in some of our database that we are working through. We are very committed to making sure of the accuracy of the data that we do publish, and Air Force is working through, going back to manual manifests, to validate data. We're in the process of finalising that procedure, and we hope to be able to make any necessary corrections to published data very shortly.

CHAIR: You're saying that the information that's already been published is incorrect?

Mr Moriarty: There are some inaccuracies in the data that was published.

CHAIR: And you intend to amend those publicly available—

Mr Moriarty: When we have absolute confidence in the quality of the data and the accuracy of the data.

CHAIR: If we just go back a step, I'm assuming these are recommendations out of the security coordination committee?

Air Marshal Chipman: Chair, if I can? We were working with the AFP from November of last year, following a recommendation to the Office of the Deputy Prime Minister, that they were concerned about establishing a pattern of life through the publication of data in the schedules. That advice was confirmed on 1 March this year, when the security coordination committee sat. It was an AFP led committee, attended by representatives which included a representative from Air Force at a two-star level, and that committee made recommendations on what should be published in the public domain to avoid establishing a pattern of life. It is based on their recommendation that we have settled on a new format, in consultation with the office of the Deputy Prime Minister, before publishing the current schedules back to January 2021.

CHAIR: And these schedules weren't published for some time; is that right?

Air Marshal Chipman: That's correct. We had ceased publishing schedules under the former defence minister, Mr Dutton, in the second half of 2021.

CHAIR: Why was that?

Air Marshal Chipman: The last schedules were published for the six-month period ending December 2020.

CHAIR: Were you authorised to stop publishing, or was that a decision taken by Defence?

Air Marshal Chipman: It was before my time, but my understanding is that there was a decision taken to stop publishing schedules—

CHAIR: By whom?

Air Marshal Chipman: It was a decision that was reached in consultation with the office of the former defence minister because there were concerns then that publishing the data in that format would establish a pattern of life. There was a decision taken that we would review the guidelines then, in the second half of 2021, to make sure that we were not putting information into the public domain that would compromise the security of our VIPs.

CHAIR: And these guidelines still remain as a draft?

Air Marshal Chipman: The current authoritative guidelines are the 2013 guidelines. We have drafted amendments to those 2013 guidelines that take into account the security assessment of the security coordination committee. We have published schedules in accordance with that security advice.

CHAIR: Maybe you can shed some light. What's the nature of the errors?

Air Marshal Chipman: It's been quite a complex and difficult process. Initially we experienced technical errors with a database called VIP-Fly. That was a technical error that occurred because the database was incorrectly replicating information across three different servers. When we became aware of that technical issue, we isolated what we thought was the faulty server with the assistance of CIOG, the CIO Group. Then we believed we had established a source of truth. When we published information on 18 August, we believed that we had corrected the fault with the VIP-Fly database and that we were putting information into the public domain that was correct.

CHAIR: What does that mean for the costs that were reported against a number of ministers?

Air Marshal Chipman: What has become apparent—and we started this work in the first week of September—

CHAIR: Of this year?

Air Marshal Chipman: Yes, 2023. We went back through the information that had been published on 18 August, and it became apparent that we had not actually captured all of the errors—all of the data that had been corrupted in the VIP-Fly database. Our first task was to go back through and clean out all of the incorrect data that had been stored in the VIP-Fly database. Then it became apparent that, in the process of ceasing to publish schedules, which occurred in late 2021, an unintended consequence was that we were no longer doing the checks and balances in Air Force with the officers of the approving authorities to make sure that the data in the database was correct. It has taken us a long time, going back to first principles. We've been looking at individual aircraft manifests and the flight programming board at No. 34 Squadron. On occasions we've gone to maintenance logs and aircraft authorisation sheets to make sure we have a true and accurate record of the VIP flights taken since January 2021.

CHAIR: I appreciate that answer. What I'm trying to understand is the costs that have been reported, particularly against certain ministers. What does it mean for those ministers—the costs associated with their travel? It sounds like it may not have actually occurred, or it may have been attributed incorrectly.

Air Marshal Chipman: For some ministers there will be additional costs that they will incur because they have undertaken flights that were not represented in the schedules published on 18 August. For other ministers the costs attributed to them will decrease because there were flights attributed to them incorrectly.

CHAIR: Are you able to give any examples?

Air Marshal Chipman: An example of where we had incorrect information is that we had flights undertaken by the former government that were incorrectly appearing in the reporting period 2022-23, and they were attributed against current serving members of the government.

Mr Moriarty: But Chair, if I could—

CHAIR: Alright. I won't dwell on this all day, but—

Mr Moriarty: I really do want to validate all of the data, because this will go to the interests of particular ministers, and I'd really want to be confident of the data before we might suggest any particular members. But, as the Chief of Air Force said, the type of errors that Air Force has identified suggest to us that there will be some adjustments, but they may not be particularly consequential in some cases, but some are likely to go up a little and

some will come down. I really do want to continue that work and when we are confident of the integrity of the database then we can publish.

CHAIR: Okay. I'll just be very quick, before I hand the call over again. But I see here that in the 2013 guidelines there is a requirement that Defence consult with the office of the Minister for Defence and I think Prime Minister and Cabinet as well before publishing the schedules. Is that still the case?

Air Marshal Chipman: That is still the case, yes. That is the process, though, that broke down at the end of 2021 when we ceased producing the schedules. Normally on a weekly basis we would be checking the VIP flight movements with the office of the secretary of the Governor-General, with the Prime Minister's office and with the office of the then defence minister, to make sure we had an accurate reflection of what flights actually occurred in the VIP flight database. That process ceased in December of 2021.

CHAIR: Okay. So, that would have been the normal course of action, but you couldn't, because someone made a decision—it sounds like from the former minister's office—to not produce those schedules.

Air Marshal Chipman: There was a decision made—again, this was before my time—to not publish the schedules until we had done a revision of the guidelines, and an unintended consequence of that decision was that we stopped the checks and balances that would have corrected the data.

CHAIR: Those checks and balances: how do you confirm the data? Do you confirm the data with someone else, outside of your office?

Air Marshal Chipman: That was the process. Our VIP operations cell would send their information to the offices of the secretary of the Governor-General, the Prime Minister and the defence minister, and they would manually check that the manifests that we had on our records were true and the correct representation of the flights that had occurred. And it was routine for there to be changes. It was routine, for example, for there to be passengers who had been requested to fly on a particular VIP mission who didn't turn up on the day. So, we would be making adjustments on a weekly basis.

CHAIR: Alright.

Senator BIRMINGHAM: Why did you stop checking?

Air Marshal Chipman: That was an unintended consequence of us ceasing to publish the schedules.

Senator BIRMINGHAM: You were never asked to stop checking. You just stopped.

Air Marshal Chipman: That's right.

CHAIR: So, what you're saying here is that the schedules that were published as recently as August were, it sounds like, incorrect and are wrong and need to be reviewed. Is that correct?

Mr Moriarty: That's correct.

CHAIR: And you didn't consult on the schedules before publishing. Is that correct?

Air Marshal Chipman: We have not gone back to those offices that I mentioned before to confirm that the data was correct before publishing on 18 August.

CHAIR: Okay. And now there are areas in the data—it sounds like there have been hundreds of thousands of dollars that have been attributed to individuals that may need to now be reflected. Correct?

Air Marshal Chipman: We need to correct the data, yes.

CHAIR: Thank you for that.

Senator BIRMINGHAM: Perhaps I could just flag that we've got other issues to do with the defence of Australia, which we'll go on with right now, but we will be coming back to this issue and some of the transparency questions that flow from this issue.

Senator FAWCETT: Before I get onto my substantive question, could we come back to workforce? I think Lieutenant General Fox undertook to get some more figures. I just wanted to check whether we have those yet.

Lt Gen. Fox: I have made the numbers as simple as possible in terms of total inflow and total outflow. I refer to the Defence annual report, table 6.11, which had the headcount at 57,346. Using the same headcount breakdown—just the permanent force—that October headcount was 57,218, which was a 128-personnel difference, year to date. The movement of people happens weekly—daily—and that's the easiest way I can reflect the numbers, noting large separations of people in and out of the different types of service that are available.

Senator FAWCETT: That's not necessarily the question that was asked. I'm going to ask you a much simpler question. You said your achievement against recruiting was 41.3 per cent.

Lt Gen. Fox: Yes.

Senator FAWCETT: Can you confirm: is that 41.3 per cent of an annual target?

Lt Gen. Fox: A year-to-date target.

Senator FAWCETT: Are we talking financial year?

Lt Gen. Fox: A financial-year-to-date target.

Senator FAWCETT: So, as of October 2023, we have achieved 41.3 per cent of the annual target—the target you were expecting at the end of June 2024.

Lt Gen. Fox: For ab initio recruiting—target year to date.

Senator FAWCETT: That's fine. So, as of now, we have achieved—

Lt Gen. Fox: Forty-one per cent.

Senator FAWCETT: Thank you.

Senator BIRMINGHAM: So that 59 per cent unachieved—

Lt Gen. Fox: Is what I haven't achieved—

Senator BIRMINGHAM: It is reflective of the 800-ish personnel not recruited?

Lt Gen. Fox: Against targets, year to date.

Senator BIRMINGHAM: Against targets, year to date. That's right.

Lt Gen. Fox: For the full-time force.

Senator BIRMINGHAM: Yes. For the full-time force, you are 59 per cent down on year-to-date targets, which equates to 800 personnel.

Senator FAWCETT: You've just managed to confuse that again, General Fox. You're emphasising year to date when you're talking about the target. It would be really obvious if we had an annual target and performance, year to date, was 41.3 per cent. But, when you put 'year to date' against the 41.3 per cent, have we only achieved 41.3 per cent of what we expected to achieve by October 2023?

Lt Gen. Fox: Yes.

Senator FAWCETT: Okay, thank you. That's a very different story to 41.3 per cent of what we expected to achieve by June 2024.

Lt Gen. Fox: No, and that's why I kept emphasising 'financial year to date'. And it's 41.7 per cent with the results—

Senator FAWCETT: If that trend continues then we will be well below 50 per cent at the end of the financial year?

Lt Gen. Fox: Yes.

Senator FAWCETT: Thank you. Can I come back, Secretary, to your opening statement? I think you made the comment there that, in your endeavours to reduce the number of contractors, you reduced it by 928 contractors. Many years ago I asked one of your predecessors and the head of the DMO—I think it might have been DAO at the time—whether or not, when they employ contractors, they have standards for qualifications and experience for certain positions, and the answer was yes. I assume that has not changed. So, with these people who have been replaced, I think we can assume they met certain standards for qualifications and experience—which equals competence, by and large. Have the APS or ADF members who have replaced them met the same standards in terms of qualifications and experience relevant to the particular role?

Mr Moriarty: I will ask a couple of colleagues to help on this. In order to meet the government's objective, we are setting hard targets. Each group and service is going to be given a number, and they will be held to account to meet that number. There's also some very good work—

Senator FAWCETT: Sorry to cut you off, Mr Moriarty, but the chair is being very harsh today in terms of his rulings with the clock. I've got a very simple question. We had a workforce of 928 people who had a prescribed set of qualifications of relevant experience. Have the people who have replaced them demonstrated that they also meet that level of competence as defined, or are we replacing them with people because they happen to be ADF and APS but we have actually seen a net decrease in competent workforce?

Mr Moriarty: We have not done a one-for-one replacement. With a contractor replaced by either a public servant or an ADF officer, some of that has been to do with rationalisation of work and some of that has been to do with changes in the way we're approaching some of our project management and support. It is a complicated tale, but we are not replacing that complete reduction with APS and ADF at this stage. We are seeking to grow

ADF and APS skills—we've talked about the challenges there—but it's not a one-for-one swap where if you swap out a contractor you swap in a public servant or an ADF member.

Senator FAWCETT: Because of the time available, I'd like to ask you on notice: have you done a skills gap analysis across your APS and ADF workforce to understand what is the training burden required to achieve the level of competence we were contracting, given that the reason for contracting is often you don't have those in-house skills? I'm seeking to achieve an understanding of whether meeting a government target means we have a workforce that is not as qualified as it should be handling some of the most complex procurement activities the Navy undertakes. You can take that on notice in terms of when such a gap analysis was done, what the plan is to close the gap and what risk mitigation measures have been put in place to ensure that decisions which are being taken, whether by the investment committee or referred up to NSC, are on the basis of information provided by people who have the appropriate qualifications and experience to be making that advice.

Before I move onto the substantive point: we've had a narrative at the last couple of estimates, and again today, that we can't refer to NSC because it might breach some kind of national security. The Prime Minister himself in the last few months has stood at media conferences in Indonesia and talked about NSC meetings, the witnesses that have appeared and the topics they have discussed. We've had him refer pre-emptively to upcoming meetings of the NSC. We've had him refer, in articles where he has obviously briefed journalists such as Mr Sheridan, to the frequency and nature of NSC meetings. Can I just put on the record my objection to this narrative, which is not transparent in terms of civil control over the military. It obscures unnecessarily, to my mind, and given the Prime Minister's demonstrated record, information that is pertinent to the parliament's scrutiny of the Department of Defence and the executive's administration of that. I don't need a response; I just want that on the record because I think the demonstrated conduct here is not consistent with the example set by the Prime Minister and is not consistent with the expectations of a democracy.

Senator McAllister: You didn't ask for a response, but I will provide one. It is longstanding in Senate committees to accept that discussion of matters before cabinet and its committees may not take place in a Senate estimates environment. That was true under the former government, and it is true here.

Gen. Campbell: And, Senator—not in direct reply to you—my point simply was that PM&C is the organisational owner of support to that committee structure. It is PM&C's place, from my point of view, to advise of dates of committees when and if appropriate. It's not an aberration of the military seeking to avoid scrutiny; it's PM&C's committee and PM&C's responsibility. As I said, I refer senators to PM&C.

Senator BIRMINGHAM: Your point is a fair one, but Senator Fawcett's is an important one. The reality is the Prime Minister chooses to cite NSC meetings, timings and even content when it suits him, and then to avoid even confirming whether or not a meeting is taking place when it suits him.

Senator McAllister: It's a very political point you're making here. As I've explained to you, the government observes the longstanding convention in the estimates context where matters that have been before the cabinet and its processes and its committees are not for discussion in this environment.

Senator FAWCETT: I'll conclude with this, Minister. You're right—matters in terms of details. But there are multiple examples of this committee under both sides of politics seeking to understand when decisions were made—not the nature of the decision, not who was involved necessarily, but the when and the issue of timing has been explored time and again, including when matters have gone before the NSC. I just want to make it clear that I don't accept the narrative that has been put forward, and I don't want that to become part of the practice of this committee because that is not what it has been in the past.

Can I go to the annual report, which is the substantial area I wish to question. The annual report has reported an underspend of \$670.6 million. I find that strange in the context of the *Defence strategic review*, which observed that the Defence budget:

... is carrying significant pressures across acquisition, sustainment, workforce and operating categories.

When I asked in the last estimates about projects that had to be cancelled because of cost pressures, you gave me a great list of projects—including a number you wouldn't disclose, and I accept that—and billions of dollars worth of projects. I'm struggling to understand, given so much overprogramming—I think the *DSR* talked about 24 per cent—and a long list of projects where you've had to go through some tooth-pulling to decide what you're not going to remedy in terms of the state or equipment or other capabilities, how we can end up with an underspend of \$670.6 million.

Mr Moriarty: I'll ask the CFO to talk a little bit about underspends and overspends.

Mr Groves: Yes, we had an underspend. It represented 1.4 per cent of the Defence budget. Overall it's not dissimilar to the overspend we had the year before of around \$530 million. I think variations in a budget of one

per cent are—I'm not defending any position—actually a fairly good outcome in regard to what we're talking about as \$50-billion-a-year budgets.

Senator FAWCETT: I completely understand that in terms of magnitude, but given the pressures that the ADF is under, both in your own words and in the words of the *DSR*, and the fact you have a long list of projects that had to be cancelled or deferred in order to find the \$7.8 billion the government wanted for the *DSR*, we have seen in the last month—on 19 September there was a \$1.5 billion decision on a fourth Triton, which, from the broader public's perception, appeared out of nowhere; it seemed to be a fairly short-notice decision, even though the original project was six. Decisions can be made, and my question is: if we are facing such a shortage of money that we're having to cancel a whole range of projects, why wasn't a decision made to absorb some of that 24 per cent of overcommitment that the *DSR* talks about to execute at least one or perhaps a couple of these facilities or other projects?

Mr Groves: Senator, as you know, the defence budget, and when we talk about the pressures facing the defence budget, particularly the ones that the secretary spoke about, that's looking over the next forward estimates or the decade period. So a lot of when we're talking about pressures on the budget are certainly a reflection of the future. As you may know, the projects are quite hard during a financial year to switch back on, if you like, or ramp up activity to achieve a totally balanced budget outcome. We're always looking for those opportunities where we do see some softness, and we have seen some softness in the budget over the last few years, particularly around acquisition, due to a range of supply chain issues, industry shortages et cetera. We have seen that over a period of time. I think we are constantly looking for those opportunities as they do arise on where we can legitimately ramp up activity and expenditure where we have some capacity.

I would also say and remind you that the outcome that we had in the 2022-23 financial year is almost the converse of what happened in 2021-22, when we had a minor overspend as well around one per cent. So these swings and roundabouts do happen, but, overall, when you look at our financial performance over the last few years, it's very solid. But, when we're talking about pressures, we're looking forward.

Senator FAWCETT: Thank you. I'd like to move on. Secretary, when was the decision taken to commit to the fourth Triton?

Mr Moriarty: I will take that on notice, Senator. But I would make the point that this was a decision that was taken in accordance with the normal processes of government and the normal way in which capability decisions are brought through our minister to the appropriate committee of cabinet. There was some media suggestion at the time that this was a rushed decision or a decision that was taken outside the normal process. It had been worked through the investment committee through normal processes. It occurred in the normal way. It was announced by the government, when the government chose to, which is a longstanding convention. I might ask the VCDF to add anything further to that about, in particular, the Triton decision.

Vice Adm. Johnston: As you are aware, we've had a program around our maritime intelligence, surveillance and reconnaissance capability, the composition of P-8 and the Triton. On record, there is a Triton program, which is more than the three that Australia has already decided to purchase. The fourth aircraft was part of our ongoing consideration of what we need for maritime domain awareness.

Senator FAWCETT: I understand that. I understand the scope of the original project. Mr Moriarty, to your point, I am certain that you went through the process. My question is about timing. Could you take on notice the milestones of a capability case being put forward to cabinet? I don't need the details, just the normal timing that occurs. I'd like to know when the investment committee within Defence—just the timing—approved it, and when that went to government for NSC sign-off?

Mr Moriarty: I'll certainly do that, within the bounds of cabinet confidentiality, but, as you say, some of that information I'm sure we can make available to you.

Senator FAWCETT: Thank you. That would be useful. Defence industry, particularly SMEs, are telling me but also public forums about a real drying up of defence contracts and funding, which they put down to the *DSR*, the ongoing shipbuilding review and the restructuring of the IIP, which obviously impacts on defence's ability to commit to programs and get government approvals. Will you give us an update on where the IIP is at at the moment, because that was something that was indicated would be rephased, reprogrammed or restructured? Where is that at the moment?

Mr Moriarty: We could put it in the context of the work that we're doing from the *DSR* and then get to the specific mechanics of the complete rebasing of the IIP, which flows from that work.

Senator FAWCETT: I think we're all broadly aware of the context, so a very brief explanation of it would be fine.

CHAIR: I need to rotate the call around.

Mr Hamilton: Briefly, the DSR, as I said this morning, provided very specific directions on some individual capabilities which the government has continued to develop, approve and announce. It also told us we needed to restructure all of our capability plans, including in the IIP, and broader plans across the defence enterprise to make sure that we were focused on the capabilities that we needed to implement the DSR. The government has asked us to bring forward a national defence strategy in 2024, which we'll articulate, and the restructure of the IIP is a critical part of that work.

Senator FAWCETT: Has there been a specific decision to delay the restructuring of the IIP?

Mr Hamilton: The government gave us a specific decision to restructure the IIP.

Senator FAWCETT: I understand that.

Senator BIRMINGHAM: When were you meant to have it done by?

Mr Hamilton: It has always been 2024, and the government announced that in its response to the DSR.

Senator FAWCETT: Within the time frame specified by government, has there been a decision to extend that beyond the original time frame that was expected?

Mr Hamilton: No.

Senator FAWCETT: Given the forwards and programs that were approved prior to the DSR having spending programmed into it, how much impact has the DSR, its delays and the 2023 budget—which, in real terms has seen a \$1.5 billion reduction in cash available to defence—had an impact on Defence's ability to sensibly and in a timely manner expend funds to build capability; hence, things like underspends?

Vice Adm. Johnston: If I can answer that question for you, we have continued to put decisions to government. They reflect both the accelerated six measures that were identified when the government announced the Defence Strategic Review. A number of those decisions have been made public and I can outline those for you. Concurrent with that, we are rebuilding the Integrated Investment Program to reflect the directions of the strategic review placed upon us. So the domain focus from maritime, land, air, space and cyber, we are reviewing the content of our future capability program to ensure they reflect the priorities within the domains. The DSR board have a very clear focus on time, so we are both making sure decisions continue and that our approach to the delivery of capability avoids that long-term project development and delivery to iteratively provide capability earlier.

Senator FAWCETT: I think the chair is winding up there.

CHAIR: I am.

Senator FAWCETT: I observe, at a time when everyone agrees from the DSR to the defence strategic update of 2020, that we face a compressed time frame with challenging circumstances. Not only do we have the 12 months with DSR but we now have another essentially 12 months of reprioritising our planning documents before we kick-off into some of the most significant capability decisions the country needs. That disturbs me deeply.

Senator McAllister: The government came to office understanding that the government that you supported previously was in receipt of advice about a changed strategic circumstance and that there should be a response to that. It was on that basis that the strategic review was commissioned. The advice we received was that an urgent reprioritisation of spending on capabilities and activities was required. You've heard evidence this morning about some of the early priorities that the government set out in its response to the strategic review and also the medium-term work that is necessary to reprioritise the IIP. In part, that's because the IIP was overprogrammed beyond what was sustainable or sensible under the government that you supported. We are taking a staged approach to the work that is necessary in defence. There are early activities underway but, yes, there's a longer-term piece of work necessary to set out the priorities in response to the strategic review. You've heard from officials that work is underway and was requested for 2024.

Senator FAWCETT: Thank you, Minister. You would be aware that we—

CHAIR: Senator Shoebridge, you have the call.

Senator SHOEBRIDGE: I might return to defence exports. Mr Jeffrey, I think you said there were 322 defence export permits in relation to Israel between 2017 and 31 March 2023. Is that right?

Mr Jeffrey: Sorry, the question was?

Senator SHOEBRIDGE: Were there 322 defence export permits in that period?

Mr Jeffrey: That figure of 322 was based on a question on notice, which I think you—

Senator SHOEBRIDGE: It was more based on the answer, and that was 322.

Mr Jeffrey: The answer is what we provided. That is correct.

Senator SHOEBRIDGE: And there were 23 this calendar year up to the 31 March 2023. Is that right?

Mr Jeffrey: Senator David Nockels will correct me if I'm wrong. This calendar year, 41 defence export permits were granted.

Mr Nockels: If I could just interject, when you asked that question, at the time it was 23. Subsequently, it is now 41. Obviously, when we responded—

Senator SHOEBRIDGE: I perfectly understand. So the figure, as we are here today is an additional 18, which brings us up to 41. Is that right?

Mr Nockels: Defence exports is correct. And apologies, it is quite complex. There are tangible exports—things across the border—and then there are intangibles that entities will still need a permit for. So when you include intangibles in the figure, it is actually 52.

Senator SHOEBRIDGE: Okay, so 52 defence export—

Mr Nockels: So far this year.

Senator SHOEBRIDGE: Of the numbers provided on notice to question 1901, were they tangible and intangible?

Mr Nockels: They were tangible and intangible going back to 2017, I think the date was.

Senator SHOEBRIDGE: So, consistent with the pattern of numbers you have provided in answer to questions on notice to date, there were 23 defence export permits granted to Israel up to 31 March. If we take it up to date, it is actually 52?

Mr Nockels: That is correct.

Senator SHOEBRIDGE: Have any been granted since 7 October?

Mr Nockels: I would have to take that on notice and I would have to check.

Senator SHOEBRIDGE: Are there any pending applications?

Mr Nockels: Again, I would have to take that on notice and check.

Senator SHOEBRIDGE: Whether it is Saudi Arabia, Yemen, West Papua or Gaza, what checking is being done on the ground that weapons supplied by Australia are being used in accordance with the laws of war?

Mr Jeffrey: Senator, again, apologies, but careful with the language. These are defence export permits for military and dual-use items, so not necessarily weapons. In terms of what checks we engage in, obviously we have different legislative criteria we need to check against to grant a permit. We need to be confident on each of these criteria if we are to grant this permit. Sometimes deliberation on granting a permanent can be intensive and take some time, to the frustration of industry. That is because these judgements are not always easy and they depend on gathering a lot of information. That information will include, for example, consultation with Attorney-General's Department, the Department of Foreign Affairs—

Senator SHOEBRIDGE: Only because time is short, I am asking about once the dual-use and/or weapon has been exported and is in the third country. I'm not asking about the permit; I'm asking about what checking is done once it is in their hands.

Mr Jeffrey: The export control regime, as legislated in Australia, does not apply extraterritorially.

Senator SHOEBRIDGE: So nothing?

Mr Jeffrey: We don't have a remit to seek to control the good once exported. That informs the risk appetite when we consider any defence export permit. It will be an important part of how we ultimately assess—

Senator SHOEBRIDGE: So, whether it's Saudi Arabia or—to list some other countries where these exports have been made—the Central African Republic, the Democratic Republic of the Congo, Israel or the Philippines, regardless of where the weapon and/or dual use equipment is provided, once it's offshore there's no checking, no review, as to whether or not it's used in accordance with the permit, let alone in accordance with the rules of law.

Mr Jeffrey: That's not quite correct. While the export control regime doesn't exist extraterritorially, if there is credible evidence that defence exports from any country have been used to commit human rights abuses, that will inform how we deliberate on decisions on future permits. As you would be aware, Senator, permits are not permanent; they exist at a point in time. If we conclude and if there is credible evidence that human rights abuses are being committed by an armed force of an end-user country, that will inform how we make the decision.

Senator SHOEBRIDGE: But there's no-one looking. It's no one's job to check. If there happens to be someone blowing the whistle in another country, you may do something about existing and future permits, but there is no systemic check at all as to how Australian weapons and dual-use exports are used. There's no-one in Defence checking.

Mr Jeffrey: No, that's not correct, as I said. We take into account evidence, and that evidence can come from anywhere—

Senator SHOEBRIDGE: No, that's at the time you issue the permit. I'm talking about after the permit is issued, when it's in the hands of the third party. You just made it clear in your answers it's not Defence's job. I'm not asking about the permit process. I'm asking about once it has been issued and the weapon is in the hands of the third party.

CHAIR: Senator, I think Mr Jeffrey is trying to answer your question. Could you allow the witness to answer your question. Mr Jeffrey.

Mr Jeffrey: Senator, I take issue with your characterisation of the process. Yes, the defence export control regime doesn't exist extraterritorially, but we are concerned with how destination countries might use military equipment or dual-use equipment. How countries or forces use this equipment does inform any future decision on permits. Just because it doesn't exist extraterritorially doesn't mean that our posted network does not also report on human rights abuses and report to Defence on defence industry matters. We watch it closely. As I said, that's one of the reasons why some of these decisions can take a very long time and require a lot of information.

Senator SHOEBRIDGE: There is no obligation on those third countries to report back about use under the system, and there's nobody within Defence whose job it is to track that use. That is true, isn't it?

Mr Jeffrey: If your question relates to once it's left our shores—

Senator SHOEBRIDGE: Which it does.

Mr Jeffrey: and the department being able to say with categorical assurance that that good has not been used in a certain way, the only you'd be able to achieve that is by ensuring that there are no exports to that country.

Senator SHOEBRIDGE: You say 'with categorical assurance'. It's a hear no evil, see no evil situation. Far from categorical assurance, there's not even a reporting obligation, and there's no-one going and tracking it at all. That's the system. There is no tracking.

Mr Moriarty: The judgements are made prior to the permit being issued.

Senator SHOEBRIDGE: Correct.

Mr Moriarty: That is when we take into account information from a whole range of sources: our diplomatic network, our partners and allies, our intelligence services and the information we have from previous history. You asked before about judgements about the potential use, all of those factors flow into a decision about whether to issue a permit or not. It is completely incorrect to say that those issues are irrelevant or a minor consideration in these issues, as Mr Jeffrey's just—

Senator SHOEBRIDGE: It is just the system doesn't look at it. It doesn't look at it. You issue the permit and then wash your hands of it. That is the process here.

Mr Moriarty: That is not correct.

Senator McAllister: I think we are going around in circles because the officials have provided you with advice about the process, which includes extensive consideration of a broad range of information from a broad range of sources prior to issuing the permit. They have also indicated that permits exist at a point in time and that future permits are conditional again on an examination of the evidence and the information before them. I do not think continuing to characterise their evidence incorrectly is going to allow us to make progress in understanding.

Senator SHOEBRIDGE: Secretary, I asked earlier what if any assurance can be given on the now 350 defence export permits that have been granted to Israel since 2021. What assurance is there that none of the weapons or dual-use materiel that has been exported under those permits is being used in Gaza at the moment by the Israeli military? A fair characterisation of the situation is no-one is looking, no-one is checking and there is no obligation on the Israeli defence force or the Israeli government to report back. That is a fair characterisation, isn't it?

Mr Moriarty: No, we have a body of information about the way in which the Israeli defence force has conducted itself and how it has in many cases used materiel that is acquired from us. There is a known history of some of that. We are also getting information from a range of sources about how materiel might be used, so I think it is not correct to say that we just wash our hands of it. We are in a constant situation where we seeking to

understand so that the decisions that we make can be informed by the best information we have at that time about the circumstances.

Senator SHOEBRIDGE: To be clear—

CHAIR: Thank you, Senator Shoebridge. I have to stop you there because I have to hand over the call.

Senator SHOEBRIDGE: I have one more question on this. When it comes to the 101 defence export permits that were granted to Indonesia in 2021 and 2022 and heaven knows how many since, did any of them relate to the Steyr rifles, examples of which have been found in West Papua and have been used brutally against the West Papuan people? Did any of them relate to that?

Mr Jeffrey: I will take that on notice.

Senator SHOEBRIDGE: Thank you.

CHAIR: Senator Van, you have the call.

Senator VAN: I have some questions about GWEO. Briefly, could you update the committee on the progress of GWEO?

Air Marshal Phillips: Certainly, under the Defence Strategic Review, the government identified that guided weapons and EO was what of its top six priorities. The government gave us two key directions. One was to appoint a single accountable authority to direct the strategy capability acquisition. I was appointed to that role on 8 May.

Senator VAN: Congratulations.

Air Marshal Phillips: Thank you.

Senator VAN: Can we talk about the progress? What has actually happened?

Air Marshal Phillips: I can certainly do that. Since that appointment on 8 May we've already accelerated a range of actions. We've gone back and had government approval for just over \$500 million in June to do some work to accelerate the provision of uplifted domestic manufacturing. Recently there were some announcements about a \$220 million investment in Mulwala and Benalla, Australia's government-owned—

Senator VAN: That's for 155-millimetre artillery, am I right?

Air Marshal Phillips: That's correct. We're looking, firstly, at doing things like uplifting our ability to produce energetics—resonant acoustic mixers and standard mixers, x-ray machines—and some other general money to uplift the infrastructure there. That will be an important bedrock, or enabler, for us to accelerate other initiatives.

You will also have heard the Deputy Prime Minister announce our ambitious target to manufacture missiles in 2025. Part of that money was also to ensure that we could get after that task. There was also the AUSMIN statement, which talked about coproduction of GMLRS in this country, as well as uplifting 155 production and the tech data necessary, and some MRO&U—maintenance, repair, overhaul and upgrades—around, say Mark 48 and SM series missiles. We've already started on that journey. We do have an obligation to return to government in the second quarter of 2024 with further options for domestic manufacturing and the uplift of war stock.

Senator VAN: From that, am I safe to assume that accelerating domestic capability and production is a high priority?

Air Marshal Phillips: Yes, that's one of the priorities. The three priorities were uplifting domestic manufacturing; a focus on long-range strike, particularly maritime strike; and uplifting war stock. That's one of the three key areas I'm focused on.

Senator VAN: In terms of long-range strike, what ranges are you talking about?

Air Marshal Phillips: I know there were questions earlier yesterday. You would have seen some investment in HIMARS and GMLRS, for instances. Those are at ranges of around 80 kilometres, certainly extending the tactical punch of our Army. But then also you would have heard announcements this year around procurement of Tomahawk, so we're more in the 1,500-kilometre range as well. There's quite a range of capabilities, and we continue to deliver the naval strike missile, which we look to start delivery of starting in 2024.

Senator VAN: But that's not domestic manufacture.

Air Marshal Phillips: We'll do some assembly. We're investigating four areas to look at the business cases and, where they make sense, to do further investment. You mentioned 155-millimetre shells. We have tenders out to Australian companies to look at the forging of those shells, and we are looking to develop plans to uplift the volume that we can produce. There are also M795 compatible shells, and already we're doing some fill and testing

with the US government to ensure we have the ability to produce certified, safe and interchangeable munitions that we could use with the US forces in general, particularly their deployed forces.

Senator VAN: Secretary, would you rate the domestic production of guided weapons, missiles, rockets, tube artillery et cetera as a high priority for Defence?

Mr Moriarty: It was one of the clear priorities the government gave us when it brought down the DSR, so it's a clear priority.

Senator VAN: Thank you.

CHAIR: Thanks, everyone.

Proceedings suspended from 13:04 to 14:05

CHAIR: Welcome back, everyone. I will now hand the call to Senator Birmingham.

Senator BIRMINGHAM: I want to follow on from Senator Fawcett's budget questions. In last estimates we went through the savings that Defence was having to source—\$7.8 billion of reprioritisations within the defence budget to meet AUKUS, in particular, but also other demands. At that time, there was a list of saves provided to the committee, and some further details on that list of saves provided on notice, but also a gap of \$1.8 billion identified. VCDF at the time said:

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.

Two questions: has there been any variation to the list of saves that was identified at the previous estimates and, secondly, has there been any progress on identifying the additional \$1.8 billion?

Vice Adm. Johnston: There has been no substantive change to the list of offsets. Why I say it that way is that there have been some very minor modifications of them but not to the nature of the projects, just the amount in some of the projects. We still intend to return, as part of the IIP element that will accompany the National Defence Strategy in 2024, with how we have accommodated that additional \$1.8 billion in saves.

Senator BIRMINGHAM: Have many decisions been made in terms of the additional \$1.8 billion?

Vice Adm. Johnston: No.

Senator BIRMINGHAM: No further decisions at this stage?

Vice Adm. Johnston: No.

Senator BIRMINGHAM: So Defence is still operating in the budget scenario, with programs running and commitments made, but needing to find another \$1.8 billion worth of savings to meet budget within those programs?

Vice Adm. Johnston: That's correct.

Senator BIRMINGHAM: What time frame can you commit to in terms of when there will be certainty given to the country, defence personnel and defence industry about where those \$1.8 billion of saves will come from and where they'll land?

Vice Adm. Johnston: That will be in the context of the advice that's presented to government ahead of the budget.

Senator BIRMINGHAM: So we're looking ahead at next year's budget, which will be the third budget of this government, to, by that stage, try to find out where these saves might land?

Senator McAllister: We have talked about this before, but the government has been very clear about its approach to budget. The previous government, as identified in the DSR, made very significant additional commitments to defence spending, without taking any of the necessary decisions to meet the financial obligations associated with those commitments. The problem was, of course, that it meant a number of things: firstly, that there were very significant commitments that were not funded at all and, secondly, that the IIP was significantly overprogrammed. We have consequently needed to rectify this, so we're working through a set of significant systemic issues in defence spending, after a decade of neglect. We've taken some of the necessary decisions, but it is not a set of problems that can be resolved overnight. Some of those things are in the public domain, but there is more work to do.

Senator BIRMINGHAM: The problem is you're doing the magic pudding of offsets, which is to say, 'We're going to offset \$7.8 billion,' but only identifying \$6 billion worth of offsets and leaving the rest hanging as an uncertainty. That's the problem there in terms of the way this is being approached—

Senator McAllister: There were \$42 billion of unfunded announcements under your government in a fairly short period of time and an IIP that was overprogrammed by 30 to 40 per cent. There is a significant amount of work to do—

Senator BIRMINGHAM: It's your government that chose to put a specific amount of offsets without identifying what they were.

CHAIR: Senator Birmingham, please allow the minister to conclude her answer.

Senator BIRMINGHAM: The minister does go on about—

Senator McAllister: to unwind the problems that were created by the approach that the government that you were a part of took to the defence budget.

Senator BIRMINGHAM: We're in an environment today with inflation figures out there that are worse than market expectations. What impact is that having on defence capacity?

Mr Moriarty: It erodes our purchasing power, as it does for all Australians, all departments and our entire private sector. Defence is not unique in terms of the impact of inflation on the amount of purchasing power that we have with the budget. I think the government's very aware of that, and that is why Mr Marles and other ministers have told us that we must ruthlessly prioritise—because of the very challenging budget circumstances.

Senator BIRMINGHAM: Inflation is eroding the purchasing power, as you directly put it—thank you, Secretary. In terms of the weakening Australia dollar, what impact is that having, particularly in areas like fuel purchasing but also potentially in other areas of procurement?

Mr Groves: We do get supplementation for forex adjustments on a no-win no-loss basis. As the foreign exchange moves, some areas that aren't as visible are the embedded costs down in the supply chains that are also driving up and that we don't necessarily identify as being impacted by foreign exchange because we're paying for something in Australian dollars. But somewhere down in that person's supply chain, they're getting hit with increased costs associated with fuel, steel or whatever it may be. Whilst at a global level we get foreign exchange adjustments, it's for those projects that we know and have estimates for on what they're foreign exchange mix is—we do lose out a little bit on those that are hidden away.

Senator BIRMINGHAM: I was aware the adjustment occurs, particularly for those major projects in procurement-type activities at scale. Is it also applicable in terms of fuel?

Mr Groves: No. I'd have to take that on notice, but most of our fuel would be identified in Australian dollars.

Senator BIRMINGHAM: So most of the fuel is purchased in Australian dollars. Again, as the secretary's referenced, everybody's feeling the purchasing pain of a higher inflationary environment, and higher oil prices that have been driven in part by global conflict. Those oil prices themselves are being compounded in the Australian context by a weaker Australian dollar, and those things are further eroding Defence's purchasing power.

Mr Groves: Yes.

Senator BIRMINGHAM: Is there any budget supplementation considered for this year against those additional inflationary pressures or dollar pressures being felt?

Senator McAllister: Senator, you know that any decisions in relation to the budget would be made in the ordinary way.

Senator BIRMINGHAM: So none at this stage.

Senator McAllister: Under this government, as with previous governments, there are periodically updates to the government's budget. Any update to the approach to the defence budget would be made in the ordinary way by the minister.

Senator BIRMINGHAM: Over the course of the forward estimates, what does defence spending, as a share of GDP, peak at?

Mr Groves: Based on the GDP numbers as at the last budget—the budget in May—over the forward estimates, we peak at 2.06 per cent in the 2024-25 financial year.

Senator BIRMINGHAM: That's not the last year of the forward estimates, so it's forecast to go down a little after that?

Mr Groves: Yes, it is 2.04 per cent in 2025-26—this is once again based on the May budget—and 2.05 per cent in 2026-27. That's covering both Defence and ASD funding.

Senator BIRMINGHAM: The *Intergenerational report* shows defence spending as reaching 2.3 per cent of GDP. Is there any decision of government taken in the budget that actually delivers upon that and sets the trajectory for how and when that will be achieved?

Mr Groves: Yes.

Senator McAllister: Senator, I'll allow officials to speak about it from a technical perspective and within the budget context, but the government has made it clear that, over the medium term, defence spending will increase beyond the forward estimates. There is a provision for an increase in defence spending over the planning decade.

Senator BIRMINGHAM: Beyond the forward estimates?

Senator McAllister: That's correct.

Senator BIRMINGHAM: Has that provision been detailed?

Mr Groves: Certainly there were discussions about moving the defence budget by the end of the decade—by 2032-33—to 2.3 per cent of GDP. That was related to an additional \$30.5 billion that has been notionally allocated to the defence budget over that period from 2027-28 to 2032-33. That was announced as part of that medium-term adjustment to uplift the defence funding over the decade.

Senator BIRMINGHAM: Is that profiled at all?

Mr Groves: I do have a profile for it, but it's currently sitting in the contingency reserve. As part of the national defence strategy and the reprioritised IIP, we need to go back and confirm those requirements.

Senator BIRMINGHAM: Will that be made transparent at the next budget after those decisions have, hopefully, been made?

Mr Groves: I believe so, yes.

Mr Moriarty: Of course, it'll be a matter for government as to how it presents in future budget papers, but we note the government's commitment to grow the defence budget over that period of time. Mr Marles and the Prime Minister have also made comments about the need to properly provision for future defence requirements.

Senator BIRMINGHAM: Changing tack, when was the surface combatant fleet review finalised by the review team?

Mr Hamilton: It was finalised and provided to the Deputy Prime Minister on 29 September.

Senator BIRMINGHAM: So 29 September is when it went to the DPM?

Mr Hamilton: Yes.

Senator BIRMINGHAM: Is that when the review team finalised their work?

Mr Hamilton: It would have been very close to that. In the nature of these reviews, they were working up till close to that time frame. That's when it was finalised and when it was submitted.

Senator BIRMINGHAM: Were the work and findings of the review team provided to the authors of the *Defence strategic review*?

Mr Hamilton: Yes.

Senator BIRMINGHAM: When was it provided to them?

Mr Hamilton: I'll take that on notice.

Senator BIRMINGHAM: Before it was given to the DPM?

Mr Hamilton: I'll take that on notice.

Senator BIRMINGHAM: Are you unsure?

Mr Hamilton: The leads were involved in the process, and their involvement was during the course of the review conducted by the IAT, the independent analysis team. They were engaged prior to finalisation.

Senator BIRMINGHAM: The *DSR* leads were involved in the process of the surface shipbuilding review?

Mr Hamilton: That is correct.

Mr Moriarty: They had visibility of some of the work and had the opportunity to engage with members of the review team.

Senator BIRMINGHAM: So it was an iterative process of engagement, by the sound of it.

Mr Hamilton: There was an ongoing process of engagement, yes.

Senator BIRMINGHAM: An ongoing process of engagement between Sir Angus and High Commissioner Smith through that period?

Mr Hamilton: They were engaged, yes.

Senator BIRMINGHAM: Have they provided any comments or findings of their own that are separate to the work of the review team for the surface combatant fleet review?

Mr Hamilton: As you're aware, they are both members of the oversight arrangements for the implementation of the *Defence strategic review*, and the surface fleet review is an outcome of the *DSR*, so they are involved in that, which is a separate process to the surface fleet review itself. Their involvement in that involves being kept informed of overall progress on the *DSR*, including the surface fleet review. So they have been engaged outside of the surface fleet review itself as a discrete activity.

Senator BIRMINGHAM: Has any advice from the two of them been provided to the DPM at the same time as or in parallel with the service fleet review?

Mr Hamilton: I'll take that on notice.

Senator BIRMINGHAM: Is that because you don't know, Mr Hamilton, or because you want to check whether you can tell us?

Mr Hamilton: As I said, they were engaged during the course of the surface fleet review. I need to confirm whether there was any other advice from them to the Deputy Prime Minister. But, as I have said, they certainly have been involved both in the surface fleet review and in their role as members of the *Defence strategic review* oversight arrangements. So, through both of those mechanisms, they have had the opportunity to engage in the surface fleet review.

Senator BIRMINGHAM: Are the findings of the *DSR* authors and the surface fleet review authors consistent in relation to the surface fleet?

Mr Hamilton: I'm not going to speculate on the content of the review.

Senator BIRMINGHAM: I'm not asking about what's in it. I'm just asking whether they have come to the same conclusion or different conclusions.

Senator McAllister: I think that has the same practical effect.

Senator BIRMINGHAM: No, it doesn't, because I don't know what any of those conclusions are.

Senator McAllister: Yes, and I think the official's provided an answer, which is that he's not prepared to speculate or provide information about the surface fleet review prior to the government's working through it.

Senator BIRMINGHAM: The DPM received it on 29 September. What's the delay in the government now acting? Why is this going to sit, as I understand it, for many months until we get decisions from the government as to what they're doing with this latest review, which was a surprise review undertaken following the *Defence strategic review*?

Senator McAllister: Well, I reject your characterisation of delay. This review was received just a few weeks ago, and of course the government will work methodically through the recommendations. Getting the optimal configuration of our surface fleet is, I think you would agree, a high priority for national security. As we canvassed at the last estimates, it is simply a fact that the present arrangements don't yet reflect the decision to acquire a nuclear submarine capability, and it was important the government take advice about the implications of that significant change for the balance of the fleet. We've done that, and we'll take our time to work through the recommendations that have been put before us.

Senator BIRMINGHAM: I've heard all of that before, and indeed we did, at the last estimates, convey extensively the surprise and, indeed, concern expressed by many about the fact that, while it was expected that the *Defence strategic review* would be the big review to complete the process of reviews and that the government would get on with decisions, it instead resulted in a series of further reviews, this one being one of the most notable, if not the most notable. The government has now got this review. When is it going to respond to it?

Senator McAllister: I think we've made it clear that we will take the time to work through the recommendations and provide a response.

Senator BIRMINGHAM: When?

Senator McAllister: I will seek advice about any information I can provide about the exact timing, but of course we'll give the recommendations due consideration and provide a response.

Senator BIRMINGHAM: That's really not a satisfactory answer, Minister. What I'm trying to ascertain is: when can people expect to actually see and hear a response from the government? There are an awful lot of people, from those working in defence industry, who I've heard your colleagues defend and argue to be respected and given certainty for a long time; those businesses that rely on defence industry; and of course to those

concerned about our national security, who want to know when the government is going to make some decisions here.

Senator McAllister: I think the DPM has indicated publicly that the anticipation is that there would be a formal response to this in the early part of next year.

Senator BIRMINGHAM: This was billed as a short and sharp review. When the DSR was concluded and the surface shipbuilding review was commenced, it was going to be short and sharp and was going to be handed back, indeed, around the time, the DPM said, of Geelong winning the premiership. That didn't quite play out as he planned, nor has the short and sharp aspect played out. The review team seems to have done its job, but it's hardly short and sharp if the government is now going to effectively double the length of time of the review and add another five months to any decision-making.

Senator McAllister: Is it seriously your suggestion that key decisions about the surface fleet, with implications for decades to come, should be rushed just weeks after receiving the report? Is that the proposition you're putting to the committee? These are consequential questions related to our capability. They are also consequential, as you've pointed out, for budget and for industry. We will take our time to work through it and get it right.

Senator BIRMINGHAM: We all want to see the right decisions made, Minister, but this is now a process that has dragged on for a terribly long period of time. We're going to be rolling up to the government's third budget by the time there's any certainty provided around these issues. This was all meant to be quick to respond to the enormous strategic challenges of our time. The defence minister is always happy to highlight that we face the most challenging strategic environment since the Second World War but slow, it seems, to make the decisions in response to it rather than simply have review piled upon review.

Senator McAllister: Frankly, I would reject that characterisation. We are working methodically through the legacy that was created by your government. On every metric of good government the coalition failed on defence: across budget, across people, across capability and across strategy. The approach taken by this government was to commission the strategic review and to make a series of decisions about expenditure associated with that. We also indicated that there would be another body of work to do to realign the arrangements within the ADF and within the APS to meet the requirements of our strategic circumstances. We are getting on with that. Officials have spoken to you earlier in the hearing about the preparation of a revised IIP and the strategy which is due next year. This work is ongoing. You can't turn around the consequences of a decade of chaos overnight. We are working through it in a methodical way.

Senator BIRMINGHAM: Minister, you were elected with some promises about moving with speed. Every expectation was given that the *Defence strategic review* would be completed before the budget this year and decisions would be made before the budget this year.

Senator McAllister: And all of those things took place. That timetable—

Senator BIRMINGHAM: Instead, the decisions were another series of reviews and we now wait until the budget next year. That's the reality of the circumstance.

Senator McAllister: Senator Birmingham, you are wilfully ignoring the set of decisions that has been taken in relation to capability that has been the subject of discussion over the course of this morning. We've had officials run you through all of the projects that are on foot at the moment and we've answered questions about them already. I just don't think that characterisation is accurate.

Senator BIRMINGHAM: What commitment can you give, Minister, to shipbuilding workers in South Australia about the future of the Hunter Class Frigate Program?

Senator McAllister: Senator Birmingham, the government has committed to continuous naval shipbuilding as part of its response to the Defence Strategic Review. The companies and the workers in our shipyards should have confidence that we will be building ships for decades to come.

Senator BIRMINGHAM: Will the Hunter Class Frigate Program continue?

Senator McAllister: We've just gone through the timetable for the government's response to the review of the surface fleet. I don't have anything to add to that, and I'm not going to speculate about the contents of that review or about the government's response to it.

Senator BIRMINGHAM: Was anybody from defence, the department or ADF, at the Australian British Chamber of Commerce Defence Catalyst event?

Senator McAllister: We might have to take that on notice. I'm not sure if there's an—

Mr Moriarty: We'll take it on notice.

CHAIR: Senator Shoebridge, you have the call.

Senator SHOEBRIDGE: I have some questions in relation to Army Aviation. Who's best for that?

Mr Deeble: Senator Birmingham, I attended the catalyst event in the UK.

Senator BIRMINGHAM: Can I just pursue a couple of questions on that?

Senator SHOEBRIDGE: That might be the catalyst for further questions later. Army Aviation had been in receipt of a series of reports identifying systemic problems with the helmet-mounted sight display, the TopOwl image intensifier and the forward-looking infrared system for the Taipan helicopters—a series of concerns raised in reports from 2020 onwards. That's right, isn't it, Major General Jobson?

Major Gen. Jobson: Thank you for your question. In relation to the release into service of equipment operated by our aircrews, that is an extensive process with a range of organisations across our enterprise to bring that to fruition.

Senator SHOEBRIDGE: If you could answer my question, General Jobson.

Major Gen. Jobson: There are many reports and there are many processes in place in the Army Aviation enterprise consisting of a range of organisations to bring into service equipment to be operated in our aircraft.

Senator SHOEBRIDGE: Of course there are a range of reports, but when you get a report, a formal report, from the Army Aviation Test and Evaluation Section that says the helmet-mounted sight display for the Taipan helicopter was a substantial risk of multiple deaths due to controlled flight into terrain and that the display of ambiguous aircraft attitude in the helmet-mounted sight display was an unacceptable risk to flight safety, I would have thought that would stick in your mind. And that's a report you received.

Lt Gen. Stuart: Senator Shoebridge, to answer your first question: yes, we're specifically aware of that particular matter. It was taken seriously and acted upon through an operational evaluation, which was then assured by the Defence Flight Safety Bureau and Comcare. We take very seriously any indications of matters that impact on the safety of our operations, with a particular view to the safety of our people. Through things like air worthiness boards, there is the opportunity—and, indeed, we seek—for any concerns to be raised in those areas. That test and evaluation concern was taken seriously—as I said—was acknowledged, subject to an operational evaluation, and was acted upon. Advice from that part of the system is but one part of a full range of measures that, as part of the Defence aviation safety framework, are taken into consideration to ensure the air worthiness and, ultimately, the safety of our flying operations.

Senator SHOEBRIDGE: The Army Aviation Test and Evaluation Section are the experts and the specialists tasked with doing these evaluations, aren't they?

Lt Gen. Stuart: They are part of the system, and you're correct, in terms of them bringing a level of expertise.

Senator SHOEBRIDGE: They found that the heads-up display, which I'll use instead of HMSD, did not meet airworthiness standards. Indeed, they found that the symbology tested was observed to be incongruous with the primary flight display, creating mixed messages to and confusions for pilots, in direct breach of Federal Aviation Administration requirements. They found that, didn't they?

Lt Gen. Stuart: I'd have to take that on notice, in terms of exactly what you've read there, but the characterisation was correct. There was an issue with the symbology. That led to an upgrade from its original configuration. The brief history of that, of course, is that that test and evaluation advice was accepted. It led to a further evaluation for both Army and Navy aviation. It was tested against those standards and has led to an improvement and development of that HMSD.

Senator FAWCETT: Senator Shoebridge, can I ask a clarifying question? General, is your evidence—

CHAIR: Hang on a second.

Senator SHOEBRIDGE: Let's come back to it, because I've got a series of questions.

CHAIR: Just hang on a second, Senator Shoebridge.

Senator SHOEBRIDGE: I might just continue my questioning for the moment.

CHAIR: I will come back to that clarifying point.

Senator SHOEBRIDGE: The review that was undertaken by Army—the report, I think, is reference document BQ3328720—failed to address the identified risk of controlled flight into terrain. Indeed, it failed to even have a risk management plan as a basis for the crafting of that report. That's true, isn't it? The report that was commissioned, rather than addressing the concerns in the initial report, was seeking a way around.

Lt Gen. Stuart: I don't think that's an accurate characterisation.

Senator SHOEBRIDGE: Obviously, the risk of collision with terrain with a heads-up display is greatest when aircraft are flying low, with poor illumination, without a visual horizon. That's when the risk is greatest. They were the circumstances in which the initial test found this was most dangerous, wasn't it?

Lt Gen. Stuart: I would have to take that on notice to make sure that the response I'm providing for you takes into consideration all the matters that you've just—

Senator SHOEBRIDGE: Flying low, without a visual horizon, with poor illumination—that's when the risks identified in that first report are greatest, if you're relying on the heads-up display.

Lt Gen. Stuart: That's right, because the heads-up, or the HMSD, the image intensification and those sorts of tools are designed to ensure that pilots and aircrew can safely work in those sorts of conditions.

Senator SHOEBRIDGE: But, General, you see the problem with that is that the review that was undertaken recognised all those dangers with the system and expressly excluded in the review operating below 500 feet, without a visual horizon, with less than two MLX illumination and whilst using the forward-looking infrared. Because of the risks identified in that first report, those who conducted the test were not willing to put their lives at risk by operating in those circumstances where the heads-up display was critical. That's what happened, isn't it, because of the identified risk?

Lt Gen. Stuart: I don't think that's a correct characterisation.

Senator SHOEBRIDGE: It wasn't just the heads-up display, was it? There were significant safety issues raised with the forward-looking infrared system, and it was found to raise such concerns that its operation by the pilot may result in 'a catastrophic outcome' and the error was defined as 'probable' and the resultant residual risk as 'very high' for the FLIR system. You were in receipt of that report as recently as July of 2020, weren't you?

Lt Gen. Stuart: You're correct in that there were three issues that were raised. First, as we've discussed, is the HMSD. The second was the image intensifier with the night vision.

Senator SHOEBRIDGE: The third was TopOwl, and we'll get to that.

Lt Gen. Stuart: The third was the forward-looking infrared. So, to reiterate my earlier point, each of those concerns and the articulation of risk and consequence were then properly considered in the context of the Defence aviation safety framework, and changes were made. Those changes were to the satisfaction of the regulator, and we're talking about things that occurred between, I think, 2018 and 2020.

CHAIR: Senator Fawcett, did you have a point you wanted to raise earlier?

Senator FAWCETT: General Stuart, I wanted to confirm the evidence, which I think you just repeated then, that configuration 5.1 of the TopOwl HMSD—which is the subject of the eights report, which Senator Shoebridge has referred to—was found deficient, particularly in off-axis use. Your evidence was that it was subsequently upgraded, if I heard you correctly. Is your evidence that there has been a subsequent software load to 5.1?

Lt Gen. Stuart: I'll have to take that on notice and make sure we provide you with accurate information concerning the software upgrades.

Senator FAWCETT: Was that the evidence that you provided though, in responding to Senator Shoebridge?

Lt Gen. Stuart: My response to Senator Shoebridge was that, from the time that the issues were identified for the HMSD to now, it's not the same system. It has been improved.

Senator FAWCETT: Over the years there have been a number of issues identified, but specifically the eights report was looking at the upgrade to 5.1, the software load. Has there been a modification since 5.1?

Lt Gen. Stuart: I'll get General King to help you.

Major Gen. King: The current version of the HMSD software is 5.10.

Senator FAWCETT: Thank you.

Senator SHOEBRIDGE: Just to be clear for the record, that was the version in which that report was issued.

Senator BIRMINGHAM: The funding to assist US and UK industrial uplift for the delivery of AUKUS—what is the total investment there?

Mr Moriarty: Senator Birmingham, we'll seek to assist you there, but for some of these questions more detail would be able to be presented by the submarine agency. But we can talk to the broad financials. I will just get the CFO.

Senator McAllister: While the CFO is coming, we are conscious, Senator, that the appearance of a new agency is a change for the committee, and so we've been trying to create as much clarity as we can about which

officers can answer which questions. It may be that, if it's of assistance to the committee, the secretary could run through again just the core areas that we outlined at the beginning of the day.

Senator BIRMINGHAM: I think we captured those. I think this potentially falls into the grey zone.

Senator McAllister: Officials will answer questions as they can.

Senator BIRMINGHAM: Let's go as far as we can reasonably go and see how this afternoon plays out as well as to whether in the future it's beneficial to have both appear.

Mr Moriarty: Perhaps, Senator Birmingham, I could start. When the Prime Minister and Mr Marles made the announcement about the commitment to SSN-AUKUS and the optimal pathway, the Prime Minister, I think, and Mr Marles certainly, said that part of this broad ecosystem would require some support from Australia for uplifting the industrial base in both the US and the UK because of the additional work that they would be required to do to support our program. The details of those negotiations about uplift and about long lead item costs are appropriately being dealt with by the Submarine Agency. But I can confirm that, in the broad, in the allocation of defence funding we are conscious that there will be a call on the defence budget and the ASA budget to provide some uplift capability. Mr Groves?

Mr Groves: Senator, I can confirm there has been some provision, as part of the unapproved funding, for the Submarine Agency. It would be a question best addressed to them. I would also note, though, that I am aware that those negotiations are still underway with both jurisdictions, and ASA would be able to provide a better update on where things are up to in regard to that, because I don't want to be in a position of compromising where any of those discussions are situated.

Senator BIRMINGHAM: Is the quantum of money itself a matter of negotiation?

Mr Moriarty: Yes.

Mr Groves: I think it would be. Yes, it would be.

Senator BIRMINGHAM: The Prime Minister's made statements, even just in recent days, pretty much saying it's a fixed amount—certainly saying it's a capped amount.

Mr Moriarty: In relation to the US contribution, yes, that is correct, but that doesn't go to long lead items. Again, it's not the same as an industrial uplift; I accept that. But, in terms of what payments Australia might need to make and when, the Prime Minister's been very clear about a decision that was taken by the government to contribute to US industrial uplift. There's been a lot of discussion in the US Congress about the amount they will be required to contribute to the uplift on their submarine capabilities. Those negotiations are in a much more advanced place. I think, in terms of the UK, we are at an earlier point in the discussions with the UK about the way in which the costs might be looked at and what elements of those might be shared.

Senator BIRMINGHAM: Can we be clear, firstly, on how much is budgeted for total investment across the US and UK, without going into how it might be broken down; that might be a matter for the negotiations or for the ASA. How much is budgeted?

Mr Groves: I think that would be a question best addressed to ASA, the Australian Submarine Agency.

Senator BIRMINGHAM: I know who you're talking about there, Mr Groves, but, when we started this, that was pretty much the starting question. I'm not quite sure if ASA are going to be in a position to be able to answer this question.

Mr Moriarty: They'll be watching this hearing, Senator.

Senator BIRMINGHAM: Right. I don't want them to bounce it back or to have any of those types of unfortunate things that sometimes we get. The beauty of Defence, having appeared as it has historically, is that we do get the best chance of getting responses.

Senator McAllister: Senator Birmingham, I understand that ASA will be able to answer questions in relation to this.

Senator BIRMINGHAM: If that's the case, we shall try our best with ASA. More broadly on AUKUS, did Australia seek a general exemption from US defence technology export restraints?

Mr Jeffrey: There are a number of legislative pieces for proposals in the US Congress at the present time and those legislative proposals aim at an export-licence-free environment for AUKUS countries. Your question was had we sought this outcome? This outcome, indeed, has been the objective of defence policy for, I would say, over two decades. As you know, given your previous portfolio, defence industry is typically carved out from national FTAs, and for good reasons—because the trade in controlled goods needs to be regulated. What this will

do, if the legislation is passed through US Congress, is offer Australia and the United Kingdom export-licence-free access to the US defence industry.

The objective here is to create an AUKUS ecosystem in which the three countries can co-innovate, co-develop and pull through to capability. The three countries, as you know, are of the view that an intensifying strategic environment requires us, as allies, to work more closely together. Trying to do it alone is not going to effectively contribute to deterrence, but combining our strengths and our capabilities more effectively will allow us to be more competitive at being able to retain and build capability edge and to leverage the respective strengths of our three systems. This reform, should it be passed through the US system and through parallel legislation through the Australian and UK systems, will set up that trilateral ecosystem.

Senator BIRMINGHAM: I certainly concur in relation to the strategic benefits and the desire to seek to achieve this reform. From what Defence understands, is it still a live prospect, in terms of the creation of an export-licence-free environment for the AUKUS partners, that this will actually pass through the US Congress?

Mr Jeffrey: That is a question for the US Congress to answer, but my view is, having spoken to US counterparts in the State Department, the Pentagon and congressional colleagues, there is broad agreement and broad bipartisan agreement behind these legislative proposals. There is a separate challenge, which you've mentioned, around other elements of the AUKUS legislation, but this one is tracking pretty well. We're hoping that it will be introduced into the omnibus bill—the National Defense Authorization Act—which will be passed by the end of the year.

Mr Moriarty: As Mr Jeffrey said, the US administration—with the Pentagon and the State Department—is still ambitious for a very broad ranging exemption, which we are obviously seeking. Our embassy in Washington has been very involved. The Prime Minister will be involved in supporting this work over the next couple of days in the United States. The administration that we are dealing with most directly are optimistic, and they are keen to get as broad an exemption as they can. US defence industry, I think, is supportive of this. Australian defence industry is supportive of this. Of course there is the complication of US politics. We can't prejudge another country's internal processes, but there have been a number of members of congress that have mentioned to us—and I'm sure they would have been in touch with members of this committee through their various roles and responsibilities—that they're very supportive of the broad AUKUS agenda and very supportive of broadening that data-sharing environment to allow us to go after this innovation agenda.

Senator BIRMINGHAM: As acknowledged by Mr Jeffrey, there are different legislative proposals, some of which are much narrower than others, in terms of potentially getting down to case-by-case-type exemptions. It remains the desire of Australia—and from your discussions with the administration in the US, their ambition—to see a much broader environment that does create, so far as possible, an export-licence-free environment for Australia and the US and ideally the AUKUS partnership altogether. That's still the ambition and the plan, but it's a shared ambition.

Mr Jeffrey: That's correct. As the secretary said, it's the shared ambition of the three countries. We want to go as broad as possible to ensure that it encompasses all projects that we are working together trilaterally on. It would work in a bilateral context as well. It wouldn't need to be an AUKUS project necessarily, and this is where some of the great advantages of that agreement would lie.

Senator BIRMINGHAM: What concerns have been raised at all about realising this? Has the administration raised any concerns that may be being expressed in congress that Australia should be mindful of?

Mr Jeffrey: The administration has talked about 'a secret garden with a high wall'. The defence industry in this context is the secret garden. As you know, the United States has built the most technologically advanced defence industry, and licence-free access to it is a huge advantage for our industry. But in order to gain access to that arrangement, we have to also ensure—and the US has made it a discussion with us in relation to this legislation—that our protected security regimes are aligned and mutually reinforcing. The government will likely be introducing legislation to parliament this year in which the government will be making amendments, reforms to our own protective security regime to ensure that we are in alignment with the US and UK systems. We expect there will be a similar process in the UK as well. What this will be aiming to do is ensure that we can not only take advantage of an export-licence-free environment between the three countries but maximise our ability to protect the technology within that garden.

CHAIR: Last minute, Senator Birmingham.

Senator BIRMINGHAM: Are those reforms being drafted? Have they been drafted, and what consultation with Australian defence industry is being undertaken in relation to those reforms?

Mr Jeffrey: Those reforms are being drafted. They are being drafted in very close consultation with affected sectors. David Nockels to my right has been conducting a range of those consultations directly, as have I, so if you're interested we can take you through some of that consultation.

Senator BIRMINGHAM: I suspect, on time, I might need to get some of the consultation on notice. Can I just ask: when does the legislation need to be passed if it's aiming to be introduced this year, and, in terms of consultations, are there any implications for defence companies operating in Australia who are not from AUKUS-partner nations?

Mr Jeffrey: I'm sorry, can you ask that question again. I think I missed your concerns about—

Senator BIRMINGHAM: The first one was when does the legislation need to be passed to meet any commitments with the US? The second was implications for defence companies that are operating in Australia but are from non-AUKUS nations.

Mr Jeffrey: There is no deadline for the legislation. Rather the US legislation is drafted in such a way that legislation on our part would be necessary to trigger the exemption. Our access to those exemptions would be dependent on when we pass the legislation. The Deputy Prime Minister is very keen for this reform, and he is keen to move as quickly as possible. He has set a very ambitious pace with us, and we've been under the pump getting this legislation drafted with colleagues across the system. He is hopeful that it can be introduced to parliament as early as this year, but it is a very busy parliamentary and legislative agenda.

On the question of Australian firms that are not involved in AUKUS-specific work—I think that's your question—our intent for this legislation is that it's a national exemption, not a functional exemption.

CHAIR: Alright.

Senator BIRMINGHAM: Just one quick clarification.

CHAIR: Okay—very quick.

Senator BIRMINGHAM: Does the reciprocity of triggering the legislation in a sense flow in both directions, or is enhancing our protective security arrangements a no-regrets reform regardless of whether the US delivers on achieving a licence-free export environment?

Mr Jeffrey: It's not designed as reciprocal. It would probably be in our interests to proceed with this legislation even in the absence of reciprocal US legislation because it reduces the impost on our defence industry. As you know, capacity constraints within the defence industry globally are so acute that the big constraint for our defence industry sector is essentially US regulations that require additional licensing arrangements—American legislation that limits opportunities for Australian industry. The reforms that we will undertake and also that we hope the US will undertake will reduce those barriers such that the Australian defence industry and exporters are able to contribute and export in much greater numbers.

Senator BIRMINGHAM: And this is new, as yet un-introduced legislation, isn't it?

Mr Moriarty: That is correct.

CHAIR: Thank you. Senator Malcolm Roberts, you have the call.

Senator ROBERTS: Thank you, Chair, and thank you for being here again today. My first question goes to the minister about a petition that was received—petition EN5170—on 13 July in the House. Can you please advise why the government has not responded to the House petition EN5170?

Senator McAllister: I am afraid I'll have to take that on notice. I'm not aware of that petition, and, as you'd know, I'm not ordinarily sworn to this portfolio, so I'll see what I can find.

Senator ROBERTS: I understand. My second set of questions goes to the MRH-90 Taipan helicopter. General, the defence minister has decided to replace the Taipan helicopter platform with Black Hawks after the Whitsundays crash. I want to express my condolences for the loss of those service members, especially to their families and their unit. Defence has known about these issues with the Taipan helicopter for more than a decade. The question many people are asking, and the question I'm asking, is whether this helicopter should have been pulled from service before the Whitsundays crash and four people are dead because Defence or politicians or both kept pushing it.

Gen. Campbell: Firstly, thank you for your expression of condolence and consideration of the families, the friends and the people we've lost. I very much appreciate it. As I noted in my opening remarks, in responding to your query, we have to be scrupulously careful not to, in any way, impinge on the independence and the objectivity of the four investigations that are underway: the investigations by the Queensland coroner, by

Comcare, by the Inspector-General of the Australian Defence Force and, most particularly, by the Defence Flight Safety Bureau. With that I'll pass to the Chief of Army.

Lt Gen. Stuart: I think I can help in regard to your question about the withdrawal of the MRH-90. As you'd recall from our last conversation last estimates, it was always our intention to withdraw the MRH. It was due for withdrawal from the 5th Aviation Regiment on 5 August this year. The tragic accident in the Whitsundays occurred on the evening of 28 July, immediately after which there was a cessation of flying for the aircraft. As the CDF has outlined, there's an active air safety investigation underway as we speak. The advice from the Defence Flight Safety Bureau is that that investigation is likely to take approximately 12 months, which takes us into the latter half of 2024.

We would have had to have signed an additional sustainment contract this year to continue the option to fly the aircraft, which we were going to withdraw from the 6th Aviation Regiment in quarter 4 of 2024. So the calculus, on a value-for-money basis, in the first instance, was that it was not worth spending the money when, in our assessment, there was no probability or a low probability that we would return to flying. And, if we were able to return to flying, it would be for a fraction of 2024. The other key consideration was with regard to whether we'd be able to further accelerate the introduction of the replacement, the UH-60 Black Hawk. Those two factors were the key factors in consideration for the decision to withdraw the MRH-90 this year, in late 2023, rather than in late 2024.

With regard to the other elements or questions that you framed, I'll refer to the CDF's comments about ensuring that we respect the process of the active air safety investigation. It's very important that we don't contribute to any sort of speculation so that that air safety investigation and, indeed, the other three inquiries and investigations can continue to do their work.

Senator ROBERTS: Thank you. Before I continue with my questions, I must say that, though I've been very critical of this helicopter, nonetheless, I want to compliment Major General Jobson and Major General King for the generous time they've spent—twice, now—providing me with information on this. Their hands are tied for similar reasons to what you've just given. That's not something they had to do, but they did it, and it's appreciated. They did it very well. But it still goes back to the core issue for me: do politicians and Defence senior personnel have blood on their hands for ignoring the issues that have been rife throughout the Taipan's operational history in Australia? On notice, could you please provide me with a list including the dates and titles of every report or briefing provided to Defence or created internally raising issues with the Taipan platform.

Lt Gen. Stuart: We'll take that on notice.

Senator ROBERTS: Thank you. In relation to the Whitsundays crash, were there any delays to vessels that were capable of participating in the search and rescue operation being tasked to do so?

Lt Gen. Stuart: Sorry—I want to understand exactly what information you were seeking there.

Senator ROBERTS: I want to know if there were any delays to vessels in the area of the Whitsundays crash that would have been capable of participating in the search and rescue operation. Were there any delays in their ability to do so?

Gen. Campbell: That line of questioning will cut across the Queensland coronial inquiry. So I don't think we're in a position to respond to it.

Senator ROBERTS: I can see how it may be part of the coronial inquiry, but I can't see how it would impact the result of the coronial inquiry, because it's just fact.

Gen. Campbell: It may be or not, but this is too precarious a place for any of us to be in. So, while these inquiries are underway, we will say as little as possible—preferably nothing at all.

Senator ROBERTS: It's understood that one of the exercises at Talisman Sabre involved a photoshoot with partner vessels. Is that accurate, and when was this held?

Lt Gen. Stuart: Sorry, I'm not following. What vessel you are referring to?

Senator ROBERTS: We understand that one of the exercises at Talisman Sabre involved a photoshoot with partner vessels. I don't know whether that's American or Australian. Is that accurate, and when was this held?

Gen. Campbell: We'll take it on notice and reply.

Senator ROBERTS: Thank you. The next question—that was the coroner's inquiry—is: on notice, could you please provide a schedule of all Defence vessels that were in the Talisman Sabre area of operations on 28 July and exactly when each one was tasked to assist with the search and rescue operation?

Gen. Campbell: We'll take that on notice.

Senator ROBERTS: Thank you. The next line of questioning goes to the topic of Heston Russell. How much, roughly, does the defence department spend each year on legal costs?

Mr D'Amico: I don't have the exact figures in front of me, but I think our expenditure last year was around the \$150 million mark in total.

Senator ROBERTS: Thank you. Can you give me an accurate one on notice, please.

Mr D'Amico: Yes, I'll take that on notice.

Senator ROBERTS: Did the defence department provide financial or legal assistance to former special forces commander Heston Russell in his defamation case against the ABC recently?

Mr D'Amico: I don't believe so.

Senator ROBERTS: Why not?

Mr D'Amico: That was a private civil matter. He commenced those defamation proceedings. The way that we provide legal support to former ADF members would be through what I'd describe as a LACE payment made under the Legal Service Directions, and that just doesn't allow for that sort of circumstance.

Senator ROBERTS: Wouldn't it have been in the best interests of the defence department to ensure Mr Russell won his defamation case so he could clear his name and the reputation of the November platoon and the Australian Defence Force in general?

Mr D'Amico: I'm not sure if that's a comment or a question.

Senator ROBERTS: Would it not be in the best interests? It's a question?

Mr D'Amico: That's a difficult—

Mr Moriarty: It's in the best interests of the department for the law to be upheld. There's been a legal process.

Senator ROBERTS: I see that. He won, but that's not your judgement to start. I get that. Nonetheless, to be seen to leave one of your senior people out in the cold doesn't augur well for people in the armed forces still. Mr Russell spent 16 years in the Australian Defence Force and led November platoon in Afghanistan. He was the subject of a vicious smear campaign by the ABC, who wrongly accused him of war crimes, and the judge was pretty scathing in his comments about the ABC. The Federal Court has now ordered the ABC to pay Mr Russell more than \$400,000, plus costs. Why did a veteran have to fight this public battle alone, at his own expense?

Senator McAllister: May I make a number of essentially procedural points? There are three things. The first is that officials have given you advice that they complied with the policy settings that are relevant for this legal assistance that may be provided to personnel. I think the second is that, in asking them to make comment about the appropriateness of those steps, you're effectively asking them to offer an opinion about the current policy settings. The third thing is just to remind you that Defence was not a party to these proceedings and it's not really appropriate to ask them, as I think you've done just now, to comment on a civil matter.

Senator ROBERTS: Minister, what do you say in response?

CHAIR: Last question.

Senator ROBERTS: I have one more after this. What's your opinion?

Senator McAllister: I think the officials have given you advice that they have sought to comply with the standard arrangements that are in place for providing legal support to personnel. I don't have any more to add in relation to that.

Senator ROBERTS: Has the Department of Defence been in contact with Heston Russell during his three-year ordeal? Did the Department of Defence attend his trial in the Federal Court? Has Defence reached out to Russell after his victory over the ABC?

Rear Adm. Wolski: I'm not aware of any official contact with Mr Russell. This was a civil defamation case brought about by a private person and it's not appropriate to comment any further on it.

Mr D'Amico: Senator, I can update you on a number. Earlier, I gave an approximate figure of \$150 million—in fact, it's \$155,570,000.

Senator ROBERTS: You've got a good memory, or you're accurate.

Mr D'Amico: It was close.

Senator LAMBIE: I'd like to talk about retention. I'd also like to know about the deal that was done with the \$50,000, how that was done and how you came to that to retain people. Who was in charge of that?

Rear Adm. Wolski: I believe your first question is going to be directed towards Deputy Secretary Defence People, Justine Grieg.

Senator LAMBIE: I believe there's going to be \$50,000 given to ADF personnel who have completed their return of service, or ROSO. That's at the four-year mark, correct?

Ms Grieg: In our approach for the continuation bonus, a key element is to have conversations with our ADF members at that point. Prior to them finishing their first usual initial period of service, we'll have a career conversation. As part of that career conversation, we'll ask whether they would like to receive the continuation bonus, which would commence 1 January 2024. This is all part of trying to bring a retention focus and ensure that we're supporting people to stay in the ADF beyond that initial period of service. The secretary, in his opening remarks, talked about the fact that we really want to ensure that the middle period of service. We know we've got some retention concerns, so it's to support our people and attend to some of those challenges mid-career.

Senator LAMBIE: That's at the four-year mark. Your junior NCOs and junior officers, generally speaking, are usually the custodians of culture for the ADF—wouldn't you want them to stick around? That would be those at the five-year mark or the six-year mark through to the 10-year mark—what are you offering them to stay?

Ms Grieg: The continuation bonus was part of a number of initiatives. The continuation bonus was aimed at the cohort we've just discussed. In terms of other initiatives, many are focused on members and also on families. General Fox mentioned some of those earlier. Shall we expand on those?

Senator LAMBIE: Regarding the one at the four-year mark, you're going to say, 'Here's 50,000 bucks if you stay.' Is that correct? That's going to start in about four years time. That will be your first cohort of those people being offered 50,000 bucks.

Ms Grieg: That will commence, for those people currently serving who are at that point, from 1 January next year.

Senator LAMBIE: What about the ones above that who miss out on that four-year mark and are between the five-year and 10-year marks? What are you offering them, moneywise?

Ms Grieg: For a number of critical areas of occupation, there are some retention bonuses already in place for some of those categories.

Senator LAMBIE: Oh, I understand that.

Ms Grieg: But, more generally, we're looking at non-remunerative, as well as remuneration, as part of a whole retention strategy for our ADF workforce.

Senator LAMBIE: Do you understand that they're coming to me and saying that you don't give a stuff about them? Why is it that these guys that have started here—these guys that are the leaders, the senior NCOs in there, the corporals and the sergeants—aren't being offered anything to stay in? Quite frankly, they feel like they've just been given a smackdown, and I can already hear them saying: 'That's it. We're done. This is the last straw. We are going.' That is where we're at. Who came up with this plan? And how come there is nothing on offer, moneywise, for them? I just don't understand your thinking behind this. They are the most sacred, that part. They've got experience. They're mentoring those coming through. Yet they're not getting rewarded to stay. Why not?

Ms Grieg: We are trying to ensure that we're looking across—

Senator LAMBIE: How are you doing that, then? What have you got on offer for them?

Ms Grieg: Do you want—

Senator LAMBIE: That's all I want to know: what have you got on offer for them? They want to know today. So they're going to decide, I guess, over the next few days, whether they're staying or they're going. What do you have on offer for those senior corporals and those sergeants out there, in that mix, to keep them in? What are you offering them?

Lt Gen. Fox: The continuation bonus was designed to keep our junior people beyond their initial minimum period of service, to take them through to 10 years, so that they become our leaders of the future as we transition to new capabilities. The current junior leadership have access to a modernisation suite of work that we are doing. I mentioned the health benefit for families and the increased study. We are monitoring the number of junior ranks, corporals and seniors, who are undertaking that study for their personal and/or professional development. Through the modernisation program, for that suite of leadership, we have increased field allowance. So that's the work, in terms of improving the conditions of service that they're undertaking, Ma'am—

Senator LAMBIE: You can't be serious! So, while they're spending more time out there, away from their families, you want to increase their field allowance, shortly. That's a long shot from getting 50,000 bucks, saying,

'Thanks for your service!' I just want to know what the unintended consequences of this are. You must have that. Your corporals and your sergeants are your biggest mentors in there—the ones that have given everything. What are you offering them? That is not going to be enough. So I have to ask why you would start at this lower barrier and not try to keep them as much as you can. And don't even start me on the study, because, if you want to go down that line of questioning, you don't want to go there for a digger with me, because right now it is not in a good spot. So let's take study off, because they're not getting the study—they're not getting that. I already know that. And some are moving from Army and going elsewhere because you won't supply the study, even though they've got the results to be doing those degrees. They're actually leaving Army and going into RAAF because they're offering them a better deal. You can't even get that right! So let's go again. What are you offering those corporals and sergeants? Go sell it in the next few minutes, because they're listening.

Lt Gen. Fox: The suite of modernisation that I was just talking about was undertaken by a recruiting and retention Tiger Team that consulted broadly amongst the workforce, right through the junior-rank levels and middle-rank levels in relation to what they would like to see in terms of modernising the employment offer but also the retention initiatives.

Senator LAMBIE: When you consulted them, did you tell them about the 50 grand you were going to offer those others when they'd finished their four years? Did you actually tell them, so they could go, 'Oh, are you offering them that? Jesus, if you're going to do that, we probably want 50 grand too, to stay'?

Lt Gen. Fox: I'd have to take that on notice.

Senator LAMBIE: You do that. That would be a nice one.

CHAIR: Two minutes, please, Senator Lambie.

Senator LAMBIE: Can you please provide me the discharge rate of corporals and sergeants in the last 12 months, compared to other years, if that's okay, thanks.

Senator McAllister: Senator Lambie, for the completeness of the transcript, we'll take that on notice—just so that it is obvious that we have agreed to consider that.

Senator LAMBIE: Thank you. I think I'll finish there, because I'm going to start on another, and I'll need to change over. That's fine.

CHAIR: It just would help with the flow.

Senator LAMBIE: Sorry. It's just that we'll need to change people over.

CHAIR: Senator Birmingham, you have the call.

Senator BIRMINGHAM: Can I get Mr Deeble back quickly, please? Mr Deeble, you indicated before that you were at the Australian British Chamber of Commerce Defence Catalyst event. Were you there for the remarks by High Commissioner Stephen Smith?

Mr Deeble: Yes, I was.

Senator BIRMINGHAM: Excellent. What's your recollection of Mr Smith's remarks about the Hunter class program?

Mr Deeble: I can't recollect any detailed memory of any comments with respect to the Hunter specifically.

Senator BIRMINGHAM: Were there any comments on shipbuilding generally by Mr Smith?

Mr Deeble: My memory is that His Excellency Stephen Smith described a range of issues associated with the *Defence strategic review* and some observations in that regard, noting, of course, that he was one of the independent writers of the *DSR*.

Senator BIRMINGHAM: It feels like you were either busy, inattentive or being very diplomatic, Mr Deeble. A few different sources seem to suggest that Mr Smith was rather forthcoming in his opinions and that they might be rather memorable.

Mr Deeble: Not to my recollection. I'm not trying to obfuscate here, but I can't remember anything in that detail.

Senator BIRMINGHAM: If you can't remember anything, we will have to rely on other sources, and we'll see whether DFAT has any copies of those remarks. I'm assuming Defence don't have any copies—that although the high commissioner is wearing multiple hats at present, still advising on defence matters as well as serving as high commissioner, Defence don't have copies of remarks he may have made about shipbuilding, the Hunter class or *DSR* generally at this defence event in London.

Senator McAllister: Is that a question, Senator?

Senator BIRMINGHAM: I'm checking as to whether Defence has a copy of those remarks. Perhaps you might need to take that on notice, Mr Moriarty, just to check.

Mr Moriarty: I'll take it on notice.

Senator BIRMINGHAM: Thank you. We'll move past those. I said we'd come back to the special-purpose aircraft guidelines. We might do that now, while I have you. Mr Marles wrote—I think it was to you, Minister—in response to an OPD. In the response, he said: 'I have enclosed the most recently published guidelines, from 2013. The security coordination committee recommended the 2023 SPA guidelines remain in draft form until broader transparency and accountability measures are finalised.' You went through quite a few details in response to Senator Ciccone this morning, Secretary and Chief of Air Force. What work is being done to finalise broader transparency and accountability measures on the use of special-purpose aircraft?

Mr Moriarty: As I said, Defence's focus is primarily on the security aspects of the SPA capability and how it was reported. We participate in whole-of-government arrangements. In particular, I mentioned this morning that there's been a recent meeting of the Protective Security Board, which has met to look at the range of concerns in relation not just to SPA but to cars, offices and accommodation, because of the general circumstances that apply, the level of risk and the focus on the safety of high office holders. We are participating in those whole-of-government arrangements. Of course, broad issues of transparency and accountability are, appropriately, matters for government. We at Defence are playing our part in that, participating in whole-of-government mechanisms. But, as I said, our primary focus is on ensuring that we do not deliberately or inadvertently put into the public record information which might establish patterns of life or provide insights.

Senator BIRMINGHAM: Thank you, Secretary. That is what you said this morning. So this security advice was received as part of the briefing paper from the security coordination group, dated 22 February this year. That's consistent with your understanding or recollection, isn't it? This is a document released under FOI?

Air Marshal Chipman: There was a security coordination group that did produce a paper for the security coordination committee. That committee sat on 1 March. That was the superior committee. It was a band 2 two-star committee. It was the security coordination committee that formed the advice that we subsequently complied with for the draft guidelines.

Senator BIRMINGHAM: Indeed. I don't believe that committee's findings or minutes have been publicly released.

Air Marshal Chipman: That's correct.

Senator BIRMINGHAM: So all we have to work from is the security coordination group briefing paper? Perhaps you could enliven us. Why are the findings, minutes or otherwise determinations of the higher-level committee exempt under FOI or not being disclosed while the briefing paper provided to it has been publicly disclosed? Where does the security sensitivity lie between the two?

Air Marshal Chipman: What I can tell you is that that committee is chaired by the AFP. It wouldn't be appropriate for me to comment on that.

Senator BIRMINGHAM: Because it's their document for the debate there. The briefing paper we do have, which went to the committee, says:

The review focused only on security considerations surrounding the special purpose aircraft guidelines and did not address accountability and transparency considerations.

These are recommended to be addressed by other government mechanisms before the special purpose aircraft guidelines are formalised and publicly released.

This briefing paper was in February. The meeting you described happened at the start of March. What work has the department done since then on transparency and accountability considerations?

Air Marshal Chipman: We applied the security advice of the security coordination committee—

Senator BIRMINGHAM: We know that. What work has been undertaken on the accountability and transparency measures?

Air Marshal Chipman: I go back to the secretary's comments—that is not work that Defence has undertaken. We have applied the security advice.

Senator BIRMINGHAM: Through the course of this week, I asked the Department of the Prime Minister and Cabinet what work has been undertaken on transparency and accountability measures; they said they have not been consulted. I asked the Independent Parliamentary Expenses Authority what work has been undertaken on transparency and accountability measures; they said they have not been consulted. I asked the Department of Finance what work has been undertaken on transparency and accountability measures; they said they have not

been consulted. So who is undertaking the work on transparency and accountability measures if Defence says, 'It's not our responsibility'?

Air Marshal Chipman: I can offer you a personal view, and this was my advice to the office of the Deputy Prime Minister: it is not Defence's responsibility to find the balance between transparency and security. We apply the security advice. It would have been foolhardy for us to put information into the public domain that was in conflict with the security advice provided to the department, in order to protect our VIPs.

Senator BIRMINGHAM: Who owns the guidelines for the use of special-purpose aircraft?

Air Marshal Chipman: That is unsettled. In 2013, when the guidelines were produced, they were published as an annex to the members' entitlements handbook. That was published by the Department of Finance—sorry; that was written underneath the Parliamentary Entitlements Act 1990. That legislation was repealed in 2017. There was no specific reference in the parliamentary business rules of 2017 to special-purpose aircraft and who should take ownership of the guidelines. In 2021, Defence wrote to the former defence minister, Mr Dutton, with a recommendation that Defence take responsibility and publish the guidelines.

Senator BIRMINGHAM: Minister Farrell said yesterday that they were Defence's guidelines. So are they still Defence's guidelines?

Air Marshal Chipman: That is unsettled. It is unsettled who should be the authority to sign off on the guidelines.

Senator BIRMINGHAM: Who is going to settle it?

Senator SHOEBRIDGE: Who issued it? Whose letterhead is it?

Senator BIRMINGHAM: As I just outlined before, I've been through PM&C, Finance and IPEA this week, and they've all washed their hands of it.

Senator SHOEBRIDGE: The orphaned guidelines!

CHAIR: Order.

Senator BIRMINGHAM: Defence is the last man standing, as you should be, in a whole range of other ways, but you've been left holding the baby on this one too.

Senator SHOEBRIDGE: Who's on first?

CHAIR: Senator Shoebridge—

Air Marshal Chipman: Senator, we have produced a draft amendment to the 2013 guidelines. The current guidelines that we are complying with are the 2013 guidelines. They were published as an appendix to the parliamentary entitlements handbook.

Senator BIRMINGHAM: But they're not the current guidelines you're complying with, because you have varied from those guidelines to accept the security advice.

Air Marshal Chipman: No, we have applied the security advice with the authority of the guidelines—

Senator BIRMINGHAM: But the security advice is not consistent with the 2013 guidelines.

Air Marshal Chipman: There have been no guidelines that have been signed off or approved since 2013. There have been draft amendments to those 2013 guidelines, they have not been accepted and there is work for us to do to understand who is the right approval authority.

Senator BIRMINGHAM: So what has actually happened since the start of March? We know what's been published, but what work has actually occurred? Or has it all just hit the wall of the Deputy Prime Minister's office and you are left having to awkwardly explain this situation, without any answer as to who's responsible for the guidelines or how any transparency or accountability measures, which were identified by the AFP advice that went to the security committee—I don't hold any Public Service officials responsible for the absence of transparency and accountability measures. It was in black and white in the advice that went to government. But somewhere government is failing to have those developed. What work has occurred in the period since 1 March, if any?

Senator McAllister: Senator Birmingham, that was a long preamble to that question. Perhaps I can provide this context. We came to government inheriting two years of no SPA reporting, with a backlog of deferred FOI and media requests for SPA reports that dated back to January 2021, and there was no plan in place at that time to restart reporting. That was a consequence of the decision by Mr Dutton in the period when he was defence minister to stop SPA reporting, without, as far as I'm aware, a public explanation of that decision.

I don't think that you would dispute that, when governments receive security advice, they should act and respond to it. We accept that. We also accept that, whatever solution is arrived at, it needs to balance the security advice that we've received with the expectations about transparency and accountability. I don't think we would diverge on that. And I think that, in another context, Senator Birmingham, you've had occasion to consider the security advice—in a different environment.

Our expectation is that officials will work together to deliver a solution that balances the security advice with transparency and accountability, and the Deputy Prime Minister has made it clear to officials that it is his expectation that officials will work together across agencies to resolve this. Indeed, the reason for that is that the ADF is not an organisation with specialist expertise in transparency arrangements for parliamentarians. That expertise lives elsewhere in government, for sensible reasons. It's for that reason that we do expect officials to coordinate together, to discuss the process of the draft guidelines and to return to reporting. We also expect that that advice will be provided to government in a timely manner.

Senator BIRMINGHAM: Minister, how has the Minister for Defence instructed agencies to work together to address these issues? To whom has that instruction gone?

Senator McAllister: I am advised that Minister Farrell and Minister O'Neil have made these expectations clear to their agencies also, and that, on becoming aware of the transparency and accountability expectations, and due to the repeated and escalated threats that are experienced by our parliamentarians and staff, many of which are public, Minister Farrell has written to Minister O'Neil, requesting that departments work together on this issue. These issues are broader than the issues that relate to the special-purpose aircraft. I understand that Home Affairs provided evidence in the other room, in the legal and constitutional affairs estimates, that they are considering those broad issues.

Senator BIRMINGHAM: The question I asked at the end was: how has the Minister for Defence asked or instructed agencies to work together? Has he given that instruction to his own department or ADF?

Air Marshal Chipman: We were instructed by the Deputy Prime Minister, on 7 November last year, to work with the AFP to develop the security advice on putting information into the public domain.

Senator BIRMINGHAM: Thank you, Air Marshal, but, if I'm not misinterpreting the minister, she's talking about a more recent instructions for agencies to work together on the transparency and accountability measures.

Senator McAllister: Sorry, Senator Birmingham. No. I provided advice to you about the broad work across government, and I believe this was discussed in the legal and constitutional affairs estimates. But it is also the case, as Air Marshal Chipman has indicated to you, that the Deputy Prime Minister engaged with officials about these issues as early as November last year.

Senator BIRMINGHAM: Yes, we're aware of that work and what it's led to. What there seems to be no transparency over is how the transparency question is going to be answered and who is responsible for answering it. There have been a couple of references today—I think particularly by you, Mr Moriarty—to a meeting of the Protective Security Board, which sounds like it was a relatively recent one. Is that correct?

Mr Moriarty: That is correct. I think it's within the last week or 10 days.

Senator BIRMINGHAM: Amazing. Estimates were coming up and questions were being asked. So has that board been provided with the security advice that Air Marshal Chipman referenced?

Mr Moriarty: They certainly had background, but I think it's reasonable. The responsibility for these protective security arrangements had recently transferred from the Attorney-General's portfolio to the Home Affairs portfolio. The Home Affairs portfolio were seeking to get a better understanding of the range of responsibilities and accountabilities that might fall with that function, so the acting secretary called a meeting to bring us all up to speed with the various issues. As I said, it looked at a range of issues, including Comcars, accommodation and travel.

Senator BIRMINGHAM: Mr Moriarty, related to that, does the Deputy Prime Minister travel within Australia mostly by special-purpose aircraft or by commercial aircraft?

Mr Moriarty: I wouldn't know that off the top of my head. I'd have to check. He uses both capabilities.

Senator BIRMINGHAM: He uses both capabilities. Indeed, if we're still adhering to the principle of the 2013 guidelines, he should only be using the special-purpose aircraft when commercial services are not otherwise available or for other specific purposes for which special purpose aircraft are necessary, shouldn't he?

Mr Moriarty: I acknowledge that. A special-purpose aircraft is a unique capability. It gives government the opportunity to continue to conduct secure communications and work. I have seen that done over a number of governments now, where important office holders are able to conduct secure communications. They are able to

dial into cabinet meetings. They are able to have very secure briefings. They're able to conduct business using that capability. That capability is not—

Senator BIRMINGHAM: It does, Mr Moriarty, and I'm on the record, including in the Senate quite recently—

CHAIR: Senator Birmingham, just allow Mr Moriarty to conclude his answer, please.

Senator BIRMINGHAM: I'm trying to be efficient in time.

Mr Moriarty: It's important to establish those issues about where a commercial option might be available, but there are also a range of additional factors in play. Sometimes, when ministers are travelling and dealing with particular issues, there are other issues to do with sensitivity, people they might be travelling with and missions that they might be conducting where the use of a special-purpose aircraft, that unique capability that Australian governments have believed for decades it is essential to operate, might be appropriate.

Senator BIRMINGHAM: I agree with that, Mr Moriarty. The point I was making—I'm on the public record, including remarks in the Senate last week—I think over the years there have been times when the special purpose aircraft should have been used more, particularly by ministers in their international engagements, for the type of secure communications and other purposes you identify. I think the way in which reporting against the costing estimates that Defence does is frankly rubbish. It's pointless, and it creates a disincentive for the use of the special purpose aircraft. The accurate transparency comes from knowing when they are being used where commercial options could easily have been used, or whether they are being used for purposes that would not warrant the use of the special purpose aircraft. Under the way they're being reported at present, it's impossible for anybody to scrutinise those questions. You just get the rubbish costing and the bad headlines that come with the rubbish costing, but none of the actual accountability, transparency and scrutiny capacity with knowing how the aircraft are being used.

The reason I asked the question about whether the Deputy Prime Minister mostly uses special purpose aircraft or commercial aircraft is because, again, when asking Finance or IPEA whether they've been instructed to change the way ministers' or parliamentarians' use of commercial aircraft is reported, they said no, they haven't been provided with security advice and they haven't been provided with any advice to change the way that's reported. So how is it consistent, in terms of protection of pattern of life, for use by ministers of special aircraft to be hidden, when indeed when you're using those aircraft you're usually travelling through more secure arrangements than you are with public airports and commercial aircraft, but potentially for every time a minister or parliamentarian is travelling on a commercial flight, the date to be revealed, the arrival and departure locations to be revealed, and for it all to be perfectly transparent in terms of pattern of life and pattern of life in less secure environments than the Air Force provides. How is that consistent?

Senator McAllister: Senator Birmingham, I think you have explored this, as you've indicated, with other agencies. It's not really for Defence to make observations about the way that IPEA or any other entity is engaging with this information. Defence is in receipt of advice about the security issues associated with the use of special purpose aircraft. As I indicated, the Deputy Prime Minister has communicated his expectation that there needs to be a response to that security advice. I don't think you would dispute it. Perhaps you do. Perhaps the nature of the question you ask suggests that you do.

Senator BIRMINGHAM: I don't dispute that, except that the security advice also clearly very said it does not address accountability and transparency considerations; these are recommended to be addressed by other government mechanisms before the guidelines are formalised and publicly released. That was in February this year. It doesn't sound like any work by anybody has been done on the transparency and accountability equation since then. Every single department has washed their hands of it when they've been asked.

Senator McAllister: I can only reiterate that as early as November the Deputy Prime Minister was indicating that the DPM and the government more broadly are keen to ensure that the need to maintain security considerations is balanced with the need to maintain accountable and transparent in the use of a public asset. That absolutely remains our perspective. I will again remind you, Senator Birmingham, that these considerations appear not to have been dealt with at all when Mr Dutton made a decision, without explanation, to stop all reporting. So once again, as with so many questions, our government is moving to address unresolved issues, and we're moving through it. It is the expectation that officials will work together, and it does require bringing together advice from a range of sources.

Proceedings suspended from 15:49 to 16:09

CHAIR: General, did you want to say something?

Gen. Campbell: If I may. In regard to the interaction between myself and Senator Lambie earlier today, relating to a combination of the workforce remuneration arrangements and the executive vehicle allowance, I would request to withdraw my comments.

CHAIR: Thank you very much, General. I think that's very wise. I'll hand over the call to Senator Shoebridge.

Senator SHOEBRIDGE: General Campbell, I was astounded at your conduct towards my colleague. You withdraw the comments, or are you going to apologise?

CHAIR: Order, Senator Shoebridge. We've just dealt with the matter. I'll withdraw your call if you don't proceed with other questions you have for the officers.

Senator SHOEBRIDGE: It's appalling. Can we move back to Army aviation? You recall I was asking some questions earlier about a report of 6 July 2020. Major General Jobson, were you aware that that report in relation to the forward-looking infrared system also provided that the likely consequence of a FLIR—forward-looking infrared—failure during terrain flight could be assessed as catastrophic and probable and the resultant residual risk was then very high? Were you aware of that?

Major Gen. Jobson: Senator, thank you for your question. I'm aware that this equipment was characterised through a report that was supplied by the Army Aviation Test and Evaluation Section. That report then informed a broader process that was undertaken by a range of appointments and organisations to undertake a more fulsome evaluation of that equipment to characterise its performance. That subsequent evaluation was undertaken by, for instance, qualified test pilots, senior standardisation pilots, subject matter experts and engineers. That process then subsequently informed that characterisation, as I've indicated, and further processes to release that equipment into service.

Senator SHOEBRIDGE: Were you aware that the 6 July report also found that insufficient evidence was found to substantiate the MRH-90 FLIR was safe for use as a primary means of detecting and avoiding obstacles during terrain flight, as currently defined by the MRH-90 standard?

Lt Gen. Stuart: If I can help here—

Senator SHOEBRIDGE: You can't help me as to whether or not General Jobson was aware that was in the report. We might start there.

Lt Gen. Stuart: I might be able to help in terms of getting to where it is you want to go.

Senator SHOEBRIDGE: You don't know where I want to go.

Lt Gen. Stuart: I'm trying to help, Senator.

Senator SHOEBRIDGE: I'd just like to get an answer from General Jobson.

Major Gen. Jobson: Once again, I can advise you that the Army Aviation Test and Evaluation Section characterised that equipment through their report, and that report then subsequently allowed for a larger and more comprehensive sequence of evaluation into that equipment as a result. I can reiterate that, once again, that subsequent evaluation was undertaken in response to that characterisation. It was undertaken by a large and varied community of subject matter experts, qualified test pilots, standardisation officers and engineers.

Senator SHOEBRIDGE: Indeed a year later, in July 2021, a subsequent AATS flight test report into the system urged that it not be used by the main pilot because of all the risks identified, and said it should only be used by the non-flying pilot. Why was that rejected?

Major Gen. Jobson: Once again, the equipment has been characterised by a range of position holders and organisations and processes. In this instance, characterisation has been made. But that characterisation, in itself, was both complemented and expanded by a range of further organisations for the purpose of a more fulsome characterisation such that that equipment in service within Army would ensure the air crew could operate the aircraft safely and minimise risk so far as is reasonably practical.

Senator SHOEBRIDGE: You see, General, you read and reviewed that report that I first took you to on the HMSD 5.10. You read and reviewed a 2020 report on FLIR; you read and reviewed the 2021 report on FLIR; and you determined to permit these Taipan aircraft to continue to be used, notwithstanding those very real identified risks to the crew, didn't you?

Major Gen. Jobson: Senator, may I ask what the question is?

Senator SHOEBRIDGE: The process here is to answer that question that I put to you.

CHAIR: I think the witness is asking what the question is.

Senator SHOEBRIDGE: You read all those reports, identifying all of those risks, and you nevertheless permitted this aircraft to still be used, with all of those identified risks in place.

Lt Gen. Stuart: As we outlined before, the test and evaluation organisation characterises and provides advice on risk and consequence if it's untreated. That advice goes in to a broader Defence Aviation Safety Framework, which, as General Jobson has explained, in this case was subject to a full operational evaluation with all the other expert parts of the system. The risk mitigation then applied at the system level, in this case, to the satisfaction of the military type certificate holder and the Defence aviation safety regulator—in other words, compliant with the requirements of the Defence Aviation Safety Framework.

If your questions are getting toward whether or not the Defence Aviation Safety Framework takes proper consideration of products and advice from the test and evaluation organisation, then our testimony is yes. I've taken on notice to come back to you and confirm the technical detail. If where you're going with the question is to establish causal factors in relation to either of the incidents this year, then my advice is that while there is an open safety investigation it is not advisable for us to go there.

Senator SHOEBRIDGE: General Jobson, it wasn't just the FLIR and the heads-up display that had reports of serious risk for operators of the Taipan. The top owl image intensifier tubes, that system was also identified in reports in April 2020 as not meeting air worthiness standards. That's true too, isn't it?

Major Gen. Jobson: The report that you are referring to is one of a series of reports that were supplied into the equipment. This equipment had been subject to a sequence, over years, of upgrades and modifications for the purpose of improving its efficacy for the crew to operate that in the aircraft. I can only reiterate that a process occurred, inclusive of these observations and characterisations, that extended beyond those by other organisations, other qualified personnel and position holders, to undertake a thorough assessment, to ensure that the equipment that we operate is safe for our air crew to employ.

Senator SHOEBRIDGE: You see, General Jobson, when you didn't like the reports that came out of the flight testing, rather than fix the equipment and address the concerns or potentially ground the aircraft, Army Aviation went through a process of getting further reports to try and discredit those reports and discredit the risks. That's what actually happened, isn't it? Rather than address the problem, there was a desperate search for reports which would permit them to continue to be put in the air despite the safety issues.

Major Gen. Jobson: Respectfully, I do not agree with your assessment. Once again, I'll reiterate that a thorough professional process was undertaken in accordance with the Defence Aviation Safety Framework that ensured the equipment could be brought in to service for the benefit of our aircrew to improve upon previous equipment that had been employed in the aircraft system, to ensure that we are putting safe equipment into the hands of our people to operate in the field.

Senator SHOEBRIDGE: General Jobson, you know that the 20 April report on Top Owl found that the visual acuity in the peripheral vision of a pilot using that was seriously degraded. Degrading the acuity in the peripheral vision is a particular risk to a fast-moving low flying aircraft, isn't it?

Major Gen. Jobson: Once again, in answer to your question, characterisations in the report that you are referring to, those characterisations are made. They then inform a subsequent process as a result of those characterisations, to further explore and assess that equipment. That is undertaken by a larger group of experts, including qualified test pilots, senior standards pilots, subject matter experts and engineers from a range of services and groups and expertise, so that Army Aviation is able to assure itself that the equipment can be brought into service in a manner that ensures that risks are minimised so far as reasonably practical.

Senator SHOEBRIDGE: No doubt you'll provide on notice who it was—

Gen. Campbell: Can I take a moment to engage the chair? Clearly, there's a difference of perspective on the issues that you're raising and that the general is replying to. I find it hard to see, Chair, that this doesn't have the potential to go to considerations of the Defence Flight Safety Bureau, and I would recommend this line of questioning cease.

Senator SHOEBRIDGE: It's not the CDF's job to determine the scope of Senate inquiries.

Gen. Campbell: And I'm not trying to do so.

Senator SHOEBRIDGE: Indeed you are.

Gen. Campbell: I'm indicating, with regard to inquiries under away, it is a matter for the chair and the committee to consider whether this line of inquiry continues to be appropriate.

CHAIR: You do have another minute to go, Senator Shoebridge.

Senator SHOEBRIDGE: I'll finish this line of questioning with this question to you, General Jobson. Each of the systems that I took you to was in operation during Operation Talisman, weren't they—the most recent Operation Talisman?

Gen. Campbell: Chair, I think that's not appropriate to be responded to.

Senator SHOEBRIDGE: You know they were.

CHAIR: I think the CDF also made some comments earlier on today with respect to that incident. I get a sentence we're not going to get much more out of the officers today.

Senator SHOEBRIDGE: I press for an answer to that question.

CHAIR: You can put it to the officers. They can take it on notice. I think Senator Fawcett also had a follow-up question with one of the questions that were asked earlier on.

Senator SHOEBRIDGE: Each of those—

CHAIR: Senator Shoebridge, I'm handing the call now to Senator Fawcett.

Senator SHOEBRIDGE: They haven't yet taken it on notice or attempted to answer it.

CHAIR: Senator Fawcett now has the call.

Senator SHOEBRIDGE: Each of those—

CHAIR: You don't have the call, Senator Shoebridge. Senator Fawcett?

Senator FAWCETT: I do support the contention that this is a sensitive topic given the accident investigation brought under way. I have two questions that I'd like you to take on notice. General Stuart, you made the comment that risks were treated. I'd like you to detail for us what treatments were applied to, particularly, software configuration 5.1. I know there were some in the operation evaluation, but I'm not aware of those being followed through. I'd like to understand that, and I'd like to understand the OEM's position on the thermal imager and its mode of use.

Lt Gen. Stuart: I'm sorry, Senator, could you say that second part again?

Senator FAWCETT: I'd like to understand if the OEM had a position on the thermal imager and its mode of use?

Lt Gen. Stuart: We'll take both of those questions on notice.

CHAIR: Senator White, do you have a few follow-up questions?

Senator WHITE: I do. I've been thinking about your answers to my questions about the Collins Class life-of-type extension. As I understand the evidence so far, you look at the FCD. You think it's going to be about 24 months, right? But you have explained, as I understand it, the potential variations, how the various submarines, maybe different drivers, where they have driven to or why they've done this. There's variability, and I think you were going to come back to us on notice about how long it usually takes? That's my understanding. Hopefully I have made a summation of. Can I ask you what mechanisms are available to Defence to ensure that the life-of-type extension can occur within the two-year full cycle docking window? Does it mean, for example, looking at descoping, what might occur during the life-of-type extension?

Vice Adm. Hammond: You're correct. Ultimately it's a balance of cost, schedule and capability. The one thing we won't compromise on is safety. I mentioned briefly the difference between each submarine. Collins has clearly spent a lot of time in local waters, particularly early on in trials; whereas Farncomb, on the other hand, has covered more miles with less sea days, which means she's spent a lot of time transiting at speed and just last year covered about 20,000 nautical miles in one deployment across to Hawaii for RIMPAC, up to Japan and back again.

Each submarine will have a slightly different work package, I expect. There will be some common elements such as replacement of the diesel engines. All of that needs to be worked through, in particular with ASC, because it will come down ultimately to the size of the workforce and the way that workforce is employed during the life-of-type extension. It is one of the more complex things we have done. You used the analogy earlier with the aerospace industry. I refer to this as an underwater aerospace capability, operating in the most unforgiving domain. They're the complexities that we're trying to balance. Where we can recover schedule whilst preserving appropriate and effective capability, as opposed to aiming for the gold standard where it's not necessary, they're the kind of trade-offs that we will continue to discuss, and clearly cost is going to be a major consideration as we work through the centre.

Senator WHITE: Presumably, cost and heightened risk. As you said, the maintenance has got to be done because it creates a greater risk. Presumably that overrides cost.

Vice Adm. Hammond: And schedule, ultimately. Safety is king with all things submarines, and our pathway to the nuclear powered submarine program is through the Collins class capability. We're acutely aware of the importance of getting this right for all of those reasons.

Senator WHITE: This is not a new topic, is it? It has been discussed by others at previous estimates, talking about risk associated with scope, cost and schedule. This is a common topic, isn't it? I'm not bringing up anything that's not new, and it's something that you weigh up quite a lot. There was a question on notice where Defence confirmed it had been developing options for the life-of-type extension since 2011 and that the former government provided first pass approval to extend all six Collins submarines in June 2021. So there's been a decade of options development before a decision was taken. Would an earlier decision have provided Defence with more time and greater opportunity to retire risk in the life-of-type extension program?

Vice Adm. Hammond: I'm not prepared to speculate on what might have occurred. What I will say is that we've been afforded ample time to understand these challenges, to do the asset management obligation, understanding condition based assessments on each platform and identifying HMAS Farncomb as the highest priority to enter the program first. We've already ordered long-lead items, such as diesel engines and main motors, plus the propulsion system, which we know have to be addressed. As you indicate, there's a lot of work and thinking that's already gone into this. We are closing in on locking down the scope towards the end of this year and then formulating that advice to government.

Senator WHITE: Sure. But, as a general rule, an earlier government decision must surely provide greater certainty to Defence and industry about the program. As a matter of principle, the sooner you decide, the more time you have and the better the results are to be. Is that right? You couldn't possibly say hypothetically?

Vice Adm. Hammond: For the submarine community, it's probably been obvious for quite a while that the submarine was going to require a life-of-type extension in order to avoid a submarine capability gap. There's been a lot of planning. There's a lot of effort that goes into understanding the platform risks and obsolescence issues, and that's part of ongoing life-cycle management. I'm sure my colleagues from the Navy shipbuilding and sustainment group can go into further details on that. But I'm very comfortable that, at the moment, we still have almost three years before the first submarine goes into life-of-type extension, and those long-lead items have certainly been identified and are being addressed.

Senator WHITE: Sure, but there's planning and there's failure to act, isn't there? Sometimes the line might not be as sharp—well, it might be sharp, in fact, but one man's planning might be another woman's failure to act, mightn't it? I'm sorry, that's me being a smart arse. I'll go back to the question. In light of what you just talked about, I asked you in the last tranche of questions what the potential impact would be if the life-of-type extension could not be achieved within a two-year full-cycle docking window. Could that potentially impact the availability of the Collins class submarines if it doesn't all go to plan?

Vice Adm. Hammond: We have contingency plans for every maintenance period that we do. We've seen maintenance period overruns already in the last few years, and we've managed those in stride and still hit the availability targets. Despite the challenges of COVID-19 impacts on workforce, supply chain et cetera, our availability hasn't fallen below 90 per cent, which is a high distinction in most universities. I'm pretty comfortable that we have the tools and mechanisms in place. I served in the submarine forces when we transitioned from the Oberon submarines to the Collins submarines, and we had similar challenges and delays in build, but we managed the capability. I think we've learnt from those lessons as well; I think we're better placed to manage this transition than we have been in the past.

Senator WHITE: I am sure this won't be the last set of questions on this topic. We'll refer to them next time.

CHAIR: Senator Van, I will give you the call briefly.

Senator VAN: Ten minutes? Thank you, Chair. I've got some more questions about the DSR but specifically about the reductions in acquisitions of armour. Could you step me through some of the thinking in the DSR around the reductions in acquisitions in armour, specifically a reduction in the planned acquisition of infantry fighting vehicles, IFVs. The DSR recommended a 70 per cent cut in vehicles and the cancellation of a future brigade of self-propelled howitzers. The DSR is pretty light on its thinking, and the government's response is very light on justification for both those reductions. Can you enlighten the committee, please.

Mr Hamilton: I will provide a response in relation to the DSR, and perhaps colleagues from Army can provide some detail on the capability and the way that Army thinks about its capabilities. The DSR, in relation to our strategic environment, made the assessment that we needed a force that was capable of projecting more lethal capability at longer ranges than we have at the moment. In relation to Army, what the DSR judged was that we needed an army that was more mobile, particularly in the littoral and amphibious environment, and an army that was able to provide long-range strike at greater ranges than had previously been planned for and envisaged. The DSR also made the judgement that a number of capabilities that were currently planned for the Army—the vehicles that you refer to as well as the artillery—did not fit within that strategic concept of operations for the

Army. That was the DSR judgement. The government accepted that and, as part of its response to the DSR, directed that we start making immediate plans to reduce the scope of the armoured vehicle acquisition, including the second regiment of self-propelled howitzers. The DSR was very clear that Army needed to be able to integrate more closely with the rest of the Australian Defence Force as part of its role in projecting power as part of a more integrated and focused ADF.

Senator VAN: On any read of the DSR, and from your answer, it seems the DSR has already figured out what the next war looks like and has designed a force structure for that.

Mr Hamilton: The DSR set out some critical capabilities that, in its judgement, the ADF broadly would require. However, it also made the judgement that Defence needed to take the time to assess all of its capabilities to ensure it was capable of delivering that longer range, more lethal combat power that it calls for. That's the basis for the evidence we provided earlier around the recut of our Integrated Investment Program and the rest of our plans across Defence.

Senator VAN: Defence had been calling for infantry fighting vehicles for 20 years, give or take—I think I'm right; the generals might correct me. They had put forward to government that they needed 450. They're now getting 129. The self-propelled howitzer, similarly, had been called for for an awful long time and for very good reason. We heard from Air Marshal Phillips earlier that his organisation is looking to push production of 155 mm artillery ammunition. I assume you were in the room when you heard that. With the reduction in self-propelled howitzer acquisition, I'm assuming the DSR is saying that in any fight we are going to be using towed-in artillery from here on in.

Mr Hamilton: This is the point where I might hand over to the Chief of Army and Major General Vagg to talk through the role of those capabilities in Army's future force structure.

Lt Gen. Stuart: I'll go back to your initial comment. A point of fact: one of the recommendations that the government is implementing is that Land 8116 Phase 2, which is the second regiment of SPH, should be cancelled, which we have done. It's a regiment rather than a brigade. That's just to clarify.

Senator VAN: I should get that right after all this time.

Lt Gen. Stuart: In the broader context, the DSR directs a more integrated and focused ADF in the Army, as you pointed out. The government's direction was very specific in terms of the scope of the infantry fighting vehicle project, which is 129—a battlegroup's worth of capability—and one regiment of self-propelled howitzers, which is part of a broader indirect fire capability that spans from the tactical, with lightweight, towed guns at the 155 mm calibre, to self-propelled howitzers, as well as long-range fires, of which HIMARS is the launch system, and there is a range of effectors that can provide tactical through to longer range effects.

Senator VAN: I touched on some of those this morning in my earlier questions.

Lt Gen. Stuart: There's GMLRS ER, ATACMS and, of course, the precision strike missile programs that we are part of a co-development for with the United States. Those were adjustments in terms of focusing the force. Those are to be seen in the context of the other changes in Army, which see the acceleration and expansion of the tool manoeuvre capability, which see the acceleration and expansion of the long-range fires capability, which see changes to organisation and posture to best employ those capabilities and, importantly, see the delivery of the landing craft, the infantry fighting vehicles and the long-range precision fires are at the same time to deliver that capability in EPOCH2 of the DSR. That has been the focus of Army as part of the integrated force and part of the department. That has been the focus in terms of our achievements in the last six months.

On 1 July we made changes to our command and control and the command relationships between our formations at the brigade level and the division level to better integrate with operational command and control for the ADF. Recently you heard the Deputy Prime Minister announce the other changes to posture and organisation, which are all about ensuring we have all of the right fundamental inputs to capability, with training areas, the training system, the major systems of equipment and the like, in the right place, at the right time, to meet direction of the DSR. I hope that's useful in terms of characterising how we are approaching the implementation of the DSR at best speed.

Senator VAN: It's not the implementation of it that I'm questioning, General; it's the intent and the strategic smartness of it or whether it's adding value to the ADF or taking value away, which I think is more the question. Last time I checked, HIMARS systems are not hardened in any sort of way. So, in any battle, you're going to have to have troops protecting them, and, with a 70 per cent cut in IFEs, you'll have 2½ thousand infantrymen not mounted under armour. I just don't understand the concept of how you're going to go into battle and not be able to protect a long-range strike. How do you fight the enemy, if they come to attack, with this reduction? The DSR is

very clear on a fully enabled, integrated, amphibious-capable combined-arms land system, yet it also strikes out 70 per cent of one capability and a regiment of another. Is it just me that doesn't see the sense in this?

Lt Gen. Stuart: I'll answer your question, Senator, and then throw to Mr Hamilton. I'll leave it to others to comment as to how they see the ideas that inform them, but my job is to execute on what we've agreed to do. I can assure you that we're absolutely doing that. I can also assure you that the capabilities that the Army will field in the next two to 10 years are exponentially more relevant and credible to our operating environment than the ones we have today.

Mr Hamilton: I'll very briefly add to that. You've heard both the Chief of Army and I refer to the integrated force and integration. Of course, when the Army deploys, it does so in a way that's integrated with the other domains—maritime, air, cyber and space—and, collectively, they will be more capable of generating that hard power, projected at a greater distance than they have in the past.

Senator McKENZIE: I want to ask some questions about the biosecurity arrangements, when we use defence assets as parliamentarians, and how we can assure the Australian public that, in the use of those assets, the Defence Force takes our biosecurity arrangements seriously. What sorts of processes are in place? Do ministers who are travelling internationally on SPAs have to fill out that same little card that the rest of us do on return?

Air Marshal Chipman: I don't know specifically about customs clearance cards. I haven't had the experience of travelling internationally on a SPA aircraft.

Mr Moriarty: I have, and I've filled out the card.

Senator McKENZIE: Excellent! That's very helpful, Secretary—tick!

Gen. Campbell: And, Senator, all those accompanying have filled out the card.

Senator McKENZIE: So when we're hiking—and obviously the Defence personnel will be doing a lot more of that—in parks, gardens, golf courses et cetera, all passengers on special purpose aircraft fill out the cards and assure Defence, who I assume assure agriculture, that everyone hasn't brought any creepy crawlies home with them.

Gen. Campbell: There would be a Border Force representative at the first incoming airfield where we land. In the usual circumstance, members on board using the card make a declaration about their luggage and the state of their clothing or boots and so forth.

Senator McKENZIE: Or golf shoes or golf buggy?

Gen. Campbell: Their clothing.

Senator McKENZIE: Only their clothing? What about if they're bringing home some kit that they may have taken to an ASEAN—

Gen. Campbell: As I say, as usual, luggage, clothing, equipment—

Mr Moriarty: The appropriate authorities from Border Force and Agriculture would carry out their normal duties as they would.

Senator McKENZIE: Excellent. You've been very helpful. As I've missed Border Force, we'll try that on again later. Moving to another issue, under the Civil Aviation Safety Regulations, airline operators and the pilot in command are responsible for the safety of the flight and for making decisions on whether passengers may bring animals on an aircraft. Do similar regulations operate for the special purpose aircraft?

Air Marshal Chipman: Yes, it does. I have a policy in the Air Force air movements manual that specifically goes to the carriage of animals on special purpose aircraft.

Senator McKENZIE: Right. I don't have that policy.

Air Marshal Chipman: I can provide it to you on notice.

Senator McKENZIE: That would be wonderful. Does it mirror CASA's acceptable means of compliance and guidance?

Air Marshal Chipman: I'm not familiar—

Senator McKENZIE: 'Where possible animals should be carried in individual containers', and 'the size and nature of some animals means their escape from a container or their handlers could place the safety of the aircraft in jeopardy'. There may be a situation of an adverse reaction for other passengers on the aircraft, who may be allergic to cats, dogs, rats, snakes, or 'the aircraft noise and vibration may cause distress to the actual animal' and therefore the policy for CASA is 'whenever possible animals should be restrained and muzzled'. Would your policy reflect those?

Air Marshal Chipman: We are not bound by CASA regulations.

Senator McKENZIE: No, I appreciate that.

Air Marshal Chipman: It's a state aircraft. The state aircraft are bound by DASA—the Defence Aviation Safety Authority—regulations. We do have regulations and recommendations for how animals can travel. I don't know whether they mirror specifically the CASA regulations.

Senator McKENZIE: Are animals required to be muzzled or placed in containers for the safety of the RAAF personnel and other passengers on a SPA?

Air Marshal Chipman: No.

Senator McKENZIE: They're able to roam free?

Air Marshal Chipman: No.

Senator McKENZIE: Okay. What can they do?

Air Marshal Chipman: They're expected to be restrained.

Senator McKENZIE: Restrained—how so? Tied up—

Air Marshal Chipman: By a safety harness or an appropriate restraint.

Senator McKENZIE: Right. But always restrained. Okay. Who is responsible for an animal on a SPA? Is it the pilot as captain, or is it the owner of the animal?

Air Marshal Chipman: It is the owner of the animal who—

Senator McKENZIE: is legally responsible for that animal.

Air Marshal Chipman: is responsible for the animal, yes.

Senator McKENZIE: Are animals that travel on SPAs recorded on the manifest?

Air Marshal Chipman: No.

Senator McKENZIE: They're not named?

Air Marshal Chipman: There have been occasions where animals travelling have been annotated on a SPA request form, and that has been translated to the manifest, but not as passengers. We do not manifest animals—

Senator McKENZIE: Because they're not humans?

Air Marshal Chipman: I don't know the specific reasons.

Senator McKENZIE: I would think that would be the reason, but you can correct me. How often does an animal travel on a SPA?

Air Marshal Chipman: I have no records of how often. I know that we have records to indicate that it has occurred, but we do not keep comprehensive records. We do not specifically manifest pets or items of luggage.

Senator McKENZIE: There surely wouldn't be a security risk to releasing the details of an animal that was on a SPA in the same way that has been argued to Senator Birmingham?

Senator SHOEBRIDGE: Did Barnaby put you up to this?

Senator McKENZIE: No, but it is a similarly short-named animal! Air Marshal?

Air Marshal Chipman: Sorry, what's the question?

Senator McKENZIE: The question was: is there a security risk with releasing the details of the name of animals that travel on SPAs in the same way that a security risk, as you've been arguing, may exist for releasing the names of human passengers?

Air Marshal Chipman: The security coordination committee advice does not go specifically to naming animals on the aircraft.

Senator McKENZIE: Excellent. Is the transport of animals on SPAs a recent occurrence, or is it something that has occurred in the past, bearing in mind that the Governor-General—or her excellency—may choose to bring his cat?

Air Marshal Chipman: No, I am aware that there is a history of VIPs travelling with pets on VIP aircraft, yes.

Senator McKENZIE: Okay. The issue gets curiouser and curiouser. So there are no special requirements, only that said animal is restrained for the safety of passengers.

Air Marshal Chipman: That is one of the requirements. There are other requirements.

Senator McKENZIE: What are the other requirements?

Air Marshal Chipman: I don't have them specifically. I can get them to you.

Senator McKENZIE: That would be great. Could you provide a list of all flights since 21 May 2022 on which animals, and specifically an animal called Toto, has been permitted on board special purpose aircraft and under what claim. I mean, do these animals have to be assistance animals, guide dogs or just pets?

Air Marshal Chipman: No, they can travel as pets and, no, I can't answer that question. We do not keep comprehensive records of when animals travel on VIP aircraft, so it's not possible for me to provide a complete and comprehensive answer to your question.

Senator McKENZIE: When the SPA lands, who is responsible then for the animal, between the SPA and the departure gate—the owner or the captain or the ground crew?

Air Marshal Chipman: The pet is travelling with the owner.

Senator McKENZIE: Right. It's not your expectation that the pets are restrained as everyone else's pets have to be on commercial flights?

Air Marshal Chipman: There are guidelines in our Air Force air movements manual that outline how the animals need to travel on special purpose aircraft. I don't specifically have them with me. I can get that information for you.

Senator McKENZIE: Is someone behind you with a laptop able to give them to you?

Air Marshal Chipman: I've asked for that information, yes.

Senator McKENZIE: Thank you.

CHAIR: One more minute, Senator.

Senator McKENZIE: I don't have any further questions.

CHAIR: Senator Lambie, I give you the call.

Senator LAMBIE: Thank you. My question will be in relation to the IGADF, but not the IGADF itself. I just want to try to work a few things out here, in that we finally got a review into the IGADF. I notice that soon after the Inspector-General of the ADF, James Gaynor, was finally grilled by the royal commission last month, Defence Australia initiated a review into the IGADF—finally! How many media announcements have been put out there to let everybody know you're doing this review, and what papers have you put it in? Where have you let that out?

Mr Yannopoulos: I'm not aware that we've put a media release out.

Senator LAMBIE: Why not? Are you trying to hide?

Mr Yannopoulos: No.

Senator LAMBIE: You're trying to try the IGADF. Well, there are a lot of people out of there that don't know this is going on. Why not? It's the first review in 20 years. There are problems in the Inspector-General of the Australian Defence Force's office, and you don't want this information to get through so you feel free to come through and put submissions in. Why isn't that being done?

Senator McAllister: Senator Lambie, just to assist the official—

Senator LAMBIE: I think it's a fair question.

Senator McAllister: Yes. All I was going to say is that your question contains a set of assertions about motivation and why things have been done. I think—

Senator LAMBIE: Okay. I won't assert anything until I get the answer. Have you advertised it, and where?

Mr Yannopoulos: I'll need to take that on notice. I don't have a brief with me. We've established the review. Former Justice Kerr has started his consultations. It's going to take many months.

Senator LAMBIE: Five. That's not many months. It's going to take five months into 20 years that you haven't looked into. There hasn't been a review into the IGADF in 20 years, and you're going to use five months for that, correct? That's not many months. That's five months. Can you tell me exactly what the 20-year review will be looking into? What's the terms of reference for that?

Mr Yannopoulos: I'll take that on notice and provide them to the committee.

Senator McAllister: I'm just checking, Senator Lambie, if we can find advice about that for you more quickly. I understand that the terms of reference and a call for submissions are indeed on the website. I may be wrong. Officials may correct me.

CHAIR: While you're doing that, are we able to have the senator ask another question? I'm just mindful of the time. It's not a full-week estimates; it's only a one-day hearing. We've got DVA after this. Senator Lambie, do you want to continue with the other questions?

Senator LAMBIE: Yes, I do. It was also revealed in the last Senate estimates that the office of the IGADF has never been subject to an audit. Are you aware of that?

Mr Yannopoulos: I am.

Senator LAMBIE: Are you aware that, on 16 June this year, I wrote a letter to the ANAO to request the Auditor-General to conduct an audit on the office of the Inspector-General of the Australian Defence Force?

Mr Yannopoulos: Yes.

Senator LAMBIE: How did you become aware of that? I thought it was independent. How would you become aware of that?

Mr Yannopoulos: I think the Auditor-General let our secretary know that he'd been asked to do that inquiry.

Senator LAMBIE: Why did he do that, Mr Moriarty?

Mr Moriarty: I have—

Senator LAMBIE: Oh, dear.

CHAIR: We'll allow Mr Moriarty to answer.

Senator LAMBIE: Okay. Why would he allow you to know that, Mr Moriarty?

Mr Moriarty: I can only assume that he was seeking the full cooperation of the department with any work that the Auditor might wish to conduct.

Senator LAMBIE: What did the department advise him to do?

Mr Moriarty: I'm not aware of it.

Senator LAMBIE: Do you have any emails? How did you do the correspondence? Did you do it by phone? Did you do it by email? How was that correspondence conducted?

Mr Yannopoulos: I'll take it on notice to be accurate, but my recollection is we received a copy of the letter from the Auditor-General advising the secretary that he had been requested by you to do an audit.

Senator LAMBIE: Did the ANAO seek his advice?

Mr Yannopoulos: The ANAO did not consult us on the merits of doing that review. He would come to his own view.

Senator LAMBIE: Why would he alert you to the fact that I'm coming for this review if he wasn't asking for your advice?

Mr Yannopoulos: He was letting us know that he had been asked by you to do the review.

Senator LAMBIE: Naughty, naughty—oh, dear.

Mr Moriarty: It's very appropriate for the Auditor-General to say, 'I'm thinking about taking on a particular body of work. I expect the department to provide full and transparent cooperation with me.'

Senator LAMBIE: That's not how I see it. He knocked it back, straight zero. He said, 'No, we're not doing that review.' That's what the ANAO did. I'd like to know why he did that if he was thinking about it, and then, all of a sudden, he didn't want to do it.

Mr Moriarty: You'd need to address that to the Auditor-General.

Senator LAMBIE: Oh, yes. We'll be going much further. Why has the office of the IGADF almost doubled its staff? According to the annual report of 2022, it increased its staff by 85 per cent. Why is that?

Mr Yannopoulos: I can't assist you. You'd need to put those questions to the inspector-general.

Senator LAMBIE: You're aware that the office of the IGADF has been criticised continuously in hearings of the Royal Commission into Defence and Veteran Suicide?

Mr Yannopoulos: I'm aware of the royal commission and its hearings.

Senator LAMBIE: How has the office of the IGADF responded to these concerns? What has it done?

Mr Moriarty: It's an independent element.

Senator McAllister: I believe they may be appearing later in the program. Is that correct, Chair?

Senator LAMBIE: Yes, they will be, but I need to ask these people questions because I need to know whether the independent National Audit Office had gone and blabbed. I think that's really inappropriate.

Senator McAllister: Senator Lambie—

Senator LAMBIE: I'm sorry, Minister. I'm just trying to show something here. They obviously considered it. Then something was said, and they knocked back my request. That's what I wanted to hear today. They're probably not so independent after all. I want to go to Kathryn Campbell now.

Senator McAllister: May I just say—

Senator LAMBIE: Is it appropriate for the National Audit Office to do that when a senator asks them? If that's what you're going to tell me—that it's appropriate—then that shows me it's not independent. That's not how it should work up here.

Senator McAllister: I have a couple of things. You really could put these questions to the ANAO. I once had the privilege of serving on the public accounts and audit committee, and there is a reasonably well-trodden path for the ANAO to respond to requests that are made to them for audits, and these requests are made with some regularity. I understand that your letter is on the website of the ANAO, so your request is public. I think that the questions you're asking are best answered by the ANAO as to whether or not they complied with their ordinary procedures in relation to your letter.

Senator LAMBIE: I'm aware of where you're going, but I wanted to know if these people have been involved, and they obviously have been. That's what I'm getting to here.

CHAIR: I think an answer has been provided. Senator Lambie, I will come back to you later, but I need to keep moving the call around. It's a 10-minute block.

Senator LAMBIE: Have my 10 minutes finished? That's fine.

CHAIR: It comes quickly. Senator Shoebridge is not here, so I might hand the call to Senator Roberts. Would you like to have the call?

Senator ROBERTS: Thank you, Chair. I have another question about the Heston Russell case. Do you accept that much of the time, effort and expense in the Russell and ABC defamation matter could have been avoided if Defence had simply advised the ABC that the November platoon wasn't even in Afghanistan when Heston Russell was first accused?

Senator McAllister: I think advice was provided earlier that, in the general issue of the civil matter between the ABC and Heston Russell, this is a private matter and Defence were not a party to the case. I think you are now asking Defence to speculate about events that may or may not have happened. I'm not sure that they're going to be able to offer you an opinion of that kind.

Senator ROBERTS: I can see where you're coming from.

Senator McAllister: We don't wish to be unhelpful, but I think there are a number of elements of your question that make it difficult for officials to provide an answer in this forum.

Senator ROBERTS: As I understand it, the SAS people are very close-knit; they have a long association after they leave the Army that's very much entrenched in comradeship and mateship. I would have thought that the Department of Defence would want to cultivate that because that's our key strategic weapon as I understand it from talking to former and current members of the ADF. Anyway, that's fine. Getting on to matters of operational command: General Campbell, do you still maintain that, as commander of the Joint Task Force 633, you did not have operational command of forces in Afghanistan?

Gen. Campbell: That's quite the reverse. I had, in my tenure, national command and operational command. They are technical terms of command, and that's exactly what I had.

Senator ROBERTS: So you had command over the Afghanistan operation?

Gen. Campbell: I had national command and operational command of personnel in the Middle East.

Senator ROBERTS: Doesn't that make you complicit in the Brereton report's accusations? You were the senior officer overseeing the people who allegedly performed those acts.

Gen. Campbell: Can you ask that question again? I'm not sure quite what you're asking.

Senator ROBERTS: The Brereton report was damning about some events in Afghanistan, as I understand it. Is that correct?

Gen. Campbell: Yes. In terms of credible information of allegations of unlawful conduct, that's correct.

Senator ROBERTS: And you wanted the stripping of the DSC from members of the SAS involved?

Gen. Campbell: Let's be a bit more precise. One of the recommendations of the Brereton inquiry was to consider command accountability in circumstances of multiple allegations and credible information of unlawful

conduct, which I have a part in in terms of the process of undertaking that work and providing materials and advice to the Deputy Prime Minister, which I have done. That issue is now with the Deputy Prime Minister for his further consideration.

Senator ROBERTS: Let's go to your nomination for the Distinguished Service Cross that's provided in Defence Freedom of Information 544/22/23 document 8. I'll quote from your nomination:

Major General Angus John Campbell exercised operational command of a joint task force that, while mainly focused on Afghanistan ...

... ..

Through his visits and continuous engagement, Major General Campbell's exercise of operational command ensured that Australian national expectations were met, that Australian forces were supported and operated effectively ...

Your exercise of operational command is referenced twice in the nomination for the bars you're wearing on your chest right now, but you claimed earlier on when it came to the war crimes allegations that you did not have operational command. Is that correct or am I misunderstanding something? There seems to be a contradiction.

Gen. Campbell: If you're talking about today or any other day I can remember, it is very, very clear the chief of joint operations of the day assigned me national command and operational command for the tenure of my appointment as commander of Joint Task Force 633 from 14 January 2011 to 17 January 2012. So there's never been a moment when I don't suggest that I had national command and operational command.

Senator ROBERTS: Didn't you want to strip the DSC from people in that operation?

Gen. Campbell: As I said, in delivering on the particular recommendation of the Brereton inquiry, I was required to consider across the period 2005 to 2016, which is the time frame of the inquiry, circumstances in which command accountability might arise for multiple allegations and credible information of unlawful conduct. I have, as I say, done my part in that process and offered materials and advice to the Deputy Prime Minister.

Senator ROBERTS: Did the Brereton report say you were or were not part of the operation?

Gen. Campbell: The Brereton report acknowledged that I as much as anybody else who was deployed into the Middle East and had different forms of responsibility in their duties for service in Afghanistan as just that. So, again, I'm not quite sure what you mean.

Senator ROBERTS: We discussed this at last Senate estimates. Can you recall?

Gen. Campbell: I know that we have discussed this on a number of occasions.

Senator ROBERTS: I think it's only been twice. Does Defence have an accepted definition of 'in action' in relation to awards and honours?

Gen. Campbell: I'm unaware and would have to take it on notice to our honours and awards team.

Senator ROBERTS: If you could, please do. I'd like to know what Defence's application is of the definition of 'in action' from the Gilbert case as well, which was in 2019.

Gen. Campbell: I'm not familiar with that case, but I'll take it on notice.

Senator ROBERTS: Thank you. Your nomination for the Distinguished Service Cross was made on 29 September 2011. At that time the letters patent for that award required that you had to be in action. Can you please provide to this committee on notice the exact action you were involved in that meets the definition of 'in action' from the Gilbert case?

Gen. Campbell: As I was not the nominator, decision authority or the controller of that honour, I'm not in a position to do that.

Senator ROBERTS: Who is in a position to give me, on notice, the exact action that you were involved in that meets the definition of 'in action' from the Gilbert case?

Gen. Campbell: I will have to take that on notice, but it's unclear to me at this point.

Senator ROBERTS: The bottom line is that, if you weren't in action, your medal appears to be not legal. A leader would have handed back their Distinguished Service Cross already. I was just talking with the minister a minute ago about the importance of teamwork and consistency in the leadership, and that's what I'm getting to here. A number of ADF people and veterans are deeply concerned about the inconsistency.

Senator SHOEBRIDGE: I have a series of questions about the acquisition of the HIMARS systems. A number of people have been mystified by the cost of the August acquisition of HIMARS in light of the cost of the May 2022 acquisition. I'll be clear: most of this information comes from the US Congress, not from Defence. There's much more transparency there than through Defence. In May 2022 it's true there were 20 M142 high-

mobility artillery rocket systems, or HIMARS, acquired from the US. Mr Moriarty, was the cost for 20 HIMARS and the associated equipment at the time some \$558 million?

Mr Moriarty: I'll turn to the officials that were directly involved in that.

Major Gen. Bottrell: Are you referring to the initial foreign military sales for 20 HIMARS in May 2022?

Senator SHOEBRIDGE: Yes, 2022.

Major Gen. Bottrell: The original cost was \$560 million for the 20 HIMARS and additional elements of that.

Senator SHOEBRIDGE: I had \$558 million, but you say it was \$560 million?

Major Gen. Bottrell: Yes.

Senator SHOEBRIDGE: The US dollar figure was \$385 million, according to the US Congress. Is that right?

Major Gen. Bottrell: That's correct. That was in US dollars.

Senator SHOEBRIDGE: So it was US\$385 million?

Major Gen. Bottrell: Correct.

Senator SHOEBRIDGE: Which equated to, at the time, A\$558 million or A\$560 million.

Major Gen. Bottrell: And of which \$176.5 million was for the 20 HIMARS launchers.

Senator SHOEBRIDGE: And the balance was for the guided multiple launch rocket systems and the alternative warheads?

Major Gen. Bottrell: Correct.

Senator SHOEBRIDGE: Do you have a breakdown on the cost of those key items?

Major Gen. Bottrell: I prefer, if I may, not to disclose the detail behind the breakdown of those munitions for obvious reasons. But I can talk to the HIMARS-specific issue, if you wish, in terms of the variance in the cost for the HIMARS from the first acquisition through to where we are progressing for the second submission.

Senator SHOEBRIDGE: We will come to that. As I indicated, that's the query that's been asked. So it was \$176.5 million for the 20 HIMARS and the other just under \$400 million was for the associated equipment. Is that right?

Major Gen. Bottrell: It was \$385 million.

Senator SHOEBRIDGE: We roll through to August of this year, though, and instead of 20 there are 22. I accept there's an increase there. But for 22 HIMARS systems, plus associated equipment, the price has gone up from \$558 million to \$1.6 billion. First of all, is that figure of A\$1.6 billion accurate? That's what's been widely reported.

Major Gen. Bottrell: The \$1.6 billion is accurate, yes. The actual cost of the HIMARS launcher for the second submission has increased by about 7.4 per cent. So we're now talking, for 22 HIMARS, about \$208 million. The variance there is for the additional elements in that foreign military sale.

Senator SHOEBRIDGE: Both packages contained guided multiple launch rocket systems, GMLRS, high-explosive pods, extended range pods and practice rocket pods. Both had a huge amount of commonality between them. How did we go from 20 HIMARS and associated equipment for \$560 million in May of 2022 when, rolling on just over 12 months, 22 HIMARS and associated equipment is triple the price?

Major Gen. Bottrell: The variance is largely due to the additional mix of the munitions that are being acquired with the second tranche.

Senator SHOEBRIDGE: Was it the guided multiple launch rocket systems? Was it the unitary high-explosive pods? Was it the extended range pods? Or was it the practice rocket pods? Where was the surge in costs?

Major Gen. Vagg: There may be a conflation of two different financial figures. The \$1.6 billion you're quoting is the figure that was announced by the Deputy Prime Minister on 26 April.

Senator SHOEBRIDGE: You're right; I probably shouldn't have trusted it.

Major Gen. Vagg: That figure was the allocation in the IIP to deliver the entire long-range fires capability as part of the DSR announcement. The figure that Major General Bottrell has been speaking to is the FMS letter of acceptance that has been produced by the US government. The balance of the \$1.6 billion goes towards the essential components of FIC that make up the capability. In this case we're looking at a facilities build so we can house these new systems, support vehicles and trucks, radios and all those other bits that pull together in the

system. In terms of the munitions, there is a different mix of munitions and the LOA quote that has come back to us may not necessarily be the figure that we finally take to government for decision.

Senator SHOEBRIDGE: Thank you, General, for some clarity there. The problem that explanation runs into is the disclosure we get from the US Congress, which doesn't include any of that additional cost that you were talking about, and puts a price tag of US\$975 million, which is at least A\$1.5 billion. That's the problem your explanation runs into.

Major Gen. Vagg: That is because we asked for a wide range of different munition types. Some of them have different expenses to the ones that we requested in the first acquisition from January next year. We do that so that, as the capability manager, we can make a recommendation to government on what the appropriate mix is.

Senator SHOEBRIDGE: That's the question you cut across the answer I was seeking. I was asking—and, again, I'm relying on what the Congress says, not what the Deputy Prime Minister says—which of those identified systems explains this tripling of costs.

Major Gen. Bottrell: As I said, it is a different mix of munitions that are being included in that acquisition. There are different numbers, and there is a different mix and different cost associated with that. That's the detail that I don't think it's appropriate for us to discuss here. Part of the answer, as General Vagg just explained, is caught up in the other fundamental inputs to capability, but the largest component of that cost variation is in the mix of munitions that comes with that package.

Senator SHOEBRIDGE: That explanation has a mathematical problem with it because the bulk of the systems obtained in the two deals are common. There are twice as many guided multiple launch rocket systems in the second to the first. The second deal purchases none of the army tactical missile systems. How could a \$1.1 billion blowout be explained by just the increase in the guided multiple launch rocket systems? How could that be the case? Who cut this deal?

Major Gen. Bottrell: The launchers themselves—if you are looking at the launchers as the largest component of the buy, there is an increase of about seven per cent on that.

Senator SHOEBRIDGE: You told me that's \$208 million of \$1.6 billion.

Major Gen. Bottrell: Correct. The rest of the variation is caught up with the elements that Major General Vagg just explained.

Senator SHOEBRIDGE: Which we know is less than \$100 million because of what Congress has told us.

Major Gen. Bottrell: And the rest is in relation to the munitions mix that comes with that.

Senator SHOEBRIDGE: I've taken you to that.

Major Gen. Bottrell: You've covered part of that. The authorisation we will be enabled to buy under once it's been agreed by the Australian government, whether we acquire all those that we are being allowed to by the US Congress, talks to the limit that we're able to. So the mix of munitions under there, without going to the specific types and numbers of those munitions—that is where that additional cost is.

Senator SHOEBRIDGE: That does not hold scrutiny. When you look at the main variation in terms of this package, it was a doubling of the guided multiple launch rocket systems. If that cost Australian taxpayers a billion dollars, whoever negotiated that deal has a lot of explaining to do.

Major Gen. Bottrell: I can tell you the cost of the GMLRS being acquired in the second tranche is not dissimilar to the cost in the first tranche.

Senator SHOEBRIDGE: Then where on earth did the billion dollars go?

Major Gen. Bottrell: It is in a larger munitions package that's in there. There may be detail that has not been disclosed as part of that.

Senator SHOEBRIDGE: I'm relying on credible disclosures through the US Congress in accordance with US law, and there is nowhere in this package that comes even close to explaining why Australian taxpayers have been slugged for this cost.

Major Gen. Vagg: When we submit a letter of request to the US government, generally we'll ask for an 'up to' cost. A lot of those munitions are 'up to', and they will come back and quote to that 'up to' number. Once we do our capability management plan and understand our fundamental inputs to capability, we then look at what components of that 'up to' we will acquire. The congressional release, as you're quoting, is the 'up to' price—if we were to buy everything we asked the US to quote us on. We are currently in the process of going through our planning, and we'll make recommendations to government on what we think we should acquire in accordance with the letter of offer we've received from the US government. We haven't entered into a deal with the US

government. It's not a contract at this stage. We've received the quote. We'll then go back and acquire those elements of that quote we received from the US government.

Senator SHOEBRIDGE: The problem with that explanation is twofold. First, the same 'up to' authorisation would apply to the numbers from the 2022 deal as disclosed by Congress—and they're about a third of the second deal. Secondly, who on earth begins a negotiation with Lockheed Martin by telling them their maximum budget? Who does that with any contractor, let alone an international arms dealer? Who on earth would tell them how much their maximum spend is at the outset?

Major Gen. Vagg: I disagree with that characterisation. We haven't done that. The numbers of munitions we're buying—firstly, they're a different mix from the munitions we acquired in the first—

Senator SHOEBRIDGE: We've had that discussion.

Senator McAllister: Chair, if I may: part of the challenge here is that Senator Shoebridge wishes to pursue a line of questioning without dealing with the information that has been provided to him. The consequence of that is that he continues to press the officials by making a comparison which is not valid between a previous approach to acquisition and the current one. I think the officials are trying to provide Senator Shoebridge with as much information as they can in a context where some of it, as indicated earlier, may not be discussed publicly.

Senator SHOEBRIDGE: Chair, that's not a valid objection. I press for an answer to my question.

Senator McAllister: You may continue to ask questions but I'm providing this advice for the information—

CHAIR: The minister is trying to be helpful. The officials can only provide what they can provide you. I note you've got one minute to go before I hand the call over.

Major Gen. Bottrell: Can I respond to your last point about approaching Lockheed Martin. This is an approach of the US government. The price and availability has come back from the US government, not from Lockheed Martin—who they engage with in the process of pricing that for us.

Senator SHOEBRIDGE: It's Lockheed Martin.

Major Gen. Bottrell: It would include their industrial base. They would also use all the additional foreign military sales cases to essentially spread across the industrial base to get the best long-term price they can.

Senator SHOEBRIDGE: Including the Finnish deal, which was a fraction of the most recent deal Australia got. The truth of the matter is that the US sees us as patsies who can't negotiate a contract for our life, and Australian taxpayer dollars are treated as some chaff that gets thrown into the US weapons industry—\$1.6 billion for 22 HIMARSs, just 12 months after. That's extraordinary.

CHAIR: I need to move the call on.

Senator CHANDLER: I have some questions regarding the Middle East deployment; this will be a very quick tranche, I hope, and then I think Senator Paterson has some questions on another topic. The Pentagon has confirmed publicly at least 10 separate drone and rocket attacks between 17 October and 24 October on coalition against ISIS forces in Iraq and Syria. The Pentagon has also confirmed the groups conducting these attacks are supported by the Islamic Revolutionary Guard Corps—the IRGC—and the Iranian regime. Is that consistent with Defence's understanding of the situation?

Mr Jeffrey: I'm aware of those reports, and the statements by the US government. I don't have anything to add in the public domain on those reported attacks.

Senator CHANDLER: Had Defence and the ADF been briefed on these attacks in advance of the deployment of Australian personnel to the region which was announced in the last 24 hours?

Gen. Campbell: Our people receive appropriate security intelligence force posture briefings, but they're classified. I am confident that, currently and progressively, because it's a constant update, our people are well informed of the wider strategic and tactical setting in the Middle East at the moment—noting that that setting is quite volatile.

Senator CHANDLER: Indeed. A senior US defence official also stated in a briefing this week that what has happened in the last several days is efforts by Iran and Iran proxy forces to seek to escalate this conflict. Is that also consistent with Defence's understanding of the current environment in the region?

Mr Jeffrey: The responses from the Islamic Republic of Iran are varied at present. I don't think you can make a clear conclusion about what Iran is seeking to do or not do through this crisis. You are right to be concerned about Iran's role. Iran has a long-term funding and training relationship with Hamas, which is a terrorist organisation, and also with the Palestine Islamic Jihad and with Hezbollah, in Lebanon. So it is in a position to either intensify the crisis or help moderate it. Its actions will be important.

Senator CHANDLER: Does Australia have any personnel—advisers, trainers or other staff—in Iraq or Syria as part of our membership of the coalition against ISIS?

Gen. Campbell: I'm going to ask Air Vice-Marshal Chappell to give you the details on that point.

Air Vice-Marshal Chappell: With respect to your question about personnel in Iraq, yes, we do, as part of both Operation Okra and Operation Steadfast.

Senator CHANDLER: So, yes, we have personnel in Iraq. Do we have personnel in Syria?

Air Vice-Marshal Chappell: We have no ADF personnel in Syria.

Senator CHANDLER: In relation to those personnel in Iraq, do we know if they were part of the coalition which has been attacked by groups attributed by the Pentagon as being supported by the IRI regime and the IRGC, in those rockets attacks that I referenced in my first question?

Air Vice-Marshal Chappell: The personnel in Iraq are in headquarter roles. They will take the same force protection measures as their international counterparts at the headquarters to which they belong and work at. As to the specifics of any attacks, I would need to take that on notice to provide what we could, but I wouldn't be able to go into any specifics here.

Senator CHANDLER: Okay. Thank you very much. Senator Paterson has a few questions as well.

Senator PATERSON: I want to cover a couple of different topics, if I can, in the time we have. Just to clarify, though, one of those topics is *HMAS Stirling*. Is that better asked here or put to the Submarine Agency?

Mr Moriarty: There are some very relevant questions to do with *Stirling* that are appropriate for here.

Senator PATERSON: I'll try here, and anything that we can't cover—

Mr Moriarty: There may be some, particularly to do with the submarine work, that ASA can handle.

Senator PATERSON: I'll start with pillar II, advanced capabilities, before anyone leaves the table. I'm looking at you, Mr Jeffrey. We had a discussion in the previous round of estimates about a first assistant secretary appointment to coordinate the advanced capabilities program. Has that appointment been made?

Mr Jeffrey: He's just arrived at the table, Senator.

Senator PATERSON: Very good. My first question was going to be whether you could confirm the name of the official. Thank you for having done that. Mr Moore, welcome. When did you start?

Mr Moore: The position commenced on 1 July. I started a couple of days later.

Senator PATERSON: What are the responsibilities of your role?

Mr Moore: I'm responsible for delivering the capabilities against pillar II. Mr Jeffrey is the lead for pillar II—the decision-maker, I guess—working with his counterparts. My job is day-to-day responsibility for pillar II capabilities.

Mr Jeffrey: If I could add to that, the DSR recommendation here was an accountable officer on pillar II who was working full time. One of the initial challenges with AUKUS Pillar II was that it was work areas that already had very busy day jobs. One thing that we've been trying to do, as we build up the AUKUS Pillar II infrastructure, is to ensure that there are dedicated personnel in three countries who are working full time.

Senator PATERSON: Excellent. I think that's very sensible. How many personnel do you have working to you, Mr Moore, both ADF and bureaucratic?

Mr Moore: They're all civilian—about 19.

Senator PATERSON: Are there any vacancies in your team, or is that at full strength?

Mr Moore: There are a few vacancies. We're currently in the process of filling those. It has been full strength in the past—numbers fluctuate, as you might expect. At the moment, there are a couple of vacancies, yes.

Senator PATERSON: What is your full strength?

Mr Moore: Nineteen is full strength.

Senator PATERSON: How many people do you have now, then, if 19 is full strength?

Mr Moore: Let me take it on notice for you. I think we've got about three vacancies.

Senator PATERSON: Okay. Let's call it 16, full strength 19, subject to any further detail on notice. You said they're all APS staff? There's no ADF staff?

Mr Moore: That's correct.

Senator PATERSON: Did any of them come over from the ADF?

Mr Moore: No. They're all civilians.

Mr Jeffrey: Could I just add to that? This is the team we're talking about, but actually this team exists to direct pillar II activity across the enterprise. The structure that we've built for AUKUS Pillar II in the Australian system leverages people who are not actually in Steve's team. The head of AUKUS capability in our system is Major General Tony Rawlins, for example. There are a lot of ADF personnel capability managers working on pillar II projects. They're not directly in Steve's team, but they're working closely with Steve.

Senator PATERSON: Understood. Have most of them been drawn from other parts of Defence to build this team? Have they been transferred internally, or are they new hires from external sources?

Mr Moore: It's a variety. Some of them have had careers in Defence for some time. Some are new hires from other agencies.

Senator PATERSON: Are any from the private sector or academia or completely external hires?

Mr Moore: We may have one that is new to the Public Service. I'd have to take that on notice.

Senator PATERSON: Do you have an organisational chart that you could table?

Mr Moore: We can give that to you on notice.

Senator PATERSON: Thank you. What's the relationship between your team and the Advanced Strategic Capabilities Accelerator?

Mr Moore: The Advanced Strategic Capabilities Accelerator will be the delivery agent for some of the work we do, especially when we are looking at some of the innovative technologies that we know are out there. We'll work with ASCA on those innovation aspects of what we do. My aim is not to set up a duplicative innovation system.

Senator PATERSON: What are your KPIs for your team?

Mr Moore: In what sense?

Senator PATERSON: What looks like success? What will you feel good at the end of the day if you've achieved? How are you measuring the impact that you have?

Mr Moore: Ultimately, the aim of advanced capabilities is to get new technology into the hands of war fighters. That's what we're aiming to do.

Senator PATERSON: Yes. That's the headline. I'm sure there are more specific things, or more detailed things, which underlie that.

Mr Moriarty: There are a couple of tangible projects in the pillars of work that our three leaders have identified. I want to be able to say, 'We're going to go after this,' and the three countries agree—'Yes, that's what we're going to go after'—and then we dedicate research and capability work to go after a particular outcome.

Senator PATERSON: You covered with my colleague Senator Birmingham earlier the regulatory barriers we need to remove in order to achieve success, and we hope that the House of Representatives can reconstitute itself soon to assist you with that task. I will move on to the *Stirling* questions that I flagged a moment ago. Could I have an update on the status of works at *HMAS Stirling*?

Ms Perkins: There are a range of capital infrastructure works at *Stirling*. Are you interested in the priority works to support the submarine program?

Senator PATERSON: Correct.

Ms Perkins: Terrific. That's the brief I've got in front of me, otherwise we'd be asking Mr Sowry for the full program. We are working to support the Australian Submarine Agency to progress priority infrastructure works at *Stirling* to make the early tranches of work to achieve a sovereign-ready nuclear submarine capability. We are doing that in order that we are ready to support the UK and US rotational submarine forces from 2027. We're committed to completing priority works by 2027, and we're going to do that—it's a challenging time frame—in three work packages. We've broken them down to take advantage of a mobilised workforce. We've been working on a number of major projects at *Stirling* over a number of years. The first of those work packages commences construction by the end of the year. We will be accelerating package 1, expanding accommodation facilities on shore and a training centre. In package 2 we'll be focusing on works to repurpose existing buildings and support workforce at *Stirling*. Package 3 will be the major tranche of construction, which will be facilities to support conventionally armed nuclear-powered submarines. This will include construction of a controlled industrial facility and more intrusive maritime works—that is, additional works on the Diamantina Wharf.

With these works we anticipate commencing construction in early 2025. Right now we are working very hard with the Submarine Agency on scope, design and the necessary referrals under the Environment Protection and Biodiversity Conservation Act in order to kick off works in 2025.

Senator PATERSON: Do you feel at this point that you're on track and on schedule?

Ms Perkins: I do. I deep dive with my project team leading this work weekly. We last met with them on Thursday last week. We are absolutely clear that this is a challenging and ambitious schedule, but the way we have structured the packages of works is to maximise the workforce on site and the works that we can accelerate while we're doing more detailed planning on the nuclear specific facilities. I call out the phenomenal relationship with our colleagues in the ASA and colleagues in other parts of government, including in the Department of Climate Change, Energy, the Environment and Water, who are supporting us on this accelerated time frame.

Senator PATERSON: Obviously if you're only starting construction in 2025 for a project that needs to be operational by 2027 that's a very tight window. What are the key risks that you're worried about that need to be managed to ensure you meet that?

Ms Perkins: One of the interesting things about capital infrastructure projects is that we have a lot of experience in the kind of work we'll be delivering and we have a strong record of success, particularly at Stirling, on like works. The risks I think are obvious. We will need to work on designing something that will be a first in Australia. We will be working really closely with the agency and colleagues in the United States and the United Kingdom on elements of that design. Anytime we approach environmental approvals—and certainly we've done a lot of environmental approvals at the Stirling site—it will be a process we will need to work with other colleagues on. At this site I think there are absolutely risks around workforce. WA is a state in which we're doing a lot of work. This will be our No. 1 priority. The reason we're using a mobilised workforce on site is to surge to the priorities to support the 2027 end date. But we are monitoring and managing those risks, as I said, weekly, and we'll just keep working through them as they arise.

Senator PATERSON: I think I'm right in understanding that the government has allocated about \$8 billion for the project.

Ms Perkins: That's correct.

Senator PATERSON: How much of that has been spent to date?

Ms Perkins: I'd have to take that on notice.

Senator PATERSON: And you anticipate that you'll need that full \$8 billion to complete the works?

Ms Perkins: I do.

Senator PATERSON: Any risk that you'll need more than that?

Ms Perkins: I don't think so. One of the advantages in construction is that we work with a mature national industry and have a high degree of cost confidence around the kind of construction work we're undertaking. As I said, at the Stirling site we have been underway for some years, so we have some very good models on the onshore facility and the wharf facilities that have been built into this estimate for the works over the next few years.

Senator PATERSON: Obviously most of the works are things of substance on the wharf and other things, but how about the supporting infrastructure around HMAS *Stirling*, like housing and other priorities like that?

Ms Perkins: I'll speak briefly to housing as I manage the housing requirements for defence. I will leave that to my colleagues from the Submarine Agency, except to say that we are all conscious of the impact that this endeavour will have in the community around HMAS *Stirling*. Vice Admiral Mead has written to me outlining the initial ramp up of housing needs in the Rockingham area. Part of the priority works that we're doing in phase 1 is on-base housing to anticipate a larger and more regular component of sailors at Stirling.

Senator PATERSON: Just quickly, how big will that on-site housing capacity be?

Ms Perkins: We're increasing on-site housing capacity.

Senator PATERSON: To how much?

Ms Perkins: I'll take that on notice. We might find that number while we're looking.

Senator PATERSON: Thanks. From what it is now to what you anticipate it could be.

Ms Perkins: Yes. It might be safer for us to take that on notice. We are starting to look at what the ramp up will be from 2027 for community housing. We've commenced some deep dives on what might be creative solutions for housing.

Part of that conversation will be with our colleagues in the Defence Housing Authority, noting that DHA have some legislative limits on housing members of the ADF. But we're taking a very creative look at housing options in that part of Rockingham and we'll work with the agency as those estimates firm.

Senator PATERSON: Finally, is there a funding profile for how that \$8 billion will be expended over the project?

Ms Perkins: Yes, there is.

Senator PATERSON: Is that public information?

Ms Perkins: Let me take that on notice.

Senator PATERSON: Thank you. If you could take that on notice, that'd be great. Chair, I have one more topic, but I know you want to rotate the call, so I will just seek the call again later.

CHAIR: I think Senator Fawcett had one follow up. Then I will hand over to Senator Pocock.

Senator FAWCETT: The *DSR*, in paragraph 10.27, talks about Henderson playing a crucial role to naval sustainment and says:

The completion of a Henderson-based large vessel dry-dock is a critical enabler for the construction and sustainment of our naval vessels.

Can you give us an update as to where that is at?

Ms Perkins: I cannot. By a quirk of our roles and accountabilities, while I am the deputy secretary for the estate and I manage those facilities on the Defence estate, Henderson is not on the Defence estate. I might turn to my colleagues in the naval shipbuilding group.

Senator FAWCETT: That would be fine. I'm hoping Chef of Navy would also have a deep interest in the sustainment of his assets, so, hopefully, somebody can help me.

Ms Hall: The *Defence strategic review* stated that Henderson plays a critical role with regard to naval sustainment, maintenance and upgrade of our vessels. Defence and the Department of Finance continue to work with ANI and the Western Australian government in developing options for large-vessel infrastructure at Henderson for consideration by government in 2024. This is aligned to the government's commitment to continuous naval shipbuilding and the requirements to support a nuclear-powered-submarines program at *Stirling*, complementing the infrastructure to be developed at *Stirling*.

Senator FAWCETT: Specifically, I'm asking about the large vessel dry berth, the \$4.3 billion program. What is the status of that?

Ms Hall: We continue to work with the Department of Finance and ANI on developing capability options to provide the capability solution to berth large vessels in Western Australia to provide redundancy for Captain Cook Graving Dock.

Senator FAWCETT: That's a long-winded way of saying you're looking at other options to provide a dry berth?

Ms Hall: The dry berth capability was originally considered, but, upon further investigation and peer review by ANI and their consultants, other capability options are also being explored, including, potentially, a floating dock or ship lift capabilities.

Senator FAWCETT: It would be really helpful in things like estimates if, when we ask a question, you just come out with that as opposed to giving us the roundabout answer. In terms of time frames, when is that decision likely to be made and when can we expect to see a capability delivered?

Mr McDowell: Senator—

Senator FAWCETT: Mr McDowell, welcome. Is this your first question in estimates?

Mr McDowell: Thank you, Senator Fawcett. It is very appropriate to come from you, too! The question of large vessel infrastructure, dry docks or zoning docks, nuclear rated or otherwise, is bound up with the IAT and what recommendations will be made about what is actually going to happen in the shipyard in the Henderson strip and also the availability of the Captain Cook dry dock, as you know, in Sydney, which has some movement with regard to its availability and when it needs to be out of commission for a period of time. Until we get a clearer view as to the ASA's requirements and Henderson as well as *Stirling*—there is an assumption that there will be some requirement at Henderson. Until we get the government's response to the IAT, at the moment, all we can do is formulate a number of options to do that. We intend to take those options, once we have more detail with regard to the requirements both in the west and for the Captain Cook dock, to government some time probably in mid-2024.

Senator FAWCETT: As I read it, the DSR in their analysis said that the west coast dry dock capability was a critical enabler—in addition, obviously, to the east coast—but at this stage we have no firm time frame for when government may even consider committing to that, let alone a construction start date or estimated completion date for whatever capability option may be chosen.

Mr McDowell: That's correct, and the DSR did say that. It also commissioned the IAT to consider the surface fleet—the composition and the matter of continuous naval shipbuilding—which will affect the activity that will take place in Henderson or close by. Therefore, it would be very difficult and, I think, unwise to try to predict what that is going to be until we see the outcome of the response.

Senator FAWCETT: Thank you very much.

CHAIR: Senator Pocock.

Senator BARBARA POCOCK: My questions relate to Defence's use of external labour. According to figures that we saw recently in a *Four Corners* program, over the past five years, KPMG have hired almost 100 people who have previously worked in Defence. Is that figure right?

Mr Yannopoulos: That's not a figure I'm familiar with in the various papers that prepared me for your questions. It's probably about right.

Senator BARBARA POCOCK: Ballpark correct. On notice, could you provide details about this group of 100—the kind of work they were doing and their classification before they left Defence?

Mr Yannopoulos: Yes, I'll do my best.

Senator BARBARA POCOCK: Thank you. How many of those employees held security clearances and at what level? Could you give us a summary or any information about that?

Mr Yannopoulos: Yes, I think can I do that too.

Senator BARBARA POCOCK: Okay. I assume at least some of these employees were working in sensitive areas of Defence. What precautions does Defence implement to ensure staff moving from Defence to KPMG don't share any sensitive information with KPMG?

Mr Yannopoulos: So, we have a well-developed policy. When folks leave, if they've worked on sensitive matters, they're debriefed out of those sensitive matters, where they're reminded of the secrecy provisions and the restraint on them sharing any of that sensitive information in their new roles.

Senator BARBARA POCOCK: So you ask them to behave properly and not share. How do you monitor that?

Mr Yannopoulos: We monitor it in the sense that if they are going to—say they're going to KPMG. KPMG is a member of the Defence Industry Security Program. If there were any improper use, we would expect a report to come in. A form is filled out. We receive thousands of these reports each year, and they're investigated. We make determinations about whether the security posture of that institution is working as it should? We have an audit program that could go in, have a look and see that security is being treated appropriately, information is being secured properly and cyberdefence is at the right standard. So there are a range of mechanisms both on the individual and also on a firm that is employing people dealing with sensitive information.

Senator BARBARA POCOCK: Have you had any improper reports or incidents in relation to KPMG?

Mr Yannopoulos: Let me take that on notice. I suspect the answer is 'yes'. There was certainly the *Four Corners* episode alleging improper conduct, but there will be more incidents, I'm sure. I can dig out the number—and Celia might be able to help me—but it's in the thousands across the many hundreds of thousands of people who maintain a security clearance in the Australian system.

Senator BARBARA POCOCK: I'm interested in the last five years and KPMG, but let's be generous and extend it to the other three big-four companies. I understand KPMG do most of the contracting to Defence, so that's where my focus is, but I'm very keen to hear the nature of any transgressions or improper behaviour and the steps that you took in relation to them.

Mr Yannopoulos: Okay.

Senator BARBARA POCOCK: What do you think is—sorry, Mr West.

Mr West: I can advise that since 2019, in relation to the big four, we had 21 security incident reports in 2019, 27 in 2020 and 51 in 2021. In 2022 we had 73, and we've had 71 so far this year. I'd just note that those are security incident reports. That is just when someone has reported something to us and there has not necessarily actually been a security incident.

Senator BARBARA POCOCK: Thank you so much; that's very useful. How many of those went to some kind of outcome which substantiated the nature of the investigation?

Mr West: For every security incident report that comes in, we assess its seriousness. If we believe it's a serious incident that requires further investigation, we initiate a formal investigation. Of all those security incident reports I've mentioned, we have initiated two security investigations. Both of those are still ongoing at the moment.

Senator BARBARA POCOCK: Can you describe the nature of the kind of misdemeanour that you're investigating?

Mr West: In general we don't go into detail about our investigations because, for security reasons, it potentially exposes risks to the Defence Organisation, but I can say—because we publicly discussed it here last estimates—that one of those investigations relates to Mr David Milo. A second investigation relates to improper handling of information.

Senator BARBARA POCOCK: So these matters go to sharing inappropriate information in relation to contracts?

Mr West: As I say, the investigation of both incidents is ongoing and I couldn't suggest any outcomes at the moment.

Senator BARBARA POCOCK: I'm just trying to get a sense of whether the misdemeanours were in relation to contracting as opposed to security leaks more narrowly defined.

Mr West: We only investigate security leaks. There is a separate part of the Defence Organisation that would investigate integrity issues. The investigations I talked about both relate to security.

Senator BARBARA POCOCK: Could I also have on notice any matters in relation to—what was the term you used?

Mr West: Integrity.

Senator BARBARA POCOCK: Integrity issues.

Mr Yannopoulos: Yes, Senator.

Senator BARBARA POCOCK: I appreciate that. What do you think is motivating so many Defence staff to move across to KPMG?

Senator SHOEBRIDGE: It's the money.

Mr Yannopoulos: Maybe historically it was as straightforward as remuneration and the opportunity to further their skills. I don't know.

Senator BARBARA POCOCK: What do you think that KPMG is thinking in hiring so many people out of Defence? What would you speculate is their motivation?

Senator McAllister: I'm not sure that the official may speculate about those matters. They're probably questions for KPMG.

Senator BARBARA POCOCK: Why do you think KPMG is hiring people out of Defence?

Senator McAllister: Again, they're probably questions for KPMG.

CHAIR: As per my opening statement, you can't ask them for an opinion like that, unfortunately.

Senator BARBARA POCOCK: *Four Corners* calculated that KPMG has entered into contracts with Defence worth \$1.8 billion over the last decade, far more than any of the other three big-four rivals. Do you think the number of staff moving to KPMG from Defence is giving KPMG an advantage in tendering for Defence contracts?

Mr Yannopoulos: No, I don't.

Senator BARBARA POCOCK: What would be your view then? There is quite a well-developed international literature about the phenomena of 'land and expand'—of finding the right people in order to find your way to highly remunerative contracts. Do you have any sense of that being part of the strategy here?

Mr Yannopoulos: I'm familiar with the term that you use, but each award of a contract to a consulting firm is done against a value-for-money framework, against Defence policy, where they assess capability, value, the capacity and capability of the skills, and whether the engagement is the most efficient and effective option to deliver the outcome. So, where firms are winning work they are showing up better for that assessment process than others.

Senator BARBARA POCOCK: How do you monitor and prevent undue influence of former staff who are now working at KPMG?

Mr Yannopoulos: We have conflict-of-interest disclosure requirements on any former staff, or serving staff, if they've joined us laterally. We have a healthy culture of disclosure if there are issues, and we investigate those issues.

An initiative we introduced earlier this year was a contractor moratorium that prevents the department, for a 12-month period, from engaging ex Defence members or public servants who are now contracting. So, if they choose to leave, they will need to work elsewhere for 12 months before they can come back and work in the Department of Defence.

Senator BARBARA POCOCK: Does that mean they cannot be a contractor on a—

Mr Yannopoulos: They cannot be a contractor for 12 months.

Senator BARBARA POCOCK: And that's across all levels in Defence?

Mr Yannopoulos: Yes.

Mr Moriarty: There's a provision for exceptional circumstances, but what we're seeking to do there, very much in line with government policy, is to put a brake on the practice that has existed sometimes in the past whereby people leave Defence or some other government organisation and they join a company—not necessarily the big four—and then they're provided back to Defence or another organisation. We're not trying to impede our people from going on to really productive post-ADF or post-Defence work, but we just think that that is an additional way of trying to put a brake on this practice of the revolving door.

Senator BARBARA POCOCK: Exactly. And how do you monitor and keep an eye on how that's going? Who does that?

Mr Yannopoulos: We're developing that concurrently. This is a new policy. We are, through the process of the past few months, developing a much better understanding of all the contractors who are working for us and putting more steps into do that.

Senator BARBARA POCOCK: When did that policy commence?

Mr Groves: I think it was 7 August.

Senator BARBARA POCOCK: And I'd be interested to know, on notice, how many people have so far been caught by that and are serving their 12 months somewhere else.

Mr Groves: Okay.

Senator BARBARA POCOCK: Thank you. The Department of Finance's audit of employment, completed in the past few months, found that 76 per cent of all government expenditure on external labour came from the Department of Defence. That was worth \$15 billion in 2021-22, which is the equivalent of almost 35,000 full-time jobs. The government this week proposed a new reform that requires all departments, essentially, to set a target for reducing the level of external hires for call work. What discussions have been underway in Defence around setting such a target? And where are you headed in terms of the size of the target?

Mr Moriarty: That government policy is very well understood and welcomed. We've had a target. Mr Marles, through the whole-of-government process, has already told us about the reductions we will need to make. I think we're making some good progress, but these are additional ambitious measures that we are very committed to meeting.

Mr Yannopoulos: We've set a target to reduce our use of contractors by 2,000 people by the end of next calendar year—the end of 2024. In the Secretary's opening statement this morning he mentioned that we have already reduced by 908 people. We are very well aligned with the Strategic Commissioning Framework that was launched late last week. We were already down this track, and indeed the moratorium that the secretary mentioned and the latest census the CFO has run are all measures we're doing to be more sharp in our reduction of the use of this form of labour. But I would say we use a lot of external labour as outsource service providers that, for instance, do our security, our cleaning or our base services and management.

Mr Moriarty: The messes.

Mr Groves: Sustainment of submarines.

Mr Yannopoulos: We call them outsource service providers, and there are generally decisions of government to do that. They are not in my scope of the 2,000 reduction.

Senator BARBARA POCOCK: What percentage reduction is the 2,000 reduction of your total contracted labour?

Mr Yannopoulos: I think it's about 18 per cent.

Mr Groves: In our latest census we had 6,742 contractors, and that number includes the reduction of 908 that the associate secretary just mentioned.

Senator BARBARA POCOCK: So you have another 1,200 or 1100 to go?

Mr Moriarty: Yes.

Senator BARBARA POCOCK: The department spent \$154 million on consultants more narrowly defined in 2021-22, which was \$74 million more than the next highest spend by a department. You have a very big spend on consultants specifically, setting aside the many forms of contracted hired-in labour that you have. Why do you spend so much more than any other department on consultants? What's going on there?

Mr Moriarty: There may be some particularities, but we do need expertise in very technical specialist project management and engineering design areas for a lot of the big projects. We don't have it, and we're trying to grow more capability inhouse. But there are certain areas of expertise where we certainly rely on that external workforce.

Mr Groves: Our consultant expenditure over the last four years has been hovering around 0.3 of a per cent of our total expenditure. Whilst we acknowledge it's a high number, our overall budget is very significant, and some of those issues that the secretary just mentioned about specialist expertise in complex issues that we're working through require from time to time the additional support of consultancy firms.

CHAIR: One more minute, Senator Pocock.

Senator BARBARA POCOCK: I have so many more questions. Do you monitor additions and extensions of contracts? I hear from the consulting industry this is the most lucrative part of the sector. You get in with a \$3 million contract, and it turns into a \$6 million contract. Do you monitor these additions and have a close look at them?

Mr Groves: We do to a degree, but obviously we're managing tens of thousands of contracts a year. Perhaps my colleague Mr Deeble might have other views. We don't have a formal compliance program that's looking into that, but we do monitor where some of those extensions are occurring.

Senator BARBARA POCOCK: Could you provide on notice what your evaluations are telling you about additionality and extensions of contracts? I'm very curious about that for KPMG or any of the big four.

Mr Groves: Do you want us to focus on the big four?

Senator BARBARA POCOCK: Yes.

Mr Groves: That's fine.

CHAIR: Senator White has two follow-up questions.

Senator WHITE: In relation to the policy that came in in August and precludes staff from working on defence matters if they go to work for another contractor, that doesn't bar them from going to work for that contractor, does it?

Mr Moriarty: No, it doesn't. What we're saying is that we won't have them back in Defence.

Senator WHITE: But they could be working behind the scenes with that contractor.

Mr Moriarty: If they're an ex-Defence employee, they may be allocated to a project with the department of health, for example. I think it would be a challenge for any of the firms to have them doing back-office work on a defence project that we might come to learn about, because that could trigger some consequences. But I think that the firms may well take these people on because they have skills, and then find other—

Senator WHITE: My observation is that they're very good at meeting challenges, however. In relation to the other matter, about the number of complaints: over a five-year period a series of complaints were detailed, and I want to ask about those. Who do they tend to come from? Are there categories of people who lodge those complaints that you follow up?

Mr West: As I said, those are security incident reports. They're a result of mandatory reporting requirements under the Defence Security Policy Framework, which also applies under the Defence Industry Security Program. If any Defence staff or contractor are aware of security violations, they're required to report that to us. So that's what those numbers reflect—those security incident reports.

Senator WHITE: They're insiders, to a certain extent? Is that right?

Mr West: They're either Defence employees or contractors, or Defence Industry Security Program members.

Senator WHITE: Yes, contractors—so they could be from KPMG or anybody?

Mr West: Yes. If they're employed by the Department of Defence, all contractors are required to report security violations.

Senator WHITE: Maybe on notice, are you able to give us the breakdown, the percentage, of where they come from?

Mr West: Yes, I'll take that on notice.

Senator WHITE: Thank you, and thank you, Chair.

CHAIR: Senator Paterson.

Senator PATERSON: An advertisement for a new role in the department caught my eye. It was for 'Deputy Secretary, Governance'. Just for my background, how was the need for this role identified?

CHAIR: You're not after a new job, are you, Senator Paterson?

Senator PATERSON: I suspect—and I might ask this in a minute—that it pays a lot better than ours, Chair!

Mr Yannopoulos: It was identified by the secretary and CDF that we needed to step up our governance arrangements in the department—how we support ministers and solving, I hope, our record-keeping challenges—and our decision-making recording. As our organisation has got bigger and as we're dealing with a lot of activities concurrently, the request was to establish another role—and that is Deputy Secretary, Governance.

Senator PATERSON: Was the creation of this role discussed with the minister or the DPM?

Mr Moriarty: It was a decision taken by myself and the CDF, but the minister is certainly very alert to the challenges that we've had with record-keeping and the need to provide government and ministers with an agile and speedy service. Some of these challenges, in terms of governance, have been identified in ANAO audits and through our own internal observations of the workings of our committees; it's the need to lift the standard of work that we're producing and its timeliness.

Senator PATERSON: I'll take that as a yes, the DPM was consulted in the creation of this role.

Mr Moriarty: Yes. We have discussed the need to improve our governance with the DPM.

Senator PATERSON: Was it a request of the DPM, or was it a proposal that you put to the DPM?

Mr Moriarty: No, we've engaged with the DPM on that and we decided that that was appropriate. The establishment of a position in the department is a matter for the secretary and, in this case, for the CDF, because it will stretch across the ADF aspects of the organisation. But I think it's very much welcomed by our ministers.

Senator PATERSON: The role was advertised, and I believe the applications have closed?

Mr Moriarty: That's correct.

Senator PATERSON: How far are you into that recruitment process from there? Have you interviewed any candidates yet?

Mr Moriarty: I have shortlisted, and we will be interviewing at the end of this week.

Senator PATERSON: Was there any preferred candidate prior to the role being advertised, or are you just waiting to see who came forward?

Mr Moriarty: No, there was no preferred candidate.

Senator PATERSON: When do you expect to make a decision and employ the person?

Mr Moriarty: I would want to conduct the interviews and referee checks—just the basic checks. I would be very much hoping to make an appointment within a week or two, following interviews.

Senator PATERSON: Does it replace any other role or consolidate any other functions?

Mr Moriarty: The CDF and I are hoping that it will draw together some of the coordination functions that exist in headquarters ADF. We have a ministerial and executive area, but we also have a transformation part that's looking at some of the broader transformation work in the department—in fact, Senator Reynolds, when she was defence minister, got some of this work underway—so we're hoping to bring all of that together under this deputy secretary position. It's also important to note that we've made it open to ADF officers as well, again, if they wish to be considered for the role.

Senator PATERSON: Was an external consultant used in the hiring process?

Mr Moriarty: I think we used a recruitment company—

Mr Yannopoulos: Yes, it was a recruitment company.

Mr Moriarty: to help triage applications and put packs together for us. It was certainly not a headhunting role. Sometimes with deeply technical positions we do use Seek to do that, but this was a more straightforward recruitment assistance package.

Senator PATERSON: On notice, could you provide who that consultant was and any recruitment costs involved?

Mr Moriarty: Certainly.

Senator PATERSON: What is the remuneration package for the role?

Mr Yannopoulos: It will be negotiated with the successful candidate at the conclusion.

Senator PATERSON: What's the typical band for a deputy secretary in Defence?

Mr Yannopoulos: I don't think I have it.

Mr Moriarty: If you can just give us a second—

Senator PATERSON: Any deputy secretaries in the room who want to come forward and volunteer their band are welcome to come.

Mr Yannopoulos: Some of it is already on the public record.

Mr Moriarty: It's all published in the annual report.

Ms Grieg: It would be in the range of \$340,000 to \$440,000. Above that, you would need agreement from the Public Service Commission.

Senator PATERSON: Is that the total remuneration, including superannuation and other benefits?

Ms Grieg: That would be total remuneration.

Senator PATERSON: What struck me about the advertisement, or the duty statement, were some of the responsibilities that were described, including: 'shape and lead strategic and sensitive issues management capability that supports ministers and the organisation to respond proactively and tactically to issues; provide strategic communications advice and support to ministers and the defence senior leadership; lead the media, social media and digital media functions to actively promote the important work of the organisation; oversee the disclosure of information, including FOI; oversee the speech-writing function for our ministers.'

A lot of what seems described there are responsibilities that go to the minister and functions that would otherwise be performed in the minister's office, including writing speeches for the minister. I know departmental officials are involved in that, but creating social media content and liaising with the media—it's quite a political role by the sound of it and a highly paid one, but it's going to be in the department instead of the minister's office.

Mr Moriarty: It will, of course, support our ministers, but I think it's true to say that I've been unhappy, and the CDF has been unhappy, with some of the quality of the communications products the department does for its own purposes. At the moment we have a federated comms structure, where each group and service has a communications team; capability acquisition projects often have a couple of communications personnel within those projects.

What we're trying to do is get a lift in the standard across the board. We want key defence messages, government's defence policy messages, to be more consistently well drafted and delivered on time in a quicker way. We produce a lot of submissions that go to ministers. We want a function that better supports them in terms of the triaging process, making sure that they receive priority submissions in the right time, which gives them more time to consider the submissions. We often find that submissions sit in the working areas, and then the CDF and I will get a Friday afternoon special—'This needs to be actioned.' What we're hoping is that this function will have a more proactive role in making sure that material that needs to come to the senior defence leadership and our ministers gets that right priority.

Senator PATERSON: What you've just described, though, sounds quite different to what I just read out. The functions that I was talking about were quite different. I'll leave it at this, because I'm conscious of the time, and the chair will want to rotate the call, but I know that senators will look forward to more prompt responses to our QONs now that this function has been appointed. I know that members of the public will look forward to more responsive responses to their FOIs. I know the media will look forward to more responsive responses to their media inquiries when they come in. Not to put too much pressure on this person, but, if that's what the function is for, then we'll look forward to that improved performance.

Mr Moriarty: I'm sure they'll try and deal with all of the important stakeholders that the department has.

CHAIR: Thank you, Senator Paterson. Senator Lambie, you have the call.

Senator LAMBIE: I'll just follow on from that with one question. Do you think this person will put a rush on the documents that the royal commission requires? I would have thought that was a priority right now. That royal commission is not getting documents that it needs out of Defence in a hurry. It's made that quite clear. Will that person be pushing that as well?

Mr Moriarty: The person in this position will respond to the department's priorities and the priorities of the government. But, Senator Lambie, you'd also be aware that we have devoted an awful lot of resources to supporting the royal commission.

Senator LAMBIE: Not according to the royal commissioner. Otherwise, you don't come in three-quarters of the way through a royal commission and make a statement like Mr Kaldas did and pull a lunchtime meeting to let the people of Australia know they are not getting the information that they require to carry out their functions.

I have some questions for the CDF. Could you tell me whether or not Samantha Crompvoets sought any permission from you or anyone else in the ADF to write her book?

Gen. Campbell: No, from me. I'll have to take it on notice with regard to the Defence Force.

Senator LAMBIE: Okay. Could you also take on notice the first time that Defence was aware of her writing her book?

Gen. Campbell: Yes.

Senator LAMBIE: Could you also take on notice: did she seek and receive ethical approval for her book?

Gen. Campbell: Yes, should that be relevant.

Senator LAMBIE: Yes. If relevant, what was the process Ms Crompvoets went through with Defence to publish her book? Could you take that on notice?

Gen. Campbell: Yes.

Senator LAMBIE: I am receiving reports that ADF personnel who are also volunteer members of emergency services are receiving no leave to attend training exercises or emergencies. Is that true? Does Defence not want them out there in their communities if they're available?

Gen. Campbell: I think it's a really good thing that members of the Australian Defence Force and, more generally, Defence are engaged in the community, and I know that many are. If you could pass some details, that would be very helpful. I'm not aware of the point that you're raising. I'll have to take it on notice, but I would need some guide in terms of location, area, and issue.

Senator LAMBIE: I just need to know if there is a policy. If they want to go out, is there a problem? I guess that's the question I'm asking you. You shouldn't need any other information. I'm simply asking you a question.

Gen. Campbell: It'll be a matter of the priority and balance of commitment and the time in the training cycle of the year. It will be very case-by-case dependent.

Senator LAMBIE: Thank you. Mr Moriarty, could you please tell me how much money Kathryn Campbell was on when she was suspended from her role?

Mr Moriarty: By way of background, we have provided evidence at previous estimates hearings about that.

Senator LAMBIE: Yes. I'm aware of that.

Mr Moriarty: Ms Campbell was appointed. We know the circumstances around that. I'd also like to inform the committee that we're of course aware that Ms Campbell resigned from the Australian Public Service, effective 21 July this year. The APS Commissioner approved Defence's offer of a total remuneration to Ms Campbell of \$892,630. This is a requirement of the APS Executive Remuneration Management Policy, which required the APS Commissioner to approve that salary. The offer was based on the nature of that position. When she resigned, there would have been a termination calculation done. I do not have the exact details available of what that termination would have been.

Senator LAMBIE: I wouldn't have to ask you, but apparently you guys haven't responded to our questions from quite some time ago. What exactly was she doing in her role? What did she give back to the country? What were we paying her for? What did she achieve, Mr Moriarty?

Mr Moriarty: Ms Campbell was engaged in a non-ongoing role, an SES band 3 officer within the AUKUS program. She provided advice to the Australian Submarine Agency before it was set up and then continued on after that. She provided advice on the structures and intergovernmental agency relationships. She had some previous experience in how to establish agencies within portfolios. She provided a useful service, and her contribution was appreciated by the Submarine Agency.

Senator LAMBIE: How much travel did she have during her role overseas?

Mr Moriarty: I'd need to take that on notice.

Senator LAMBIE: That would be wonderful. Did she receive any airline lounge memberships in her role?

Mr Moriarty: I'm not aware.

Senator LAMBIE: Could you check, please. If so, which airlines?

Mr Moriarty: I will seek to do so.

Senator LAMBIE: Have you had a thought about the way that you hired her, that you might have misjudged her character?

Mr Moriarty: I really don't wish to say anything beyond that, at the time we engaged Ms Campbell, there was no royal commission.

Senator LAMBIE: Could I have somebody up here in reference to the Hawkeis and also the AUKUS. Maybe I could go straight to AUKUS, if that's okay.

Gen. Campbell: Submarine or Pillar II?

Senator LAMBIE: Submarine. I'd like to go over the recent days, or maybe over the recent week, and US President Biden's US\$50 billion supplementary budget request, which was to help Ukraine and for humanitarian aid for Israelis and Palestinians. But also as part of that package there's a US\$3.4 billion line item to support the US submarine industrial base. Apparently the United States must improve its submarine production rates from two boats a year to three, and to get their existing boats out of maintenance yards faster.

Mr Moriarty: We are aware of that, but the particular detail—

Senator LAMBIE: Okay. The US currently has two submarine production yards—yes?

Mr Moriarty: That's correct.

Senator LAMBIE: They're going to build another one, but they're not going to build it here. They're going to build it over there—is that correct?

Mr Moriarty: No, that's not correct. The proposal that the United States administration and its congress is looking at is how they might uplift the US industrial base. I am not aware that they have taken a decision to establish or to not establish another submarine production facility.

Senator LAMBIE: Are you asking for that production facility to be down here? I tell you what, I don't think taxpayers are going to be very happy if we're paying \$4.7 billion for a shipyard that builds one Australian submarine. That is where we are at. How about you explain this to me, Mr Moriarty. Are you at the table? Who is at the table discussing this?

Mr Moriarty: We are negotiating the acquisition of SSN-AUKUS with our partners. That involves the construction of submarines in Adelaide.

Senator LAMBIE: So you're still doing that?

Mr Moriarty: Very much so.

Senator LAMBIE: Hang on, what about the ones you're going over to the UK for? We're doing three with the US and then buying how many more from the UK? We're moving on.

Mr Moriarty: Some of these questions fall within the area of expertise of the Australian Submarine Agency. The Australian government, Prime Minister Albanese and a number of our ministers have said we are committed to getting, on transfer, Virginia-class submarines to cover a capability gap, but the government is committed to building SSN-AUKUS in Adelaide. That remains the government's plan. That is the plan that we are executing.

Senator LAMBIE: That doesn't seem to be the plan that the US seems to be seeing. Going back, we're not buying them all off the US now; we're also buying some off the UK—correct?

Mr Moriarty: I've not heard of any proposal for us to buy UK produced submarines. What we hope to achieve with our partners is the rotation of UK flagged nuclear powered, conventionally armed submarines to Australian waters to help us grow our capability, but I've never heard of any proposal for us to purchase UK manufactured boats. We are collaborating with the UK and the US on the design and production of SSN-AUKUS.

Senator LAMBIE: So there's no talk of us having a brand-new British submarine design?

Mr Moriarty: There will be a submarine that is designed between us and our British partners. It will have American technology injects. That was part of the plan outlined by Prime Minister Albanese when he announced the optimum pathway.

Senator LAMBIE: What time duration are we looking at here? When are we getting the two second-hand submarines?

Mr Moriarty: In the early thirties. The US President said between three and five. Mr Albanese said that he was interested in three but appreciated the option of an additional two boats. We are hoping that they will transfer in the early thirties. Before that, we will have rotating boats into HMAS *Stirling* that will help us grow industrial capacity and our crew. We are looking to produce the submarine construction yard by the end of this decade and then start constructing our own boats in Adelaide.

Senator LAMBIE: So are you telling me that we are definitely going to stick with the UK submarines, the Virginia class submarines, and we are not going to switch over to the new British submarine design during this period? Is that what you're telling me? By goodness, I can imagine, with the parts and everything else, it's going to be in absolute disarray. Can you give me a guarantee that is not going to happen?

Mr Moriarty: SSN-AUKUS will be a design that we and the British work on together with American assistance. There will be American technology injections.

Senator LAMBIE: Oh dear.

CHAIR: Thank you very much, Senator. I need to move the call along.

Senator LAMBIE: Thank you.

Senator FAWCETT: Could I have people to the table to talk about Ghost Bat, please? Air Marshal Chipman, welcome back. Table 54 in the budget papers identifies that 6014 phase 2 has \$454 million allocated to the program for the additional seven aircraft. I notice that that comes on the back of statements by the US Secretary of the Air Force, Frank Kendall. He has said publicly that there have been preliminary discussions regarding the purchase by the US of the MQ-28 as part of their Next Generation Air Dominance program. For a start, I'd be interested to know where we are at with those discussions.

Air Marshal Chipman: We have had no discussions with the US about the purchase of MQ-28 for their future needs.

Senator FAWCETT: Are you aware if Boeing has had discussions with the USAF?

Air Marshal Chipman: I'm not aware of any discussions between Boeing and the USAF. That would be a matter for them.

Senator FAWCETT: Okay. Given that Secretary Kendall made those comments publicly, could you take on notice what records RAAF has regarding that. I'm aware that we are signing a collaborative combat aircraft project arrangement with the US. What is the status of that arrangement?

Air Marshal Chipman: We signed that program arrangement with the United States on 30 March. I'll just confirm that that is the correct date with Head of Air Force Capability. So we are already working with United States on the collaborative combat air system. It's not just the platform of the MQ-28 but a combination of a variety of platforms, payloads, communications systems and networks that enable them to communicate, and the underlying software that enables us to have a teaming platform, an uncrewed platform, operate with crewed platforms in an air combat system.

Senator FAWCETT: My concern is that, if you look at the DSR, it describes the MQ-28A as a sovereign capability—that is, an attributable aircraft that we can produce here in Australia at scale and export if we want to. But, if we are collaborating with the US, what is now the ITAR status on the design of that aircraft, and what flexibility do we have now to use this as an option to provide resilience and depth to our air combat capability, separate from a reliance on the US and their controls over the export of technology and their controls over the supply chain of components?

Air Marshal Chipman: There will be elements of the aircraft design and components that are ITARs controlled, but we are not concerned that that will place constraints on how we might use the aircraft for our own purposes. We have other platforms in service today that have ITARs controls that do not have constraints on how we will use them.

Senator FAWCETT: Sure. In terms of us sustaining the industrial capability, though—that we can scale and produce an attributable aircraft, which indicates we anticipate losing them, and so we need to replace them—part of the policy design around defence industry, going right back to 2016, is the ability to export, particularly to allies. So my question is: having invested over half a billion dollars in the design of this, collaboratively with Boeing, are we now essentially ceding part-ownership or full ownership of the IP to the US such that we start losing out on an export market, which then makes it more difficult for us to sustain a sovereign industry base here, which

could be a critical enabler to us having a sustainable attritable—that is, a month to a year to over a war—air combat capability?

Air Marshal Chipman: I understand your question. If you want to go specifically to export issues, then I'll pass to Head of Air Force Capability.

Air Vice-Marshal Blyth: Senator, if I understand your question correctly, you would like to confirm that the industry base in Australia is not impacted by any exports of the MQ-28 to the US, if that were to occur. Is that correct?

Senator FAWCETT: No, exports to the US would be fantastic. That would actually help amortise the cost of our industry base. My concern is export of the IP to the States. Boeing US manufacture for the US, ITAR prevents us selling to anyone else, and then we start running into problems of sustaining what the taxpayer has helped fund in terms of IP and what is currently an industry base that can manufacture an air combat capability here in Australia. What is going to be the impact, in this collaborative arrangement with the US, on our ability to export and on the supply chain here in Australia?

Air Vice-Marshal Blyth: I'll seek support from CASG if necessary. CASG has negotiated with Boeing for any future activities that are conducted where Boeing is required to first source supply from Australian industry. If we were to export, that would require us to have purchase orders from other nations, and exports would be conducted by the export department in the same way that all other exports are conducted from Defence.

Senator FAWCETT: Can I take that to be that if the USAF—if Secretary Kendall's comments are correct—are looking to purchase this capability, then, even if they assemble them there, our industry base would actually provide the platform. Is that your evidence to the committee?

Air Vice-Marshal Blyth: The agreement with Boeing is that they must first confirm that Australian industry has the capacity to supply before they source offshore. That is in a letter written by Boeing to Defence.

Senator FAWCETT: You just said, 'They must confirm we have the capacity to supply before they source offshore.' Do you mean, 'We do not have the capacity before they source offshore'?

Air Vice-Marshal Blyth: I don't know what the demand is offshore, because there is no procurement—

Senator FAWCETT: No. You just said to the committee that the agreement was that they have to check we have capacity before they go and source offshore, which makes no sense.

Air Marshal Chipman: If I could clarify: the agreement is that they will maximise production in Australia to the limit of our capacity. If there are official orders offshore that exceed our national capacity, then they will take that production offshore. But they will maximise production in Australia first. If I can go to another point, it has been my advice that entering a program arrangement with the United States to ensure that we build an MQ-28 collaborative combat-aircraft system that is interoperable with allies and partners will make it far more attractive to the international sales. Whilst there might be some constraints that come with it and some negotiations that are required around ITARs, it will still be a far more competitive product for export.

Senator BIRMINGHAM: I'll try and close off on a couple of issues quickly if I can. Secretary, you indicated this morning total military assistance of Australia to Ukraine now stands at \$730 million of commitments. Is that correct?

Mr Moriarty: That was correct.

Senator BIRMINGHAM: Outside of the no-win no-loss arrangements that exist for the training functions, is there any replenishment of Defence commitments or funding for that military assistance commitment?

Mr Jeffrey: Ukraine support comes under my group. I think the question you're asking is a budgetary one. Can you just reiterate it, apologies?

Senator BIRMINGHAM: I appreciate, within the package of military assistance, there's a training component and deployment associated with that. That operates under normal Defence no-win no-loss arrangements—am I correct?

Gen. Campbell: That's correct.

Senator BIRMINGHAM: Then everything else is essentially hardware and hardware being sent. Is there replenishment funding for Defence either for the hardware that has been sent or, such as today's announcement, where Defence is being asked to buy new equipment? Is that new money or existing Defence funding?

Mr Jeffrey: I think these questions pertain to the CFO.

Senator BIRMINGHAM: I'm surprised you need to look it up, Mr Groves.

Mr Groves: Apologies. I think I'd have to take on notice what those discrete components are that we have received through no-win no-loss or through other arrangements.

Senator BIRMINGHAM: Is there anything that Defence has been proactively funded for in terms of the military commitments to Ukraine? I'm not aware of there being any new money amongst the commitments, but, yes, there's the no-win no-loss arrangement, but beyond that, as far as I'm aware, it's been existing equipment or out of existing funding. Am I wrong?

Mr Groves: I'd have to just go back a couple of budget cycles to check. Certainly, in the 2023-24, we did not receive any additional money other than for—we do have Kudu as an operation that is covered under no-win no-loss. Some of the Bushmasters were agreed to be replaced by government, but there was no new money associated with that. That was being absorbed by Defence. Most of the other equipment was being provided as surplus or otherwise.

Senator BIRMINGHAM: Today's new funding commitment—which I think was \$20 million—

Mr Jeffrey: That's correct; \$20 million.

Senator BIRMINGHAM: is targeted at Australian industries and some areas of Australian industry that my colleague Senator Fawcett has specifically pursued such as de-mining equipment and the like. It's very welcome and a welcome investment. Is that also being absorbed by Defence?

Mr Jeffrey: That is my understanding, but we can take that on notice to confirm.

Senator BIRMINGHAM: Maybe it's the understanding that it's been absorbed. Policy question here, or at least a question in terms of understanding: the Prime Minister and Deputy Prime Minister, when challenged about the nature of Australia's contribution to support Ukraine, have often fallen back on the defence of saying we're acting on the advice of Defence as to what can be supplied to Ukraine. If your advice is provided with the confines of not being able to replace the equipment you're getting and having to absorb any costs or replenishment costs yourselves, how does that impact upon the advice you give?

Mr Jeffrey: In the question of the provision of support and what support that we recommend the government provide or authorise, a number of factors will go into that advice—obviously, what our Ukrainian colleagues tell us; what we, the Australian Defence Force, has in its stores that we can replace; and what defence industry in Australia is able to provide. That typically has lent itself to support that supports, for example, armoured mobility, logistical support and, in some cases, lethal assistance as well. The total value of that assistance is now around about \$910 million, when you add up all of the list of equipment including financial support.

Then, of course, you have the announcement this week to deploy the RAAF's airborne early warning system, which is the most advanced early warning airborne system in the world, to protect a vital gateway for Ukraine assistance into Europe. So it's a significant package. But the advice really is developed through a range of different inputs that we engage on.

Senator BIRMINGHAM: It's a constraint on your advice and recommendations though, isn't it? Offset rules exist across government to make departments think long and hard about whether or not they're going to pursue one thing if they have to cut another to be able to fund it. In essence, Defence is being asked internally to offset Australia's contribution to Ukraine?

Senator McAllister: Senator Birmingham, I think the official has given you some information about the kinds of elements that have been considered in the provision of advice. I can confirm for you that this is being dealt with through ordinary budget processes, and you will know, having been part of a government, that those budget processes require a consideration of the policy issues at stake, including the budgetary issues at stake, and that's not at all unusual.

Senator BIRMINGHAM: I don't want to labour the point at this time of day, so I'll just quickly move on. Outside of today's announcements, which of Australia's hardware commitments are still outstanding and remain to be delivered? I'm hoping that's a shorter way of asking the question than, 'What has been delivered?'

Air Vice-Marshal Chappell: The packages announced in the June and July period involved 100 vehicles. Those are in the process of being delivered. Some have been delivered. The remainder are on track to be delivered by the end of the year.

Senator BIRMINGHAM: Everything prior to the June and July period commitments have been delivered?

Air Vice-Marshal Chappell: All the vehicles—correct—have been delivered.

Senator BIRMINGHAM: So it's only those last couple of months of commitments onwards which are in the delivery phase?

Air Vice-Marshal Chappell: That's correct.

Senator BIRMINGHAM: Does Ukraine still seek, or has Ukraine updated its request for, Hawkei vehicles?

Mr Jeffrey: Not to my knowledge.

Senator BIRMINGHAM: Has the braking fault in the Hawkeis been resolved?

Gen. Campbell: No, it hasn't.

Senator BIRMINGHAM: What's the time line, currently, for that? Does that remain a problem?

Major Gen. Bottrell: As to the latest issue with the Hawkei, as was advised in November last year, we are still working through that with Thales. There is a robust interim solution that is being fielded now which allows: the vehicles that have been issued to Army can be operated with no restriction. That interim solution will remain in place until Thales has implemented a permanent solution, and we have put on them a time line to have that full solution in place by mid-2025. The remaining problem we have at the moment is that Thales is still working through to confirm the actual root cause for the ABS braking issues. So they are still working hard to identify that. We are obviously using every commercial lever that we have to be able to get Thales to deliver against the contracted requirement.

Senator BIRMINGHAM: The interim solution enables full capability—on-road, off-road?

Major Gen. Bottrell: Yes. It essentially gives us about a 10-month period where we have confidence that the vehicle can be operated safely. What we do have, though, is: we have carved out a sample fleet of 125 vehicles, as a representative fleet, so that we can use that to test and check, to make sure that the rest of the fleet remains safe for our people to use. That's based on engineering analysis, and it has been validated by what we call a safety systems working group. That is something that we will keep a very close eye on, though, so that, if that analysis proves to be wrong, we can then apply the restrictions again on those vehicles, but we are working—

Senator BIRMINGHAM: Is this a patch or a fix that can be re-applied so you get to the end of the 10-month period on a vehicle and you can—

Major Gen. Bottrell: It is. Essentially, what we've had to do is to get Thales, with their German ABS manufacturer, to replace the ABS modulator on every vehicle. So the new modulator has essentially a clear period, or a confidence of a 10-month period before we might have to then replace that. Clearly, that's only an interim solution, though.

Senator BIRMINGHAM: No doubt there'll be more questions on notice there. The chair's giving me the wind-up, so I'm hoping somebody at the table can answer this rather than there being a shuffle. What's the status of the Boxer export deal?

CHAIR: There's a shuffle.

Senator BIRMINGHAM: We definitely have exits. Do we have entries? Yes.

Mr Myers: Good evening, Senator. The Boxer heavy weapon carrier export initiative is currently under negotiation, ahead of government and parliamentary consideration towards the end of this year.

Senator BIRMINGHAM: Would you describe it as being on track?

Mr Myers: That's right.

Senator BIRMINGHAM: Yes?

Mr Myers: Yes.

Senator BIRMINGHAM: So you fully expect the deal to progress, the jobs to be created in Queensland and the vehicles to be exported to Germany?

Mr Myers: We're working closely with the German government and Rheinmetall, as our lead industry partner, to finalise negotiations and make sure that submissions are ready to be submitted to our government and to the German parliament for consideration by the end of this year.

Senator BIRMINGHAM: Have any additional concessions had to be made by Australia as a result of concerns following the Land 400 decision?

Mr Myers: Those two programs are completely separate. We're working collaboratively with the German government and Rheinmetall to progress the export initiative.

Senator BIRMINGHAM: Thank you for your assurances.

CHAIR: I'll hand the call to Senator Rennick.

Senator RENNICK: I note that Defence has an Indigenous defence industry procurement policy. Does Defence have a veterans procurement policy for veterans who run their own businesses?

Mr Deeble: We don't have any specific policy for veterans, but we do take account of those considerations as we're looking at various companies.

Senator RENNICK: Is that something you could look at organising, similar to what you've got with the Defence Indigenous Procurement Strategy?

Mr Deeble: That's potentially something to consider in the future.

Senator RENNICK: I note that the Department of Defence has a diversity inclusion policy that includes a number of different identities. Does it also have an inclusion policy for veterans as they move from operational to non-operational roles?

Gen. Campbell: Could you explain a bit more 'moving from operational to non-operational'?

Senator RENNICK: As they retire from being on the frontline to administrative roles, as they get older?

Gen. Campbell: But they're still in the Defence Force, is that what you're asking?

Senator RENNICK: Well, do you provide them with opportunities that move them from those front-end roles—obviously when you're younger you're more physical. Rather than just retiring, do you offer the opportunity for them to get involved in administrative roles?

Gen. Campbell: In the general sense, yes. The career pathway of development of our people can extend from the time that they join the Australian Defence Force through to the standard retirement age, which is typically 60 and in the reserve it's 65. There are some, on occasion, waiver opportunities in particular circumstances, but we would see through career active operational service—training for operations in regiments, battalions, squadrons and aboard ship; headquarter roles; training roles; and representational roles—through a career life.

Senator RENNICK: What's your churn rate around mid-age as they move from more front-end operational roles to non-operational roles, as you just described?

Gen. Campbell: If you are appointed to a ship's company in an operational role, to an Air Force squadron or a wing, or to an Army regiment, you might be, using the Army ranks, a private, a junior soldier. You may be the lieutenant colonel battalion commander. You may be the air commodore. You may be the commander of flotillas, a commodore, a commander or a naval captain. You may be a petty officer and so forth. So there's a whole variety of times through your career pathway where you could be described as assigned to units, preparing or readying or training for the potential commitment to operations. And, indeed, when our aircraft and our ships leave Australia, they are on a form of operation, and a very serious form of operation, so it's not very easy to disaggregate the force in the way that you are describing. There are some people who—

Senator RENNICK: Sorry to interrupt you, but there are clear—I mean, you know if someone's working at a desk, as opposed to someone who's on the tools or flying planes or on a Navy ship.

Gen. Campbell: Yes.

Senator RENNICK: That's what I'm getting at.

Gen. Campbell: Yes. But we rotate them—two or three years at the desk, maybe back to the regiment or squadron, now a couple of years overseas in a representational appointment, back somewhere in a training development area, back to a regiment or a squadron or a ship's company.

Senator RENNICK: So how many people in their 50s, for example, have you got on the tools, on those front-end roles? I'd imagine that's something that, as you get to that age, you could be moved away from.

Gen. Campbell: Fifty-year-olds—let me see. Most of our two-stars, if I could—

Senator RENNICK: You can take it on notice. It wasn't a rhetorical question.

CHAIR: I'm just mindful of time. Are there any particulars that the committee can assist with to try to get this information to the senator offline?

Gen. Campbell: Absolutely.

CHAIR: I'm just mindful of the time.

Gen. Campbell: We just need to narrow the question a bit. General Fox is going to take the question. You're looking at age profile for employment at, let's say, the 45 to 50 and 50 to 55 bracket?

Senator RENNICK: Yes. I've met a lot of veterans who come out in their late 30s and early 40s. Some struggle with leaving the military, and I'm just trying to consider ways to keep them engaged with the military in, say, less strenuous front-end roles. I'll leave it at that.

CHAIR: They'll take it on notice. We'll have DVA later on as well, but I think there were some good points from the senator. We will break for dinner. The intention of the committee is that, after the break, Senator Shoebridge will have about 20 or so minutes more. We'll then move on to the other agencies. The committee, at the moment, has agreed to release Defence Housing. We'll keep you up to date once we come back after the dinner break. General, did you have something that you needed to mention to the committee?

Gen. Campbell: I just wanted to note that the topic of Defence support to the Royal Commission into Defence and Veteran Suicide came up earlier. As a baseline of information, be aware that Defence has thus far responded to 570 notices to give, covering more than 1,600 questions. Of those notices to give, a number also requested the delivery of production of documents. We have produced more than 171,000 documents, which I'm advised span more than three million pages of material. Now, I don't suggest that is or is not adequate or sufficient, and Defence is utterly committed to supporting the Defence contribution to the Royal Commission into Defence and Veteran Suicide.

CHAIR: Thank you very much. Enjoy your dinner break, everyone. I know it'll be 50 minutes, but I just want to make sure we keep moving along, as we are due to finish at 10.30 tonight.

Proceedings suspended from 19:09 to 20:01

CHAIR: Good evening, everyone. Welcome back. We're still with Defence, but I understand, General Campbell, you have something to say?

Gen. Campbell: Yes; one clarification from myself, and also one from General Fox on another issue. When Senator Lambie raised the question with regard to Dr Sam Crompvoets' book, I was assuming, or believing, it was a new book. I don't think that's the case. I went back and did a Google search. I just want to say that unless the senator was speaking of a different book—here she is. Senator Lambie, you mentioned Dr Crompvoets' book.

Senator LAMBIE: Yes.

Gen. Campbell: I failed to confirm which book. I think you were talking about the Monash University Press monograph *Blood Lust, Trust & Blame*. Is that correct?

Senator LAMBIE: That would be the one. I do believe so, yes.

Gen. Campbell: Great. Senator, I want to correct this. I was aware of that book in its later development, and all the questions you have asked we'll take on notice to answer with regard to that book.

Senator LAMBIE: Thank you for that.

Lt Gen. Fox: Earlier, when I spoke on workforce numbers, I said 41.7 per cent was for full time only. That 41.7 per cent is for full-time and part-time recruiting results as at 31 August. I also said we were around 800 under. We are 1,097 people under our targets as at 31 August 2023.

CHAIR: Could you repeat the number?

Lt Gen. Fox: 1,097 as at 31 August.

CHAIR: Alright. We can release the Inspector-General of the ADF. Hopefully they're happy with that news. Senator Shoebridge, I'll now hand over to you.

Senator SHOEBRIDGE: Thanks, Chair. Mr Moriarty, when were you first contacted about finding a position for the then DFAT secretary Kathryn Campbell within the department? And while you're looking up when, maybe you could think about who made the contact and what was the rationale?

Mr Moriarty: My recollection is that soon after the secretary of PM&C was appointed, he asked for a discussion with myself and all other secretaries. During that he asked us about what our main pressures were and issues. I told him at that time that there were real challenges for us in getting the skill sets to help us take forward the nuclear submarine program. That was where the conversation was left. We talked about general workforce pressures and some of the challenges that Defence had, as well as the strategic circumstances. It certainly wasn't a conversation that was—it was a broad introductory secretary of PM&C meeting the secretaries of a range of other departments.

Senator SHOEBRIDGE: So did the secretary of PM&C put forward her name in that conversation?

Mr Moriarty: No.

Senator SHOEBRIDGE: Did you put forward her name?

Mr Moriarty: No. At that stage—

Senator SHOEBRIDGE: My question was: when were you first contacted about finding a position for the then DFAT secretary Kathryn Campbell?

Mr Moriarty: That was a subsequent conversation. The secretary of PM&C contacted me to say that he was of the view that Secretary Campbell would be moved from her position as the secretary of the Department of Foreign Affairs and Trade. During that discussion, he asked if there might be a suitable role for her in Defence. I gave that a little bit of thought but came to the view that her skillset could be very useful to us. I understand that she had also expressed a view to the Prime Minister and Cabinet about her interest in staying on in some form of Commonwealth employment.

Senator SHOEBRIDGE: How did you understand that?

Mr Moriarty: I think that's been some previous Senate estimates evidence.

Senator SHOEBRIDGE: Did that come to you from PM&C or did that come to you from Ms Campbell?

Mr Moriarty: No. That was at another stage, a further stage. When it was suggested to me that if we did wish to engage with her, I might do that. At that stage I had a conversation with her where she said she was interested in taking up a senior position in Defence. At that stage we were doing some engagement with the Public Service Commission as well about how the arrangements might be made to transfer Ms Campbell to the department.

Senator SHOEBRIDGE: In that set of responses you were saying that Ms Campbell contacted you first. You had a discussion with Ms Campbell first?

Mr Moriarty: No, Senator. No; Ms Campbell did not contact me. My conversation initially was with the secretary of the Department of Prime Minister and Cabinet. It was only later, when I assume he'd had a further conversation with her, that she then got in touch with me to say, yes, indeed, she was interested in the role.

Senator SHOEBRIDGE: When was that conversation with the secretary of Prime Minister and Cabinet?

Mr Moriarty: It was in mid-June 2022.

Senator SHOEBRIDGE: On notice, could you tell us the precise date—unless you've got it there?

Mr Moriarty: I'll take that on notice.

Senator SHOEBRIDGE: Have you got it there? It looks like you're being pointed to a date.

Mr Moriarty: No; I don't have the precise date.

Senator SHOEBRIDGE: How long after the mid-June conversation with PM&C did you have the conversation with Ms Campbell, which you say she initiated—is that right?

Mr Moriarty: She contacted me. Again, I think that would have been around mid-June.

Senator SHOEBRIDGE: Did the secretary of PM&C explain why someone would want to move from DFAT secretary to a more junior position in Defence?

Mr Moriarty: No. He mentioned to me that she was interested in continuing to serve in a Commonwealth role.

Senator SHOEBRIDGE: But she was secretary of Defence.

Mr Moriarty: No, she was secretary—

Senator SHOEBRIDGE: She was secretary of DFAT. What do you mean she was interested in 'continuing serving'? He must have told you something was going to interrupt her continuance.

Mr Moriarty: No, the secretary of Prime Minister and Cabinet had indicated to me that it was highly likely that she would be moving from the secretary of DFAT position.

Senator SHOEBRIDGE: Did he explain why she would be moving from secretary of DFAT to a more junior position in your organisation?

Mr Moriarty: No.

Senator SHOEBRIDGE: Did he explain why?

Mr Moriarty: No, but there was media coverage and other speculation that Ms Campbell might be moving from that role.

Senator SHOEBRIDGE: What was the media speculation that was in your mind at that time? The robodebt scandal?

Mr Moriarty: No. We had a new government, and a new government from time to time seeks to make changes to secretary and other senior-level appointments.

Senator SHOEBRIDGE: What media discussion was there about the Secretary of DFAT moving? What are you talking about?

Mr Moriarty: There was media speculation that Kathryn Campbell might be moved from her role as the Secretary of DFAT.

Senator SHOEBRIDGE: Did you ask PM&C why she would agree to a significant demotion? Did that cross your mind?

Mr Moriarty: The context of the conversation was that there was a very experienced, very senior officer about to be made available—

Senator SHOEBRIDGE: About to get demoted. You didn't ask why?

Mr Moriarty: The context was: 'Would you potentially have a use for her skills?' I reflected on that. I decided that I did have a use for her skills in relation to assisting us with the nuclear submarine endeavour.

Senator SHOEBRIDGE: Are you saying that at no point in that conversation with the Secretary of PM&C did you ask why she would be considering the demotion? Are you saying that at no point did that come up? You didn't have the curiosity and you didn't ask that question?

Mr Moriarty: The Secretary of PM&C indicated to me that Ms Campbell was interested in continuing a role with the Commonwealth.

Senator SHOEBRIDGE: I've asked you before: what did he indicate was going to cause the discontinuity?

Mr Moriarty: If she moved from being the Secretary of the Department of Foreign Affairs and Trade.

Senator SHOEBRIDGE: There was no explanation given about why the demotion was happening. Was it just all passive voice movement, with no discussion about the cause of the move? Is that what you're saying?

Mr Moriarty: No. It's entirely within a government's prerogative to move secretaries and agency heads. It's been practice for a while that, if a secretary is moved, quite often the government might look to find them another suitable appointment rather than terminate their employment. This is a matter for the Public Service Commissioner, who has indicated it's well within the bounds of potential practice.

Senator SHOEBRIDGE: Was the position of head of the AUKUS program created after your conversation with Ms Campbell?

Mr Moriarty: The specific role? Yes. There was a body of work that needed to be done in terms of the title. That was established so that we could transfer her to that position, and then that title was again subsequently adjusted.

Senator SHOEBRIDGE: You made the job for her, right?

Mr Moriarty: I was offered a very senior experienced person. I found an appropriate role for her and a position was established to allow that to happen, in accordance with existing regulation and with the appropriate approvals, including from the Public Service Commissioner in relation to conditions.

Senator SHOEBRIDGE: When did you inform the Prime Minister that these arrangements were being put in place inside Defence for Ms Campbell?

Mr Moriarty: I did not speak to the Prime Minister. My engagement was with the Secretary of the Department of the Prime Minister and Cabinet.

Senator SHOEBRIDGE: When did you inform the secretary that the arrangements had been made?

Mr Moriarty: Somewhere between, say, 16 and 20 June 2022.

Senator SHOEBRIDGE: So your first conversation with him was in mid-June, and then I assume—how long after that was your conversation with Ms Campbell when she contacted you?

Mr Moriarty: In May, I had a discussion with the Secretary of PM&C about the need to bolster our capacity in relation to the submarine enterprise.

Senator SHOEBRIDGE: That wasn't when Ms Campbell's name came up. You told me Ms Campbell's name came up in mid-June.

Mr Moriarty: That's correct.

Senator SHOEBRIDGE: How long after that conversation with the Secretary of PM&C, where Ms Campbell's name was first put forward, did she contact you?

Mr Moriarty: Within days.

Senator SHOEBRIDGE: You must have created the position very rapidly in order to communicate with the Secretary of the Department of the Prime Minister and Cabinet between 16 and 20 June?

Mr Moriarty: Yes, that's right. We put the administrative arrangements in place quite quickly.

Senator SHOEBRIDGE: When did you communicate this with your minister?

Mr Moriarty: In mid-June.

Senator SHOEBRIDGE: Was that before or after the decision had been implemented?

Mr Moriarty: Before the decision. I thought it was appropriate to let the minister know that I was considering taking this action. I did not seek his approval, and he appreciated the courtesy of being informed.

Senator SHOEBRIDGE: Was there a discussion then between you and the minister about the reasons for Ms Campbell moving?

Mr Moriarty: I don't recall so, no.

Senator SHOEBRIDGE: Your recollection is that there wasn't a discussion or you have no memory of that discussion?

Mr Moriarty: I have no memory. I do recall engaging with Mr Marles to tell him that it was possible that Kathryn Campbell might be available, that I was interested in a role for her in the Defence portfolio and that I was engaging with the Public Service Commissioner and the appropriate person at PM&C on potential arrangements.

Senator SHOEBRIDGE: When did she cease working for the department?

Ms Grieg: She ceased working on 21 July.

Senator SHOEBRIDGE: Who's been the head of the AUKUS program since 21 July?

Ms Grieg: There has not been a head of the AUKUS program since that time, but since that time two deputy secretary roles have been filled under the new organisation of the Australian Submarine Agency.

Senator SHOEBRIDGE: So, the make-up job disappeared when Ms Campbell disappeared?

Mr Moriarty: That's not correct. Admiral Mead, as the head of the agency, has reallocated work amongst his workforce. He has also established two deputies who will take on aspects of the work that Ms Campbell was doing.

Senator SHOEBRIDGE: Moving on from the erstwhile head of AUKUS to other aspects of AUKUS, have you read the piece published by former Admiral Briggs entitled, 'How many nuclear-powered submarines for Australia?'

Mr Moriarty: I have read the article.

Senator SHOEBRIDGE: Do you agree with him?

Mr Moriarty: Admiral Briggs is a very experienced submariner who's had a long interest in this. He makes some very relevant points in the article. There are some points I disagree with.

Senator SHOEBRIDGE: In the last estimates it was confirmed that the government's current decision—I think it was Admiral Mead who made this very clear—is to acquire three Virginia class submarines and then five AUKUS SSN submarines. That was Admiral Mead's evidence on the last occasion. Has that changed?

Mr Moriarty: No. That's consistent, I think, with what the Prime Minister said when he announced the optimum pathway.

Senator SHOEBRIDGE: So, is the plan to have eight SSN submarines—three Virginia class and five AUKUS SSNs—at some time in the late 2050s. Is that right? Is it the late 2050s when the eighth one comes online?

Mr Moriarty: I'm sure the agency can help you with the particular scheduling, but that's broadly the case, yes.

Senator SHOEBRIDGE: You must know when the complement fills.

Mr Moriarty: I don't have the optimal pathway in front of me. That is broadly the approach, yes.

Senator SHOEBRIDGE: Admiral Briggs says that, with eight submarines, the rule of three to four to one suggests that at any one point you'll only have two on station. And he's right on that, isn't he? That's what all the evidence suggests. In fact, the US experience at the moment is that it would be even less on Virginia class. Is that right—with eight, you get two on station? Is Admiral Briggs right?

Mr Moriarty: In the main.

Senator SHOEBRIDGE: And what he also says is that, with two submarines on station, once they actually take any active steps—fire a missile—'uncertainty over its location is removed and, with that, its deterrent value diminishes for a period'. Do you agree with that?

Mr Moriarty: I wouldn't accept that as a comprehensive answer. I think the history of submarines suggests that, even when they've discharged weapons, sometimes they can be very undetectable quite quickly after that.

Senator SHOEBRIDGE: So Admiral Briggs is wrong?

Mr Moriarty: It's a view.

Senator SHOEBRIDGE: It's a pretty widely held view. If you were to fire a Tomahawk missile off—

Mr Moriarty: The Chief of Navy, who is a very experienced mariner, might usefully add.

Senator SHOEBRIDGE: it sort of gives an indication of where you are.

Vice Adm. Hammond: Yes, but if you're in your own waters, what does it matter? If you're firing something that goes 1,500 kilometres—there's context to this.

Senator SHOEBRIDGE: But, if you're in your own waters, you don't need a nuclear submarine.

Vice Adm. Hammond: But that doesn't necessarily mean you need to drive your submarine to within 15 miles of somebody else's coast, if you've got a weapon that goes 1,500 kilometres.

Senator SHOEBRIDGE: If you're in your own waters, you don't need a nuclear submarine.

Vice Adm. Hammond: That's not necessarily true.

Senator SHOEBRIDGE: The purpose of the nuclear submarines has been repeatedly said. It's to go well beyond our waters and to be able to project force well beyond—

Vice Adm. Hammond: But not necessarily to launch a Tomahawk missile.

Senator SHOEBRIDGE: Let me finish. It's to go well beyond where a conventional submarine would operate.

Vice Adm. Hammond: To employ mark 48 ADCAP torpedos, perhaps, or to conduct one of the other missions that the submarines are designed to, such as collection and surveillance missions. There's important context here, including that the number of submarines on station is a factor of range, time and speed, as well as force size. It's very simple to go to a simple rule of three will get you one or eight will get you two on station, but it's a factor of many other things, including the usage upkeep cycle and the overall health of the force. So I think it's—

Senator SHOEBRIDGE: The best indication we can have for the Virginia-class submarines is the US experience, and that would suggest you get well below one-in-four on station, wouldn't it? It's perhaps one in ten. That's the current US experience, at least according to the reports to congress.

Vice Adm. Hammond: That's from overall submarine availability, yes. That's based upon the performance of the sustainment industry, not necessarily the design of the submarine.

Senator SHOEBRIDGE: What Admiral Briggs says is that it's going to be even harder for Australia to sustain the Virginia-class submarines, because we're only going to have three, there won't be critical mass and the already stretched workforce is going to have to sustain two quite distinct and different supply chains, one for a handful of Virginia-class submarines and one for a handful of SSN-AUKUS submarines. It will actually be much harder for Australia than it is for the United States.

Vice Adm. Hammond: It's definitely going to be a challenge. That's not disputed. I think the challenges in front of us are significant, and that's what we're planning to deal with. My response to your question was around submarine availability, and I have a lot of respect for Admiral Briggs. I do not believe he's served in nuclear submarines. I've served at sea in three different classes of nuclear submarines. I've spent a lot of time planning operations and executing submarine operations across the Indo-Pacific. I can assure you that the context does matter, here. This is a very simplistic conversation, and when we get to the actual capabilities and employment intent of the submarine force both of today and into the future, I think I'd reserve that for a different venue, if we could, please.

Senator SHOEBRIDGE: So you don't say the current lived experience of the United States with its Virginia class fleet is the most relevant evidence for the sustainment of the Virginia class fleet? You think we should look somewhere else?

Vice Adm. Hammond: I think it's a relevant consideration. The current performance of the Australian submarine force, with six submarines, is our ability to generate two to the fleet commander at all times, and we've been consistently achieving those benchmark targets for an extended period of time.

Senator SHOEBRIDGE: Admiral Briggs also points to the UK and French experiences with their modest number of nuclear-powered ballistic missile submarines, which will be comparable to the modest numbers of Virginias and/or AUKUS SSNs, and what he says is that all the evidence shows that four of those are required to sustain one at sea. He notes, I think relevantly:

... SSBNs operate in a much lower mechanical and operationally stressed environment than SSNs.

They get four to one in a less stressful environment, putting less stress on the machine.

Vice Adm. Hammond: That's to assure a continuous at-sea deterrence capability 365 days of the year, and that extra submarine gives you contingency capability should you have an unexpected defect. So there's additional resilience built in because of the unique strategic nature of the continuous at-sea deterrence capability.

Senator SHOEBRIDGE: Are you saying there isn't a continuous at-sea deterrence element in the AUKUS SSNs?

Vice Adm. Hammond: A fast attack submarine capability is a different capability to the strategic deterrence patrol of a ballistic missile submarine fleet.

Senator SHOEBRIDGE: Where was the analysis of the incredibly complex dual supply chain and dual sustainment chain? Where was the analysis of that before the government leapt into a \$368 billion plan?

Vice Adm. Hammond: I'll refer you to the Australian Submarine Agency, which was formerly the Nuclear-Powered Submarine Taskforce.

CHAIR: Senator Shoebridge, can I just get an idea from you on timing? We're close to that mark where I think we're keen to move on to that agency.

Senator SHOEBRIDGE: I'll be another five minutes.

CHAIR: Perfect.

Senator SHOEBRIDGE: Do you agree with Admiral Briggs's conclusion about the current plan of eight nuclear submarines? His conclusion is:

If Australia is not prepared to, or cannot, invest the resources to achieve a viable SSN force, we are better off not continuing down this path.

Do you agree with Admiral Briggs' conclusion?

Vice Adm. Hammond: What I would say is that any nation that intends to operate a sovereign, highly capable submarine capability needs to treat it as a strategic program, prioritise it strategically, resource it strategically and focus on it strategically. In that context, if you're going to do this, you need to invest appropriate resources and invest a whole bunch of strategic patience, because it will be a challenging program.

Senator SHOEBRIDGE: Indeed, if you split the force into an east coast and a west coast base, Admiral Briggs says the complexities and personnel issues double and it becomes even less sustainable for an economy the size of Australia. Do you agree with that?

Vice Adm. Hammond: It depends upon your operating model—whether you're using one base as a forward operating base or whether you're using both as a home base. I would say that there are recruiting opportunities with an east coast base which are quite attractive. But, yes, it will be challenging in the context.

Senator SHOEBRIDGE: We've heard about recruitment earlier today, Admiral.

Vice Adm. Hammond: I agree.

Senator SHOEBRIDGE: General Campbell, in estimates in May, Senator Lambie asked you about your time as commander of Joint Task Force 633. The senator asked you:

... 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?

You said:

I met with members of the ADF on every occasion that I was in Afghanistan, and, no, on no occasion were such reports provided to me.

Do you stand by that evidence?

Gen. Campbell: I do. I'm familiar with the transcript. I think what's missing is the context of my reply. In that transcript conversation, it was about my visits to Afghanistan and meeting with Australian units and ADF personnel. In that sense, yes, I absolutely stand by my testimony. If you are speaking more generally, whether it is of perhaps NGO or media or Taliban or community concerns, across the Afghan theatre there would be, throughout the roughly 20 years of that campaign, entities, organisations, individuals who would raise claims in terms of behaviour or breaches of professional standards or laws of armed conflict at some place, at some point, across the campaign, some of them with regard the area in which Australia was operating. So, I'm familiar with those. But the context of my answer was with regard to whether Australian personnel had raised with me a concern that their colleagues were, allegedly, undertaking unlawful conduct and breaches of laws of armed conflict.

Senator SHOEBRIDGE: Do you remember the ABC *Four Corners* documentary 'In Their Sights', which aired at the end of August 2011, which referred to reports of significant possible war crimes? Does that trigger thoughts about meetings that might have happened after that, or communications that might have happened after that?

Gen. Campbell: No, I don't remember that particular media article.

Senator SHOEBRIDGE: Do you remember receiving documents in August—right at the end of August—that went to OPSAFG, Operations Afghanistan, which sought to negotiate a formal response to the *Four Corners* report?

Gen. Campbell: No—

Senator SHOEBRIDGE: They never came across your desk?

Gen. Campbell: No, I don't remember. It's now 12 years since. So, all I'm indicating here is that I answered a question in the context in which the question was offered to me.

Senator SHOEBRIDGE: Do you remember, then, CDF General Hurley, in one of those emails that went to OPSAFG, saying he wanted to add one additional line, which was to back up the assertion that Ustad was a prominent Uruzgan insurgent? Does that trigger anything—the intervention from the then CDF, General Hurley?

Gen. Campbell: No. And Senator, am I a recipient of that email?

Senator SHOEBRIDGE: Well, that's what I'm asking—whether you remember receiving this.

Gen. Campbell: I do not remember it. And I'm not suggesting that I did or didn't. I don't have the email. It's 12 years ago. Senator, you have the email, it appears. Am I an addressee on the email?

Senator SHOEBRIDGE: You shouldn't speculate, General. It's a long way to appear from.

CHAIR: It might be helpful for the committee, Senator, if you were to share that. But I have to warn you that we have to move on, and I think we had an arrangement—

Senator SHOEBRIDGE: Yes. This is my final question.

CHAIR: Last question, and then we are moving on to the next part of our program.

Senator SHOEBRIDGE: So, General, during your time as commander of Joint Taskforce 633, were you aware of reports of possible war crimes occurring in your command?

Gen. Campbell: I was aware that on occasions allegations were raised, unsubstantiated, across the Afghan theatre. I do not have specific memory of within the Australian area of operation, but I'll accept that, as much as elsewhere, it was a feature of the operating environment.

Senator SHOEBRIDGE: And you'll no doubt reply on notice as to what response you made, given your command role, to the allegations of war crimes—

Gen. Campbell: Senator, I'm—

Senator SHOEBRIDGE: So, no response.

Gen. Campbell: I'm saying that I'm aware allegations are made. I'm not saying that they were made to me. I don't have an awareness now, 12 years later. If that is the case, and if the records show that allegations were made to me, then I'll be able to respond to you, taking your question on notice. If allegations aren't raised to me then I won't be able to respond to you because there won't have been an allegation raised to me.

Senator SHOEBRIDGE: You see, allegations of war crimes stick in your mind—I would hope.

CHAIR: Thank you—

Gen. Campbell: Yes, exactly, and, Senator, they don't.

CHAIR: Thank you very much, General, and thank you, Senator Shoebridge. We're making slow progress; we'll now move on to the Australian Submarine Agency.

Australian Submarine Agency

[20:37]

CHAIR: I welcome officers from the Australian Submarine Agency. Vice Admiral, do you have an opening statement which you'd like to make?

Rear Adm. Buckley: Yes, thank you, Chair. I'm the head of nuclear submarine capability. I represent the Director-General of the Australian Submarine Agency, Vice Admiral Mead, here today. Regrettably, Vice Admiral Mead tested positive for COVID-19 this morning. As this is the first appearance of the Australian Submarine Agency before this committee, I would like to make a brief opening statement on his behalf.

On 1 July 2023, the Australian Submarine Agency was established by executive order as part of the Defence Portfolio, reporting directly to the Minister for Defence. The agency is the single point of accountability for the nuclear-powered submarine program, with responsibility for the acquisition, delivery, construction, technical governance, sustainment and disposal of Australia's conventionally armed nuclear-powered submarines. The ASA will also enable the necessary policy, legal, non-proliferation, workforce security and safety arrangements. Headquartered here in Canberra, the Australian Submarine Agency currently has just over 400 staff, including a significant and growing footprint in both South Australia and Western Australia. The agency also has staff embedded, and liaison staff, in both the US and the United Kingdom.

This is a complex, multigenerational program focused on setting up a new industry at the heart of Australia's national security. These early stages are critical and will require careful and methodical work across government. The agency is at a sensitive stage in this undertaking and is in the process of providing considered advice to government. It would not be appropriate at this time to comment on some commercial matters that are subject to government decision.

Since the announcement of the pathway in March, we have made progress in many areas. In August we welcomed the USS *North Carolina*, a Virginia-class submarine, to HMAS *Stirling*. Port visits such as this will progressively develop Australia's skills, knowledge and expertise in operating, maintaining and stewardship of nuclear-powered submarines.

The agency is undertaking regular consultation with state and local governments in South Australia and Western Australia, meeting regularly to provide updates and work collaboratively on matters of importance to both the program and communities. In WA, a joint steering group has been established, and a formal cooperative agreement guides the agency's engagement with South Australian authorities.

We're also taking steps to grow the workforce required to deliver Australia's conventionally armed nuclear powered submarines. By way of example, the leadership team of the first Australian flag Virginia-class submarine will come from those officers already undergoing training in the US and those that will follow in the next one to two years. With regard to our industry workforce, our programs are focused on growing the skills and expertise of Australians to work on and support the delivery of conventionally armed nuclear-powered submarines. By the end of this year, the first tranches of industry personnel will be embedded in the US and UK. The agency is also working to fast-track Australian suppliers' involvement and the US and UK industrial base opportunities. We're progressing these initiatives aimed at delivering tailored education, training and skilling opportunities to provide a head start to industry and to encourage young Australians to seek and stay in a career in submarine and naval shipbuilding.

The agency also welcomes the work underway in Defence to establish the new regulator. We're rightly expected to meet the highest standards of safety and security, and we will achieve these standards across the breadth of the program. I know the nuclear powered submarine program is of great interest to this committee, the parliament and the broader Australian population. I thank the committee for their time and welcome questions.

CHAIR: Thank you very much. Senator Fawcett, you have the call.

Senator FAWCETT: Rear Admiral Buckley, congratulations on the appointment and on kicking off a whole new era of defence estimates. Being here to represent, please give Vice Admiral Mead our best regards. On 1 October this year, the UK Ministry of Defence announced that BAE Systems had been awarded a \$7.5 billion Australian contract for the next phase of SSN-AUKUS design. Was the Australian government consulted by the UK Ministry of Defence, BAE Systems or the UK government prior to the awarding of this contract?

Rear Adm. Buckley: In regard to our engagement with the UK Ministry of Defence, we did not have specific and deliberate advice in regard to those commercial negotiations between the UK Ministry of Defence and BAE Systems. However, we are aware, very much, of the progress of the SSN-AUKUS design—where it is in its design maturity. In doing so we were aware that the UK MOD would, in the normal course of that part of the design, be engaged with their submarine builder, BAE Systems, in some form of arrangements. But the specifics of those arrangements were not advised to us, given that it's an arrangement specifically between the UK MOD and BAE Systems for the ongoing and next stages of the design of that submarine.

Senator FAWCETT: The origins of the design were clearly what the British MOD were looking at for their next submarine but which has now been overtaken by the SSN-AUKUS. Australia is clearly a significant stakeholder in that, in terms of both the capital we'll be investing and the fact that we will be one of the principal operators of this submarine. Given the lessons of the Coles review around Collins, is there any concern within ASA that that decision around design—and, therefore, around supply chain and the whole design assurance

network that goes with a complex system being developed—was made without engaging either the Royal Australian Navy or our industrial base, which will need to support that submarine through its life of type?

Rear Adm. Buckley: In regard to the UK decision to engage BAE Systems for that stage of design, it is a natural point at which we would expect the UK to engage the current shipbuilder of their submarine, the shipbuilder which has designed the current Astute class; their follow-on strategic deterrent class; and SSNR, which was the precursor to what will now be SSN-AUKUS. That was a natural progression. In terms of our engagement with the UK MOD, we have had very close engagement with them. We've already got people embedded within the Submarine Delivery Agency in the UK, within the design team. We've already got people involved in understanding how we will take forward some of the new technologies which were announced in terms of the combat system and the torpedo, specifically with regard to those matters. In terms of the commercial arrangements themselves, I think it's a completely natural thing that the UK government would make sure that they move through that design process. We will have people embedded into the design. When we make the appropriate selections of our shipbuilder and sustainer, we would make those commercial arrangements, just as they have made, from a government to a commercial entity.

Senator FAWCETT: Again, if we were just buying this as an FMS product from the British government, everything you've said would make sense, but the whole package has been sold as Australia being a key partner in this three-party design and enterprise. The lessons of Coles are that if we are going to be essentially one of the parent navies of this submarine, then, from a design assurance and industry supply chain perspective, the whole enterprise needs to be engaged from the get-go. So I'm somewhat disturbed that the culture and the attitude of the MOD has been to progress to that step without so much as a, 'Would you like to offer an opinion or have some input?' or, 'What is your industry capable of providing?' So I flag a concern there. When was the department actually made aware of this decision? Was it when it was announced by the British?

Rear Adm. Buckley: I can't specifically recall the precise nature of when we became aware of those arrangements, other than that we were aware that the UK government was working with BAE Systems on the next phase of their contract because of where they were in the design process. In regard to what that means, there is nothing the UK has done with BAE that would preclude any arrangements for the development of the supply chain, whether that be here or in the UK, and those matters. It's principally about how the UK advances to the next stage of the design of the submarine.

Senator FAWCETT: Sure. But let's use Hunter as an example—same builder, BAE Systems. There are issues with weight margins with the design. An Australian company producing composite pipes, as opposed to stainless steel pipes, which have now been certified to meet all of the various standards—Lloyd's and everyone else—has been recognised as probably the preferable option. Yet we're now committed on a pathway, at least for the first flight of ships, to have the reference design pipes provided, even though this is a superior solution that will probably find its way into the second flight of ships. Australian industry has every likelihood of providing innovative and better inputs into the design, but if we don't get them in at this early stage then the UK will just go down the path of using its existing supply chain, which will then become the default and therefore the cheapest in people's minds, as opposed to the one that will actually embed Australian industry and therefore our ability to avoid a Coles-type situation, as we had with the Collins, from the very design aspect. Could you come back to the committee on notice and tell us what steps the ASA will take to commence a dialogue with the UK MOD about how we avoid this kind of situation where they make unilateral decisions around what is supposed to be a joint enterprise for the most expensive capability that the ADF has or is likely to purchase in the foreseeable future.

Rear Adm. Buckley: I'm happy to take that on notice in terms of the detail. I would say that we are very actively and deeply involved with the UK MOD in terms of how we are situating ourselves within the design team. That work is well underway at the moment, for precisely the reasons that you have alluded to.

Senator FAWCETT: When you say 'we'—

Rear Adm. Buckley: We, the ASA.

Senator FAWCETT: Where does Australian industry fit in? Let's go back to the Hunter example. Where would the current ASA team be getting their information about the innovative developments within Australian industry that may, in fact, add a lot of value to the design of SSN-AUKUS if the people you're embedding are Defence—either Navy or APS people—as opposed to industry? Where's your connection with the industry base here?

Rear Adm. Buckley: I'll ask my colleagues on the delivery side to talk to that in a bit more detail, but upfront we in the ASA have already been engaged quite heavily with our current lead platform integrator throughout the process, the ASC, seeking their advice on those things and with other parts of Defence on the broader submarine

supply chain vis-a-vis Collins. I might ask Mr Chandler, who's got accountability for submarine sustainment, and AVM Tammen, for acquisition, to provide a bit more detail there.

Mr Chandler: For the understanding of the committee, although I sit within the proper part of Defence, by an internal agreement between Defence and the agency, as the admiral said, I have accountabilities for nuclear sustainment and climate system. First of all, I would perhaps offer myself as an example of how the agency's working to factor in the lessons of Cole and the lessons of Collins. I think you understand that although I'm not here to talk about Collins accountabilities in this session today, I do have them, and the fact that, by this internal agreement, I bring my expertise to help with nuclear sustainment. I think that's a manifestation of the agency trying to take those lessons onboard.

In terms of working with others—and this is across the nuclear program, both the Virginia and the SSN-AUKUS phases—there is an element of the agency's activities that includes working to get Australian companies involved in the supply chains for nuclear submarines generally. Of course, the program is at a very early stage, so those efforts are fledgling at the moment but absolutely a line of action within the agency.

Senator FAWCETT: Mr Chandler, a quick question for you: when the sovereign industry capability concept was first rolled out—we're talking about 2016-17—there was quite a good briefing paper put out about what submarine sustainment looked like. I accept that, clearly, a nuclear-powered submarine has a number of different elements to a diesel-electric submarine. But for many of the systems—whether it's the hull, the hotel services, combat systems, whatever—there are many similarities, and ASC and others have given voice to this same concept. My concern is that the approach taken by Defence with the Attack class was to say to the manufacturer, 'You tell us what you think Australian industry is capable of doing,' and it was no great surprise that they raced around and said, 'Actually, we think the lowest cost and lowest risk is to do everything through France.' As opposed to taking the approach that, if we think sustainment by industry is a fundamental input to our naval capability, our approach should be saying to the manufacturer, 'These are the things we require you to engage Australian industry on and tell us if there are any gaps so we can help close them.' I'm a little concerned that what you've voiced sounds like the Attack class program, as opposed to actually identifying the fundamental inputs to capability that we need Australian industry to be providing, and then mandating their engagement early in the design process.

Mr Chandler: I understand your point. I was perhaps trying to answer your point about the supply chain and getting Australians involved in the supply chain. In terms of getting Australian industry involved in, I'll say, the headline roles, like a sovereign sustainer, it's absolutely the government's intention to be in a position to announce that in the near term. We're working actively on that, and I'd say we're on track for that, basically. But once that announcement is made and we understand what our sovereign sustainer, as an industry partner, is, for example, then we'll be in a position to inject them into the various activities. The fact that that's an early announcement objective of the government entirely reflects your concerns and what we're doing to address those.

Senator FAWCETT: Minister, this one's for you: are you aware of whether either Minister Marles or Minister Conroy were advised of this decision coming up, and is there any reason, for such a significant decision about the largest defence procurement in our history, that there was no ministerial comment on the announcement?

Senator McAllister: I think you'll understand that I'll need to take that on notice. I don't know about the communications with the ministers' offices.

Senator FAWCETT: If you could take that on notice. Thank you.

Senator BIRMINGHAM: I'll pick up slightly where Senator Fawcett has left off. Can I just understand, in terms of the design partnership, what structure is in place between the AUKUS partners around design.

Rear Adm. Buckley: At the moment, we are in the process of working through with the US and UK partners, on a government-to-government arrangement, how Australia and the US—bearing in mind the UK were already involved in the process of designing SSNR; SSN-AUKUS brings in new technology. We're now in the process of working through how Australia and, where appropriate, the United States have an embedded arrangement in the design team in the United Kingdom to make sure that our equities as a co-builder of SSN-AUKUS—one platform and one design, not two different designs, that we'll be embedded with. With some of those US technologies, they're going to be involved, but we are in the process of working through those arrangements at this time.

Senator BIRMINGHAM: So there are tripartite negotiations at present to establish a tripartite process for the design team, and that is envisaged to be UK based and have personnel seconded from Australia and the US to be based there as part of that collaborative venture. Is there an expectation that the contract currently established

between the UK Ministry of Defence and BAE will transition to be jointly accountable in terms of design steps to a new joint entity?

Rear Adm. Buckley: I'll deal with the first part of your question there. In terms of the government-to-government arrangements, you're correct in saying we are working through those arrangements now with how Australia will contribute to and be embedded in the design team within the submarine delivery agency; indeed, we've already got the first engineers embedded in that team. The US already have longstanding and existing arrangements with the United Kingdom through their mutual defence agreement. In terms of the US and the UK, my expectation is it would be some building upon that existing arrangement. In terms of commercial arrangements, arrangements and engagements are underway with the ASA and other parties at the moment, as you'd expect; I'm unable to comment further on those at this stage. As was advised by the Deputy Prime Minister, it's the government's clear intent that we would work through those arrangements as soon as we could, with an aspiration of doing so in the first 12 months since the announcement. We're well engaged in those discussions, but I'm unable to comment further on them at this point.

Senator BIRMINGHAM: I think we all appreciate that, for elements of this, particularly with the establishment of the ASA, it's still early days, with critical work to be undertaken. The MOD's steps there with BAE have sparked some attention and some concern and desire to make sure it is a genuine tripartite process. The importance of the US being engaged even more deeply than they historically have been with the UK is important to it being truly tripartite and to Australian confidence that ourselves and the UK are getting to leverage the best of US technology and knowhow as well. How many people does Australia currently have—I'm assuming through the ASA, but there may be others through Defence—embedded in the UK system working on the initial beginnings of the design process and the planned delivery of SSN-AUKUS?

Rear Adm. Buckley: I will see if I can dig out the precise numbers there. We have in the order of six to 10 Australians as part of our early tranche. Those people we have in there at the moment are a mixture of ADF and APS personnel. It is somewhere between six and 10 but we've got additional people working through the system. I might ask AVM Tammen to talk in a bit more detail.

Air Vice-Marshal Tammen: I'm the head of the Virginia acquisition team and I also run the commercial service within the agency. We have a number of people, as stated, in the UK. At the moment, two are actively participating in the design process. A further three are about to join, and I think we will have a further six or seven by May next year joining that Australian contingent as we build. Our strategy is to retain a single contract for the design, which is driven by the trilateral program office, as you suggest, with ever-increasing Australian and US participation as we come up to speed.

Senator BIRMINGHAM: So a single contract for the design. I think your description there very much mirrored the question I asked before—that we are envisaging something like the BAE contract that exists with the MOD transitioning into a single contract for design with tripartite oversight and engagement.

Air Vice-Marshal Tammen: That is the intended arrangement. Over time, the current contract you have, which is the second in a long series, will be continuously extended and refined as the tripartite group gives direction to industry.

Senator FAWCETT: Can I ask one question on that. Is there an agreed governance framework between the three parties as to how that contract will be managed?

Rear Adm. Buckley: In terms of the government-to-government arrangement, we have an agreed governance framework in place and it is underway. It has a program level governance arrangement with three parties, of which myself, AVM Tammen and Ms Kelton are all members. We have a quarterly meeting and much more frequent VTCs. There is a senior executive group, which Vice Admiral Mead is the Australian lead on, that provides that governance from a trilateral injection process. I might ask AVM Tammen to speak to the commercial side of things there.

Air Vice-Marshal Tammen: The arrangement we foresee is one where the trilateral parties give, through an existing extension of the governance framework that Rear Admiral Buckley has discussed, design guidance, which we are evolving in more detail to a trilateral governance system as we speak. We are also working on a design control and design management strategy. As you'd expect in a program of this complexity, there is a lot of initialisation and stand-up work to do as we mature the arrangements for this most complex program.

Senator FAWCETT: You can take this question on notice. As I look, as an analogy, to the buy-in Australia has made to the BYG-1 combat system, where we sit at the table with the USN as a co-owner, the industrial or commercial arrangement the USN has with its industrial sector has almost, over many years, locked out Australian industry in terms of being able to put forward IP and ideas for developments into that. Acacia Research

is a classic example, with its patch, which was on Collins, to do the high-contact, high-density target tracking et cetera. What are we doing—and you can take this on notice—to make sure that the intent is actually matched by the enabling processes of all three countries so that from both a Navy requirements perspective and a commercial perspective engaging industry we can avoid the Coles situation again by having realistic early engagement of Australian industry?

Air Vice-Marshal Tammen: I'll take your question on notice, but I add that at this point the UK MOD has not contracted for a combat data systems integrator—

Senator FAWCETT: No. What I'm saying is that that is a lesson we learnt. It was spruiked that we were a co-owner of this system, but in reality we didn't have much input except for operational requirements. We couldn't affect the material state of it. Let's expand that to the whole submarine. What can we learn from that US experience and apply to this tripartite arrangement?

Air Vice-Marshal Tammen: Thank you for your clarification.

Senator BIRMINGHAM: I suspect we'll have quite a lot of organisational structural questions on notice—org charts and the structural arrangements you have in place. It would be useful in terms of those to have as well the governance protocols operating across the country and across the three country partners. What could be supplied there—minutes, charters or other registers in terms of engagement there? We'll work up appropriate ones on notice. I know some will be sensitive, but what could be provided would be appreciated.

I go from the design to the intention around the build. I realise that is some steps down the track. Obviously we've got clarity around intention for a single design partner. What is the process underway to establish what the build partners will look like in Australia and how that relates to the UK and their build of SSN-AUKUS?

Rear Adm. Buckley: The work is underway as we speak. It is well underway in working through an appropriate build partner. That process is underway. We are working through that. We are yet to finalise that work and then provide advice, as you'd expect, through government on those options.

Senator BIRMINGHAM: Will it have to be the same prime builder as the UK deploys?

Air Vice-Marshal Tammen: The process has kicked off as described by Rear Admiral Buckley. There are a range of options. We need to give the problem serious consideration. At this stage we are still busily formulating advice for government and it would be inappropriate to comment on the merits of particular options and strategies.

Senator BIRMINGHAM: I appreciate that. You did indicate just before, Air Vice-Marshal, that a sovereign sustainer would be potentially part of I think you said a near-term announcement.

Air Vice-Marshal Tammen: Are you referring to remarks by Mr Chandler?

Senator BIRMINGHAM: Maybe it was Mr Chandler, sorry. My apologies.

Air Vice-Marshal Tammen: It's a matter of public record that on the formation of our agency there was an undertaking given publicly by the minister that on or about the first-year anniversary we would make announcements in relation to this matter.

Senator BIRMINGHAM: In relation to—

Air Vice-Marshal Tammen: The sovereign partner.

Senator BIRMINGHAM: I understand the intended scope of sovereign partner or sovereign sustainer, by that commitment and the plan you're working to, could envisage different scopes of responsibility. What is the minimum scope of responsibility that you are working towards in identifying who the sovereign partner or sovereign sustainer will be?

Air Vice-Marshal Tammen: We're working to identify partners, as discussed by the DPM, to conduct the build activity and sovereign submarine sustainment.

Senator BIRMINGHAM: So those two elements are running in parallel and you would expect a single decision integrated across build strategy and potential partners and sustainment partner.

Air Vice-Marshal Tammen: The direction from government was to make announcements in relation to both scopes of work.

Senator BIRMINGHAM: Both scopes of work around the 12-month anniversary?

Air Vice-Marshal Tammen: Senator.

Senator BIRMINGHAM: And that's the 12-month anniversary of the announcement by the leaders?

Rear Adm. Buckley: That's an objective of ours—to be able to provide that advice within that time frame, within the 12 months since the announcement. I would not wish to presume what those arrangements may look like in regard to those two activities. As I said before, we are progressing that work right now, and our objective is to provide advice to government for consideration. How they choose to deal with it at that time is a matter for government.

Senator McAllister: I might add—and I think you would understand this, Senator Birmingham—that it of course has a significant commercial dimension to it, and there are some limitations about the matters that officials may wish to put into the public domain in a context where we of course seek to preserve our position in any commercial discussion.

Senator BIRMINGHAM: I understand that. Obviously you have your internal agency expertise. What other expertise are you bringing to that very significant task of determining the intended build strategy or partnerships and the intended sovereign sustainer?

Rear Adm. Buckley: In the first instance, we are of course leveraging right across government. The ASA is working very closely with colleagues in other departments in that regard, to leverage those important aspects of whole-of-government arrangements. As you might expect, we have got some external assistance in that. I don't know if AVM Tammen has got anything to add, but you might expect some elements of external advice and assistance from subject matter experts in submarine construction and so forth.

Air Vice-Marshal Tammen: I'd add to Admiral Buckley's answer that we are also drawing heavily on the trilateral partners. The strength of the relationship is such that we can take candid advice from the governments about the needs for these services, and we're using their assistance to form a view on the scope of work.

Senator BIRMINGHAM: Again on notice, let's provide the details, where you can, around some of those who you have procured expert advice or services from, as well as, where you can, in terms of other aspects of the partnership that you are leveraging, as you've indicated.

Can I flip now to the infrastructure required for the build? What is the status in terms of planning and investment decisions for the build of the infrastructure required at Osborne?

Rear Adm. Buckley: The initial work that the ASA has been undertaking has principally been with ANI. I understand that ANI, Mr Seaton, presented to the committee earlier this week. We've been working very closely with them to identify the broad aspects of what would be required in terms of a ship construction yard. That's been informed very heavily from the experience of our partners in the UK and the US, the government-to-government partners. We've made a number of arrangements. We're in the process of arrangements with the government of South Australia about securing that land beyond the scope of the current lease arrangements. We are progressing that. In terms of other arrangements, we'll be seeking expert advice again from our partners on precisely what those arrangements would be. I might ask AVM Tammen if there is anything else he wants to add on the ship construction beyond what I've already covered.

Air Vice-Marshal Tammen: The ship construction yard, as discussed, is being led by ANI, in response to requirements that are furnished to it by the Australian Submarine Agency. We're having a very detailed dialogue with our trilateral partners. We have conducted a series of visits and engagements to ascertain how existing shipyards work globally. We're mindful of the opportunity that we are building a shipyard essentially on a greenfield site, so it's our intention to embody all the lessons and, where possible, try to implement things that our partners would wish they had, had they not built incrementally. On a practical note, ANI, as mentioned in previous testimony, has a five per cent design which identifies our planned use and the facilities that make up the yard.

Senator BIRMINGHAM: Just to land, firstly: is ASA leading the land swap negotiations with South Australia, assuming that is still the preferred means of securing the additional land at Osborne?

Rear Adm. Buckley: Yes, the ASA is working in conjunction with the Department of Finance on those arrangements with the South Australian government, and our expectation is that those arrangements will be concluded in the very near future.

Senator BIRMINGHAM: Are the three parcels of land, being the additional land required at Osborne, Keswick Barracks and the Cultana testing range site, still party to those discussions?

Air Vice-Marshal Tammen: That is correct.

Senator BIRMINGHAM: I think Finance assured us the other night that there were independent valuations of those occurring and that those valuations are of normal market value for those pieces of land. Obviously, in one sense the Osborne land is priceless. You need it. You can't build the nuclear powered submarines there without it.

So there's a leverage point there. But I was assured that normal commercial market assessments are being undertaken for each of those parcels of land and will then inform the negotiations. Is that a correct understanding?

Air Vice-Marshal Tammen: It's a matter for Finance, but that is our understanding.

Senator BIRMINGHAM: Frankly, I think the South Australian government should just hand over the land. It's a bit rich to be expecting a swap, but good luck to them.

In terms of the design of the shipyard, a critical factor there, I would have thought, for ANI in being able to move to their next stages of planning is to understand scale. How early in work with partners can at least a sufficient sense of scale for what size boat we're talking about be provided?

Rear Adm. Buckley: The timing that we talked about just previously in regard to working towards providing advice to government on a build partner will allow and enable that more detailed information, but we do have information furnished from the UK MOD, the UK government, that outlines the broad characteristics, dimensions and so on of SSN-AUKUS. Of course, we can already look at how the BAE shipyard in Barrow is designed. That's not precisely the same; that's a legacy shipyard which has had many modifications over the years. Nonetheless, the scale and flow-through that you need for a production line is information that we've been able to get from the UK MOD. As my colleague AVM Tammen mentioned before, we've already had quite extensive engagement with US partners, as well, to provide some input in regard to their arrangements, which aren't exactly the same but can help inform the ANI in scope. They're people like the US navy, who have quite a bit of expertise in constructing nuclear submarines.

As to where we're at at this particular stage of the shipyard design, we're confident that we've got the broad dimensions laid out and the broad flow-through. What we'll need to do in the new year, pending those decisions and a decision on a shipbuilder, is to start to move on to the next phase of those more detailed arrangements in terms of where various pieces of specific equipment might be, and so on and so forth.

Senator BIRMINGHAM: There are a thousand questions I could follow on with, but the chair will kill me soon.

What role is ASA playing in terms of works required to expand HMAS *Stirling* and your role there, and, equally, what role does ASA have in relation to the redesign at Henderson and consideration of issues around the dry berth dock?

Rear Adm. Buckley: I'll address the question of *Stirling* first. The ASA is performing the role of setting the requirements, as a sponsor for nuclear powered submarine requirements at HMAS *Stirling*. Our bounding condition there is the delivery of Australian Virginia class submarines in the early 2030s but, moving left of that, we're working towards being ready to accommodate rotational US and UK submarines prior to that in 2027. Our role is to set those requirements for the sorts of things that Ms Perkins provided in her earlier testimony. She's our delivery agent, if you will. Our role is to set the requirements to make sure that they are met against an aggressive schedule and time line of delivery, and to set those conditions with the aim of *Stirling* being able to accommodate our own Virginia class submarines, building towards that through Submarine Rotational Force—West.

In regard to Henderson, as Mr McDowell mentioned in his testimony, the ASA are engaged with the national Naval Shipbuilding Sustainment Group to provide some advice on some of those early capabilities that we would expect we are going to need to be sovereign-ready for our own Virginia class submarines. We're working towards making sure that we have a contingency docking capability. At the moment the ASA is working very hard with our US and UK partners on what those specific contingency docking capabilities might be. We have to finalise the location for some of those arrangements that Mr McDowell set out—whether they be floating-dock arrangements or something else. For a contingent dock, Henderson would certainly be a candidate. We're providing advice and input to the Department of Defence, which is looking at the broader Henderson scope of what we might need for that early capability.

Senator BIRMINGHAM: I have questions about contingency versus permanent outcomes, but I'm sure we'll get time down the track and on notice. Regarding the \$3 billion funding package, what is the total budget for Australian investment in US and UK capabilities?

Rear Adm. Buckley: In terms of the uplift to the US system, we have provision for US\$3 billion—that's the provision that we've allocated within our model. On the UK side, we're still working through what that provision might be. The reason we're doing that is the nature of what that might be in the UK context is very much contingent on what the build strategy might be for SSN-AUKUS. Clearly, we're not going to be building the reactors here in Australia. Part of that would be how we might contribute to an increased production rate for Rolls-Royce in Derby, but in terms of other things, you really need to understand what the build strategy and the

approach to build are before you can work through those detailed negotiations on what that uplift is. So, on the US side it's \$3 billion and on the UK side we're still working through those details.

Senator BIRMINGHAM: To be clear, it's US\$3 billion?

Rear Adm. Buckley: It's US\$3 billion.

Senator BIRMINGHAM: Is that funding subject to the normal currency adjustment that defence gets for major acquisitions and those factors? As the dollar has gone down, is defence having to find more to meet that US\$3 billion?

Rear Adm. Buckley: My short answer is yes, it would be subject to those arrangements. Our agreement with our partners was for US\$3 billion, so yes, it would be.

Senator BIRMINGHAM: When are those payments expected to commence? Are they profiled out over the budget years?

Ms Kelton: The payment to the United States is still subject to US congressional approval and the setting up of the sovereign submarine special activities account, I believe they call it. We still have some way to go to establish those arrangements with the United States. This is a new thing. They need to put this in place and then we'll be able to determine how that money is paid.

Senator BIRMINGHAM: Is it anticipated that it'll be paid as a lump sum into a special account in the US?

Ms Kelton: It's anticipated that a portion of the money will be paid into that account, and then that will be drawn down by the United States for particular activities. What we're anticipating is they can then demonstrate to us where that money has gone.

Senator BIRMINGHAM: So a very large portion of that sum is anticipated to be paid into that account?

Ms Kelton: Yes.

Senator BIRMINGHAM: Does it require legislation to establish that account in the US?

Ms Kelton: Yes, that's correct.

Senator BIRMINGHAM: And then will there be an agreement under that legislation between Australia and the US about how it will operate?

Ms Kelton: That's correct.

Senator BIRMINGHAM: I'm sure we can follow up some the further details. Just to be clear, that US\$3 billion is expected to be paid—or most of it—in the forward estimates period?

Rear Adm. Buckley: We're working through that detail. However, I would expect that a reasonable amount of that portion would be paid in the forward estimates, probably more in the latter part, but we've got to finalise those arrangements, as Ms Kelton has said. That's our expectation.

Senator BIRMINGHAM: Is this US\$3 billion captured in the amount the government announced last year as being the forward estimates costs for AUKUS—I don't have that figure off the top of my head now—where the government had some legacy from Attack class funding, identified its offsets of, I think \$7.6 billion, so it's still got to find \$1.6 billion or thereabouts. Is this US\$3 billion within that package?

Rear Adm. Buckley: Yes, that's correct. This US\$3 billion is within that provision, both within the forward estimates and the decade. We're just working through the detail of what sits within the forwards and what sits within the decade. But, yes, that is a part of that provision.

Senator BIRMINGHAM: Subject to US processes and so on, has there been any change to the expected delivery dates or ambitions for the first of the Virginia class submarines?

Rear Adm. Buckley: No. Our expectations are that we will still be on plan—subject to those congressional agreements and Australia being ready in terms of having all of our other arrangements set up, including what I talked about regarding Stirling—for those early 2030s for the Virginia Class submarines.

CHAIR: Senator Shoebridge?

Senator SHOEBRIDGE: Do you call the US\$3 billion—which is A\$4.7 billion—an 'uplift payment'? Is that the name of it?

Ms Kelton: That's correct.

Senator SHOEBRIDGE: What's it uplifting?

Ms Kelton: The intent of the payment came about following the work that we did under the optimal pathway. Australia, the United Kingdom and the United States examined what would need to be done in terms of the

industrial base support for all three countries to deliver the optimal pathway. Phase 2 of that is the early delivery of in-service Virginia class submarines to Australia. Part of the undertaking of the government was to make sure that the US industrial base—in terms of maintenance and build production of Virginia class submarines—could be uplifted, ensuring that Australia could receive those submarines in the 2030s, preventing the capability gap.

Senator SHOEBRIDGE: So what will the A\$4.7 billion be spent on?

Rear Adm. Buckley: I'll address the matters of the sorts of things. As Ms Kelton has alluded to, there are two main areas. One is to increase and enhance the maintenance and sustainment of the existing US sustainment effort, particularly of the Virginia fleet. That's bearing in mind that the current plan is for the first two Virginias to come from in-service US submarines. The other part of that is to enhance the production rate of the US Virginia line at their shipyards. We're looking to purchase the third Virginia class off the production line. There would be other parts of that uplift that would be doing things like building supply chain resilience and so on. For our Virginias as well, we would be the beneficiaries of such enhancements to the supply chain for spares, stores and those kinds of things.

Senator SHOEBRIDGE: The most recent US congressional report on their nuclear submarine program says the issue isn't money for the United States; it's fundamental economic constraints. They haven't got the skilled workforce and they don't have the infrastructure. So how is throwing money at a problem that can't be solved by money going to solve it?

Rear Adm. Buckley: In our engagement with the US Department of Defense and the US Navy in particular part of enhancing those production rates is to build that workforce. Then you have to be able to train that workforce and you have to be able to track that workforce to get them in. That applies to both sustainment and build. I think our counterparts in the US Navy are on the record as saying that a financial uplift such as our uplift—bearing in mind the US are making significant contributions themselves commensurate with the scale of their program—will, in fact, enhance those productions. As I said, it's not just the workforce. It's enhancing the supply chain and building resilience within your vendor base. That removes hard points or points that might slow the throughput of build or the throughput of submarines in maintenance.

Senator SHOEBRIDGE: But I thought you said you expected this to be drawn down at the end of the current forward estimates. How is money that's drawn down in 2027 or 2026 going to make the structural changes you need for it to be delivering and almost doubling the US Virginia class submarine production by the early 2030s? That's what you need. What is going to be the magic change from this? In the scheme of the US nuclear submarine industry, it's a modest injection of funds.

Rear Adm. Buckley: Our contribution is but part of a significant injection that the US is already making right now in their supply chain, their build rate and their sustainment of their submarines. Ours is a contribution in addition to that to assist that. Particularly where sustainment is concerned, a contribution that might be made in the next couple of years could have a very significant impact on sustainment throughput in a short time.

Senator SHOEBRIDGE: Do you know how many Virginia class submarines the US is currently producing per year?

Rear Adm. Buckley: I'd have to take the precise number on notice, but it's somewhere in the order of 1.3 or 1.4.

Senator SHOEBRIDGE: Or 1.2. It's between 1.2 and 1.3, according to the most recent US Congress report. Do you know what is going to be required just to meet the US's production goals for their fleet sustainment?

Rear Adm. Buckley: The US are seeking to increase their rate of production beyond two submarines per year.

Senator SHOEBRIDGE: Just to meet their domestic needs?

Rear Adm. Buckley: That's to meet their requirements, yes.

Senator SHOEBRIDGE: How much more will need to be added to meet the additional requirements for a fresh Australian Virginia class off the docks and to replace the two other Virginia class that Australia wants to obtain? What will the numbers have to be per year in the US production to meet that?

Rear Adm. Buckley: I think the specific number of production is going to be dependent on the precise US demand, so I can't give you that exact answer. But what I can say is—

Senator SHOEBRIDGE: We know what their demand is.

Senator McAllister: It's a serious question. Can the official please be allowed to answer?

Rear Adm. Buckley: The precise number or targets for production is a matter for the US Navy. It's something that only they can answer. What I can say is, in terms of enhancing that production, any enhancement to the

production, bearing in mind our numbers of Virginias are very modest in the broader scale of the whole US program—but the other thing that I mentioned before was it's the injection of money into their sustainment system which increases the availability of their submarines, which also makes a significant difference.

Senator SHOEBRIDGE: But these submarines cost Australians about \$7.7 billion each, and the extended ones with the additional missile pods cost even more than that. Are you seriously saying a \$4.7 billion one-off injection is going to come even close to increasing the capacity of US nuclear submarines to create the capacity to provide to Australia? Are you seriously saying that?

Rear Adm. Buckley: What I am saying is that our contribution, in addition to the US contribution, to uplift is going to drive the US production in the right direction to where it needs to be and it will enhance their sustainment system, which will allow more of their submarines to be operational and allow them to make considerations for Australia's Virginia class submarines. That's what I'm saying.

Senator SHOEBRIDGE: Can you point me to a single assessment by any credible entity that supports that?

Rear Adm. Buckley: I would point to the intent and plans of the United States Navy who runs the program, who we made these arrangements with, and that is why we are providing this uplift, as a part of a broader contribution to increase the rate of production and enhance the sustainment and supply chain resilience, of which I expect Australian vendors here will be a part of. That will be a part of enhancing this thing and part of the solution.

Senator SHOEBRIDGE: You know one of the most remarkable things about the most recent congressional research service report on the submarines is that there's no contribution from the US Navy. They haven't gone on record or indicated in any way their support for the provision of nuclear submarines to Australia. It's a very unusual thing. There's no contribution at all from the US Navy indicating they support the provision of nuclear submarines to Australia. Where has the US Navy made such a statement?

Rear Adm. Buckley: In all of my engagements, all of Vice Admiral Mead's engagements and the entire team's, we have had nothing but full support from the US Navy, from US naval reactors in terms of this contribution. The President of the United States, in his statement, made it clear that this was a part of the plan.

Senator SHOEBRIDGE: The President of the United States isn't the US Navy.

Rear Adm. Buckley: No.

Senator SHOEBRIDGE: The US Navy has not indicated—

Rear Adm. Buckley: They work for the President of the United States.

Senator SHOEBRIDGE: Yes, I know. We've seen how that works here, haven't we!

Senator McAllister: I think it's—

CHAIR: Let's just focus a bit, because we are running out of time.

Senator SHOEBRIDGE: You see the other key problem you face is that there's a trough or a valley right at the time that Australia's going to want to snaffle up a couple of US nuclear submarines. In the early 2030s there's going to be the point at which the United States has the least number of nuclear submarines. It's estimated it will be down to 46 instead of their projected 60, and that will be at exactly the same time as we're going and asking for three. How are you going to manage to persuade congress at that point?

Senator McAllister: Senator Shoebridge, I think that you're now asking a member of the ADF to speculate about activities in the US Congress, and I really do not—

Senator SHOEBRIDGE: The secretary said that congressional approval was a matter for these witnesses.

CHAIR: Senator Shoebridge, can you allow the minister to at least answer your question.

Senator McAllister: I think the officials have been quite forthcoming about the work that's underway and the discussions that they're having with counterparts. There are some limitations on what they might comment on, and I think the politics of the US Congress is one of those things.

Senator SHOEBRIDGE: To be clear, at the outset of today's hearing, the secretary made it clear that the question of congressional approval was a matter for this entity and these witnesses. So, consistent with the secretary's clear statement, I'm asking these witnesses about congressional approval.

Ms Kelton: The congressional research service is non-partisan. It provides papers and think pieces. It's a well-respected institution, but it doesn't necessarily reflect the views of the Republicans, the Democrats or the US administration. What we have presented to you today is the carefully calibrated optimal pathway supported by a leaders' announcement in March and supported by an 18-month consultation period of intensive work, including with our US Navy colleagues. The DPM has met with Secretary Del Toro, the secretary of the US Navy. We

know we have his support for the plan, so I think it's really important to take into consideration those activities when placed against what might be contained in a CRS report.

Senator SHOEBRIDGE: You're not even willing to acknowledge the extraordinary political risk of going to the United States Congress—which is so fractious it can't even decide on a speaker—in the early 2030s and asking for three Virginia class nuclear submarines right at the time that they hit their valley or their trough and will be having extraordinary difficulties in meeting their own domestic requirements. You won't even acknowledge the extraordinary political risk of that. This is like the worst possible \$368 billion gamble, isn't it?

Ms Kelton: I can just reflect back to you the Prime Minister's comments. He is there in the United States. He has spoken of the strong bipartisan support that we have from the US Congress. We've seen that ourselves. We've hosted many congressional delegations and staff delegations. Vice Admiral Mead has done a significant amount of congressional engagement, as has His Excellency Dr Rudd and his team at the embassy in the US. We feel that we enjoy strong bipartisan support for AUKUS and strong bipartisan support for the optimal pathway. We recognise that there are processes that the US Congress need to undertake, but, as the Prime Minister said, we feel optimistic and positive, and we enjoy the bipartisan support of the US Congress.

Senator SHOEBRIDGE: You haven't yet seen the bipartisan support of the US Congress come even close to putting a bill on the floor of the congress, have you? They can't elect a speaker.

Ms Kelton: We have seen both Republican and Democrat parts of congress and the administration putting forward positive proposals in support of AUKUS, including the four pieces of AUKUS legislation that we are hoping to see them pass. They are all about enabling AUKUS, enabling the transfer of in-service US submarines, enabling Australians to work in US shipyards, enabling the sovereign industrial base uplift to occur and enabling Australians to work on US submarines when they come out to Australia and are working at HMAS *Stirling*.

Senator SHOEBRIDGE: Even if you get some legislation through congress in 2023 or 2024, it's going to be riddled full of get-out-of-jail clauses by the US, which means the entire political mess will replay in the early 2030s; doesn't it? That's the truth of it.

Ms Kelton: I think that's speculation.

Senator McAllister: If I may—

CHAIR: Minister, you have the call.

Senator McAllister: I have previously indicated that officials are seeking to be helpful about the kinds of representations they have made and the appropriate engagements that they've pursued in their formal duties. I think that asking them to respond to characterisations of the political system of a key strategic partner at the very least strays into the realm of seeking opinions. I also don't think it is an area where it is sensible for our officials to be asked to make comment.

CHAIR: That's right. Senator Shoebridge, we need to start moving along. You've got one minute.

Senator SHOEBRIDGE: Alright. Returning to BAE Systems' \$7.6 billion contract to develop the SSN-AUKUS Attack class submarines, is it true your entity had no official engagement in that contract?

Ms Kelton: We had, through our high commission, some notification that an announcement would be made and some context around that but not of the content in great detail. So we have taken on notice the detail of when we knew and what we knew.

Senator SHOEBRIDGE: That's not much of a partnership, is it?

Ms Kelton: This is a contract for the UK government. We enjoy excellent relationships with them. They've been highly supportive of us. This is one element of work that they are going to undertake with BAE, and we're looking forward to continuing to work with them on our future arrangements.

Senator SHOEBRIDGE: This is critical design work for the entire project, and you didn't even get a look-in.

Ms Kelton: As Rear Admiral Buckley said, we have a range of Australians embedded within the Submarine Delivery Agency. We will have more later this year. We will have more next year. We're going to have an ongoing role in building the SSN-AUKUS bilaterally with the United Kingdom and then also working with our partners the United States as they incorporate their technology into the design.

Senator SHOEBRIDGE: But it's a bad start, isn't it—

Ms Kelton: We don't hold that view.

Senator SHOEBRIDGE: Let me finish. It's a bad start for a so-called partnership when the first and critical \$7.6 billion contract for the design of the so-called AUKUS subs is entirely a matter for the UK government and

Australia's recently created agency gets notified of the fact by the high commission without any seat at the table. It's a pretty bad start for a partnership, isn't it?

Ms Kelton: We consider that we have excellent relationships with our counterparts in the UK government. They have been incredibly supportive of us throughout the work on the optimal pathway as we stand up the agency and, in terms of how we go forward, embedding people within that organisation and cooperating on SSN-AUKUS.

Senator SHOEBRIDGE: But a few individuals embedded in an organisation gives the Australian government no strategic involvement, no negotiation involvement and no sovereign involvement, does it?

CHAIR: I think that's an opinion that you're asking of the officers.

Senator SHOEBRIDGE: It doesn't give the Australian government any sovereign involvement, does it?

CHAIR: Thank you, Senator Shoebridge. I want to thank the Australian Submarine Agency for appearing today. We need to move along. We'll now be calling the Australian Signals Directorate.

Australian Signals Directorate

[21:49]

CHAIR: I now welcome the Director-General of the Australian Signals Directorate and officers of the agency. In light of the time, are you happy just to table your opening statement?

Ms Noble: I don't have an opening statement.

CHAIR: You don't have one? Even better. Thank you very much. Senator Paterson, you have the call.

Senator PATERSON: I'd like to ask some questions about the Microsoft announcement—very exciting news. Obviously this is the first time that Microsoft and ASD have worked together on cybersecurity.

Ms Noble: No.

Senator PATERSON: Really?

Ms Noble: No.

Senator PATERSON: That's the impression that I got from the government's announcement—that this is new. How long has ASD been working with Microsoft?

Ms Noble: We have had a relationship with Microsoft for two decades. Microsoft has been a member of our cybersecurity partnership program since 2019. More recently, in 2021, we signed a memorandum of understanding with them. But this is a very new commitment between Microsoft and ASD to share what we call indicators of compromise, or information about malicious cyberactivity at a large scale, with ASD.

Senator PATERSON: You weren't already doing that threat intelligence sharing with Microsoft? You weren't already sharing indicators of compromise with them?

Ms Noble: We were, but not in a way that this new partnership will enable. It was more, I suppose, manual in the way that we were able to move some of this cybersecurity information between Microsoft and ASD. What has been committed to here is an ability for us to share that information in real time from a machine-to-machine capability at a large scale—by that I mean in the context of Microsoft being able to share with us all knowledge they have about any threat to any Australian.

Senator PATERSON: That is very good and that is welcome. How much of the \$5 billion investment will be borne by the Australian government and taxpayers?

Ms Noble: I can only speak to the cybershield aspect of the announcement, and in that case each of us—Microsoft and the ASD—to the extent that either of us might need to make technical or engineering changes in our own systems and networks to ensure that machine-to-machine sharing can occur, will bear the cost of that if necessary.

Senator PATERSON: What do you anticipate that to be, in ASD's case?

Ms Noble: It may be no more cost to us if Microsoft is able to share the data with us in a format that can be ingested by the cyberthreat intelligence sharing platform that has already been funded.

Senator PATERSON: I appreciate you might not be the right person to ask this question; you're just the most relevant witness to appear since the announcement, so forgive me for asking you. But do you have more visibility on the breakdown of that \$5 billion investment that's been committed to—how much is going on data centres, how much is going on cybersecurity, how much is going on training?

Ms Noble: No, I don't have that breakdown. I imagine the Department of the Prime Minister and Cabinet might, having coordinated the initiative for the Prime Minister.

Senator PATERSON: Do you know why the Minister for Home Affairs and Minister for Cyber Security was left off the announcement and it was the minister for industry who was on the announcement instead?

Ms Noble: No, I don't have any insight into that.

Senator PATERSON: Okay. We would have asked these questions of PM&C or Home Affairs, but the announcement came after estimates for those agencies, so we didn't have the opportunity to direct those questions to them.

REDSPICE is part of the enabling of your increased investment in cybersecurity. How much of REDSPICE resources will be put to this task?

Ms Noble: You may recall that there were two related announcements to the cyberthreat intelligence sharing platform that I mentioned that we hope will be able to be utilised with Microsoft. There was an announcement by the former government in I think it was June 2020 about the CESAR Plus funding that you might recall, which was a package of funding in the context of the Cyber Security Strategy 2020. At that time, there was an announcement that \$35 million would go into that threat-sharing platform, which we have subsequently built. CESAR Plus was a four-year lapsing measure, if you like, and REDSPICE has a longer, 10-year integrated investment program program and will subsequently ensure our ability to continue to build and mature that platform and sustain it into the future.

Senator PATERSON: Moving more broadly to budget matters for ASD, when you last appeared before estimates, I asked you about a cut of \$9.3 million over four years which the government had taken from ASD as part of funding greater intelligence oversight for the intelligence community. I asked you at the time, 'How would you identify those savings?' and you said that was something you were going to have to consider because it was in the immediate aftermath of the budget. Have you had an opportunity to consider further where those savings will have to be made?

Ms Noble: Yes, we have.

Senator PATERSON: In what areas?

Ms Noble: We are focusing on trying to create efficiencies, including in our processes for ICT—and that is in the operating budget for our ICT backbone, in travel and also in contractors.

Senator PATERSON: We also discussed another cut, which was a not-for-publication cut, so we can't discuss where that money went or even how much it was, but obviously that's another area of savings that you have to find within your budget. Will it be drawn from the same areas as the \$9.3 million cut or from other areas?

Ms Noble: Yes, we're focusing on those three categories of activities to find those efficiencies.

Senator PATERSON: Obviously, Defence budgeting is a unique beast which I don't profess to be an expert of every detail of, but I want to clarify whether there is going to be any further reprioritisation within the Integrated Investment Program that would affect ASD and whether ASD resources will be required to fund any other Defence activities.

Ms Noble: Not that we're aware of. I think I said last time that we deliver 11 programs within the Integrated Investment Program. Some are for ASD's capabilities; some are for shared capabilities between us, the ADF and the Department of Defence; and some we actually deliver for the ADF or Defence.

Senator PATERSON: The government has nominated a headline figure for overall cuts but hasn't specified where all of that is going to be funded from, and, if it's not from within Defence, it may have to come from other agencies. But I'm pleased to hear that no further cuts have come at your expense at this stage, and we might return to that at a subsequent estimates. Finally, I have some questions about the aftermath of the HWL Ebsworth attack. Is ASD in a position to state with any confidence the threat actor who's responsible for that attack?

Ms Noble: I know that you asked a line of questioning of the AFP commissioner earlier this week—maybe it was only yesterday—and I understand he talked about that as being an ongoing law enforcement investigation. We are certainly providing advice and assistance to the Australian Federal Police in that context. If we are able to assist and provide input from a technical point of view to an attribution that might eventuate, subject to the AFP's investigation and that outcome, then we will do so. There's a formal process within whole-of-government for that, co-chaired by Home Affairs and the Department of Foreign Affairs and Trade. It's a board, I believe, that we are a member of and we'll input to that process if we have technical information where we can attribute.

Senator PATERSON: But, based on what you know so far, is there anything to contradict the group that's publicly claimed responsibility for the attack?

Ms Noble: I don't want to comment on that publicly, because the AFP have testified that it's an ongoing investigation and I'd be concerned to affirm one way or the other. I wouldn't understand how that might impede their activities.

Senator PATERSON: Since I last asked you at estimates, has ASD been asked to provide any information on attributions for the purposes of Magnitsky cyber sanctions? I think, at the time, you said you had in one instance.

Ms Noble: Yes, we have.

Senator PATERSON: In more instances since that time?

Ms Noble: Yes.

Senator PATERSON: How many, can you say?

Ms Bradshaw: At least one.

Ms Noble: At least one further.

Senator PATERSON: So, to ASD's satisfaction, there are at least two different threat actor groups who are responsible for some kind of malicious cyberactivity to Australia that can be confidently attributed or can be assessed?

Ms Noble: They're not necessarily different cyber incidents but, perhaps, different individuals who may have been part of the same syndicate or group who were giving effect to the same incident. So I just want to be careful there. Unless Ms Bradshaw—

Ms Bradshaw: That's correct.

Ms Noble: Yes.

Senator PATERSON: And for you to do that, you have to have very high levels of confidence technically to make an attribution like that or an assessment like that?

Ms Noble: Yes.

Senator PATERSON: Were these groups involved in the same incident or different incidents?

Ms Noble: The same incident.

Senator PATERSON: Can you say which region of the world they were based in?

Ms Noble: No, I feel it's important to leave that to the Department of Foreign Affairs and Trade and the Department of Home Affairs to make a decision balanced with all the equities and inputs from across government.

Senator PATERSON: Separately from the Magnitsky cybersanctions, one of the other consequences we can give effect to for malicious cyberactivities, when they are taking place offshore, is to respond with offensive cybercapabilities. Has the government directed you to engage in any offensive cyberactivities against malicious cyberactors?

Ms Noble: We have authorisation under the Intelligence Services Act, which enables us to undertake offensive cyberactivities—deny, degrade, disrupt or even destroy infrastructure overseas used by people who are not Australians, when they are undertaking cybercrime activity against Australia. It's a standing authorisation that the Deputy Prime Minister—our minister—provides to us. We have a current authorisation for that, and we will use that to undertake activities consistent with what we're authorised to do on a standing basis against cybercriminals and other actors, as we might have the opportunity to do so. That's actually the legal authorisation basis, as well, for the joint task force we have with the Australian Federal Police.

Senator PATERSON: Have you used those authorities in the last year?

Ms Noble: Yes.

Senator PATERSON: On how many occasions?

Ms Noble: I would have to take that on notice. We're doing a range of activities all the time.

Senator PATERSON: Would it be half a dozen, more than a dozen or a hundred times? Could you give a ballpark figure?

Ms Noble: It would be in the tens—30 to 50 individual activities, perhaps. Unless my colleague—

Senator PATERSON: To be clear, this is solely actors of a criminal nature? This is not offensive against nation state interests?

Ms Noble: No. Our targets are cybercriminal syndicates.

Senator PATERSON: Are any of these groups you've taken those offensive actions against among the two that you've attributed for responsibility for those cyberattacks?

Ms Bradshaw: Yes.

Ms Noble: Yes, the same syndicate.

Senator PATERSON: How do you assess the effectiveness of your operations?

Ms Noble: We actually have a formal process internally, where we'll do what we call—it's a part of our military history—a 'battle damage assessment'. We will look for whether we have created an effect from our activity, from whether the syndicate is no longer able to perform their criminal operations to the syndicate losing their reputation as a consequence, so others perhaps won't use their services because they don't feel they can trust them anymore. So it's quite a spectrum of what success looks like for us.

Senator PATERSON: Coming back to my earlier question: how effective do you think those operations have been?

Ms Noble: Very effective. But, unfortunately, it's like painting the Sydney Harbour Bridge. In terms of the threat out there and the proliferation of criminal activity, we can have big impacts on syndicates. Unfortunately, it usually is a matter of time before they've regrouped somehow.

Senator PATERSON: And there are a lot of them out there. Thank you, Director-General.

CHAIR: Following on from one of the questions from Senator Paterson, Director-General: how much was the funding package for the 2020 Cyber Security Strategy?

Ms Noble: The amount that came to ASD was \$1.34 billion. The total package for the cybersecurity strategy in 2020 was around \$1.6, \$1.7 billion—I am saying that from memory.

CHAIR: Correct the record if that is wrong.

Ms Noble: Sure.

CHAIR: Can you tell me how that was funded? Was it relocated from any existing projects?

Ms Noble: The 2020 strategy was funded by ASD, reprioritising some of our funding that we had appropriated to us for projects that we were delivering in the Defence portfolio Integrated Investment Program, plus a sum of new funding, and I cannot remember that split, unless my colleague can.

CHAIR: You can't remember the amount or the split?

Ms Noble: The split.

CHAIR: Does someone else remember?

Ms Noble: No. They have said no. We can take it on notice and get it to you.

Senator SHOEBRIDGE: Thank you for your attendance, and I know it is late. The budget last year was about \$1.2 billion for operating and \$490-odd million for capital. Is that right?

Mr Furse: Do you mean last year?

Senator SHOEBRIDGE: Yes.

Mr Furse: I have this is in front of me. We will confirm.

Senator SHOEBRIDGE: I got this from your annual report, so I think it is probably robust if it came from your annual report.

Ms Noble: That is correct.

Senator SHOEBRIDGE: But then there was a \$319 million loss. Can you explain how that happened?

Mr Furse: The overall loss that we had for the agency for the year was actually \$28.9 million. It was due to the way that we had to transfer some money between operating and capital through the year.

Senator SHOEBRIDGE: Your annual report seeks to explain it by depreciation, which is a different explanation to what I have just received.

Mr Davies: That is correct. The operating result does include the impact of depreciation and then, further on in the annual report, it is adjusted for depreciation, and the end result is the \$28.9 million loss.

Senator SHOEBRIDGE: It says 'depreciation and lease payments'. How are lease payments somehow excluded?

Mr Davies: It is because they are treated differently in the accounting standard, so it does not contribute to the overall loss of the organisation.

Senator SHOEBRIDGE: So you excluded depreciation and you excluded lease payments and that removed the better part of a \$300 million from the deficit. Is that right?

Mr Davies: Yes, that is correct.

Senator SHOEBRIDGE: What was the quantum of the lease payments?

Mr Davies: I would have to take it on notice.

Senator SHOEBRIDGE: Can you provide the quantum of depreciation and lease payments?

Mr Davies: Yes, certainly.

Senator SHOEBRIDGE: Was the \$28.9 million operating deficit within an acceptable range?

Mr Davies: Yes, that was a couple of per cent—2.3 per cent.

Senator SHOEBRIDGE: Will you give the details on the lease payments and the depreciation on notice?

Mr Davies: Yes.

Senator SHOEBRIDGE: Of that \$1.7 billion in income, how much of that was REDSPICE?

Mr Davies: The REDSPICE amount was just over \$680 million.

Senator SHOEBRIDGE: What was the \$680 million REDSPICE sprinkled on last year?

Ms Noble: We delivered in our first year to budget and we spent that money on a range of activities. One was the fitting out of new facilities in Brisbane, Melbourne and Perth. We also spent it on enhancing some of our national cyberdefence activities. I will just give you a few examples. We completed a range of critical infrastructure uplift, conducted hunt activities on government, released a cyber toolbox, expanded our cyber hygiene improvement program. We delivered on some of our new intelligence capabilities and stood up new teams doing targets we have never done before. We designed low-side pathways for our staff, which has enabled us to meet—in fact, exceed—our recruitment targets. We also invested in some of our foundational technologies, for example, a low-side cloud capability, an artificial intelligence and machine learning hub in Melbourne. I can probably stop there. That has given you some—

Senator SHOEBRIDGE: Are they all REDSPICE projects?

Ms Noble: Yes, they are all REDSPICE projects.

Senator SHOEBRIDGE: Is there separate reporting to the REDSPICE budget? Or is it just part of the general business of the directorate?

Ms Noble: REDSPICE is also known as def 111 and is one of the 11 programs that ASD delivers as part of the Defence portfolio Integrated Investment Program. Those programs are all managed within separate budgets and, of course, there is the ASD operating budget, if you will.

Senator SHOEBRIDGE: But your annual report says the operating budget was \$1.2 billion but a proportion of that is the REDSPICE budget? Is that right?

Ms Noble: Is that how we report it?

Mr Davies: Yes, that is correct.

Senator SHOEBRIDGE: What proportion of the operating budget and what proportion of the capital budget is REDSPICE?

Mr Davies: The \$680 is the combination of operating capital. I do not have the split with me. I would need to take it on notice.

Senator SHOEBRIDGE: Will you take it on notice?

Mr Davies: Yes.

Senator SHOEBRIDGE: But it is not to be expected that there will be separate reporting to the REDSPICE budget? Is that right?

Mr Furse: That is correct.

Senator SHOEBRIDGE: Do you know what the rationale of that is given it was a highly celebrated program with a defined budget? What was the rationale for not separately reporting to the REDSPICE budget?

Ms Noble: It is reported on in the same fashion as every other program within the Integrated Investment Program.

Senator SHOEBRIDGE: Can I ask you about the domain take-down service? The annual report says ASD initiated take-down on more than 127,000 attacks. Can you take me through the nature of that work and also how you respond to 127,000 attacks in a year?

Ms Bradshaw: Programs funded initially through CESAR are now funded through REDSPICE. There are two ways in which we intercept Australians and entities connecting with what we would call malicious domains— websites that contain malicious content. Secondly, what you are referring to is a take-down service. The first is the Australian PDNS service or protective domain name service. We provide that as a service to a number of government entities. Through that, effectively, we block any employee of those government entities from connecting with malicious domains. That process analyses millions of requests and blocks those requests to connect—

Senator SHOEBRIDGE: But I assume that those requests are separate to the 127,000 brute force attacks referenced—

Ms Bradshaw: That's correct, Senator—I was just coming to the next step. From that analysis, whilst we can block government entities from connecting to those domains, there is a second process where we work with industry and other providers to seek that those domains are actually blocked or, what we would describe as, 'taken down'. Through the taking down of those domains, we report on the number of servers which are protected.

Senator SHOEBRIDGE: If you take down the domains, how do you know that represented blocking 127,000 brute force attacks? Taking down the domain seems to be a separate action, potentially, to the blocking of the attacks.

Ms Bradshaw: I'll just confer with a colleague to make sure I'm giving you the right advice.

Senator SHOEBRIDGE: And at some point I want to ask where these attacks are being initiated from.

Ms Bradshaw: It's an aggregate calculation, based on the number of connections to that domain.

Senator SHOEBRIDGE: Can Ms Crowe assist in some way?

Ms Crowe: Ms Bradshaw is correct: it's an aggregated calculation. Once a domain has been taken down, if that domain has been used to cause malicious activity, like brute force attempts, it's a calculated aggregation of what we have prevented by taking that down.

Senator SHOEBRIDGE: Oh, so those are attacks which have been prevented—attacks that didn't happen?

Ms Crowe: That's correct.

Senator SHOEBRIDGE: It's like an alternative future—in an alternative future without ASD there would have been 127,000 additional brute force attacks. Is that the analysis?

Ms Noble: That sounds right.

Ms Crowe: That's correct, Senator.

Senator SHOEBRIDGE: Do we know where those brute force attacks are being initiated?

Ms Noble: They could come at us from anywhere in the world.

Senator SHOEBRIDGE: I know they could come from anywhere. I'm asking where they were coming from.

Ms Noble: Do we have a sense of that, or not? I'm not sure whether—

Ms Crowe: I'd have to take that on notice.

Senator SHOEBRIDGE: I'm not asking about the ones that didn't happen. Obviously, we can't say where they came from. But this is for the ones that you know happened: where is the primary source of those?

Ms Crowe: If I may? Malicious domains can be used by adversaries anywhere in the world, so calculating where the specific actor or adversary is who is conducting that activity can be difficult. Certainly, we would have information on where the infrastructure that the cyberadversary is using is located in the world. That doesn't mean, though, that they're located in that specific area.

Senator SHOEBRIDGE: So you can't shed any particular light on—

Ms Noble: We don't—

Senator SHOEBRIDGE: the primary source of these brute force attacks?

Ms Noble: We don't put our resources into investigating where these come from.

Senator SHOEBRIDGE: Alright, thank you.

CHAIR: On that note, thank you very much, Rachel and the team, and have a good evening. I now call the Australian War Memorial.

Australian War Memorial

[22:20]

CHAIR: Hello, Mr Anderson. Welcome to estimates. Thank you to your officers for appearing this evening. Do you have an opening statement?

Mr Anderson: I do, but I'm conscious of the precedent that's just been set, if you'll allow me to have it tabled.

Senator SHOEBRIDGE: We have nine minutes.

CHAIR: If you're able just to table that, that would be great.

Senator SHOEBRIDGE: Thank you all for coming so early in the day. Could I ask you first of all about the progress on commemorating and acknowledging frontier wars. Where are we up to?

Mr Anderson: I think the last time I appeared I spoke to the process, the council having taken a decision that we would more broadly and more deeply cover the issue of frontier wars in galleries. We haven't yet stood up the design team for that. It's still the expectation that these are galleries that will be opened in 2027-28. We would be standing up the design teams, I would imagine, in 2025, and that will include, of course, our Indigenous advisory groups, our veterans advisory groups and others. We are no closer to the opening of those galleries than the last time I spoke.

Senator SHOEBRIDGE: It's not intended, as I understand it, for them to be any part of the new and expanded galleries that will be open in 2025.

Mr Anderson: That's correct. It's always been in the 2027-28 part of it. The front of the memorial is where they're going—the old galleries that were taken out. The priorities are in order: the parade ground, which we are expecting to open for ANZAC Day next year; the southern entrance to be opened by the end of 2024; the CEW Bean Building and the research centre to be opened at the end of 2024; and ANZAC Hall and the glazed link out the back to be opened by the end of 2025. And then we're into the main memorial building, setting up these design teams—because I simply don't have the curators either, Senator—with an expectation then that we'd be designing, procuring and considering the telling of those stories for 2027-28.

Senator SHOEBRIDGE: Do you have a plan for engagement, especially with First Nations historians and curators? Have you commenced that work?

Mr Anderson: We have. Because of the interest that's out there with the announcement, we are already. I know the chairman in particular is engaged actively in this. We will have an Indigenous advisory group that is working on this. We have five advisory groups throughout our gallery development, and one of them is an Indigenous advisory group, absolutely.

Senator SHOEBRIDGE: Is there a plan to recruit First Nations curators and historians in order to have them on staff in a critical place in order to shepherd through the opening of the First Nations frontier war galleries?

Mr Anderson: Whether they're on staff or whether they're engaged as a separate body, I couldn't speak to that because we haven't stood them up yet, but certainly it's being driven by the gallery development team. It's being driven by our Indigenous liaison officer, Mr Bell. It's being driven from the chairman down, in fact, to make sure that what we do we do well and in a culturally appropriate and honest way, and we're determined to do it.

Senator SHOEBRIDGE: Do you have First Nations employment targets?

Mr Anderson: Not that I'm aware of, no.

Senator SHOEBRIDGE: Do you have a strategy in place to recruit First Nations employees at all?

Ms Patterson: No, we don't have a formal strategy beyond the broader government strategy to increase Indigenous participation. It is quite low at the moment, and we're looking, through the consultation and stakeholder arrangements that the director is referring to, to increase our exposure to Indigenous stories and learning so that we can better represent.

Senator SHOEBRIDGE: You said 'quite low'. What is it?

Ms Patterson: I'll confirm that for you. It's currently 1.8 per cent.

Senator SHOEBRIDGE: How much below the Commonwealth target is that?

Ms Patterson: I understand the APS average is 3.5 per cent.

Senator SHOEBRIDGE: Given the nature of the War Memorial and given the contribution of First Nations diggers and soldiers, has that been brought to your attention before, Mr Anderson—that the First Nations employment rate, engagement rate, is basically half the national target?

Mr Anderson: No, it hasn't been brought to my attention, but I am determined and the staff are determined to make sure that, with the program that we're engaged on right now—and you rightly said this—we seek to identify the stories of and contributions that have been made by First Nations to the defence of the nation, the defence of country. We're seeking to identify those stories. We have an active program in place to ensure that we do identify, most recently, Indigenous Australians who served during the Korean War. We have active programs that are focusing on the telling of the stories, but I take your point that part of that is making sure that we have adequate and appropriate employment within the memorial.

Senator SHOEBRIDGE: In the absence of a strategy and in the absence of direction from the senior leadership, it won't just magically happen. Is this something that you're going to turn your attention to?

Mr Anderson: Yes.

Senator SHOEBRIDGE: Could I ask you about whether or not the War Memorial has received any contributions from the arms industry since we last had the benefit of this exchange?

Mr Anderson: The most recent contract we've entered into—Anne?

Ms Bennie: In the year to date, the 2023-24 year—which is probably the period you're talking about, Senator—there have been no new agreements, but we have been in receipt of funding specifically around a defending-country Indigenous art project. We have received some further money around a transcription project which we've just beta launched this week. So that is a multiphase project, and, hence, there is some multistage funding around that.

Senator SHOEBRIDGE: Which arms manufacturer or manufacturers provided funding for the defending country—

Ms Bennie: For the defending-country Indigenous art project, it's Boeing.

Senator SHOEBRIDGE: And how much was that?

Ms Bennie: It was \$156,083. The other company is Leidos. We have regarded Leidos as a defence manufacturer, but it should be noted that they are not purely a defence manufacturer—they have diversified their business significantly across the corporate sector. That's \$125,000.

Senator SHOEBRIDGE: Is that for the transcription project?

Ms Bennie: The transcription platform—that's right.

Senator SHOEBRIDGE: Are they the only contracts that have been entered into with arms manufacturers since we last discussed it?

Ms Bennie: They are the only ones that we are recording in this financial year, yes.

Senator SHOEBRIDGE: I think the last estimates were in May, so—

Ms Bennie: There is only one that would probably be borderline—I don't have an exact date. The memorial has received from Northrop Grumman Australia funds to restore a Komet 163 aircraft that's in our collection, and that's a total of \$34,000. When exactly that was in the last financial year, I don't have in front of me.

Senator SHOEBRIDGE: Could you provide those details on notice—the dates for each of those three contracts and if there's anything in addition. If you could provide that on notice as well, I'd appreciate that.

CHAIR: That concludes today's proceedings. The committee's due to recommence its examination of budget estimates tomorrow with the Department of Foreign Affairs and Trade. It's requested that senators submit written questions on notice by 2 November this year to allow sufficient time for answers. The committee has set 15 December this year as the date for the return of answers to questions taken on notice. I thank Minister McAllister, officers of the Department of Defence, agencies and all witnesses who have given evidence today. Particularly, I want to thank Hansard, Broadcasting and the secretariat.

Committee adjourned at 22:29