

**Joint Committee of Public Accounts and Audit  
Public Hearing**

**Thursday 14 May 2015**

**ANAO Audit Report - Management of the Disposal of  
Specialist Military Equipment**

**Opening Statement**

Chair, thank you for the opportunity to make a brief opening statement.

Defence welcomes the ANAO's review and agrees that the recommendations will help to improve Defence's governance around disposal management.

I would like to briefly outline some of the steps that Defence has already taken to address the report's findings.

Noting the concerns raised about Defence's fragmented approach to managing disposals, revised governance arrangements are being progressively put in place to ensure more senior management oversight with opportunities for senior leaders to provide strategic guidance and input. As a first measure, major disposals are now being led by a single area in Defence, the Australian Military Sales Office (AMSO).

Defence is committed to developing a consolidated, streamlined and a simplified policy framework; a whole-of-Defence review of disposals policy is already underway. I acknowledge that there is a wide range of policies relevant to disposals to be taken into account, both at the Commonwealth and the Departmental level. A streamlined approach will ensure that necessary policies are followed consistently across different projects and that all stakeholders and relevant subject matter experts are engaged and involved.

The ANAO's report identified that Defence has not always adhered to internal guidance on disposal of assets containing asbestos. Defence has recently reviewed its guidance and a new framework has been implemented. This new guidance aligns with the requirements of the *WHS Act* and allows assets containing asbestos to be disposed of if compliance with the *WHS Act* can be achieved and demonstrated through implementation of appropriate controls.

The revised guidance has resolved instances where there was inconsistency in terminology which resulted in uncertainty in considerations of asbestos remediation prior to disposal of major equipment.

ANAO also found inconsistencies and shortcomings in Defence's general treatment of hazardous materials in disposals. In addition to maintaining accurate hazardous material plans, a comprehensive WHS risk assessment is now undertaken for each disposal. This assessment is used to determine the most practicable remediation actions or assess the residual risk of exposure if complete elimination of the hazardous materials is not reasonably practicable.

Specifically in relation to B Vehicles, Defence and DMO had already taken steps before the tabling of the final version of the audit report to suspend the supply of B vehicles to the sales contractor. At DMO's request, the sales contractor cancelled the auctions planned for January and February 2015.

Defence has since fully disclosed all relevant safety-related information to the contractor, which in turn has provided the information to past and future potential purchasers. A dedicated website has been set up to allow easy public access to the safety and hazardous substance documentation. Feedback from the public has been positive in this regard.

In addition, the contractor has produced a number of warning labels regarding potential asbestos content and the company has mailed the labels to all past purchasers. For any vehicles not yet sold, the warning labels are being affixed to each of the vehicles before they are on-sold to the public.

Defence agreed to recommence the supply of B Vehicles to the contractor only when all the above measures had been put in place. The contractor – Australian National Disposals PTY Ltd (ANDPL) – has worked collaboratively with us to implement all of these measures and therefore the company restarted public auctions in March 2015.

I would like to conclude by reinforcing Defence senior management's increased attention in the area of disposals and that Defence is systematically working through the legacy disposal issues.

