



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE
AND TRADE

ESTIMATES

(Budget Estimates)

WEDNESDAY, 4 JUNE 2008

CANBERRA

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**SENATE STANDING COMMITTEE ON
FOREIGN AFFAIRS, DEFENCE AND TRADE**

Wednesday, 4 June 2008

Members: Senator Mark Bishop (*Chair*), Senator Trood (*Deputy Chair*), Senators Cormann, Forshaw, Hogg, Sandy Macdonald and McEwen

Participating members: Senators Abetz, Adams, Allison, Barnett, Bartlett, Bernardi, Birmingham, Boswell, Boyce, Brandis, Bob Brown, Carol Brown, Bushby, George Campbell, Chapman, Colbeck, Jancita Collins, Coonan, Crossin, Eggleston, Ellison, Fielding, Fierravanti-Wells, Fifield, Fisher, Heffernan, Humphries, Hurley, Hutchins, Johnston, Joyce, Kemp, Kirk, Lightfoot, Lundy, Ian Macdonald, McGauran, McLucas, Marshall, Mason, Milne, Minchin, Moore, Nash, Nettle, O'Brien, Parry, Patterson, Payne, Polley, Ronaldson, Scullion, Siewert, Stephens, Sterle, Stott Despoja, Troeth, Watson, Webber and Wortley

Senators in attendance: Senators Abetz, Adams, Allison, Mark Bishop, Brandis, Bob Brown, Jancita Collins, Cormann, Forshaw, Hogg, Hutchins, Johnston, Sandy Macdonald, McEwen, Milne, Minchin, Nettle, Payne and Trood

Committee met at 9.02 am

DEFENCE PORTFOLIO

In Attendance

Senator Faulkner, Special Minister of State and Cabinet Secretary

Department of Defence

Portfolio overview and budget summary (budget, strategic policy, Defence reform, ADF operations and military justice matters)

Mr Nick Warner PSM, Secretary of Defence

Air Chief Marshal Angus Houston AC, AFC, Chief of the Defence Force

Mr Phillip Prior, Chief Finance Officer

Brigadier Andrew Nikolic, Acting First Assistant Secretary, Coordination and Public Affairs

Outcome 1—Australia's national interests are protected and advanced through the provision of military capabilities and promotion of security and stability

Output Group 1.1 Office of the Secretary and Chief of the Defence Force

Output Group 1.9 Vice Chief of the Defence Force

Output Group 1.10 Joint Operations Command

Output Group 1.12 Chief Finance Officer

Output Group 1.14 Superannuation and housing support services for current and retired Defence personnel and other administered items

Outcome 2—Military operations and other tasks directed by government to achieve the desired results

Output Group 2.1 Operations contributing to the security of the immediate neighbourhood

Output Group 2.2 Operations supporting wider interests**Outcome 3—Defence's support to the Australian community and civilian authorities achieves the desired results****Output Group 3.1 Defence contribution to support tasks in Australia****Capability development (unapproved major capital equipment program and Defence Capability Plan)****Outcome 1****Output Group 1.11 Capability development**

Vice Admiral Matt Tripovich AM, CSC, Chief Capability Development

Defence Materiel Organisation**Outcome 1—Defence capabilities are supported through efficient and effective acquisition and through-life support of materiel****Output 1.1 Management of capability acquisition****Output 1.2 Capability sustainment****Output 1.3 Policy advice and management services**

Dr Stephen Gumley, Chief Executive Officer

Mr Harry Dunstall, Special Counsel to the CEO

Commodore Drew McKinney, Director General, Major Surface Ships

Mr Warren King, General Manager Programs

Major General Anthony Fraser, Head, Helicopter Systems Division

Rear Admiral Boyd Robinson, Head, Marine Systems

Ms Jane Wolfe, General Manager, Corporate

Brigadier Anthony Gill, Director-General, Health Services

Capital facilities and Defence support (health services, personnel administration and support services, legal services, estate management, base support services, honours and awards)**Outcome 1****Output Group 1.6 Defence Support**

Mr Martin Bowles, Deputy Secretary, Defence Support

People (ADF and APS personnel and workforce matters, recruitment and retention)**Outcome 1****Output Group 1.13 People Strategies and Policy**

Mr Phil Minns, Deputy Secretary, People Strategies and Policy

Remaining Defence output groups**Outcome 1****Output Group 1.2 Navy capabilities**

Vice Admiral Russell Shalders AO, CSC, RAN, Chief of Navy

Output Group 1.3 Army capabilities

Lieutenant General Peter Leahy AC, Chief of Army

Major General David Morrison AM, Deputy Chief of Army

Output Group 1.4 Air Force capabilities

Air Vice Marshal John Blackburn AO, Deputy Chief of Air Force

Output Group 1.5 Intelligence capabilities

Mr Stephen Merchant, Deputy Secretary, Intelligence, Security and International Policy

Output Group 1.7 Defence science and technology

Dr Ian Sare, Acting Chief Defence Scientist

Output Group 1.8 Chief Information Officer

Mr Greg Farr, Chief Information Officer

Defence Housing Australia

Mr Michael Del Gigante, Managing Director

Mr Peter Howman, Chief Operating Officer

Department of Veterans' Affairs**Portfolio overview****Corporate and general matters**

Outcome 1—Eligible persons (including veterans, serving and former Defence Force members, war widows and widowers, certain Australian Federal Police personnel with overseas service) and their dependents have access to appropriate income support and compensation in recognition of the effects of their service

1.1 Means tested income support, pension and allowances

1.2 Compensation pensions, allowances et cetera

1.3 Veterans' Review Board

1.4 Defence Home Loans Scheme

1.5 Incapacity payments, non-economic loss lump sums for injuries resulting in permanent impairment and payments to dependants of deceased employees through the SRCA

1.6 Administer individual merit reviews of SRCA decisions

1.7 Incapacity payments, non-economic lump sums through MRCA

1.8 Administer individual merit reviews of MRCA decisions

Mr Mark Sullivan AO, Secretary

Mr Ed Killesteyn PSM, Deputy President

Mr Ken Douglas, General Manager, Service and Delivery

Mr Barry Telford, General Manager, Policy and Development

Mr Bob Solly, General Manager, Business Integrity

Dr Graeme Killer AO, Principal Medical Adviser

Mr Steven Groves, Chief Finance Officer

Outcome 2—Eligible persons (including veterans, serving and former Defence Force members, war widows and widowers, certain Australian Federal Police personnel with overseas service) and their dependents have access to health and other care services that promote and maintain self-sufficiency, wellbeing and quality of life

2.1 Arrangement for delivery of services

2.2 Counselling and referral services

2.3 Deliver medical, rehabilitation and other related services under SRCA and related legislation

2.4 Deliver medical, rehabilitation and other related services under MRCA and related legislation

Mr Mark Sullivan AO, Secretary

Mr Ed Killesteyn PSM, Deputy President

Mr Ken Douglas, General Manager, Service and Delivery

Mr Barry Telford, General Manager, Policy and Development

Dr Graeme Killer AO, Principal Medical Adviser

Mr Steven Groves, Chief Finance Officer

Outcome 3—The service and sacrifice of the men and women who served Australia and its allies in wars, conflicts and peace operations are acknowledged and commemorated

3.1 Develop and implement commemorative initiatives

3.2 Maintain, construct and refurbish war graves and postwar commemorations

3.3 Coordinate and manage the delivery of commemorative and related activities at Gallipoli

Mr Mark Sullivan AO, Secretary

Mr Ed Killesteyn PSM, Deputy President

Ms Kerry Blackburn, General Manager, Commemorations and War Graves

Major General Paul Stevens AO (Retired), Director, Office of Australian War Graves

Mr Steven Groves, Chief Finance Officer

Outcome 4—The veteran and defence and certain Australian Federal Police communities have access to advice and information about benefits, entitlements and services

4.1 Communication, community support and development services to the veteran community and providers, including veterans' local support groups

4.2 Advice and information to members of the Defence Force community and providers under the SRCA

4.3 Advice and information to members of the Defence Force community and providers under the MRCA

Mr Mark Sullivan AO, Secretary

Mr Ed Killesteyn PSM, Deputy President

Ms Jo Schumann, General Manager, Corporate

Mr Bob Solly, General Manager, Business Integrity

Mr Ken Douglas, General Manager, Service and Delivery

Dr Graeme Killer AO, Principal Medical Adviser

Mr Barry Telford, General Manager, Policy and Development

Mr Robert Hamon, Acting National Manager, Parliamentary and Communication

Mr Steven Groves, Chief Finance Officer

Outcome 5—Serving and former Defence Force members and dependents have access to support services provided through joint arrangements between Veterans' Affairs and Defence

5.1 Joint Defence/DVA projects

Mr Mark Sullivan AO, Secretary

Mr Ed Killesteyn PSM, Deputy President

Ms Jo Schumann, General Manager, Corporate

Mr Bob Solly, General Manager, Business Integrity

Mr Ken Douglas, General Manager, Service and Delivery

Dr Graeme Killer AO, Principal Medical Adviser

Mr Barry Telford, General Manager, Policy and Development

Mr Robert Hamon, Acting National Manager, Parliamentary and Communication

Mr Steven Groves, Chief Finance Officer

Output Group 6—Provision of services to the parliament, ministerial services and the development of policy and internal operating regulations—attributed to outcomes 1 to 5

Mr Mark Sullivan AO, Secretary
Mr Ed Killesteyn PSM, Deputy President
Ms Jo Schumann, General Manager, Corporate
Mr Bob Solly, General Manager, Business Integrity
Mr Ken Douglas, General Manager, Service and Delivery
Mr Barry Telford, General Manager, Policy and Development
Mr Robert Hamon, Acting National Manager, Parliamentary and Communication
Mr Steven Groves, Chief Finance Officer
Ms Carolyn Spiers, Principal Legal Adviser

Australian War Memorial**Outcome 1—Australians remember, interpret and understand the Australian experience of war and its enduring impact on Australian society**

Major General Steve Gower AO, AO (Mil), Director
Ms Carol Cartwright, Acting Assistant Director, Branch Head Public Programs
Ms Nola Anderson, Assistant Director, Branch Head National Collection
Ms Rhonda Adler, Assistant Director, Branch Head Corporate Services
Ms Leanne Patterson, Acting Chief Finance Officer
Ms Terri Barnwell, Acting Manager, Budgets and Financial Policy

CHAIR (Senator Mark Bishop)—Good morning, I declare open this meeting of the Senate Standing Committee on Foreign Affairs, Defence and Trade. I welcome Senator Faulkner, representing the Minister for Defence; Air Chief Marshal Angus Houston, Chief of the Defence Force; Mr Nick Warner, Secretary of the Department of Defence; and officers of the Defence organisation.

At the outset I note that three chiefs of the Defence Force are attending their last estimates sessions. They are: Chief of Navy, Vice Admiral Russell Shalders AO, CSC, RAN; Chief of Army, Lieutenant General Peter Leahy AC; and Chief of Air Force, Air Marshal Geoff Shepherd AO. The committee would like to acknowledge their service to the Defence Force and wish them well in their future endeavours. I would also on behalf of this committee like to acknowledge their positive role in and invaluable assistance to this committee and other committees of the parliament over many years. We thank them for their assistance in those respects.

Finally, the committee would like to thank the Chief Finance Officer, Mr Phillip Prior; Mr Chris Knott; and Mr Steve Warne who gave the committee a briefing on the PBS. The committee found it very informative and looks forward to future briefings.

The committee will now consider portfolio budget estimates statements for the Department of Defence, beginning with the portfolio overview and budget summary. Examination of outcomes or parts of outcomes arising from the opening statements will be considered in this part of the agenda. This includes budget, strategic policy, defence reform, ADF operations and military justice matters. The committee will then examine capability development, DMO, capital facilities, defence support and people. The remaining Defence output groups will be heard in output order.

When written questions on notice are received, the chair will state for the record the name of the senator who submitted the questions. The questions will be forwarded to the department for an answer. I remind senators to provide their written questions on notice to the secretariat by close of business Wednesday, 11 June. The committee has resolved that Thursday, 31 July 2008 is the return date of answers to questions taken on notice at these hearings.

Please note that under standing order 26 the committee must take all evidence in public session. This includes answers to questions on notice. Witnesses are reminded that the evidence given to the committee is 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 a contempt. The giving of false or misleading evidence to the committee may constitute a contempt of the Senate. The Senate, by resolution in 1999, endorsed the following test of relevance of 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.

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

An officer of a department of the Commonwealth or of a state shall not be asked to give opinions on matters of policy. He or she shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. This resolution prohibits only questions asking for opinions of matters of policy and does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted.

If a witness objects to answering a question, the witness should state the ground on which the objection is taken, and the committee will determine whether it will insist on an answer, having regard to the ground which is claimed. Any claim that it would be contrary to the public interest to answer a question must be made by the minister and should be accompanied by a statement setting out the basis for the claim.

Minister, do you or any officer wish to make an opening statement?

Senator Faulkner—Thank you, Chair. I will not be, but the secretary and CDF will both be making opening statements.

CHAIR—All right. CDF, over to you.

Air Chief Marshal Houston—Good morning, Chair and members of the committee. Today I would like to make a short opening statement which provides the committee a report on my recent visit to the Middle East area of operations. I will then outline a number of my domestic priorities for 2008.

I would like to commence my statement by describing the situation I observed in southern Iraq. As you know, the Overwatch Battle Group has ceased operations and commenced its withdrawal. I visited the battle group to ensure they were maintaining their operational focus to the end of their mission. I am pleased to report to the committee that I found our battle group was highly respected throughout the al-Muthanna and Dhi Qar provinces. I also confirmed that the battle group was energised to maintain the highest standards through to the

end of its deployment. The battle group was operating freely throughout both provinces, having won the trust of local Iraqis and the Iraqi security forces by actively patrolling on foot amongst the population they were tasked to protect.

At the time I visited, it had been 60 days since the Tallil base had received rocket or mortar fire, and I am confident that much of this calm was as a result of the active patrolling undertaken by our battle group. I have visited the area a number of times in recent years and I can report to the committee that the atmospherics—the mood and movement of the population, the normal interaction between the people and the police and the security forces—have improved considerably in recent months.

Unfortunately, a small number of extremist groups continue to resist the coalition presence in southern Iraq, and Private Liam Haven was seriously wounded when his Bushmaster infantry mobility vehicle was struck by an improvised explosive device placed by such a group on 17 May. I am confident that the recent actions by the government of Prime Minister Maliki in confronting the militias and criminal gangs in southern Iraq are evidence that the government of Iraq and the security forces are capable of handling these groups in this area following our departure.

I wish to publicly thank Lieutenant Colonel Chris Websdane, the Commanding Officer of Overwatch Battle Group (West), and his team for their outstanding tour of duty. They have upheld the high standards set by their predecessors in the al-Muthanna task group, Overwatch Battle Groups and Australian Army training teams. These people all work to help stabilise the provinces before them. They have all been excellent ambassadors for the Australian Defence Force and leave behind some important legacies in the form of greater security, a well-trained local force and reconstruction projects involving some key infrastructure.

During my visit to Iraq, I had extended meetings with Ambassador Crocker and General David Petraeus in Baghdad. Both US leaders reported confidence in the developing political leadership of Prime Minister Maliki. The confidence reflects the Iraqi willingness to pressure the extremist militias, concurrent with taking the fight to the remnants of al-Qaeda in Iraq. The fight against these two extremist groups is far from over, but the metrics used to describe the level of conflict in Iraq, such as the number of weapon caches found after information is passed on by members of the community, all show very positive trends.

While our battle group will soon leave southern Iraq, we will continue to have a substantial deployed force committed to Operation Catalyst. We will maintain the national support group, which includes the national headquarters and security detachment. We will also maintain the deployment of a maritime group, maritime patrol aircraft group and an air transport group. We also continue to have embedded Australian Defence Force personnel working with coalition elements.

I had a similarly positive visit to Afghanistan, where we continue to make a significant contribution to the war in Afghanistan through Operation Slipper. Our contribution includes: 125 national command, liaison and embedded personnel; a reconstruction task force of almost 400; a special operations task group of 300; a 75-personnel strong mobile control and reporting unit at Kandahar airfield; a detachment of 93 people to support our CH47s; and a force level logistic asset of approximately 60 people in Kandahar. Whilst in Afghanistan I met

with the Afghan Minister for Defence, Minister Wardak. Mr Wardak reported positively on the development of improved central government communications with the provinces. I agreed with him that it is absolutely critical that Afghanistan develop the national governance infrastructure to project a cohesive government influence throughout the entire country.

Afghanistan remains a complex and demanding environment, but I was particularly pleased with the progress being made by our combined reconstruction and special forces groups. I was able to fly out over the Chora Valley in our Australian CH47 helicopters to observe the construction of the patrol bases we have established and saw the expanding area of stabilisation first hand. Our special forces continue to disrupt the Taliban fighters in their sanctuaries, preventing them from interfering with the important work of our reconstruction troops. This partnership has been particularly effective and the assertive actions of our special forces have pushed the Taliban onto the back foot.

Regrettably, such actions come at a cost, as our nation saw when we lost the life of one of our young soldiers, Lance Corporal Jason Marks from the commando regiment, on 27 April. Lance Corporal Marks died during the conduct of a patrol deep into the areas of the province from which the Taliban extremists generate their forces. The engagement in which he died was characterised by heavy exchange of small arms fire and rocket propelled grenades as the enemy force fought desperately to retain the location they expected to be able to use with impunity. It demonstrates increasing Taliban desperation in the face of the influence that international forces and the Afghan army are exerting over the area. Our thoughts are constantly with the families of our fallen soldiers, and I am immensely proud of Lance Corporal Marks and his fellow soldiers, including almost 40 wounded in action during this campaign. We will continue to follow their example and disrupt the Taliban as we set the conditions for reconstruction further up the valley and deep into former Taliban strongholds. As I have said to the committee before, our forces are engaged in dangerous work. That said, what they are doing is vital to Afghanistan's stability and a major contribution to the fight against terrorism.

I continue to monitor progress on the implementation of the comprehensive Afghan strategy developed for the NATO summit in Bucharest. I can report to the committee that significant progress has been made in this regard, and international security forces in Afghanistan are better coordinated this campaign season. However, we continue to monitor the situation to ensure tangible progress is being made.

Closer to home, I am pleased to report that, since I last briefed the committee, we have been able to withdraw the reinforcement elements sent to Timor-Leste following the shooting of President Horta. Our reinforced Timor-Leste Battle Group was decisive in setting the conditions that led to the surrender of the majority of Reinado's supporters. The battle group continues to provide a basis for security that is allowing the emerging governance organisations of Timor to maintain order. The recent closure of two internally displaced persons camps in Dili gives me confidence that we are making progress towards normalcy in Timor-Leste. Finally, our continuing valued contribution in support of RAMSI in the Solomon Islands is a compelling testimony to our reserve forces, the bulk of whom make up this important operational commitment.

Shortly after my return from the Middle East, the secretary and I convened a summit for the senior leadership of the defence organisation. I would like to inform the committee of the priorities I conveyed to the leadership group. Firstly, I remain firmly committed to my vision for the Australian Defence Force, which will be balanced, networked and deployable and staffed by dedicated and professional people who operate within a culture of adaptability and excel at joint inter-agency and coalition operations. To achieve this vision, we must attract and retain the right people.

I challenge the leadership group to ensure that defence is an organisation that keeps its promise to be an employer of choice to potential recruits and among our own people. We must make every effort to keep our highly valued and skilled people for as long as possible. In simple terms, our challenge is to grow the permanent ADF to a workforce of 57,000 by 2016, which translates into about 6,500 new recruits each year while reducing the separation rate to below 10 per cent. Of course, workforce planning is much more complex than this, especially when we are dealing with over 200 different ADF employment categories that each has different skill sets, career structures and recruitment and retention imperatives. Compounding this equation are the wishes and expectations of every individual recruited into the Navy, Army or Air Force overlaid by the hopes and aspirations of their families. On the recruitment front, we are about 450 new recruits up on the same time last year and we have achieved 100 per cent entry rate for the new ADF gap year program.

We have also had an encouraging number of former serving members wishing to rejoin the ADF, with 200 more than the same time last year re-enlisting. All up, we are at about 84 per cent of our year-to-date targets for the permanent ADF and 93 per cent for the reserves. While this achievement might be heartening when we look back, the compelling requirement is for us to look forward and build on this momentum. Programs are underway to attract Indigenous Australians and those from culturally diverse backgrounds to ADF service. It is imperative that the ADF represent the society from which it is drawn. If we do not attract culturally diverse recruits, we will not meet our recruiting targets and we also risk losing the support of the population that we represent.

On Indigenous issues, we have had tremendous success in the Army Reserve regional force surveillance units like NORFORCE. We are a national leader in the understanding of many Indigenous employment issues. Our rates of permanent force Indigenous employment are lower and must improve. In terms of retention, our permanent strength is a little over 52,200 people. I am delighted to inform the committee that for the first time in many years, our total separation rate for the ADF has declined below our target of 10 per cent, to 9.9 per cent, which is 1.6 per cent lower than 12 months ago. This is a significant achievement in a highly competitive labour market, but I have challenged our service leaders to do better because I would rather we retained our existing highly skilled force than recruit and train replacements.

One definite area where we must and can do better concerns the retention of women in the ADF. Women make up about 48 per cent of the Australian workforce yet continue to represent only about 13 per cent of the ADF workforce despite women being able to serve in about 90 per cent of ADF employment categories. Women serve for shorter periods than men with about 70 per cent leaving the ADF by the 10-year mark, compared to 52 per cent of men. I am determined to do better to allow the ADF to access or unlock the talents of almost half the

population currently closed to us. To help us on that journey, I am convening an external women's reference group to present me with alternative and innovative ideas, strategies and options to break down current barriers to women joining and continuing to serve in the ADF. I have invited a number of prominent Australian women from a diverse range of backgrounds to support the ADF. I will ask this group to consider issues such as cultural, attitudinal and behavioural aspects of military service, and they will give me advice on how to close the gaps. I am keenly invested in this issue and have decided to use the retention of women as a measure of our retention performance across the board. I look forward to reporting to the committee on our progress on this issue once the members of the group have been finalised.

Finally, the committee will be aware of the recent discovery of both the HMAS *Sydney II* and the German raider, *Kormoran*. As a result of finding these shipwrecks I have appointed the Hon. Terence Cole to conduct a commission of inquiry into the circumstances surrounding the sinking of HMAS *Sydney II* on 19 November 1941. Justice Cole has moved quickly to commence his inquiry with the first day of official hearings held on 30 May. The loss of HMAS *Sydney II* with all 645 members of her crew is one of Australia's greatest naval maritime mysteries. More servicemen were lost in this single incident than were lost by Australia in the whole of the Vietnam War. Uncertainty about the events surrounding the sinking has caused significant pain for hundreds of family members for almost a generation. Through this enquiry we hope that we have a better understanding of what caused the *Sydney II* to sink with the tragic loss of all hands. In other words, we really need to understand the why—why it happened and why 645 people were lost. Chair and members, I thank you for this opportunity to address you and I now welcome your questions.

CHAIR—Thank you for those introductory remarks.

Mr Warner—Today I will outline to the committee the impact of the government's 2008-09 budget on Defence. Although this is a budget hearing, I will also provide an update on the findings of the Commonwealth Ombudsman enquiry into the HMAS *Westralia* fire. Since the last hearing Defence has received three per cent real growth in funding for another two financial years to 2017-18. It has delivered savings of \$477.6 million for 2008-09, which it will reinvest, and embarked on a major program to deliver \$10 billion in economies and efficiencies, excluding operations, over 10 years. The budget delivered \$21.8 billion in funding for Defence in 2008-09 and \$97.9 billion across the forward estimates. The budget also provided funding for administered superannuation and other special appropriation activity of \$3 billion for 2008-09 and \$12.5 billion across the forward estimates. This represents total funding for Defence for all activities of \$24.8 billion in 2008-09. The government also renewed and extended its funding commitment to three per cent real growth per year for another two financial years, as I said, to 2017-18, resulting in an extra \$2.8 billion over 2016-17 and 2017-18. This represents an average real growth across the forward estimates of four per cent. You may notice that the portfolio budget statements show a decrease in 2008-09 funding of \$1.02 billion from the 2007-08 additional estimates position. This is largely the result of slippage in the major capital program which has been reprogrammed into future years and is not a reduction of the resource base.

Over the next decade Defence will experience a number of pressures on its funding, particularly from operations and the need to meet the technology, capability and workforce

impacts of the white paper. Defence will also need to address a net personnel and operating cost shortfall, sustain capability and improve infrastructure, particularly logistics, warehousing, inventory, weapons management and information communication technology systems. As a result, Defence is now looking at smarter, more effective and more efficient ways of doing business so it can redirect critically needed resources to higher priorities. That means the savings program to deliver \$10 billion over the next 10 years will continue in earnest. So far Defence has identified savings of \$565 million across the forward estimates and, as I said earlier, \$477.6 million in savings in 2008-09.

While this is short of the annual \$1 billion target, Defence is just at the start of its savings program and more will be found in 2008-09 and revealed in the next few months. I am confident Defence will find the \$1 billion for the next financial year. Defence has also established an efficiency and economy tiger team to look at possible savings measures. Here I mean everything from inefficient practices and processes and duplicated activities to travel, conferences, unnecessarily expensive renovations and promotional items for internal audiences, such as coffee mugs and—if I can say this—stress balls.

CDF and I are also turning our attention to identifying long-term efficiencies and economies for the next nine years. We aim to have the savings plan finalised by the end of 2008. The \$477.6 million in savings for 2008-09 came from a range of areas, including reductions in travel and administration costs and efficiencies in contracts and sustainment services. Defence is reinvesting that \$477.6 million into operations and into seven new or continuing activities across the forward estimates: improvements in helicopter safety, ADF family member health trial, mental health initiatives, implementation of the Australia-US Defence Trade Cooperation Treaty, national security intelligence activities, the Kings Highway upgrade and the gifting of HMAS *Adelaide*.

Defence-initiated savings of \$566 million over the forward estimates come from \$233 million from efficiencies and reductions in sustainment activities; \$162 million in savings in capital investment activities, mainly related to facilities; \$159 million in administrative savings and \$12 million reduction in scientific research activities. Of that \$566 million, \$210 million will go to the defence operations reserve, which, when added to the \$827 million of windfall non-farm GDP deflator, will provide for the 2008-09 cost of overseas operations; \$165 million will go to new and ongoing non-operations spending measures; and \$191 million will go to future requirements.

Defence has also identified 282 positions that it has not filled and will not fill, and 108 new positions attached to new policy proposals that now will not be created but be absorbed within the existing full-time equivalent quota. In addition, Defence is looking at ways to manage around 400 positions that are over the FTE quota for 2008-09. Defence will manage the over quota positions through turnover, natural attrition and by absorbing them. Defence has no plans for redundancies, voluntary or compulsory. Managing the over quota positions will be done according to the Australian Public Service Commission guidelines and the Defence Collective Agreement 2006-09, particularly part C, on managing change. This part of the agreement reinforces Defence's commitment to continuous improvement through workplace change, such as the savings measures. It also underscores Defence's commitment to

maximising opportunities for reassignment and redeployment during workplace change and to retaining the skills and knowledge of our civilian staff.

I will turn now to HMAS *Westralia*. At the last hearing, I advised that the Commonwealth Ombudsman was finalising its investigation into allegations that defence had forewarning about the faulty fuel lines that caused the fatal fire onboard HMAS *Westralia*. The report on the outcomes of the investigation was released on 28 April. The Ombudsman's report supports defence's own internal investigation that was conducted in response to February 2007 media reports refuting the allegations that defence had been forewarned of the faulty fuel lines that caused the fire. These allegations rested heavily on an assertion made in a document dated 6 February 1998 that Defence was made aware of allegations by Baileys Diesel Services about the use of non-genuine and substandard parts in Navy ship repairs and specific concerns that HMAS *Westralia* had suffered problems as a result of the use of such parts.

The Ombudsman's investigation found no evidence that Defence received that document before the fire. The report also concludes that the balance of evidence suggests Bailey's concerns at a 6 February 1998 meeting with defence were about corruption, not safety, and this is how they were understood by defence investigators. Defence regrets any distress that these false allegations have caused the families of those who died or were injured as a result of the HMAS *Westralia* fire. We hope they are now reassured by the comprehensive investigation that has been undertaken by the Commonwealth Ombudsman.

In conclusion, if I could just add a couple of points. Since February, defence has undergone some significant changes to deliver economies and efficiencies. This has meant that everything except operations has been questioned to see if it is core business and can justify the expenditure of public moneys. CDF and I aim to develop a strong culture of economy in defence. It is going to take time, but I believe the forensic, holistic approach defence is adopting to its strategic review and reforms agenda will deliver savings to fund higher priorities, improve defence's infrastructure and drive enduring, deep and tangible change in the organisation. Thank you.

CHAIR—Thank you. We will now turn to questions arising out of the opening statements of CDF and the secretary of the department. There were a considerable number of issues addressed in both statements and it might be worth while for the committee to consider working through them sequentially.

Senator TROOD—CDF, you mentioned the components of Australian forces which remain in Iraq. Could you provide the committee with the details of the numbers of personnel remaining in relation to the national support group and the maritime group so we have a sense of the number we have deployed there.

Air Chief Marshal Houston—Essentially, the headquarters in Baghdad has about 60 personnel. The security detachment has about 109 personnel. We have, right now, about 54 embedded personnel and that will come down to about 40 over the next few weeks. We have a ship out in the northern Arabian Gulf and, depending on the type of ship, that can be up to 250. Currently we have an FFH there—an Anzac class frigate—so the numbers are in the order of just under 200. Of course, our maritime patrol element is about 160 and our C130

element is about 140. We have a small number of staff in Bahrain and we have a logistics element which numbers about 70.

Senator TROOD—Once the battle group moves out, I was not clear from your remarks precisely who is or what is to replace it, in terms of providing continued security for those two provinces. You seem to be suggesting that that was a role which the Iraqis themselves would assume, but I think that is not entirely accurate. I do not mean you are misleading us, but there are other components, are there not, of security forces moving in?

Air Chief Marshal Houston—If we go back to 2006, the province of al-Muthanna was the first province that was transitioned to provincial Iraqi control. That means that the province was then under the control, in every sense, of the Iraqi authorities. The security in that province would be provided by the Iraqi security forces, both police and military, and we would provide what was known as operational overwatch. It must have been late 2006 that we also took on board the responsibility for the province of Dhi Qar, which was the second province to transition to provincial Iraqi control.

From the base in Tallil, where we moved in 2006, we provided operational overwatch for the Iraqi security forces that were maintaining security in the two provinces. The idea was that, if they got into trouble, we would be available to back them up. Over the two years that we were involved in al-Muthanna, that was never necessary. In the 18 months in Dhi Qar, it was again never necessary to go in and assist them in a direct way. What we did through that period was continue to develop their capability to provide high-quality security support to the populations of both provinces.

That required us to mentor them, to engage them, to exercise with them—basically to assist them in their challenging task. As you know, that has been highly successful and the mission is now complete. The Iraqis are quite capable of taking care of the security business on their own.

In terms of what comes in behind us, there will be nobody coming in to do operational overwatch. There will be other coalition elements that provide what is known as strategic overwatch, which is a much broader concept of overwatch. But, on the basis of our experience, I would anticipate that the Iraqi security forces in both provinces are highly capable of taking care of the security of both provinces.

Senator TROOD—Would the strategic overwatch require the deployment of other coalition forces into the area where Australian forces were deployed, or will they be doing that from elsewhere?

Air Chief Marshal Houston—There is an American battalion that will perform that role, but of course the Americans have a substantial presence at Tallil already. Tallil is essentially an American base in southern Iraq.

Senator TROOD—So it is the American force that is there already that is conducting that responsibility?

Air Chief Marshal Houston—There is an American battalion that has been assigned the task. I do not know where they were before they took on board the task. I will come back and let you know about that, if I could take that on notice.

Senator TROOD—I would be grateful if you would do that. I am concerned that one of the consequences of our departure is that the Americans, who have of course made a substantial commitment and are stretched widely across the country, are possibly becoming even more widely stretched. If they are required to come in behind our departure, then it seems to me that complicates the whole task of managing the security environment in Iraq.

Air Chief Marshal Houston—I would just add that everybody is drawing down to some extent, including the Americans. Since the beginning of the year, they have gone down from 20 brigade combat teams; they will reach 15 brigade combat teams come July. There will be a pause at that stage, and then the expectation is that they will continue to draw down. I do not know what level they will be at by the end of the year, but it will certainly be coming down to something less than where they are at the moment.

Senator TROOD—I see.

Air Chief Marshal Houston—Not only are they drawing down, we have seen the British draw down, and we have seen most of our coalition partners also draw down and adjust their forces downwards. One of the things that I saw in my visit was the way the Iraqi security forces were performing. All of the operations in recent times have been conducted with the Iraqi security forces very much at the front end, with the coalition backing them up. As you are probably well aware, they have had very successful operations in Mosul against the remnants of al-Qaeda Iraq. They have also had very successful operations in Sadr City, where we have seen a lot of the extreme militia essentially leave Baghdad for other parts of Iraq and other countries. The whole experience there is an improving situation.

I would say straight away, as David Petraeus said in his testimony back in April, it is still a fragile situation. It is still a reversible situation, but the progress, in security terms, has been quite good in recent times. If you wish, I can table the slides of the Petraeus testimony which reflect how the situation has improved in security terms through the last 12 months.

CHAIR—Thank you for tabling that document.

Senator TROOD—I take it from your remarks that there are no plans at the moment to draw down any further Australian forces that are committed to that area of operations?

Air Chief Marshal Houston—No, not at this stage.

Senator TROOD—I see. Is there any review taking place of the continuing commitment there?

Air Chief Marshal Houston—As you know, successive governments review force levels on operations on a regular basis. So in answer to your question, the government will review the force level at some stage in the future—I think towards the end of the year.

Senator TROOD—But, for the moment, there are no intentions to remove any of the forces that remain on station in that area of operations?

Air Chief Marshal Houston—No, the numbers that I gave you are the numbers for some time to come.

Senator TROOD—Good. Could you tell us what you see as the main challenges that remain in relation to the stabilisation of Iraq and improving the security environment there?

Air Chief Marshal Houston—I think the improvement over the last 12 to 18 months has been very good. Those statistics that I just tabled will show you that in every key security indicator there have been substantial improvements. There have been fewer violent incidents and an almost complete elimination of ethnic conflict. Al-Qaeda is still there—they are not finally defeated, but they are a mere shadow of what they were before. They are no longer in their sanctuaries in al Anbar. They are really concentrated in one location, and that is in the area around Mosul—they are very much on the back foot. Through the last 12 months or so, Moqtada al-Sadr placed a freeze on his militia, the Jaish al-Mahdi, JAM. Basically, Jaish al-Mahdi have not been the force they were 12 to 18 months ago. What we have seen in recent operations in Sadr City is that they have not taken on the Iraqi security forces. They have preferred to cut and run.

All the indicators at the moment are that Maliki's strong leadership is having the desired effect. We are seeing a reduction in violence across the board, we are seeing a reduction in the number of incidents, we are seeing an increase in the numbers of weapons caches that are being discovered and, all in all, the situation continues to improve. The levels of violence are down to what they were four years ago—the best results for four years. All in all, it is a good situation. Is it sustainable for the long term? We hope so. The Iraqi security force is performing much better. They are doing a good job, but of course there is a long way to go and there are still some significant political issues to be resolved. If I had a comment, it would be that there needs to be continuing progress on the political front. It is in the politics that progress has been slower, and there is a need to grapple with some of the big challenges that still lie ahead in that arena.

Senator MINCHIN—CDF, the Overwatch Battle Group is not the only element being withdrawn of course. The training team is being withdrawn. Could you describe that component and what that withdrawal represents, what it means, who is replacing that function et cetera.

Air Chief Marshal Houston—The training team has been there for a considerable period of time. I think you are aware that over the last two or three years we have trained over 33,000 Iraqis. That is more people than we have in our entire permanent Army. It has been very much 'train the trainer' and our efforts have been greatly appreciated. They have also been withdrawn and of course we leave behind an army which is much more professional, much more competent, than it was when we started the process. As I indicated to you, the forces that are deployed in southern Iraq are doing a good job in taking care of the security of both provinces. The training function we were involved with was basically training the trainers for the recruit centre in southern Iraq. We also assisted with the officer training—again, ab initio training of young officers—and that will now be handled entirely by the Iraqis.

Senator MINCHIN—How big is that training team and did it have force protection with it that is also—

Air Chief Marshal Houston—We tended to regard the training team as part of deployment at Tallil. They were co-located with the battle group and we tended to regard them as almost part of that whole deployment to southern Iraq. The precise number is in the order of 50. I will get the precise number for you a little later on.

Senator MINCHIN—Thanks. Has the Iraqi government at any stage formally requested that we continue to perform that training role, even if the battle group itself withdraws?

Air Chief Marshal Houston—No, they have not. I met with the chief of the Iraqi defence force while I was in Baghdad and he was very positive about our contribution. He thanked me for everything that we had done and he was also very optimistic about the future of the Iraqi security force's operations. He thought they were doing very well and he was very happy with the performance of his defence force. The numbers that have been trained are now very large. I do not have the precise number with me, but we are talking about a very large army that is now deployed and fully trained in Iraq.

Senator MINCHIN—Presumably the Iraqi government would be very pleased to have us remain in a training role in Iraq.

Air Chief Marshal Houston—He did not express those sentiments. He expressed gratitude for what we had done over an extended period of time.

Senator MINCHIN—As I understand it, the current government in Australia has made an offer to continue a training role, but 'out of country'. Is that correct? What is the nature of that offer and how has that been received?

Air Chief Marshal Houston—As I indicated to you, we still have just under a thousand people employed on Operation Catalyst. Essentially we have taken out about 550, so that gets us to about the thousand point. As we look forward, we will gradually transition into a defence cooperation program where we will bring Iraqis to Australia for training. In fact we have already started it—we have Iraqis at our staff colleges. Iraqis come for various types of professional training here in Australia. We will also continue to support them on particular projects that come up from time to time where they need assistance.

Senator MINCHIN—But it would not be of the nature of infantry training en masse presumably. It is simply not possible to do that, is it?

Air Chief Marshal Houston—No, not at all. The focus at the moment is to improve their professionalism, to improve their ability to command and control their forces and to give them the necessary expertise to do the more complex management roles that they will require into the future. Fundamentally, they have got the forces on the ground and they are doing very well. Their generals are performing superbly in the security operations in Mosul and in Sadr City. What they need now is probably further professional development. Some of their officers will get that professional development here in Australia in coming to our staff colleges and for other specific courses that we can offer them.

Senator MINCHIN—In terms of the continuing deployment, you mentioned that the exact numbers are influenced by a number of factors but one is the type of vessel we have in the Gulf. There have only ever been Anzacs there haven't there?

Air Chief Marshal Houston—No. Over the years we have had FFGs and FFHs. Currently we are using FFHs—Anzacs—but in the future it is quite possible we will again deploy an FFG. One of the constraining factors with FFGs at the moment is that they have been going through an upgrade program so they have not been as available as the Anzac class of frigates.

Senator MINCHIN—Presumably there is not an FFG currently available and able to do that task.

Air Chief Marshal Houston—We do not manage the frigate fleet that way. I place a requirement on the Chief of Navy to have a certain number of ships available to meet the preparedness requirements placed on me by the government. I do not care if it is an FFG or an FFH. He provides a frigate and we deploy a frigate to the Gulf, and that is how it has been going. I visited the FFG *Newcastle* back in late 2005. We have had those frigates there before. Of course, if we send one of those there are more people involved and there are other factors involved as well.

Senator MINCHIN—Senator Macdonald and I had the privilege of visiting the HMAS *Arunta* in April, spending three days with the crew. They are doing a brilliant job and they are all to be commended on the work they do. The reality is that you have got a war vessel in a lake going around and around in circles at two knots day after day after day. It did strike me that it is an enormous load on the ship's officers to sustain morale in a situation like that. Without naming names, in my numerous conversations with the crew, the proposition was raised on several occasions that the function they are performing could just as easily be performed by a couple of our patrol boats rotating because other allies have patrol boats performing those functions in the gulf. It would be much easier to sustain morale. You have got fewer people but they would be able to perform the task, and it is a more appropriate vessel for the sort of work that is actually involved. Has that proposition been considered and rejected or is it still under active consideration?

Air Chief Marshal Houston—My response would be that, with the introduction of the Armidale class patrol boat, that is something we could consider. It is certainly something that we could do, yes, but we could not have done it in the past with the old Fremantles. The Fremantles would not have been up to the job. So, yes, that is something we could do in the future if we wanted to.

I might add that there is another part of this that needs to be put into the discussion, and that is the fact that there are other considerations that we have to take into account. That part of the world is a very volatile part of the world, and I am very comfortable having a warship there because of the other things that could come up from time to time. I just mention that we have seen some fairly difficult and tense situations in the gulf from time to time. Our people have been involved in a couple of those incidents and, despite the way it was described by the British press, it was the way they handled it that saved the day. When you have got 190 people on an Anzac class frigate, you have more resources to handle those sorts of circumstances than you have on a smaller craft. However, having said that, we could certainly look at putting a smaller craft up there in the future. As I say, we have to consider not just the situation of protecting the platforms against terrorist attack but the wider strategic environment. When you consider the wider strategic environment, the frigate is probably the best option in those cases.

Senator ALLISON—We were referred yesterday by the department of foreign affairs to the defence department on the question of the treaty being negotiated following the meeting in Dublin a couple of weeks ago. Can you explain why it is so important for Defence to have no

conditions applied to interoperability restrictions on parties to the treaty with regard to cluster munitions?

Senator Faulkner—Just before CDF answers, I did indicate when estimates for the Department of Foreign Affairs and Trade were being examined obviously that the broad issue of cluster munitions—some of the questions being asked by Senator Allison—were appropriate to be dealt with by Defence. I am happy for that to be dealt with now if you wish. But it was not an issue addressed in the opening statement of CDF or the secretary. It is a matter for the committee, but it is true that I did direct Senator Allison to this committee.

Senator ALLISON—It is in the context of Iraq that I want to ask this question.

CHAIR—This discussion at the moment relates to the portfolio overview and budget summary.

Senator ALLISON—I thought we were dealing with Iraq.

CHAIR—It relates solely to the matters raised in the CDF's statement and the secretary's statement. Issues that do not come within that heading are to be addressed later in the relevant outcome. If your question relates to matters in the chief's statement and logically follows from that on Iraq, it is permissible. If it is directed to issues relating to cluster bombs and cluster munitions, we will deal with it later.

Senator ALLISON—I will leave this with your judgement, Chair, but my question is about the use of cluster munitions in Iraq and Australia's role.

Air Chief Marshal Houston—I can handle that. I can assure you no cluster munitions are used in either Iraq or Afghanistan. They are weapons that would more normally be used in wide-scale conventional conflict. They would not be used in the sorts of circumstances we have in those two countries at the moment.

CHAIR—Thank you.

Senator ALLISON—I understand that 11,000 cluster bombs were dropped in Iraq by the United States, and there were somewhere between 1.7 million and two million bomblets contained in those bombs. I also understand that the UK dropped 2,000.

Air Chief Marshal Houston—Yes, that was during the war in 2003.

Senator ALLISON—Correct.

Air Chief Marshal Houston—But in the current circumstances in Iraq—the last five years; since the war—there has been no use of cluster bombs.

Senator ALLISON—I understand that but I want—and we will get to cluster munitions; I am not allowed to ask this question now—a description of how Australia assisted or worked alongside other nations during the war in order to inform the committee about why Defence has taken this position; why it was important for there to be no restrictions on interoperability in this treaty. Is it because of the experience in the initial attack in Iraq that leads the Defence department to consider this to be essential?

Air Chief Marshal Houston—I guess we can handle it now, if you wish, but I would be delighted to get into this debate at the time. It will probably take about—

CHAIR—Let me interrupt you and perhaps offer some guidance. We are having a discussion on Iraq: operational matters, withdrawal, changes in forces, and all the sorts of things that you raised, and which have been responded to by committee members. To the extent that discussion on force structures and operability necessarily relates to cluster munitions, it is appropriate to be asked and responded to. Otherwise, I suggest we have that discussion fully at a later time.

Senator ALLISON—I am happy wherever it is, I just thought we were talking about Iraq, that is all.

Air Chief Marshal Houston—I would be delighted to take it at a later stage and handle it then.

Senator BOB BROWN—I would like to ask about the reports of post-traumatic stress disorder and related illnesses coming from Australians who have served in Iraq. Could you give the committee an outline of that problem, how it is being handled, and how big it might be?

Air Chief Marshal Houston—As you know, we have a comprehensive, multilayered approach to mental health. One of the things that we are very concerned about is the mental health of our people coming out of places like Iraq and Afghanistan. To that end, we have a program whereby we screen our people before they go. We educate them in terms of the sorts of stresses they will face while they are deployed. I could go into the sorts of things that we do, but they include such things as fatigue and stress management, and handling difficult circumstances in the operational area.

Whilst they are deployed, they have access to mental health services and, if we have a critical incident, we will use the resources on the spot or we will fly in a critical incident support team. When they come out, before they leave the area of operations, they do a return to Australia psychological screening in the few days that they have after they complete their operations and while they are in that three- or four-day period before they actually get on the aeroplane to come home. We essentially debrief them and give them a psychological screening. After that we follow it up with another screening which is called the post operational psychological screening, which is normally done three to six months after they return. Through all of that we hope to identify anybody who is having psychological problems. If we identify somebody, we basically refer them to the appropriate mental health specialists and they will be treated and looked after. Fundamentally, that is how we approach the business of being proactive to try and prevent post-traumatic stress disorder. We will refer anybody who comes back and clearly has post-traumatic stress disorder to the best expertise in Australia so that they can be looked after.

Senator BOB BROWN—How many people have been identified with that disorder who have served in Iraq?

Air Chief Marshal Houston—Perhaps I will get one of my experts to come forward.

CHAIR—CDF, I might also offer you the same guidance on this issue as I offered to Senator Allison on cluster munitions. This is more for the benefit of senators. This is overview of matters arising out of your remarks or the secretary's remarks. I do draw the committee's

attention to a later agenda item, capital facilities and defence support, which expressly addresses health services and where PTSD is properly discussed in detail.

Air Chief Marshal Houston—If I may, Senator, when we come to that point, I would be delighted to give you the detail that you seek.

CHAIR—Thank you. Are there further questions on Iraq?

Senator BOB BROWN—Yes. I have a question not on Iraq but on the introductory statements we have had.

CHAIR—We might try and conclude the discussion on Iraq and then move through the rest of the remarks. Are there further questions on Iraq? There being none, continue, Senator Brown.

Senator BOB BROWN—I will just ask this question about the \$12 million reduction in scientific research facilities. What exactly does that refer to? Could the secretary elaborate, please.

Mr Warner—Certainly. The Capability and Technology Demonstrator program, as you would probably know, provides Australian industry with funding to develop and demonstrate a technology that has potential military application. Defence has been providing up to \$27 million a year to fund the CTD program. We have discovered over the years that CTD has a low rate of successful transition to ADF service and because of that it has been reduced in a phased way, as you would have seen from the budget papers.

Senator CORMANN—CDF, I just wanted to pick up on your quite detailed comments on our operation in Afghanistan. How would you describe the way the capability of the enemy has evolved since we first went into Afghanistan?

Air Chief Marshal Houston—Do you mean in 2005?

Senator CORMANN—Yes.

Air Chief Marshal Houston—Okay. When we first went into Afghanistan in 2005, we quite often came up against large bands of Taliban fighters who would confront us and there would be an exchange of fire. Generally in those circumstances they came off second best. What we have seen in recent times is their tactics evolving into more use of asymmetric tactics whereby they use improvised explosive devices to attack us, rather than confront us face to face in an exchange of fire. That happens from time to time and, indeed, I talked about an instance of that in my opening statement. But 60 per cent of the coalition fatalities in Afghanistan come from improvised explosive device attacks, so what we are seeing is a trend towards those sorts of tactics. When we first went there in 2005 we did not see any improvised explosive device attacks. That is something that has evolved over the last three years and it is probably the major focus of attack as far as they are concerned.

Senator CORMANN—You have described in some detail, also in your opening remarks, the structure of our current deployment to Afghanistan. How much flexibility do we have, in responding to those changed circumstances that you have just described, to adjust the structure of the deployment if it was felt that that would deliver a more effective approach to it?

Air Chief Marshal Houston—The way we operate at the moment is that we have a number of lines of operation and, fundamentally, we want our reconstruction task force to be able to do construction projects in the local community, or indeed to do the construction work that they are doing in creating patrol bases—forward operating bases—for the Afghan National Army into those areas that were formerly, if you like, sanctuaries of the Taliban. We want them to be able to do that without having to deal with the very lethal Taliban threat, so we use the special forces to do disruption work, whereby we keep the Taliban, who are in our area, on the back foot and unable to interfere with our reconstruction operations.

Senator CORMANN—A view has been put to me in recent weeks that perhaps our special forces are increasingly getting involved in what is described as conventional warfare operations in Afghanistan. Could you comment on that, and related to that, have we made any assessment as to whether there are other parts of the Army that might be able to add to our capability in that regard?

Air Chief Marshal Houston—You might have been reading the *Army Journal*! We could use infantry in these circumstances but we have chosen to use special forces, and the element that we use most of the time in these circumstances is our commandos. Commandos are very well equipped. They have very heavy firepower. They are, generally speaking, very experienced and very highly skilled soldiers and we are very comfortable with the job that they are doing. They are ideally suited to doing disruption operations against Taliban leaders and Taliban bomb makers. That is the sort of work that they train for and that is the sort of work that they are doing in Afghanistan. So, when you look at what might be available, they are probably the best element to use in the circumstances that we face in Afghanistan at the moment.

In terms of our infantry, let me say very quickly that the infantry are doing very good work. They are involved in fighting the Taliban from time to time. You may have seen the footage on the television some months ago where our infantry were involved in a fairly big battle in one of those small settlements not far from Tarin Kowt. They conduct themselves very well. They do foot patrolling, they do assertive foot patrolling and, in recent times, there has not been too much action, but that is a good thing. That means we are winning the hearts and minds of the people in the areas where they are doing the patrolling. To a large extent, the reason we are not seeing so much activity is that foot patrolling, where our people are winning the hearts and minds of the local people.

I went up to the Chora Valley. The Chora Valley was the site of a major battle that we were involved in during the conduct of Operation Perth around May 2006. Our guys were involved in very close-in fighting, very demanding fighting, and we are currently in that same area. We have established a forward operating base for the Afghan National Army. Our infantry are foot patrolling into the same area and they are engaging with the local people in a very friendly way. They are helping and assisting them, and I think that is a very good thing. I would prefer them to be doing that than fighting continuously, because their job in Afghanistan is to win the hearts and minds of the Afghan people so that the Afghan government can extend its influence and governance into these areas where the Taliban have been located in the past.

Senator CORMANN—I appreciate that the objective is to get the Afghan population on side et cetera, but our troops are obviously engaged in combat operations from time to time.

In that context, have we given any consideration to deploying perhaps our M1 tanks from 1 Brigade to complement our effort?

Air Chief Marshal Houston—No, we have not considered deploying the tanks.

Senator CORMANN—That is not something that has been put up through the chain of command?

Air Chief Marshal Houston—When I visited the armoured regiment, they mentioned that they had a good capability that might be useful.

Senator SANDY MACDONALD—I want to ask a question about the gap year, Chief, but before I do, I just want to make the point that winning hearts and minds is one thing in Afghanistan but long-term economic sustainability is another—so that the government can extend its influence throughout the country. Is there any evidence that that is occurring?

Air Chief Marshal Houston—We built a forward operating base in Chora Valley, where we fought so tenaciously back in 2006, to house 250 Afghan National Army and police. The building of that required the employment of about 100 local people who all came out of the Chora Valley. That is the sort of effect that we are having in that part of Afghanistan, and I think that creating employment for them so that they could earn some money building this base was a large part of winning the support of the local population. In all the construction work that we do in that area, we use local people to do most of the work. We do the supervision, the contracting and so on, but it is the local people who do the work. This reconstruction task force is working wonderfully well in extending the influence of the government, but in the process it is also creating employment.

Senator SANDY MACDONALD—I want to ask you about the gap year. I note your very long-term focus on recruitment and retention. You specifically mentioned the gap year in your opening statement. I wonder whether you might expand a little bit on the gap year, on whether Defence has an early view of its value and the numbers that are involved.

Air Chief Marshal Houston—I might get the service chiefs up here. They are the ones who are actually implementing the gap year. Thus far it has been very successful, particularly in the Army. Already we have had people who have come in to ‘try it before you buy it’. They bought it and have transitioned into the regular force. Rather than going through that detail, I will ask the service chiefs to give you a rundown on what is happening in each service. Perhaps we can start with Rus?

Vice Adm. Shalders—Before I respond to the question, Chair, could I thank you very much for your kind remarks at the start of the hearing. I have been attending these hearings for over 12 years and I thank the committee, you and your predecessors for your consideration and respect during that time.

CHAIR—Thank you.

Vice Adm. Shalders—Senator, in the case of the Navy we have recruited 100 into our gap year program this year. So far, of the 100 who started 12 have left the program and the first group are now joining the fleet. Each group is integrated with a normal recruit entry. As they graduate from recruit school, we give them another program of four weeks, which fits them to go to sea. That first group joined the fleet about three weeks ago. Other graduating classes are

going through the same program. It has been a very successful program for us, and a large number of the 100 we recruited have indicated they wish to transfer to the permanent Navy. A percentage have also indicated they wish to join the officer training scheme. The first of those will start officer training in early July. We are looking to expand the program from the 100 we have had this year to 250 next year, and the gap year selection program for the next year's entrants has just started. We have been very satisfied with the results we have achieved so far.

Senator SANDY MACDONALD—So a substantial number of those who joined will not make it a gap year; they will make it a permanent commitment.

Vice Adm. Shalders—A number of them have already made that commitment, but of course they do not have to make that commitment until their gap year completes. Some of them have already indicated they wish to transfer. In fact, some have moved into the officer training scheme.

Senator SANDY MACDONALD—Did Navy's initial 100 come out of the pool of people who applied to the gap year program, or did you specifically identify potential naval gap year participants?

Vice Adm. Shalders—No, they applied to join the Navy gap year program rather than a general gap year program. Our 100 applied to join the Navy.

Senator SANDY MACDONALD—Of course time will tell how successful the gap year program is for those who may wish to treat it purely as a gap year program and return or not return after tertiary commitment.

Vice Adm. Shalders—Yes, you are right, Senator—time will tell. As you know, under the structure of the program if they rejoin within five years there is a significant bonus attached. For example, if somebody does their gap year, leaves, goes back to university and rejoins within five years, there is a \$10,000 bonus associated with that rejoining.

Senator SANDY MACDONALD—Is there any identifiable difference between those recruits who join for initial training and gap year recruits?

Vice Adm. Shalders—No, not really. In our case I guess the only difference is that many more females join through the gap year scheme. Over 55 per cent of our entrants under the gap year program have been female, whereas our normal ratio of females is closer to 25 per cent.

Lt Gen. Leahy—Chair, I also thank you for your kind remarks.

CHAIR—Thank you.

Lt Gen. Leahy—I would also like to compliment Senator Cormann on reading the *Army Journal*. I recommend it to all senators; it is a great read.

Senator Faulkner—He is not having trouble sleeping at all.

Lt Gen. Leahy—I thought you would say that. I will send you a copy if you like! The gap year for Army has been quite successful. We have recruited our quota of 500. Currently, our figures are that 240 have graduated from recruit training. These figures are at late May, so I expect that there will be more, and I expect all of them to have graduated within the next few weeks. Of those in the gap year plan, one has transferred to the Army Reserve; 44, or 8.8 per

cent, are in the process of transferring already to the Australian Regular Army; and we have had some separate prior to the graduation—that is, 41, or 8.2 per cent, which, I might say, is less than the normal separation rate for recruits who enter under the normal processes.

I visited the graduation ceremonies, and I was very impressed with the attitude of the young men and women in the program. Like Navy, we have a higher percentage of females than we normally take in. In our case, 23 per cent are females. They are highly motivated. They are keen to be doing what they are doing. I was also impressed with the attitude of the parents. They were very keen to see their kids in the program—very keen to see that they had grown and they had developed. I am hopeful that, whilst we have taken nearly nine per cent into the Regular Army already, that figure will grow through the year as they go through their next phase of training and then deploy out into the units. I know the units in Land Command are eagerly awaiting their arrival. My judgement is that the program is a success.

In relation to one of the questions asked of the Chief of Navy, these are additional recruits. These are people that I would not normally have expected to join the Army. But, once having had exposure to the Army, the standard of training, the teamwork and the esprit de corps, I anticipate that a number of them—I hope a large number—will stay with us. If they do not, they would at least have had a very good experience. I am aware of some that will go to the Army Reserve, and I think they will become people who are saying, ‘Pretty good spot, that Defence Force, especially the Army—good program!’

Senator SANDY MACDONALD—So you are saying that the recruits are going to be spread over all ranks? When the proposal for the gap year was workshopped, was it taken as a view that the gap year would provide potential officers, or was it always the view that participation would be across all ranks and trades?

Lt Gen. Leahy—It varies between the services. I can tell you what the Army has done: we have taken them in as recruits. They are doing exactly the same training as a regular recruit, so they are completing the 13-week course at Kapooka. We have then determined that they will go off and do the initial employment training in the core schools. We have selected not all of the corps schools because some of them have a long period of training that will not fit into the year and will not allow them to go off and join a unit. So we have picked the shorter training courses, and they have started doing that already. Then they will go and, we hope, get about six or maybe four months inside a unit, which gives them a complete Army experience—it gets them properly trained so that they are able to transfer to the Regular Army or to the Army Reserve. So, for us, those who are capable of being officers—and we have already got our eyes on a few of them—will go off to the Royal Military College should they so wish.

CHAIR—Welcome, Air Vice Marshal Blackburn.

Air Vice Marshal Blackburn—Thank you, Chair, and I will certainly pass on your kind comments to the Chief of Air Force, who is unfortunately not with us today.

CHAIR—Thank you.

Air Vice Marshal Blackburn—The Air Force’s gap year program of 100 recruits has been very successful. We have had a small number leave—in the order of about three or four. Quite a large number of those under the program have expressed interest in applying to stay on in

the full-time Air Force. They will be going through a selection and assessment process because, obviously, they came into the gap year and their assessment for particular skill sets—for example, pilot or air crew—was not done at that stage. So they will be going through that next selection process and having a look at that. As with Navy, there is a significant increase in the number of women coming into the program. I think we can learn something from that about its attractiveness and the opportunity it provides to us. I think the proportion of women is in the order of 40-plus per cent. We think the program is very successful.

As we look to next year and we grow it up to 250, we are going to have a closer look at Navy and Army's programs, because ours is not recruit training—people basically come in as officer cadets. It is a tailored short course and then they rotate out through the field for experience. We are going to look at the other two programs and say, 'As we grow our numbers, do we need to look at perhaps a combination of programs?' Some will be offered the opportunity to do recruit training. So I think we can learn from that. It is a successful program.

What we are asking in some cases is: 'Would those people have necessarily been at the top of a competitive group to be selected for a particular skill set or trade?' Perhaps not necessarily. We will see as we assess it later in the year. But the enthusiasm is significant, and I think we have to take into account not just the aptitude that might be assessed in a recruiting process but the experience we have had with these people. Their attitude and their enthusiasm are certainly things that would be of great benefit, and I think we need to take that into account when we then select them for a full-time career in the force. So I think overall it is a very good program and we are learning a lot from it during this year.

CHAIR—Thank you. We will now go to morning tea.

Proceedings suspended from 10.35 am to 10.49 am

CHAIR—The committee will come to order. We will continue our discussion on overview.

Air Chief Marshal Houston—Before we go on, can I make one correction? When I was talking about the preparations that we have for our people before they deploy, in mental health terms, I think I referred to the fact that we screen our people. I would just like to make it very clear we do not screen our people; we do extensive preparations which include talking about handling certain circumstances, handling separation from the family and so on.

CHAIR—Thank you.

Senator TROOD—CDF, I wonder if I could take you back to Afghanistan. You have made the point on numerous occasions before the committee that, after the winter period, it tends to move into an operations seasonal fighting period. I presume we are now in that period of time, winter having passed in Afghanistan. Can you tell us whether or not in this year the tempo and the intensity of Taliban activity are as great as you were expecting? How does it compare with a similar time last year? Can you address yourself to not just the area where Australian forces are employed in the province of Kandahar but also more widely across the country.

Air Chief Marshal Houston—Perhaps if I take it in two parts. In terms of our province in Uruzgan we have not seen an awful lot of activity yet, and that is probably true also right

Afghanistan because the poppy harvest has been in full swing through the month of May. While that is happening, a lot of the Taliban fighters are out harvesting the poppy.

Senator TROOD—When will the harvest be completed?

Air Chief Marshal Houston—It is finishing about now and I think we can anticipate that if there is any upsurge in activity it will occur this month.

Senator TROOD—I see.

Air Chief Marshal Houston—But thus far there is no evidence of that. In many parts of the country, the Taliban are very much on the back foot because of the intelligence led operations conducted by the coalition targeting their leadership, and their leadership are unable to operate in the way that perhaps they operated a few years ago. They are very uncertain about their circumstances because they never know when they are going to have the coalition come in and try and detain them or kill them.

Senator TROOD—But you will have a better sense of their post-winter strength, shall we say, in the next month or so. Is that correct?

Air Chief Marshal Houston—I think if there is going to be any upsurge in activity it will be from now through to about October. That would be the height of the campaign season, if I could put it that way.

Senator TROOD—You mentioned in your opening remarks the comprehensive Afghanistan strategy, the NATO strategy. I took you to be saying that there had been some significant strategic developments which were encouraging from your perspective. Could you perhaps give us a little more detail on those developments?

Air Chief Marshal Houston—First of all, in my meeting with Minister Wardak, he indicated that the Afghan government had taken steps to improve the contact and the communication with the provinces. They had specifically appointed people to be responsible for ensuring that the governance was extended out to the more remote provinces, which in effect, if it works, will improve governance. The other positive, I think, is the appointment of Kai Eide as the representative of the Secretary-General of the United Nations. He has impressed everybody immensely. He is a little short of resources at the moment, in terms of people, but he is doing a great job in establishing those vital contacts with all the people who are involved with the governance function in Afghanistan.

He has struck up a good relationship with the Afghan government, he has struck up a good relationship with the ISAF commander and his staff and he is working very effectively to bring a more integrated approach to the total operation in Afghanistan. Of course he is working with the United Nations but he is working with NATO, he is working the Afghan government and he is working with the NGOs, to bring a total integrated effect to the nation of Afghanistan.

Senator TROOD—So that is an advance on where we were prior to his appointment?

Air Chief Marshal Houston—We did not have anybody who was performing that role in the past. I think it was one of the great shortcomings—the fact that you had the commander of ISAF and you then had the Afghan government, and there was nobody actually coordinating

all of what I would call the soft elements that need to be applied to problem of rehabilitating Afghanistan.

Senator TROOD—When you say that he is short of personnel, are you talking about specific responsibilities or roles, or are you talking about large numbers of people that are required to undertake the reconstruction role?

Air Chief Marshal Houston—I was at the Shangri-La Dialogue at the weekend in Singapore and had an opportunity to interact with a large number of my counterparts. Minister Fitzgibbon also interacted with a number of his counterparts. The issue of how best to support Kai Eide came up several times. Everybody is enormously impressed with him and the job he is doing. What he needs is a large number of staff to support him, and at the moment those staff are not there. It will be incumbent upon all participating countries in Afghanistan to find resources to enable his mission to give a much more whole-of-country, integrated and comprehensive approach to implementing the strategy that was agreed at Bucharest.

Senator TROOD—Has the Australian government given any consideration to a specific contribution to that need?

Air Chief Marshal Houston—At this point the Australian government has not made any final decisions, but I think I can tell you that we are looking at the problem and we will go forward with a proposal in the not too distant future.

Senator MINCHIN—In your opening remarks you mentioned the NATO conference in Bucharest and said that at least one outcome was better coordination. I refer you to a very good ASPI paper on Afghanistan that has just been released. They acknowledge that there seems to be at least the beginnings of better coordination but they say it:

... hardly represent a turning point—especially in terms of troop numbers. Exhortations by the United States and Australia for additional military forces from other committed states have elicited only modest pledges of support: well short of the extra 10,000 personnel requested by ISAF commanders.

Would you agree with that statement by ASPI?

Air Chief Marshal Houston—If you listened to the ABC current affairs program this morning, the outgoing commander, General McNeill, was interviewed. He made the point that in his view there was a need for more troops. He is the man on the spot, the outgoing commander, and that is what he said.

Senator MINCHIN—Did he put a number on it? I missed the interview.

Air Chief Marshal Houston—He did not put a number on it but he said there was a requirement for more troops, more helicopters and more support, and I would agree with his assessment.

Senator MINCHIN—So, in that sense, Bucharest was something of a failure, in failing to elicit that sort of commitment from—

Air Chief Marshal Houston—Not completely. At Bucharest a number of countries did increase their contribution. I think the most significant contribution was the contribution from France. President Sarkozy committed, essentially, a battalion of French troops to go into the east of Afghanistan, which will free up an equivalent number of Americans to go into Kandahar to assist the Canadians. I think that was one large contribution. And there were a

number of other smaller countries which really do not have the capacity to provide huge numbers of additional forces; they also increased their contribution. If you are asking, 'Were the contributions substantial?' then, with the exception of the French contribution, I think it is true to say that contributions were not of a substantial nature, no.

Senator MINCHIN—Do you share the assessment that this is a major limitation on our capacity to really progress in Afghanistan?

Air Chief Marshal Houston—I share his view that there is probably a need for more troops. I think one of the very encouraging things is that through the winter the coalition had a training surge, and we have seen a huge increase in the number of Afghan National Army troops. But of course they have just been trained and it will take a while to develop them; it will be some time before they are battle hardened and experienced and able to conduct the full spectrum of operations.

Senator MINCHIN—The ASPI paper also acknowledges, as we all know, that our role in Uruzgan is supporting a Dutch taskforce and that there is a significant concern that their mission will not be extended beyond July 2010. I wonder if you would like to make any comment on that scenario and on if and when we begin contingency planning for the possible, or even likely, termination of that Dutch role.

Air Chief Marshal Houston—Yes, it is true that the Dutch have indicated that they will cease leadership in late 2010 and that they will pull out their forces. Clearly, as their partner, we are looking at how we will handle those circumstances. Yes, we have commenced work, but I guess we are at an early stage in the development of that work. I have also engaged some of my counterparts to discuss what might be possible and, at some stage in the near future, we will take a paper to government which looks at all of these aspects. So we are on the job in terms of where we might need to go when the Dutch pull out.

Senator MINCHIN—Are you talking about taking such an options paper within this calendar year to the government?

Air Chief Marshal Houston—Yes; I think it is necessary to do it at an early stage.

Senator MINCHIN—The other thing I noted in the ASPI paper, in terms of its views on what more we can be doing, is that we must engage with Pakistan more closely to contain cross-border insurgent activity. It does seem that that border is the major problem. Could you comment on that? To what extent, if any, are we currently involved in seeking with others to engage Pakistan more closely, and what more could we do?

Air Chief Marshal Houston—It is nice of ASPI to make the suggestion. I think it is a good one. On my recent visit, the first place I visited was Pakistan.

Senator MINCHIN—Good.

Air Chief Marshal Houston—And I engaged the Pakistanis in a strategic dialogue that we have set up at my level. I met the chairman of the joint organisation, General Majid, and I also met General Kiyani, who is the commander of the Pakistan Army. We talked extensively about the border and the federated tribal territories that adjoin that border. Essentially, the Pakistanis have decided that a pure kinetic approach, if I could call it that, an approach that relies on military power and lethal force, is not going to work in the tribal territories. General

Kiyani described to me a comprehensive strategy that they have in mind for engaging the tribal people that live in what is known as the FATA—the Federally Administered Tribal Areas. He indicated to me that it would be a comprehensive strategy. He felt that it was very important that this strategy should not be his strategy; it was something they needed to present to their new government and he hoped that the new government would embrace that strategy which would then be used to improve the circumstances in the tribal territories.

I might add that Pakistan has a huge number of troops up there at the moment. They have over 100,000 troops in the tribal territories. They have also got the Frontier Corps deployed in the tribal territories and they have been there for a long time and taken a lot of casualties themselves. So they are seized with the need to address this problem. They have decided that it needs to be a combination of soft and hard power. If they find extremists, militants, they will engage them with lethal force. But in terms of engaging with the Maliks and the more moderate elements that live up in that area, they intend to negotiate with them, to reconcile with them, and hopefully get a better outcome that way. So I think it is a question of wait-and-see and we will see what happens.

One of the problems with the border is that it is very porous and an awful lot of people cross it on a daily basis. The British left easements across the border where the tribal people have the right to cross without any constraint whatsoever. Some of those crossing points handle 23,000 people a day, so you can see that it is not an easy matter to seal the border. General Kiyani will tell you that he has an awful lot of troops on the border but it is impossible to stop all the traffic across it.

So we are engaged with Pakistan. We have a program and a number of projects that we are running with them. They deeply appreciate our support. We have good relationships with them. They understand our concerns about the border and they have taken them on board. They do make the very strong point that it is almost impossible to close the border. I do not know if you have ever been in that part of the world; there are very rugged mountains, very difficult terrain and a very difficult operating environment for any military force. I guess that is where I might leave it, but we are fully engaged with the Pakistanis and we have a very good relationship with them, of course, they have been very good in supporting our operations. All of our heavy equipment went through their ports and then up overland into Pakistan. They also allow us to overfly their territory and, fundamentally, they give us good support in the activities that we are conducting in Afghanistan.

Senator MINCHIN—Thanks for that, CDF. I actually led a parliamentary delegation to the top of the Khyber Pass and looked over the border into Afghanistan. It is utterly lawless—that was my experience of it—so I think it is a very significant problem with respect to stabilising Afghanistan. But I am pleased that you are engaged to the degree you are with Pakistan, because they are critical to this.

Senator NETTLE—CDF, I want to ask you about a report in the *Australian* yesterday which had some quotes from the British commander in Afghanistan, saying that the Taliban had been bombed to ‘the brink of defeat’. The quote was:

I can therefore judge the Taliban insurgency a failure at the moment ... We have reached the tipping point.

I want to ask you whether you agree with that assessment.

Air Chief Marshal Houston—Our tactical level operations in Uruzgan are going wonderfully well. We really have the Taliban on the back foot. The British, in their province, have had some good tactical success, and I think that is reflected in different ways across the southern part of Afghanistan. But winning tactically is one thing; it is winning the strategic battle that is really important. The strategic battle requires a comprehensive approach. It is one thing to win tactically on the ground, but what we need to do is to put in aid. We need to address Afghanistan's economic problems. We need to provide an alternative economy to the narco-economy that exists there at the moment. We need to assist them with improving governance. We need to help them develop their police force so that they can establish a good community policing capability across all of the provinces of Afghanistan. Of course, we need to assist them in putting in an effective judiciary and legal system. So there are all these things that need to be done. That requires influence and presence across the whole of Afghanistan.

At the moment, one of the consequences of perhaps not having sufficient troops is that there is an inability to hold the territory which has been cleared. Essentially, a coalition force might go in and clear a particular valley of the Taliban and the Taliban will evaporate but, unless you have somebody to go in there, hold the territory and create the right conditions on the ground, essentially the Taliban just come back again. That has been the sort of experience. The tactical success has been in a number of areas, but it has not been across the whole of the country. The issue is the ability to hold the territory and then influence what happens within the territory so that the people can see that it is important that they remain loyal to the government of Afghanistan. That is the issue.

Senator NETTLE—Can I ask you what your assessment is of the effectiveness of the strategic battle. You separated the tactical and strategic battles going on. What is your assessment of the strategic battle?

Air Chief Marshal Houston—At the strategic level, the government of Afghanistan needs to be able to prevail across the whole of the country. Until such time as you can hold all of the ground, you cannot have the government prevailing in those areas where the Taliban are dominant. The Taliban have a large number of sanctuaries through the more remote parts of Afghanistan.

Senator NETTLE—You listed some of the things that you think need to be done in that strategic battle sense, but what about your view and evaluation of the success to date on the strategic level?

Air Chief Marshal Houston—I think there is a long, long way to go. Afghanistan is very much an underdeveloped country. The government does not control large parts of the country, and until they do we cannot bring these changes to Afghanistan.

Senator NETTLE—You sound pretty pessimistic.

Air Chief Marshal Houston—I think the reality is that we can prevail tactically in a small area, as we are in the area around Tarin Kowt, but we are not prevailing across the whole of the province. So where we are, where we have established a presence, we are doing well—we are winning. But there are large tracts in our province that are essentially controlled by the Taliban. The only way to confront that is to create a presence and hold the ground, to clear the

whole province of the Taliban and then to use forces to hold the ground so that you can pursue these other elements of soft power to win the hearts and minds of the people who are out there in those outer parts of the province.

Senator NETTLE—What does your assessment there say about how long you think foreign troops will be in Afghanistan for?

Air Chief Marshal Houston—As I mentioned earlier on, good progress was made through the winter in developing more Afghan national army troops, but the other side of it is the Afghan national police. There is a need to develop the Afghan national army so that it has sufficient troops and also the Afghan national police so they have sufficient police to be able to hold the whole country together. Until they are able to do that, the coalition forces will be on the ground for some time to come.

Whilst there has been good progress with the development of the Afghan national army, the Afghan national police are some way behind the army, so it will be probably at least another three or four years before the police capability is fully developed and it is probably at least another three years before the Afghan national army is a fully capable army as we would know the army—in other words, they are fully trained and they have sufficient experience to be able to handle the challenges that they face.

Senator NETTLE—Is that time frame of around three years when you think you would start withdrawing foreign troops from Afghanistan?

Air Chief Marshal Houston—No, not necessarily. I think that there will be foreign troops in Afghanistan for some time to come. I see this as very much a long-term endeavour and, as has been mentioned many times by many influential people and a lot of commentators, what is important here is to have a fully integrated approach. As you go in and complete the security task in the first instance, you clear an area and can then come in behind the clearing force to hold the ground. You then deliver the services and the aid that is required to bring the whole community under the Afghan government's total influence and control.

Senator NETTLE—Looking at foreign troops, do you think it is years or is it decades in terms of measuring when foreign troops might be there?

Air Chief Marshal Houston—I would say it is an endeavour that will last at least 10 years, because we are also talking about the need to create an alternative economy to the one they have got at the moment, and clearly that is going to take a lot of work.

Senator NETTLE—What would be the measures of success? What would be the marking points at which you would determine success? I think you have mentioned some of those in terms of the army, the police force and the economy. Are there any others?

Air Chief Marshal Houston—There are a number of benchmarks that are part of the comprehensive strategy that has been put together by the NATO countries—in fact, all of the countries involved in the ISAF coalition. I am not sure if that is something I can release to you, but all the right sorts of benchmarks are there. If I can release it to you, I will table it, but I think it might have some level of classification. If I can just check, I will let you know but, if we can, I will table it.

Senator NETTLE—If you are not able to table it, maybe you could provide the general ideas from it.

Air Chief Marshal Houston—Okay.

Senator NETTLE—You said before that you agreed with the assessments of the outgoing commander General McNeill in relation to the need for more troops and you have outlined some of that now. I have seen a figure associated with him around which says:

...according to current counterterrorism doctrine, it would take 400,000 troops to pacify Afghanistan in the long term.

Would you agreed with that kind of figure?

Air Chief Marshal Houston—No, I would not. I think there is a need for more troops. I would not put a figure on it but, certainly, there is a clear need for more troops in particular areas where the Taliban are most active. I suppose we could have a look at that but I do not think that it is a thing that is worth doing. The other thing that is required is more helicopters. One of the critical shortages in Afghanistan is the number of helicopters. Again, he spoke about that. So, more troops, more helicopters, and I would leave it at that.

Senator NETTLE—On the idea of more troops, you separated it before into tactically and strategically and you thought things were going well on a tactical level but there was a long way to go on the strategic level. How does that fit if things are going well tactically and yet there is a need for more troops? I understand what you were saying before about why you think you need more troops, but how do you reconcile those two things: saying it is going well tactically but there is a need for more troops?

Air Chief Marshal Houston—It is going well tactically in the area where we are working. We dominate the area in which we are conducting operations. We have less than 1,000 people in that province and 1,000 troops can only dominate so much territory. The key to the future in our province is to bring in Afghan National Army units. There will be a need to work closely with them, to mentor them and to develop them so that they can extend the influence of the government and extend the control of the government much further afield within the province. We are already, as I said in my opening statement, extending the control into areas that were previously dominated by the Taliban. We have cleared those areas. We have gone in behind, we are holding that ground and we are doing development in those areas. What is required is for that to happen right across Afghanistan. The only way you can do that is to have large numbers of extra troops. Most of those troops will come from the Afghans over the next two to three years.

Senator NETTLE—What proportion of Afghanistan would you describe as having the number of troops to be able to be going well? You were describing that you need it all across the board. What proportion of Afghanistan would you say currently has the number of troops it needs in order to be going well?

Air Chief Marshal Houston—In the area where we are, we have got sufficient troops to be able to deliver services to the people, to improve their life by doing reconstruction, to do some rehabilitation and so on. Those people that we are working with are well-disposed to us and well-disposed towards the Afghan government.

Senator NETTLE—I am asking the question for the purpose of determining the number of troops, whether foreign or Afghan, that you need. If you look at the number of troops that there are now, and the areas that they cover, what proportion of Afghanistan is currently going well because there are enough troops? I am looking at it from the point of view of determining how many additional troops, either foreign or Afghan, you would need to cover the whole of Afghanistan?

Air Chief Marshal Houston—It is a simple question but the answer is quite complex, because different parts of Afghanistan are under different circumstances. If we go up into the north, there are not many Taliban up there and certainly they do not challenge the government or the coalition forces the way they do in the province that we are in. In fact, the most demanding provinces are the provinces of Regional Command South: Oruzgan, Kandahar, Helmand and Kabul. In those four provinces I think the answer lies in bringing in more Afghan National Army troops and using them to do the holding—if you like, the holding of the ground—that I spoke about earlier on. That will take a period of time and that is what we are talking about. In terms of NATO forces, if you could bring in large numbers of extra NATO troops you could probably expedite that process, and I think that is what General McNeill was alluding to in his remarks that I heard on the radio this morning.

Senator NETTLE—Given that those additional NATO troops—to the extent that he is talking about—are unlikely at this stage in the political context, do you think there is a danger of facing a strategic defeat because of that?

Air Chief Marshal Houston—I think the issue is very much one of implementing the strategy that was developed at Bucharest. It is a good strategy. It is a comprehensive strategy. It requires multiple lines of operation. It requires security operations, it requires development and it requires training of the Afghan National Army and the Afghan National Police and, if that is implemented effectively, and properly resourced, I think that we will prevail in Afghanistan. Conversely, if you do not resource the strategy that you have come up with, with sufficient troops and sufficient helicopters, and with sufficient training of the Afghans, then there is a risk of failure. If there was failure at that level—we are talking strategic failure—yes, there is a danger of defeat.

Senator NETTLE—Is opium grown in the area that Australia has responsibility for?

Air Chief Marshal Houston—Are there poppies being grown?

Senator NETTLE—Yes.

Air Chief Marshal Houston—Yes, lots. When I was up there in the helicopter, every valley had poppies growing in abundance.

Senator NETTLE—Is it possible to give me an assessment of how much?

Air Chief Marshal Houston—There were lots of poppies being grown wherever I flew.

Senator NETTLE—I wanted to ask you about the total cost of the Afghan deployment. What is that up to at the moment?

Air Chief Marshal Houston—Yes, I can get that for you; I have got it here before me. It is \$2.131 billion, and that is from the financial year 2001-02—and it includes all the approved funding—out to the financial year 2010-11.

Senator NETTLE—Thank you. Going back to the poppies, are Australian troops involved at all in any poppy eradication programs?

Air Chief Marshal Houston—No, we are not. That is the responsibility of the Afghan government.

Senator NETTLE—Can you give me a figure in relation to civilian casualties in Afghanistan?

Air Chief Marshal Houston—I do not have that information to hand.

Senator NETTLE—Is it possible to take that on notice?

Air Chief Marshal Houston—I will take it on notice, but I do not think there is any definitive data.

Senator NETTLE—This may have been in relation to Iraq rather than Afghanistan, but in the past you have provided civilian casualty figures on the basis of an overall figure and then figures associated with Australian operations. If it is possible to get those figures in the same way, that would be good.

Air Chief Marshal Houston—Is that for Iraq or Afghanistan?

Senator NETTLE—I know you have provided those figures before—

Air Chief Marshal Houston—I did, yes.

Senator NETTLE—in terms of separating out civilian casualties and those associated with Australia. I cannot remember if you did it only in relation to Iraq or also in relation to Afghanistan. I wanted to ask about it in both contexts, if it is possible. Can we get, for both Iraq and Afghanistan, total civilian casualties and then those associated with Australia?

Air Chief Marshal Houston—If we can handle Afghanistan in the first instance, the brief I have just been given states that there are no authoritative estimates of the total number of Afghan civilian casualties. Publicly available estimates vary widely and are unreliable. In terms of Iraq, if you go to the public website Iraq Body Count, they estimate the civilian casualties at somewhere between 83,000 and 90,000 as at 5 May 2008.

Senator NETTLE—Is that the one considered by the ADF to be the most accurate assessment of civilian casualty numbers?

Air Chief Marshal Houston—There are no authoritative estimates. That is one that is available. I just refer you to it because I think it is plausible, but I would not like to say that is the one I agree with because, simply put, I do not think anybody knows.

Senator NETTLE—I want to ask you about the death of the baby and teenage girl in the operations that the ADF and the Taliban were involved in. Can you give any explanation as to how that came about last November?

Air Chief Marshal Houston—Yes. You would probably remember that that was the clearance operation where Private Worsley was killed.

Senator NETTLE—Yes.

Air Chief Marshal Houston—It was in November last year. Essentially our people went into that compound and were met with very strong resistance and were involved in a very

long and drawn out close quarter contest with the Taliban. Those deaths occurred during those clearance operations. We lost one person and a number of Taliban were killed in that particular fight. They were the circumstances and regrettably there were two civilian deaths.

Senator NETTLE—At the time, Lieutenant General Gillespie was talking about troops taking steps to ensure that engagement with Taliban extremists does not put the lives of civilians or non-combatants in jeopardy. I want to ask you about what steps Australian troops were taking in that particular instance to ensure civilians were not in jeopardy?

Air Chief Marshal Houston—They conducted themselves superbly. They went into what I can only describe as a hornet's nest. They fought their way through that compound in a way where they were very measured in their use of fire. There were two civilian casualties, but this was a fight that lasted for some considerable period of time—some hours.

They conformed completely to their rules of engagement. Regrettably, there were collateral consequences in that the two civilians were killed. If they had been indiscriminate the death toll would have been much higher. They conducted themselves in a very professional way and when you consider that they were being fired at through all of this, I think their actions were highly commendable. Having read the report, I have absolutely no doubt that they did the right thing. Indeed, I think the report is available to you. If you wish we can give you a copy, but it is available on the Defence website.

Senator NETTLE—Thanks. Were the two civilian casualties the baby and the teenage girl? They were the only two civilian casualties?

Air Chief Marshal Houston—They were the only two. At one stage there was a suspicion that there might have been a third but later it was discovered that the third person was actually a combatant—they were handling a weapon.

Senator NETTLE—Do you know how many other civilians were in the area or at the site?

Air Chief Marshal Houston—I do not know the precise number but there were other civilians in the area. That is why I say the way they conducted themselves was very commendable, because there were other civilians who were in the compound and all the other fatalities were people who were firing at them and were engaged in the combat.

Senator NETTLE—Do you know if there were injuries to other civilians?

Air Chief Marshal Houston—No, not as far as I know. Have you read the report?

Senator NETTLE—No, I have not.

Air Chief Marshal Houston—It is available and we will make it available to you.

Senator NETTLE—Thank you.

Air Chief Marshal Houston—All of the detail is covered in that report and nothing is hidden. It is a very open and I think a very good report.

Senator NETTLE—Maybe the question about the number of other civilians in that area is in the report. If that is not in the report, can you take that on notice?

Air Chief Marshal Houston—I will take that on notice.

Senator NETTLE—You were describing the conflict before in terms of it being as a result of a search. Was that an ADF initiated conflict rather than a Taliban initiated conflict?

Air Chief Marshal Houston—We went in to the compound, we gained information that basically suggested it was a Taliban facility and, sure enough, when we went in we were confronted by a large number of people who basically resisted our entry to the compound.

Senator NETTLE—Is part of the difficulty with the Afghanistan conflict—and I suppose this being an example in particular—like it was in Vietnam, with forces for the ADF fighting amongst the general Afghan population in the way in which the conflict is being carried out?

Air Chief Marshal Houston—If I put it this way: our approach is to go after the Taliban leadership and the Taliban bomb makers—the people who bring indiscriminate approaches to the way they conduct operations, where they lay roadside bombs which might kill Afghans, might kill our people, might kill anybody who just happens to come along. These are the sorts of people we go after. Essentially, our intelligence was 100 per cent right. The facility we went into was a Taliban facility—there is absolutely no doubt about that—and the report produces a large body of evidence to support that.

Senator NETTLE—Thank you. Is there any ADF estimate or other estimate about how many of the Taliban fighters are part-time fighters in the sense you were describing before: farmers by day and Taliban fighters by night or at certain times of the year. Is there any estimate of that?

Air Chief Marshal Houston—The Taliban are embedded within the communities within that area, indeed all across southern Afghanistan. That is the way they operate. They will often come into communities and coerce and intimidate the local population into giving them shelter, giving them support and so on. I will leave it at that.

Senator NETTLE—So how does the ADF then distinguish between Taliban and Afghan civilians?

Air Chief Marshal Houston—The Taliban usually carry weapons and they usually fire at us. When we were in that compound, the people, with the exception of the two people you have mentioned—everybody else that was—

(Audio not available from 11.40.57 to 11.41.58)

Air Chief Marshal Houston—We have very strict rules of engagement which require our people to be absolutely certain that whoever they engage is Taliban. Most of the time the people they engage are people who fired at them first. In circumstances where we go into a compound—and on this particular occasion it was what we call a ‘soft knock’, so we went to the door and basically went in, and went in in a fairly normal way, and we met great opposition with a large number of people firing at our people. It was at that time that Private Worsley was killed. In those circumstances there was absolutely no doubt that we were being taken on by a large element of Taliban fighters. Our intelligence suggested that this was a Taliban facility and indeed it was, and the mere fact that they fired at us suggested that they were not innocent civilians carrying weapons. So they are the sorts of circumstances where our people use lethal force. They do not go around the countryside just blazing away at anybody who is carrying a weapon—far from it. The rules of engagement do not allow that.

In terms of identification of who's who, we are absolutely scrupulous in the way we enforce those rules of engagement. Our soldiers are very professional and always conduct themselves under those rules of engagement.

Senator NETTLE—What proportion of the Taliban would be locals, or from other areas, that you are dealing with?

Air Chief Marshal Houston—We know that a lot of the people that we engage come from countries other than Afghanistan.

Senator NETTLE—Is it possible to give any estimate in terms of numbers or proportion?

Air Chief Marshal Houston—I think that would be pretty hard for us to run down. I could not give you a definitive figure. All I will tell you is there are people from other countries who are fighting with the Taliban and, indeed, a lot of the leadership comes from beyond Afghanistan.

Senator NETTLE—I want to ask the minister a question in relation to the civilian deaths. I know it is an issue you have been outspoken on before. Is it the government's view that there should be some kind of assessment or count of civilian deaths, both in Afghanistan and Iraq?

Senator Faulkner—I do not know what the official view of government might be on this issue, but I think it is fair to say that, from my knowledge, agencies do treat this sort of information as being important. Of course, not only in relation to the conflict that you mention in Afghanistan but also in relation to Iraq, it has been something which has received a very significant focus. I do not personally have at my fingertips any further or better information than the information that CDF has been able to provide to you in relation to civilian casualties in Afghanistan. Obviously, I have a broader understanding of this issue as it is related to Iraq.

Senator NETTLE—You said you are not quite sure what the official government position is. Is that something you could take on notice in terms of determining where there is a government position that we should be counting civilians and what we should be doing to make that happen?

Senator Faulkner—I am saying that, in relation to civilian casualties in Afghanistan, I do not have any personal knowledge of this. I certainly do have a background in relation to respective groups that have undertaken attempts to ascertain this information in relation to Iraq—that was the point I was making to you. I have heard the evidence that CDF has provided in relation to the situation in Afghanistan. My personal understanding is that this is an issue that has received more focus in relation to Iraq than has been the case—which is quite different, as you know—in Afghanistan. I am certainly happy to take the question on notice for you to see if there is any further or better information that can be provided in relation to the situation in Afghanistan. But I suspect that CDF is likely to be in a very strong position to be able to provide that information to you at the hearing. I do not know whether I will be able to provide any additional information, but certainly, if that is possible, I am happy to try and do so—but I suspect that CDF will be in the best position to advise this committee, and, for that matter, to advise government about this issue.

Senator NETTLE—I accept what you are saying about not having the numbers—I am interested in whether the government is doing anything to encourage NATO or the ISAF to put in place systems for counting civilians or supporting other groups who are counting civilians, because that is how it has happened in Iraq. So it is more about what the government is doing to encourage that kind of civilian count to occur.

Senator Faulkner—I am very happy to ask the Minister for Defence if he is able to assist any further on that. I am unable to myself, but certainly I will ask the Minister for Defence if those issues have been raised in the manner that you ask about.

Senator NETTLE—CDF, you were saying that there are people coming from other countries to fight with the Taliban. Is there an assessment of which other countries people are coming from?

Air Chief Marshal Houston—A lot of them are from neighbouring countries and some are from further afield.

Senator NETTLE—Pakistan in particular—would there be significant numbers of people coming from Pakistan?

Air Chief Marshal Houston—There are some who live in Pakistan who come across the border during the fighting season. But, other than that, I am not prepared to go further than that.

Senator NETTLE—Those are all the questions I have on Afghanistan. I have other questions on ADF operations.

Senator MINCHIN—Chair, I want to raise the issue of the entertainment of troops in Afghanistan. Do you want me to do that now?

CHAIR—You can do that now.

Senator MINCHIN—CDF, could you enlighten us as to what sort of program is in place for the entertainment of troops in Afghanistan and whether that applies to Iraq as well? Are the two treated as one for the purpose of entertainment of troops? How that is planned and who is responsible for planning it?

Air Chief Marshal Houston—We have great support from Australian entertainers. Forces Entertainment basically comprises entertainers who volunteer for these tours. They are not paid for their services. We pay them allowances to cover their meals and expenses but they give of their own time and give up more lucrative opportunities to go and perform their songs, their comedy and all the rest of it for our people. Over the years these tours have been spectacularly successful. We have a program that covers not only Afghanistan but also Iraq, all of the locations in the Middle East, Timor, Solomon Islands and indeed they have also done tours for our people who are deployed in remote localities in Northern Australia. They do a magnificent job. It is a full, comprehensive program that has worked wonderfully well over many years. I know there has been some controversy recently, but I would just like to put it on the record that I deeply appreciate that great professional support we get from Australian entertainers. They give of their own time, they are not paid and they forego more lucrative venues and opportunities to perform for the Australian troops.

Senator MINCHIN—Thank you for that. Are they approached by the military to undertake these tours or do you sit back and wait for people to just volunteer their services—how does it work?

Air Chief Marshal Houston—We have a Forces Entertainment committee. It is chaired by the head of the RSL, Major General Bill Crews. The committee comprises a number of people from the entertainment industry. These are people in management positions, people who are commentators and performers in their own right and essentially the Vice Chief of the Defence Force also participates. They discuss and approve the tours that will be put together. When we get to the point where they deploy, clearly they deploy under my authority and they go and do what has to be done and do it very well.

Senator MINCHIN—What contractual basis is there between the military and the entertainers? We have seen some reference in the media to undertakings which the entertainers give in relation to their behaviour. Equally, what is the quid pro quo the other way? What does the military undertake with respect to their safety and transport et cetera ?

Air Chief Marshal Houston—We obviously provide for their force protection and security. We fly them around, we look after them and we give them accommodation and so forth. They provide their time and give their performances. I am not sure what we sign with each individual performer, but I will take that on notice, if you wish, and I will come back to you. There is certainly some sort of arrangement, but I would like to be sure that I give you the right information before I respond.

Senator MINCHIN—Is there a specific written requirement not to fraternise with the troops? Is that one of the conditions that entertainers agree to in writing?

Air Chief Marshal Houston—I would like to come back to you on that. You refer to undertakings being made—I would like to make sure that before I respond to you I have the right basis.

Senator MINCHIN—With respect to the incident involving Ms Zaetta, can you tell us what that tour involved and how many were on it when this occurred? Was that trip only to Afghanistan or did they go to Iraq?

Air Chief Marshal Houston—They went to Afghanistan, Iraq and through the other locations in the Gulf States. It was a normal sort of a tour. There were several entertainers. There were several other people who facilitated, managed and supported the tour. Again, I will come back with the detail of that. But it was a pretty normal sort of a tour.

Senator MINCHIN—Could you then explain to us, in as much detail as you are able to, the sequence of events that led to what I think you now accept is an extremely embarrassing public revelation? Was there a complaint that was made or a rumour—what was the status of the report which the military received with respect to allegations of inappropriate behaviour? Could you then detail exactly what was done with respect to that allegation, what written documentation was produced and where it went?

Mr Warner—There were rumours that were reported to the department. A briefing paper was then prepared and sent out to about 90 individuals. That briefing paper named the individual. Because of that and because this was not felt to be a circumstance in which a name

should be used, the briefing paper was quite quickly withdrawn. Details of the paper, however, were quite clearly passed on to the media.

Senator MINCHIN—At what level did this rumour—which is what you say it was—reach before this paper was produced and sent to, may I say, an extraordinary number of people?

Mr Warner—We have a process whereby a breaking issue of importance is communicated to this sort of number of individuals in Defence. That was the process that was being followed on this occasion. As I say, it was regrettable and a mistake, as far as I am concerned, that the individual was named.

Senator MINCHIN—Was that naming in fact a breach of internal rules with respect to privacy or simply an on balance judgement?

Mr Warner—I might just step back a bit and then come to a direct answer to your question. When we came to understand that the media had access to the information contained in the brief, we contacted the media outlet concerned and asked them in any story they were going to put out not to name the individual. That was after we had withdrawn the briefing material.

In response to the individual being named in the briefing material, we immediately took the matter to our security agency and asked them to investigate how this apparent leak had occurred. We also undertook an assessment—what we called a quick assessment—to see what, in my mind, had gone wrong with our processes. Thirdly, we contacted the Privacy Commissioner and sought advice—we are still seeking advice—as to whether we, as a department, had acted correctly in naming the individual. You know my view on that. CDF also, the fourth activity review, has sought advice as to what actually happened on tour.

Senator MINCHIN—The press release that was issued on Thursday, 22 May refers to you calling on News Limited to ‘assist our inquiries by returning any material they have obtained’. Did they do so?

Mr Warner—I do not believe so but I would like to check that.

Senator MINCHIN—There is somebody behind you vigorously nodding their head in denial.

Air Chief Marshal Houston—They did not return the material.

Senator MINCHIN—Will you be pursuing the matter further or are you simply taking their refusal at face value and leaving it at that?

Mr Warner—We have a security review underway and we will wait and see what results come out of that before we decide what further steps to take.

Senator MINCHIN—Sending a brief based on a rumour to 90 people does seem rather extraordinary. Presumably, that is one of the issues you are reviewing. I presume that 90 included the minister’s office?

Mr Warner—I will have to seek advice on that.

Senator Faulkner—Yes, it did.

Senator MINCHIN—Can I ask why it took all of Thursday before any apology was issued to Ms Zaetta? When was contact made and who attempted to contact her to apologise; or was the apology only in the form of this press release at the very end of the day on which this story broke?

Senator Faulkner—We are getting another official to assist you if we can.

Air Chief Marshal Houston—That is Thursday, 15 May?

Senator MINCHIN—Yes, CPA11408.

Brig. Nikolic—In the first instance, we contacted Ms Zaetta's agent, Mr Max Markson, and discussed with him our proposal to apologise. We provided copies of those letters of apology and a copy of the press release that we were proposing to put out. Once we got his concurrence and satisfaction after he had consulted with his client, we issued that media release and sent those letters of apology.

Senator MINCHIN—When did you first contact Mr Markson?

Brig. Nikolic—That was on the afternoon of Thursday, 22 May.

Senator MINCHIN—It seems rather tardy, given the story was running from about 6 am.

Brig. Nikolic—Earlier that day we were taking advice, obviously, on the various investigations that the secretary has alluded to, and that was the first opportunity that I had to contact Mr Markson and offer him those draft documents to have a look at and then to get back to us.

Senator MINCHIN—So you have sent a letter of apology on that day. What did you apologise for?

Brig. Nikolic—Our apology was in relation to the unauthorised disclosure of the initial version of the hot issues brief.

Senator MINCHIN—When were you alerted to the fact that the media had this story? Did News Ltd contact the department the day before and indicate that it had this document and seek a comment from Defence?

Brig. Nikolic—We were advised on Tuesday the 20th, when the minister's office was contacted by the journalist. They contacted the media room and said that an enquiry had been submitted by News Ltd journalist Gary Linnell in relation to this matter.

Senator PAYNE—Were Mr Markson or his client given the courtesy of early advice of the possibility of the story appearing?

Brig. Nikolic—My understanding at that point was that the journalist had similarly contacted Mr Markson's client, Ms Zaetta, at about that time. Certainly, when I spoke to him, he indicated to me that he had already spoken to Ms Zaetta.

Senator PAYNE—That was not my question. Did Defence contact Mr Markson or his client in relation to the possibility of the story appearing?

Brig. Nikolic—No, we did not.

Senator PAYNE—Why not?

Brig. Nikolic—Once again, this was an inquiry to the minister's office that had been passed on to Defence. It related to alleged behaviour on a recent tour, and we were addressing the substance of that request at the time.

Senator PAYNE—What about the basic courtesies?

Brig. Nikolic—I have no information that any contact was made with Mr Markson immediately after our receipt of that approach by the journalist.

Senator PAYNE—Do you know if any contact was made with Mr Markson by the minister's office?

Brig. Nikolic—Do, I do not.

Senator PAYNE—Can you make an inquiry in relation to that and respond to the committee, please?

Senator Faulkner—I am happy to take that on notice for you. personally do not know but, representing the minister, I am sure he will be happy to take the question on notice.

Senator PAYNE—Thank you, minister.

Senator MINCHIN—Do you now accept that contact should have been made with Mr Markson or his client on the Tuesday when you first heard about this?

Brig. Nikolic—At that stage, there were allegations presented by a journalist about something that may or may not have occurred. We were trying to determine the veracity of what he was trying to say to us in order to determine the documents that he claimed he was referring to and whether there was anything to them. It was within the context of an approach from a journalist with very little substantial information available to us at that time.

Senator PAYNE—The information which could have been released had the potential to do enormous damage to an individual's reputation. I would have thought that, in terms of extending the basic courtesies, contact from Defence, in whose name the individual concerned participated in the entertainment visit, would have been entirely appropriate. Am I wrong in suggesting that?

Brig. Nikolic—Very quickly after becoming aware that that approach had been made, I personally rang the journalist concerned to say to him that what he appeared to have—and I did not know what he did or did not have—was a document that was not a final departmental document and that, on that basis, it would be entirely unreasonable for them to publish. The journalist agreed not to publish the information. We then set out to test the veracity of some of the things that were being said, but we took steps very quickly to ask the journalist not to publish that information.

Senator PAYNE—That was two days in advance of the event, as I understood your early response to Senator Minchin. That is to say that you were contacted by the journalist on the Tuesday and the publication occurred on the Thursday. Is that correct?

Brig. Nikolic—Yes. That happened without our notice. At the time of publication, my understanding was that they were not going to publish.

Senator PAYNE—I have to say that my concern, which I am endeavouring to express and perhaps am not being particularly clear about, is not in relation to your specific contact with

the journalist or the media. We all have experience of these processes and we know how they work and, frankly, how they do not work. My concern is in relation to the basic courtesies that might have been extended to an individual who was participating in a tour conducted in the name of the ADF. Because you had two days notice and knew that the media outlet had contacted the individual or, at least, her representative, I would have thought that it would have been entirely appropriate for Defence to also make contact.

Mr Warner—Clearly Defence did not handle this issue well. We handled it poorly in various aspects. I agree with you that it would have been a courtesy and it would have been the right thing to contact the individual concerned earlier on.

Senator PAYNE—Thank you, Mr Warner. I appreciate that.

Senator MINCHIN—You said that you were contacted by the journalist on the Tuesday. When was this document put into circulation within Defence?

Brig. Nikolic—The original version of the hot issues brief was issued on Thursday, 15 May at 1745.

Senator MINCHIN—Five days beforehand.

Brig. Nikolic—That is correct.

Senator MINCHIN—When was it withdrawn?

Brig. Nikolic—Within approximately four minutes of it being issued, someone had seen the hot issues brief and had determined that naming the individual perhaps may not have been necessary to convey the fact that an allegation of inappropriate behaviour had been made and that an investigation was occurring. So that happened quite quickly.

Senator MINCHIN—What does withdrawing a document of this kind actually mean? How do you withdraw such a document that presumably was emailed or sent to 90 people?

Brig. Nikolic—There is an ability on the IT system to recall an email, and a recall of that email was certainly attempted. A recall of that email was attempted by the originator after, as I said, it had been pointed out that naming of the individuals was not necessary to convey the essential information of the HIB.

Senator MINCHIN—But all 90 people had been emailed this document?

Brig. Nikolic—That is correct.

Senator JOHNSTON—Was that a mistake? Was sending it to the 90 recipients an error or a deliberate consideration of the sender?

Brig. Nikolic—No, the distribution list for the hot issues brief at that time was in the region of 90. Certainly, since then there has been a further review of that distribution and it has been reduced substantially.

Senator JOHNSTON—Goodness.

Senator MINCHIN—Was a second document, with the entertainer's name removed, then sent out to the same list? Is that what happened?

Brig. Nikolic—The original HIB was reviewed and a subsequent document without the names was issued, yes.

Senator MINCHIN—Was that also on Thursday the 15th?

Brig. Nikolic—That was the following morning. A new version of the hot issues brief was released at 8.39 am on the following morning.

Senator MINCHIN—Can I be clear on what investigations are currently in train? There is the unauthorised disclosure of her name—that is being investigated—as well as the privacy implications of all of this. Is that correct?

Mr Warner—Yes, that is right, together with a security investigation and an investigation into what actually happened.

Senator MINCHIN—Given all this, should Defence now not be simply accepting Ms Zaetta's quite public and unqualified denials of the allegations? Why is Defence not accepting those denials?

Mr Warner—Are you saying that we have not accepted those denials?

Senator MINCHIN—You just said there was a continuing investigation into that matter. I am happy for you to clarify that for me; tell me what your position is.

Mr Warner—I said there was an investigation being carried out by Defence's security authority to determine how the leak occurred. I think you would agree that that is a sensible and appropriate thing to do. There is an assessment being carried out to look at what actually happened with the production of this briefing material and we have also passed this issue to the Privacy Commissioner to determine whether there has been a breach of privacy or not.

Senator MINCHIN—So you have terminated any investigation into these rumours of improper behaviour and accepted her denials?

Air Chief Marshal Houston—As soon as the issue came up—this was in the first instance—a quick assessment was conducted as to the circumstances. Essentially, no, there was nothing found to substantiate the allegations.

Senator MINCHIN—So that is terminated and you have accepted it.

Air Chief Marshal Houston—It has not come to me yet, but I am aware that it did not substantiate the allegations.

Senator MINCHIN—Has Ms Zaetta or her agent been contacted in writing to confirm that this matter is at an end as far as you are concerned?

Air Chief Marshal Houston—I need to take that on notice because I am not sure what has happened as a consequence of that.

Senator MINCHIN—Presumably you would consider that to be the appropriate course of action given what you have just said.

Air Chief Marshal Houston—Absolutely.

Senator JOHNSTON—Before we move on, can we be absolutely crystal clear that, in terms of the investigation of the substance of the rumour and the facts giving rise to it, there is no ongoing inquiry at all?

Air Chief Marshal Houston—My advice is that we have done a quick assessment. I need to come back to you; I will take that on notice if you do not mind, Senator.

Senator JOHNSTON—You are saying that you do not know that? We are here today and tomorrow. I think it is important.

Air Chief Marshal Houston—I will come back to you later in the day.

Senator JOHNSTON—Thank you.

Senator MINCHIN—Finally, on this issue, is it the case that there is somewhat more difficulty in engaging female entertainers for these sorts of missions than male entertainers in the first place? As a consequence of this very unfortunate event, are you concerned that it is going to be even more difficult to attract female entertainers to undertake these missions?

Air Chief Marshal Houston—I am deeply concerned about the whole matter. I agree 100 per cent with the secretary that it was not well handled by us. I was absolutely appalled that the names were put out in a hot issues brief. I regret the whole thing. I did spend some time on this last Thursday night, when I went to the annual dinner that we have with the entertainers, speaking to very many of them. Essentially, they are disappointed with what happened but they are still very well disposed to what they do, and do very well—that is, to go out there and give of their time to entertain the troops.

CHAIR—Are there further questions on overview?

Senator NETTLE—I will just check some things. I think I have got two that definitely are overview, and then I will check where the other ones come. The first one is a pretty general question that I have been asking a lot of departments. I just want to check that I have not missed anything by not asking Defence. It is probably not relevant but I want to ask whether Defence has been involved in any way, through meetings or advice, in the matter of the rendition of Mamdouh Habib.

Air Chief Marshal Houston—I do not have any information. I would be delighted to take that on notice, but I think my initial response would be, ‘No, we had nothing to do with that.’ But I will take it on notice.

Senator NETTLE—Okay. That is cool. Thanks. That was all I wanted to ask there. I want to ask about climate change. Do you want me to do that here?

CHAIR—No.

Senator NETTLE—Well, sometimes I have done it here. That is all.

Senator Faulkner—The chair responded very quickly, I thought!

Senator NETTLE—What is the answer in relation to other ADF operations that were not mentioned?

CHAIR—Like East Timor or the Solomons?

Senator NETTLE—Yes. They were not mentioned by—

Air Chief Marshal Houston—They were.

Senator NETTLE—No, the ones I want to ask about were not mentioned in the opening statement, but they are ADF operations. Do I ask them now or later?

CHAIR—We are working through the overview statement. They are appropriately raised in output group 2.1 or 2.2—pretty well close to that.

Senator NETTLE—Okay.

CHAIR—Are there further questions in overview?

Senator NETTLE—Where did you want climate questions asked?

CHAIR—Where is it suggested that climate change be handled?

Senator Faulkner—There is no specific program, I suspect.

CHAIR—There is a specific department.

Senator NETTLE—Last time I asked them here—

Senator Faulkner—I think that, if it suits the committee and it assists, we might be able to deal with those now, before the lunch break—if it suits you, Chair.

CHAIR—It suits me. Senator Nettle can ask about climate change.

Senator NETTLE—Thank you. I have asked some of these questions before—about whether any work has been done by the ADF since the last estimates in terms of assessing the security threats and likely conflicts caused as a result of climate change.

Air Chief Marshal Houston—Senator, as you know, we are currently engaged in a white paper process. We are looking at the total environment as we go through that process, and climate change will be one of the areas that we look at in detail. I think that is all I can give you at this stage. It is a comprehensive process and the security implications of climate change will be picked up as part of that process.

Senator NETTLE—Would that be the only place where the matter would be being dealt with—as a part of the white paper—or is there some other section or department that is looking at that issue?

Air Chief Marshal Houston—As you know, I mentioned that about 12 months ago when we looked at our future joint operating concept. We are very much aware that there will be security consequences of climate change and we will do our level best to identify all of those in a complete and comprehensive way. I think it is true to say that in our region there are particular countries which could be very susceptible to changes in sea level, particularly if the level of the sea rises—small island nations out in the Pacific—and, if the climate changes dramatically in some of the countries to our north, we could see flow-on effects from that. We will have a look at all of that as part of our scan of the environment into the future.

Senator NETTLE—I wanted to get a sense of where it was being dealt with. The white paper is the way?

Air Chief Marshal Houston—This sort of work is done in our strategic policy branch in Defence. That is where most of the work on this has been done in the past.

Senator NETTLE—How many people are a part of that strategic policy branch?

Air Chief Marshal Houston—It is a team that works on all strategic policy issues, and this is one of them.

Senator NETTLE—Yes. How many people are there?

Air Chief Marshal Houston—If what you are getting at is whether we have a staff officer or a small staff dedicated to climate change, the answer to that is no. They handle it along with a number of other strategic issues.

Senator NETTLE—How many people are in the strategic policy branch?

Air Chief Marshal Houston—Could I take that on notice?

Senator NETTLE—Sure.

Air Chief Marshal Houston—It is a fairly large branch.

Senator NETTLE—I wanted to ask—maybe this question is for them—whether you are aware of a recent report by the Royal United Services Institute for Defence and Strategic Studies, a security think tank in the UK, specifically on the security challenges as a result of climate change. It was quite dramatic in some of its statements in terms of: ‘If we don’t deal with this it has the significance of a World War I or II style issue.’ I wanted to ask whether you were aware of that and whether you had any comment in relation to that.

Air Chief Marshal Houston—Yes, I am aware of that report. I am almost certain that they would have it in the department, but let me come back to you on notice on that.

Senator NETTLE—Sure. Did you want to make any comment on that report?

Air Chief Marshal Houston—No, all I would say is that I think we have to look at climate change out in the long term very, very seriously. It is a reality and it is something that will have security consequences, and we really need to fully understand what those consequences will be. I think a lot more analysis needs to be done before we can come up with firm deductions and conclusions.

Senator NETTLE—I wanted to ask some more general questions in terms of Defence’s greenhouse gas emissions and what work is being done on that. I am not sure whom to ask.

Senator Faulkner—Senator, if you would not mind, perhaps we can deal with that in the appropriate place in the committee’s consideration of the estimates of Defence, because we can have the experts who are dealing with that directly at the table for you.

Senator NETTLE—Okay. Can you tell me what bit that would be? It is fine if you do not know.

Senator Faulkner—No.

Senator NETTLE—I will try someone else. Mr Warner, can you tell me what bit that would be?

Mr Warner—We are checking.

Senator NETTLE—Okay. Will we be able to do both the defence department and operations?

Mr Warner—We will do it under capital facilities and defence support, if that is okay.

Senator NETTLE—Okay. Will I be able to ask questions for both the Department of Defence and operations?

Mr Warner—Is this about greenhouse gas emissions?

Senator NETTLE—Yes. I am sure the department is doing work on it in terms of the department's emissions, but I also want to know whether calculations are done in terms of the emissions of operations. So can I ask both those lots of questions there?

Air Chief Marshal Houston—We can do them at the same time.

Senator NETTLE—Okay. That is fine.

Air Chief Marshal Houston—I will just add that the division that looks after climate change at the strategic policy level has 64 staff.

Senator NETTLE—Thanks.

Senator Faulkner—Senator Nettle, that would be output group 1.6. I think that is where it will fit into the agenda.

Senator NETTLE—Okay; thanks.

Senator MINCHIN—CDF, can I clarify what you just said. You do not have 64 people looking at the implications of climate change, do you?

Air Chief Marshal Houston—We have 64 people looking at strategic policy and one of the elements that they consider is climate change.

Senator MINCHIN—It is one of many issues that they consider, no doubt.

Air Chief Marshal Houston—Absolutely.

Proceedings suspended from 12.27 pm to 1.30 pm

CHAIR—The committee will come to order. We are dealing with output group 1.1, Office of the Secretary and Chief of the Defence Force. I am advised this is the appropriate place for the cluster munitions issue to be discussed.

Air Chief Marshal Houston—Chair, before we get on to cluster munitions, could I clarify a number of points?

CHAIR—Yes, please proceed.

Air Chief Marshal Houston—Firstly, I was asked earlier on about the US battalion's previous work. It was previously employed in another Iraqi province and it was undertaking route security for a supply route. That is as much as I can tell you. I can confirm the mission that it will be undertaking is strategic overwatch, not operational overwatch.

Secondly, in terms of the numbers, I would like to clarify that we have 109—force level logistics asset—and we have 162 in the air transport group; I think I said 140. That takes account of the third aircraft that we have deployed.

Thirdly, I can confirm, with regard to the forces entertainment issue, a quick assessment has been completed. There was no substance to the allegations, and I will conclude the matter with a letter to the person in question. I will obviously apologise and express my deep regret about any hurt she has suffered.

CHAIR—Thank you, CDF.

Mr Warner—Chair, if I could add one or two points on that issue that the CDF just referred to.

CHAIR—Please proceed.

Mr Warner—I want to make a couple of clarifications. At about 3 pm on Tuesday, 20 May, very soon after we became aware of media interest in this issue, the tour commanding officer phoned Miss Zaetta to advise her of the media allegation. He asked if there was anything he could do to support her. I have one very small factual correction: Brigadier Nikolic referred to four minutes that the brief was out before we attempted to withdraw it; it was 15 minutes.

CHAIR—Thank you Mr Warner. We now turn to cluster munitions and, Senator Allison, you have the floor.

Senator ALLISON—I have a clarification as to what I think you were saying, Air Chief Marshal. You said the US had used cluster munitions some time after the initial attack. Is that right? What year was that?

Air Chief Marshal Houston—The point I made earlier on was that cluster munitions are generally used in conventional warfare. They are used for area denial and fundamentally they are used almost exclusively in high-end conventional conflict, being that sort of conflict we saw with the Iraq war, the invasion of Iraq in 2003. As you point out, there was the use of cluster munitions by some of our allies. I would point out that during that conflict we were also involved in dropping bombs, and every single bomb that we dropped was a precision guided munition. They were all laser guided munitions with great accuracy.

Senator ALLISON—But none of ours killed civilians?

Air Chief Marshal Houston—No, absolutely. There is no evidence of any collateral damage at all. That is one of the advantages of using precision guided munitions and the—

Senator ALLISON—disadvantage of using cluster munitions.

Air Chief Marshal Houston—The other thing that was probably relevant to those circumstances is that we had a very complete and comprehensive targeting process whereby we had a look at each target, and looked at it in detail, to ensure that we avoided dropping bombs anywhere near civilians and that we basically maintained our undertakings under the laws of armed conflict.

Senator ALLISON—On what date did the United States drop the cluster munitions you referred to earlier in your remarks?

Air Chief Marshal Houston—I do not know.

Senator ALLISON—Okay. Can you take that on notice?

Air Chief Marshal Houston—During the Iraq war, which—

Senator ALLISON—I am sorry; did I misinterpret what you said when you first spoke a minute ago? I thought you said the United States had undertaken the use of cluster munitions for a supply route. Did I misunderstand that?

Air Chief Marshal Houston—Yes. That was the US battalion that was going in behind our people in Iraq to do strategic overwatch.

Senator ALLISON—Okay. It is nothing to do with cluster munitions.

Air Chief Marshal Houston—No.

Senator ALLISON—The questions I was raising yesterday with the Department of Foreign Affairs and Trade about the treaty negotiations were to do with this question of why it was that Australia insisted on interoperability in the draft wording and not some other position. Could you just outline Defence's position on interoperability?

Air Chief Marshal Houston—It is vital that there be no constraint on our ability to work in coalition with our alliance partners and, of course, our principal alliance partner is the United States of America. My understanding of article 21 of the draft text is that it enables us to do that without any constraints whatsoever.

Senator ALLISON—Yes, correct.

Air Chief Marshal Houston—I would stress again that it is vital that we are able to do that because if we cannot we cannot operate with the United States. It means that in some future circumstances where we might be threatened it is imperative that we have full interoperability with United States. Indeed, in other circumstances where our interests are joined we need to be able to operate with them in a wide number of different scenarios.

Senator ALLISON—Can you outline the support that was provided by the RAAF for both the United States and the British aerial and ground use of cluster munitions?

Air Chief Marshal Houston—My understanding, for a start, was that we were not involved in the direct prosecution—I will call it that—of the targets where cluster weapons were used. Our targeting was all to do with the employment of our FA18 aircraft. As I have said previously, that involved 100 per cent use of precision guided munitions and a very leading edge targeting process which looked after the interests of noncombatants on the ground.

Senator ALLISON—Did we have 14 Hornets engaged?

Air Chief Marshal Houston—That is correct.

Senator ALLISON—It was my understanding that the Hornets were providing support for ground forces in firing cluster munitions. Are you saying that is not right?

Air Chief Marshal Houston—That is totally incorrect. As I said before, they used precision guided munitions and they were all laser guided munitions. There was absolutely no evidence to suggest any collateral damage. All of these weapons were used against military targets and the targeting was very precise.

Senator ALLISON—So how do you explain the attacks on the various cities in Iraq like Hilla, Najaf and Nazaria and on Al-Nasr market, where very large numbers of civilians were killed and injured by cluster munitions? Were we present? Were our Hornets there at the time that these cluster munitions were used?

Air Chief Marshal Houston—I can give you the exact number of bombs we dropped, what types of bombs they were and so on.

Senator ALLISON—I am not so interested in—

Air Chief Marshal Houston—We did not drop cluster munitions—

Senator ALLISON—I understand that.

Air Chief Marshal Houston—and we were not directly involved in those operations, so I cannot give you any more detail than what I have already given you.

Senator ALLISON—Perhaps you can take this on notice because I have seen reports which say that Australia provided cover for cluster munitions being dropped in places where there were principally civilian populations—quite dense civilian populations.

Air Chief Marshal Houston—I think you need to be more specific. I simply could not answer your question of whether we provided cover for the dropping of cluster munitions. I have told you already: we did not drop any cluster munitions.

Senator ALLISON—I know you did not drop any; I am interested in whether you provided cover for them though.

Air Chief Marshal Houston—What do you mean by ‘cover’?

Senator ALLISON—What do you mean by ‘cover’?

Air Chief Marshal Houston—No, you asked the question. I do not know what you mean by ‘cover’.

Senator ALLISON—In simple terms: our planes fly overhead and make sure that the ground troops that are firing the cluster munitions do not get fired on by someone else. Isn't that what cover is?

Air Chief Marshal Houston—No. That is not what we were doing there. In the early part of the war the Hornets flew air defence missions, they maintained one of the combat air patrols in a location in southern Iraq, they flew extensively at a very high level and they were there to defend against any interference by Iraqi aircraft. That lasted for a short period of time. Thereafter, they were used in a strike role, or close air support role, and as I indicated to you they did that using precision guided munitions.

Senator ALLISON—You talked about protecting from interference from Iraqi aircraft in the first stage. Is that not what I am—

Air Chief Marshal Houston—No, it is not.

Senator ALLISON—Okay, well how do you describe that?

Air Chief Marshal Houston—Combat air patrol locations were distant from the locations that you just gave me.

Senator ALLISON—Thanks for that. So our Hornets were principally there to bomb infrastructure. Is that right?

Air Chief Marshal Houston—No, not at all.

Senator ALLISON—What did they do?

Air Chief Marshal Houston—They were used 100 per cent against military targets such as military guns, tanks and the like.

Senator ALLISON—So if Australia had nothing to do with the matter of cluster munitions, why would you not allow for there to be some restriction within the treaty in order

to move things along a bit. I think we all agree we need a cluster munitions ban of some sort. Why not a condition within that treaty which might allow Australia to be alongside an ally who has cluster munitions and may at some time use them but that we would not be engaged—as you have reassured the committee that we were not—in assisting an ally to use cluster munitions. Why not even go that far?

Air Chief Marshal Houston—Let me indicate to you very clearly: we do not have any stocks of cluster munitions at the moment; we have never used cluster munitions in anger.

Senator ALLISON—What about the SMArt 155s?

Air Chief Marshal Houston—I do not class that as a cluster munition. I class that as a precision guided munition.

Senator ALLISON—I know we do not have the M85s and the ones that America used. I am fully aware of that. I am assuming that your assurances mean that we did not transport them or transfer them; we did not in any way assist America in its use of cluster munitions. Is that a fair summary of your position?

Air Chief Marshal Houston—That is a very fair point, yes.

Senator ALLISON—Okay, well why could the treaty not reflect Australia's current position even?

Air Chief Marshal Houston—I think the treaty is exactly what Australia was looking for. Essentially we have the ability to interoperate with our close allies, particularly the United States. We are able to retain small samples of these weapons so that we can train our people on what they look like, how to disarm them and so on should they be used against us, and importantly—

Senator ALLISON—But the treaty would allow for any sort of disarming or dismantling of cluster munitions. There is no prohibition in the treaty as worded for doing that.

Air Chief Marshal Houston—There are a number of countries that are not signatories; they are not part of the process you refer to.

Senator ALLISON—I realise that.

Air Chief Marshal Houston—You had the Oslo process.

Senator ALLISON—Correct.

Air Chief Marshal Houston—You are probably aware that there are a number of countries, including the United States, Russia, China and a few others, that were not even part of the process.

Senator ALLISON—That is right.

Air Chief Marshal Houston—There is a parallel process, the convention on certain conventional weapons, which has a much wider group of countries participating, and it will be interesting to see where that one goes in terms of its approach. I am sorry, I am not quite sure what you want me—I am very comfortable with the text that has been agreed in Dublin, or what appears to be the text. I am very comfortable with that.

Senator ALLISON—Yes, so I understand. This is what Australia argued for, is it not?

Air Chief Marshal Houston—That is correct, yes.

Senator ALLISON—I guess this is a bit like the convention on landmines. A few countries signed on initially and now pretty much everybody agrees that landmines are inappropriate weapons because they are indiscriminate, and the same argument is used for cluster munitions. The criticism which has been made of Australia's position and its argument is that this offers no means of leverage for countries like the United States to become engaged in the treaty. What do you say to that?

Air Chief Marshal Houston—I think the United States is involved in the parallel process which is running with the CCW, the convention on certain conventional weapons.

Senator ALLISON—The one that has been going for about a decade without progress?

Air Chief Marshal Houston—There are another three meetings this year where I am sure they will address the issues.

Senator ALLISON—Would you be confident that the sorts of cluster munitions used in Iraq and in so many other countries around the world would become prohibited under that process, the convention on certain conventional weapons?

Air Chief Marshal Houston—I cannot predict the outcome.

Senator ALLISON—But you are an observer of where it is going.

Air Chief Marshal Houston—I am observing where it is going but, while I think we can anticipate that we will move forward, I am not sure just how far forward we will move. It is just completely hypothetical to suggest where we might get to by the end of the year after three extensive rounds of meetings.

Senator ALLISON—So Australia is engaged in that process?

Air Chief Marshal Houston—Yes, we are.

Senator ALLISON—And what is the position Australia takes to those meetings?

Air Chief Marshal Houston—I think the position would be very similar to the position that we held as part of the Oslo process.

Senator ALLISON—So it has been similar, or you think it would be?

Air Chief Marshal Houston—I think that we would want the same safeguards of interoperability. We would want to have samples to be able to do training, not training for us to use—

Senator ALLISON—But even the Dublin treaty does not prohibit that. I am not sure why this keeps getting raised.

Air Chief Marshal Houston—And then we would want to be able to define weapons like SMArt 155 as precision guided munitions and not as cluster weapons. One thing about the SMArt 155 is that it is a very discriminate weapon. If it does not lock on to a target—and it is an anti-armour weapon—if it does not lock onto a tank it selfdestructs. You could not ask for anything more than that. That means that it will not be a problem for civilians or noncombatants on the ground.

Senator ALLISON—Why does there have to be more than one munition in these SMArt 155s? It seems to me that if you seriously did not want to be involved in cluster munitions, you would have a unit which had a single device in it rather than multiple devices.

Air Chief Marshal Houston—I am interested in the effect it delivers—and also the effect it delivers while protecting our interests under the laws of armed conflict. A precision guided munition is always better than any form of what I would call ‘dumb’ weapon, an unguided weapon. Two precision guided munitions that come out of the one artillery shell are far better than a 500- or 1,000-pound bomb that is unguided. That is the rationale. Am I happy about that? Absolutely. It means that, if there are noncombatants in areas where we might use this weapon in the future, they are going to be much better protected.

Senator ALLISON—In the conflict with Iraq, did America advise Australia about the number of submunitions it was using and where it was using them?

Air Chief Marshal Houston—I will take that on notice. The reason I hesitate is we had people who were part of the staff in the coalition air operation centre and we had people who were involved in the targeting process at quite a high level.

Senator ALLISON—They would have known—is that what you are saying?

Air Chief Marshal Houston—They would not necessarily have known, no. They were involved in target selection.

Senator ALLISON—Were these people seconded from the ADF for command purposes of coalition troops?

Air Chief Marshal Houston—We were one of the three nations that were employing air combat aircraft in strike operations. As such, we had a seat at the table where targets were selected and prioritised.

Senator ALLISON—Didn't we have a major general who was seconded by the US forces and directly involved in US operations?

Air Chief Marshal Houston—We had a brigadier who was at the coalition targeting board.

Senator ALLISON—Who was not in command of forces?

Air Chief Marshal Houston—He was a commander of our forces in the Middle East.

Senator ALLISON—Of our forces or coalition forces?

Air Chief Marshal Houston—Our forces.

Senator ALLISON—So Australia did not have anyone in command of US forces?

Air Chief Marshal Houston—No.

Senator ALLISON—How many SMArt 155s do we have?

Air Chief Marshal Houston—Could I take that on notice?

Senator ALLISON—Okay. Is there a plan to purchase further munitions of this sort?

Air Chief Marshal Houston—Not at this time.

Senator ALLISON—I know that the target of these weapons is armoured vehicles; what does the department consider to be the biggest threat to Australia in which these munitions might be used?

Air Chief Marshal Houston—I could think of a large number of scenarios where these sorts of weapons could be used—but fundamentally anywhere we are employing our forces and there is a need for close support. In other words, if we are up against an adversary who has armoured vehicles available, this would be the weapon of choice.

Senator ALLISON—So it would not be a defence weapon—it is not something to protect the borders of Australia?

Air Chief Marshal Houston—It could be, in certain circumstances. In the immediate future it would be likely to be used offshore. But this is a weapon that could be employed in a large number of different scenarios.

Senator ALLISON—Do we have any de-mining experts who are removing cluster munitions in Iraq?

Air Chief Marshal Houston—Not at this time.

Senator ALLISON—Why is that?

Air Chief Marshal Houston—There is no need for it at the moment. Cluster munitions are not being used at this time.

Senator ALLISON—They were used. There are somewhere between 1.7 and two million bomblets strewn around Iraq. Presumably, some of them did not go off.

Air Chief Marshal Houston—I am not aware of the detail of that. That all happened, as I said earlier on, back—

Senator ALLISON—Yes, I understand.

Air Chief Marshal Houston—in 2003. There have not been any cluster munitions used in recent times.

Senator ALLISON—I realise that. Who is doing the de-cluster-munitioning—if that is the right word—in Iraq at present?

Air Chief Marshal Houston—I do not know. I do not know if there is a need to do any de-clustering, as you refer to it, at the moment. I can take that on notice if you wish.

Senator ALLISON—Would you do that? It would be interesting to know if someone has surveyed how many are there. We know there are millions around the world. There are still plenty in Lebanon. There is probably 10 years worth of clean-up operations, even if we put millions and millions of dollars into that exercise.

Air Chief Marshal Houston—My expectation would have been that, immediately after the invasion was complete, that sort of clean-up operation would have conducted as a matter of priority. But I will take it on notice and let you know.

Senator ALLISON—It certainly was not conducted in Afghanistan or any of the other theatres of war in recent decades.

Air Chief Marshal Houston—That is in regard to—

Senator ALLISON—Vietnam, Cambodia, Laos, Afghanistan, Kuwait.

Air Chief Marshal Houston—Who was using those weapons in Afghanistan?

Senator ALLISON—Our allies.

Air Chief Marshal Houston—I will take your question on notice.

Senator ALLISON—Thank you.

Senator NETTLE—Chair, I have some further questions in this area as well.

CHAIR—Cluster munitions?

Senator NETTLE—Yes. Have we used the SMArt 155 weapons?

Air Chief Marshal Houston—If you mean have we used them in places like Iraq and Afghanistan, the answer is no, we do not have any artillery deployed at this time.

Senator NETTLE—Not just Iraq and Afghanistan; have we used them at all or only for training purposes at this point?

Air Chief Marshal Houston—We would have used them in the development of the capability. I imagine we have used them a couple of times in training.

Senator NETTLE—Do you know who else uses the SMArt 155 weapons? Do other countries use them as well?

Air Chief Marshal Houston—I cannot answer your question directly. I will take it on notice.

Senator NETTLE—Can you tell us what tests have been conducted on the self-destruct mechanism of the SMArt 155?

Air Chief Marshal Houston—Like all modern weapons, and particularly precision guided weapons, it would have gone through an extensive testing process.

Senator NETTLE—By the manufacturer or by anyone else beyond the manufacturer?

Air Chief Marshal Houston—Certainly by the manufacturer.

Senator NETTLE—Do you know what the test results, the failure rates, were by the manufacturer for the self-destruct mechanism?

Air Chief Marshal Houston—I do not have that information to hand.

Senator NETTLE—Is that something you could take on notice—what the failure rates are for the manufacturer's tests?

Air Chief Marshal Houston—Sure

Senator NETTLE—Has there been any independent testing beyond the manufacturer of the self-destruct mechanism?

Air Chief Marshal Houston—I will have to take that on notice.

Senator NETTLE—I will be interested again, if there has been any independent testing or testing by Defence, in what the failure rates are for that as well.

Senator ALLISON—And not just on concrete, but on soft surfaces.

Senator NETTLE—With regard to the joint operations component of the treaty that Senator Allison was just talking about, I think you indicated before that you were happy with the way that clause exists in the treaty at the moment, or the draft document, about interoperability?

Air Chief Marshal Houston—Article 21?

Senator NETTLE—Yes

Air Chief Marshal Houston—I have not personally looked at it myself and I would like to do that, but our people who have been working at it in Dublin are pretty comfortable with it. But I would like to have a look at it myself before I give a categorical response to you.

Senator ALLISON—I think it is available online.

Air Chief Marshal Houston—Sure.

Senator NETTLE—Who from Defence was involved in the negotiation of the treaty? Was that all done by the Department of Foreign Affairs and Trade?

Air Chief Marshal Houston—The delegation was led by an official from the Department of Foreign Affairs and Trade. It was a whole-of-government team. We had a substantial number of people over there who were part of the negotiating process.

Senator NETTLE—What section of Defence was represented there? Which department or what part of Defence was doing the negotiations.

Air Chief Marshal Houston—Part of that 64 that I mentioned earlier.

Senator NETTLE—The strategic policy?

Air Chief Marshal Houston—Not only do they do climate change; they also do cluster munitions.

Senator NETTLE—I wanted to ask you whether you are confident—or perhaps I should ask it more generally—whether Defence is confident that the treaty allows ADF personnel immunity from breaching the treaty if they are in joint operations with a country like the United States that might be using cluster bombs.

Air Chief Marshal Houston—Perhaps this is something I should emphasise—we have a draft but we have not had our lawyers have a close look at it as it has only been out for a few days. I only recently returned from the Shangri-La dialogue on Sunday night, and so I have not had a chance to have a look at it because I have had other things to do. We need to have a close look at it to establish whether it meets all of our requirements.

Senator NETTLE—Is it your understanding that it allows ADF personnel to operate with American personnel in operations where Americans may be using cluster munitions?

Air Chief Marshal Houston—I am not sure of exactly where the boundaries are. I would like to have a close look at it. I would like our lawyers to have a close look at it, because essentially they are the experts on our undertakings under the laws of armed conflict. It is up to them to look at it and then provide advice to us. I would be delighted to take the question at the next estimates hearing.

Senator NETTLE—You might have to take that on notice for me because I will not be here at the next estimates.

Air Chief Marshal Houston—I will take it on notice.

Senator NETTLE—I also want to ask: when there are Australian ADF personnel embedded in US forces, what is the impact of the treaty in terms of their activities?

Air Chief Marshal Houston—Again I will take that on notice. My understanding is we can operate with them, and there are not too many issues with that, but I will come back to you.

Senator NETTLE—I did not know whether there was a distinction in terms of joint operations or personnel being embedded regarding how the treaty operated. During joint training exercises between Australia and the United States, is it all right to use cluster munitions? Are they carried out elsewhere? Are they carried out in Australia? What does the treaty say in relation to Americans having cluster munitions in Australia, either here, as a part of them being here, or using them in any joint training exercise?

Air Chief Marshal Houston—Cluster munitions are not generally used in training exercises for obvious reasons. In fact, live weapons are rarely used in training exercises.

Senator NETTLE—Could you take on notice any of that as it relates to the treaty.

Air Chief Marshal Houston—Sure; no problems.

Senator NETTLE—That is all I had on the cluster munitions.

CHAIR—We will keep proceeding under output 1.1. Does anyone have questions on the white paper under this output?

Senator TROOD—I do have some questions on the white paper processes. Is that you, Mr Warner?

Mr Warner—It could well be; we will see how we go.

Air Chief Marshal Houston—Just before we start, the countries acquiring the SMArt155 are the United States, Germany, Greece and Switzerland.

Senator TROOD—Mr Warner, there is a helpful explanation of a white paper process in the PBS on pages 35 and 36. I have a couple of questions around that. The process of developing the white paper is underway, as I understand it. I understand the principles have been selected. I just want to clarify whether or not there has been a group of people established within the department, or a white paper team et cetera and, if so, how many people are involved in that process please?

Mr Warner—Yes, a team has been established. It consists of about 16 individuals, both public servants and members of the ADF. The team is headed by one of the deputy secretaries, Mike Pezzullo.

Senator TROOD—Is there a cost estimate of the process overall?

Mr Warner—Yes. The cost we have estimated over two years is \$5.5 million, with \$2.2 million of that for 2007-08.

Senator TROOD—Is that over two financial years?

Mr Warner—Yes.

Senator TROOD—Good. As I understand it, the process will contain a force structure review and also some companion reviews related to it.

Mr Warner—That is right.

Senator TROOD—Are those companion reviews being conducted in-house or are some being outsourced?

Mr Warner—No, it is all being done in-house, Senator. Perhaps I could explain what the activity is. It is somewhat unusual. We are doing a ‘classic’ white paper, if I could call it that. We are examining the strategic environment, what changes have occurred since the last white paper—which, as you know, was about eight years ago—what threat is facing Australia, what force structure we need to protect Australia to project force over the time period from now until 2030. That is a classic white paper. As you say, a force structure review is part of that process. The companion reviews will look at a range of issues and activities within Defence. I can go through them with you if you like. There are eight reviews. We will have a logistics review; we will review our estate; we will look at our ICT systems, our industry capacity, what the workforce needs of Defence are over that 22-year period and DSTO. I can go on.

Senator TROOD—I see.

Mr Warner—The idea is to get a complete understanding of the defence enterprise from the strategic environments force mix right through to what parts of the defence establishment work well and what parts do not work well, that perhaps require remedial action to get them up to scratch.

Senator TROOD—What is the expected completion date of the paper, Mr Warner?

Mr Warner—It is due for consideration by the government in December.

Senator TROOD—In December. I see. Will the National Security Statement be available prior to that or is it expected to follow the white paper?

Mr Warner—The National Security Statement is not the responsibility of Defence.

Senator TROOD—I understand that.

Mr Warner—We have an input into it. My understanding, and it may be an incomplete understanding, is that that will come first.

Senator TROOD—As I understand it, the process with regard to the white paper envisages some community consultations and they are being commissioned. I was not clear, though, about whether the community consultations are being undertaken by panel members or whether they have been commissioned to a marketing group or something like that. I was not clear about that in relation to the remarks in the PBS.

Mr Warner—We are pretty much following the model set down during the last white paper process, where there was a community consultation process. Mr Stephen Loosley is chairing the group on this occasion, and Arthur Sinodinos is his deputy chair.

Senator TROOD—Have those consultations begun as yet?

Mr Warner—No, they have not.

Senator TROOD—When are they expected to start?

Mr Warner—Shortly.

Senator TROOD—Will they be travelling to all capitals?

Mr Warner—It will be the same process as last time. They will travel the country; they will talk to community and other groups.

Senator TROOD—Is the cost of that included in the \$5.5 million?

Mr Warner—That is right. I can give you a breakdown of the \$5.5 million if you are interested.

Senator TROOD—Yes.

Mr Warner—Yes, it is. We are estimating the community consultation part of the process to be half a million dollars of the \$5.5 million.

Senator TROOD—Although that has not yet begun, when do you expect that process to be completed?

Mr Warner—I do not have that timeframe in front of me, Senator, but it will be well before the white paper process itself is completed.

Senator TROOD—So this is to feed into the process? It is not intended to be a commentary on the results?

Mr Warner—That is right. It is to inform the process, exactly as happened last time.

Senator TROOD—Good. I have one final point. I noticed that the remarks in the PBS give assuring indications that the community consultation process will allow discussions with state and territory politicians. I hope it might also include access to national politicians.

Mr Warner—It seems very likely to me.

Senator SANDY MACDONALD—Does the community consultation have an official launch, Mr Warner?

Mr Warner—Yes, very shortly.

Senator SANDY MACDONALD—Obviously there will be a chance to appear before the consultative committee. Will there also be a chance for written submissions to be made?

Mr Warner—Yes, there will.

Senator SANDY MACDONALD—That will be made perfectly clear at the launch?

Mr Warner—Yes, it will be made perfectly clear.

Senator SANDY MACDONALD—Thank you.

Senator MINCHIN—You referred to eight companion reviews. Mr Fitzgibbon referred to nine companion reviews on 15 May in parliament. Mr Combet referred to six companion reviews in May. I am interested now that there is a third number in the ring. I wonder if you could help us by listing each of the eight and providing us with that list.

Mr Warner—I will certainly do that. The confusion I think arises because we are also doing a couple of other reviews, but I will read out the 10 reviews for you.

Senator MINCHIN—What is the difference between a review and a companion review?

Mr Warner—Let me give you the list and I will come to that. There is the Defence Capability Plan review; preparedness personnel operating cost review—I will give you this list, Senator Minchin—the logistics review; a review of the estate; workforce review; industry and capability review; our information and communication technology review; and a review into science and technology, DSTO. There are also reviews into our intelligence assessment and collection processes and apparatus and also the Mortimer review—if I can use that term—into DMO.

Senator MINCHIN—Is there anything not being reviewed?

Mr Warner—I hope not.

Senator MINCHIN—It might help all of us if you and the ministers could all use a common, numerical description of what is going on.

Mr Warner—The numbers have changed over time as we have looked further into the enterprise and, as you know, it is a vast and complex business. We have added to the list.

Senator TROOD—Perhaps you could encourage the secretary that there will be only one white paper at the end of it all.

Mr Warner—Yes.

Senator MINCHIN—You referred to an estate review. Presumably, that is the review that will look at the issue of base rationalisation, is it?

Mr Warner—It will look at the estate, yes. It will look at the whole force disposition issue.

Senator MINCHIN—Thanks.

Mr Warner—If one wanted to, an 11th review could be added. You will know that—

Senator Faulkner—I would suggest if Senator Minchin kept asking questions that might happen. Little did I believe it actually had happened.

Senator MINCHIN—I had better stop while I am ahead.

Mr Warner—There will be an external review of the Defence budget, financial systems and position.

Senator MINCHIN—That is the ANAO—

Mr Warner—No, it is not ANAO who are reviewing Defence on a regular basis.

Senator MINCHIN—Do you want to explain a bit further about the external review? Who is doing that? And is that part of the white paper process or quite separate?

Mr Warner—It is not formally part of the white paper process. As I say, it is an external review of the Defence budget. It was announced by the government as a pre-election commitment. It is to look at our entire budget processes and our financial situation. It will be led by an individual. We have a tender process going on to find the right team, the right organisation to support him. The time frame is much the same and we would hope that the results of this external review will feed into this complex of reviews and processes that are underway under the white paper.

Senator MINCHIN—Now that I think about it, there is a 12th review—the air capability review—is there not? Would you regard that as No. 12?

Mr Warner—I am running out of fingers—

Senator Faulkner—If it is 12, you have run out of fingers.

Mr Warner—The air combat capability review will feed into the white paper as well.

Senator MINCHIN—I was going to ask you at some other stage but while we are at it, that review has been completed as I understand it, has it not?

Air Chief Marshal Houston—Yes, that review has been completed. It is a fairly long report. It is being considered by our minister and it will go forward to the National Security Committee of cabinet before being fed into the white paper process.

Senator MINCHIN—Does that mean there will be no public announcement of the outcome of that review before the white paper itself?

Air Chief Marshal Houston—I am not going to second-guess the government.

Senator MINCHIN—Is it possible that there will not be an announcement?

Air Chief Marshal Houston—I guess it will be discussed at the National Security Committee of cabinet, and the Prime Minister will give us direction as to what he wants done with the review from there.

Senator MINCHIN—But you have indicated by your remarks that it is possible that there will be no public revelation of the outcome of the air capability review until the white paper itself is delivered—is that the case?

Air Chief Marshal Houston—I do not know.

Senator MINCHIN—That means it is possible.

Air Chief Marshal Houston—It is really up to the government what happens from here. All I am telling you is that the process is continuing. The minister has considered it. It will pass, first of all, to the Secretaries Committee on National Security—the next one that Mr Warner and I go to. Then it will go up to the NSC. What happens to it from there will be the prerogative of the Prime Minister, and I will wait and see.

Senator MINCHIN—So it does remain possible. Isn't that review about whether or not the government remains committed to the process so far with respect to the Joint Strike Fighter? That review, as I recall, specifically said that it would inquire into whether or not Australia should remain committed to that process or, indeed, examine alternative options, including the F22. How can you possibly leave that question open, at least in the public arena, until December?

Air Chief Marshal Houston—I guess we will see what happens at the next NSC.

Senator MINCHIN—Wouldn't you concede that, from the point of view of the public's confidence in the government's air capability planning—and that of the suppliers and everybody else who is involved in the Joint Strike Fighter project—to leave that issue up in the air for potentially another six months is quite untenable?

Air Chief Marshal Houston—Again, I am not the decision maker in these circumstances and I will wait to see what the Prime Minister decides.

Senator MINCHIN—Is my premise correct, or are you telling me that it will not really matter if there is no public revelation of this until December?

Air Chief Marshal Houston—It is a matter for the government, and I, like you, will await the outcome with interest.

CHAIR—Any further questions on 1.1?

Senator NETTLE—I want to ask about the cost of the kangaroo cull.

CHAIR—That would come in the Chief Finance Officer's section—output group 1.12.

Senator NETTLE—And we are still in 1.1?

CHAIR—We are.

Senator MINCHIN—I have another couple of questions. Has the Department of Defence ever engaged the services of CMAX Communications?

Mr Warner—Yes, we have. If you are going to pursue this line of questioning just now, I am not sure that we have all the right people here.

Senator MINCHIN—It is hard to know where to ask, but I thought this was as appropriate as any.

Senator Faulkner—It is fine if you want to ask those questions now but, if you have a significant number of questions, another official probably needs to be here.

Senator MINCHIN—I want to know whether the department has ever engaged CMAX and, if so, the details of those engagements.

Senator Faulkner—That is fine—let me just check if we can answer that now, or if it would be better to come back to give you a full answer. If you would not mind—

Senator MINCHIN—You will come back to that?

Senator Faulkner—We will do it as soon as we can.

Air Chief Marshal Houston—Perhaps while we are waiting for that, I could respond to the question about what sort of agreement we have with the entertainers when they go on these tours. Essentially the entertainers on the tours are required to sign a deed for professional services prior to deploying. One of the provisions within the deed is that, 'While in the area of operations, the service provider consents to being subject to Defence Force discipline as a defence civilian.' That is clearly defined in other documentation. They maintain that status while they are in the area of operations for obvious reasons—for their own protection. The deed is a fairly comprehensive document which covers our obligations and their obligations.

CHAIR—Thank you, CDF. My understanding, Minister, is that we are making arrangements to have the relevant officers come forward to have the discussion—

Senator Faulkner—We are, but I suspect they are not in the building. So it might be 20 minutes to half an hour or so before we can assist you, Senator Minchin. Obviously we will

come back to it as soon as possible. As I indicated to you, I will let you know informally when the officials are here.

CHAIR—Thank you, Minister. We will keep proceeding under output group 1.1.

Senator NETTLE—Can I check to see where two other questions go. There was an article in the *Age* yesterday about terror detainees being held on prison ships, US rendition policy and allegations from a human rights group. I just wanted to see if we could shed any light on that. Do we know about that? Are we involved in that? What could that relate to?

Air Chief Marshal Houston—That is news to me. We have absolutely no involvement in anything like that.

Senator NETTLE—If there is anything that you can add, that would be great. That article was in yesterday's *Age*. The other question—and I don't know whether it belongs here or not—is: what is our defence cooperation with China? Can I ask that here or not?

Air Chief Marshal Houston—We have got a very healthy relationship with the Chinese. It is characterised by a large number of senior officer visits both ways. We do an annual strategic dialogue. That is in its 11th year. In more recent times we have done some exercising with them. Last year we did a search and rescue exercise involving their navy and our Navy in the Tasman Sea. It also involved the New Zealand navy. The other area where we have had a healthy exchange is in the staff college area. They send their students to our staff colleges and we have had our people attend their staff colleges. On a fairly regular basis, their national defence college comes down here to Australia and our senior college, the Centre for Defence and Strategic Studies, which is the higher level course in the Australia Defence College, goes to Beijing. That is a healthy relationship which has added some substance to the relationship.

Senator NETTLE—Is that the extent of it? I just wanted to get a sense of what it was. Does that cover it all?

Air Chief Marshal Houston—There is another area where we have provided some assistance. We provided them with our lessons learned from our experience with the 2000 Olympics and the 2006 Commonwealth Games, particularly in regard to counterterrorism doctrine and procedures.

Senator MINCHIN—Can I just ask about ministerial press releases. I obviously read Mr Fitzgibbon's press releases very carefully and I notice a rather ad hoc procedure with respect to the listing of media contacts on these releases. Occasionally it will just be 'Christian Taubenschlag (Joel Fitzgibbon)'. On others it will include, as well as Mr Taubenschlag's contacts, 'Defence Media Liaison'. There does not appear to be any rhyme or reason as to why some have just Mr Taubenschlag and others have both. Is there someone who can help by indicating to me what the criteria area for listing media contacts on ministerial press releases, under what circumstances the Defence Media Liaison is there or not there, and what rules apply to these releases?

Senator Faulkner—Senator, I cannot help you but I understand we do have an official who will be able to help you.

Senator MINCHIN—Thank you, Minister.

Mr Warner—But he was out of the room when you asked the question, so could I ask you to repeat it.

Senator MINCHIN—My question is with respect to the criteria that applies to the listing of media contacts on ministerial press releases. I obviously read Mr Fitzgibbon's press releases carefully and there seems to be an ad hoc listing of media contacts, either just Mr Taubenschlag—who, I gather, is Mr Fitzgibbon's press secretary—or, on other occasions, ministerial press releases with not only his name and contact number but also Defence Media Liaison. I wonder if you could explain to us exactly what criteria are applied to determine on which press releases of the minister's Defence Media Liaison gets listed as a contact, and on which it does not.

Brig. Nikolic—If it is a ministerial media release and it is sent to us to put out, in most of those circumstances it would likely have the minister's media adviser at the base of the release. There are circumstances, however, where the media ops number might also be placed, and one of those circumstances might be where we have placed material on the web as an addendum to the information in that media release, or there is the potential for further follow-on calls within the department on an issue related to the subject of the release. There are no hard and fast rules; it is very much situation dependent. But, generally speaking, if it is a ministerial release provided to us by the minister's office that they have drafted for us to put out through the system, then generally speaking that would be specific to Mr Taubenschlag rather than inquiries to my staff.

Senator MINCHIN—Is the issue of you listing Defence Media Liaison as a contact entirely at your discretion?

Brig. Nikolic—Yes, it is. As I said, we look at the substance of each release and make a decision as to whether there might reasonably be some follow-on assistance we can provide to journalists to direct them to a particular part of the web, or to direct their questions more broadly within the department. It is not unusual for both Mr Taubenschlag and the general inquiries number for media ops to be at the base of media releases.

Senator MINCHIN—Would you seek to avoid ever putting Defence Media Liaison on a release as a contact if that release contained obviously political commentary?

Brig. Nikolic—As I said, if it is a question relating to the political commentary you are referring to, we do not deal with those. We would pass those directly to the minister's office. We do not deal with those sort of inquiries.

Senator MINCHIN—But wouldn't you think it inappropriate for Defence Media Liaison to be listed overtly on a press release that contained political material?

Brig. Nikolic—I guess the difficulty there is, as I said, it is not as clear-cut a situation in most circumstances, and there might very well be departmental related issues that we might need to follow up on but which do not have that political dimension to them. But if a question comes in relating to an issue that properly resides within the minister's office, then that is where my staff refer the inquiry to; they do not address those inquiries themselves.

Senator MINCHIN—So you do not have an internal rule that you would not put Defence Media Liaison contact details on a release which contained material which was overtly political by nature.

Brig. Nikolic—That has certainly happened in the past. We have not had media ops numbers on releases that had specifically come from the minister's office and had been drafted in the minister's office. All we are is a conduit by which we pass that release into the public domain. So that situation certainly has arisen in the past. But, on average, we put out anywhere between 500 and 1,000 media releases each year, so, as I said, both of those situations do arise—where it is just the minister's office, where it is simply media ops or where it is a combination of both.

Senator MINCHIN—There seems to be, I think, a problem here. There was a ministerial release of Thursday, 22 May referring to the subject we have just been discussing in relation to the hot issues brief about the rumour from Afghanistan, which in the third paragraph contained an overtly political attack on me. Quite properly, Defence Media Liaison was not listed—only Mr Taubenschlag. But there was another release, on 13 May, referring to the Army's new infantry battalions. That release, again, contained a political attack on the former government. It said:

“Our predecessors committed to establishing two new infantry battalions without making adequate funding available ... Despite the former government's shortfall, the Rudd Government is absolutely committed to delivering the two battalions ...”

That release, containing equally overtly political material, nevertheless had your Defence Media Liaison contact details, thus associating you with overtly political material, which I would have thought is something you should be endeavouring to avoid at all costs.

Brig. Nikolic—I agree entirely. If we do get questions on the political substance of that release, we would direct them to the minister's office. But if the question from the journalist were dealing with the Enhanced Land Force and the way that that was progressing in line with talking points that we had previously established, then we would reasonably provide a response on a factual basis as to how the Enhanced Land Force project might be going. I agree with you that we would not entertain the questions relating to the commentary that you have just raised—we would refer questions in that instance to the minister's office—but, if they were more broadly factual and related to things that the department could quite properly entertain, then we would address those questions.

Senator MINCHIN—My question was not about who answers what questions that might arise as a result of the statement. It was about the propriety of Defence Media Liaison listing itself as a contact on a release which contains overtly political material. Clearly, by the examples that I have demonstrated, you are not exercising any consistency in that given that, as I say, there is one where, quite properly, you are not listed—which, again, contains information from the minister but has overtly political material—but then there is another one where you are listed. That is entirely inconsistent, and in my view it is quite inappropriate for you even to be listed on a release that contains such political material.

Mr Warner—We have not changed our processes or approach in any deliberate way over the past six months, since the change of government, but given what you have said we will go

back and have a look at the record over the past six months to see if, somehow, our process has changed, we have slipped up or we are getting a bit more sloppy. We will take action to review it and correct it if we find that we have been.

Senator MINCHIN—I would appreciate that, Secretary, because I do think that, as a matter of propriety, the department should avoid listing itself on and associating itself with releases which are clearly political.

Senator NETTLE—I have one more question. Is the Australia-US Treaty on Defence Trade Cooperation here or somewhere else?

Air Chief Marshal Houston—It is here.

Senator NETTLE—I just want to ask whether the treaty covers nuclear technology.

Air Chief Marshal Houston—I do not believe that that would be there, no. But again, just to make sure, we will take that on notice. But I am almost 100 per cent certain that the answer to that question is no.

Senator NETTLE—The second question was: will the treaty exempt the transfer of nuclear technology from other regulation in Australia? Maybe if it does not relate to nuclear technology, then that is not—

Air Chief Marshal Houston—I do not think it addresses nuclear technology in any way at all because, simply put, we do not have any in this country, and we do not require any.

Senator NETTLE—It was just unclear from the information we had whether that covered it or not. I understand there has been concern about the treaty in the US: do you know whether it has passed the US congress yet?

Air Chief Marshal Houston—The treaty is still to be ratified in the US. It is still with the US congress and, of course, it still has to go through the parliament here as well.

Senator NETTLE—Thank you.

Senator Faulkner—Chair, Senator Minchin had a question about the company, CMAX. Mr Warner will certainly be able to assist him. Senator, in case you care to ask Dr Gumley a question, he will be here in a couple of minutes too, so that may also assist you. You may not wish to ask Dr Gumley questions, but we have certainly tried to ensure that he will join us in a minute or two. But I think that if you cared to begin your questioning, we can do that with Mr Warner.

Senator MINCHIN—Thank you, Minister, I will repeat the question. Has the Department of Defence ever engaged the services of a company by the name of the CMAX Communications?

Mr Warner—Yes, we have.

Senator MINCHIN—Are you able to detail those particular engagements?

Mr Warner—Yes, I can. I will start by saying that in respect of Christian Taubenschlag, he was employed by Defence from 2001 to 2007 both as a non-ongoing defence civilian and as a contractor working in public affairs, management and advice. From February 2001 until towards the end of September 2004 he was employed as a non-ongoing civilian in defence, a

member of the Public Service. From October 2004 through a number of contracts until October 2007, he was contracted to DMO and that, indeed, is why we are waiting for Steve Gumley to arrive.

Senator MINCHIN—Was Mr Taubenschlag engaged in his own capacity, or in his capacity as a principal of CMAX Communications?

Mr Warner—Yes, as CMAX.

Senator MINCHIN—So it was not on a separate basis; it was an ongoing permanent engagement, was it? It was not job specific?

Mr Warner—No, there were four. We need to divide it into the period he was non-ongoing civilian employee with Defence and the time that the period during which he worked in DMO as a contractor. I think your question goes to the latter period. In that latter period there were four specific contracts.

Senator MINCHIN—Are you able to detail those.

Mr Warner—I can provide you with the time frames. Between October 2004 and May 2005 within DMO strategic communications section, from the end of May 2005 to August 2005 services to the air warfare destroyer project, September 2005 to the end of July 2006 services to the air warfare destroyer again, and from September 2006 to towards the end of October 2007 again in the strategic communications services area working with Steve Gumley, again on the AWD contract and others.

Senator MINCHIN—You may not be able to answer this, but was the termination in October 2007 a function of the contract itself or a function of the election rendering him incapable of completing that contract?

Mr Warner—The notes in front of me say that this contract ended on 26 October and that that was the day the last invoice was submitted by CMAX, the payment made about a week or so later.

Senator MINCHIN—Can you confirm here that the four contracts you have referred to were competitively tendered?

Mr Warner—I think I need Dr Gumley to go into that sort of detail, I am afraid.

Senator Faulkner—Do you mind if we come back to that in a moment when Dr Gumley is here? It should be in very short order, Senator.

Senator MINCHIN—Since November 2007 have there been any contracts awarded to CMAX Communications or Ms Tara Taubenschlag by Defence?

Mr Warner—Not that I am aware of.

Senator MINCHIN—That does not mean they have not been. Are you able to therefore ensure that this committee is informed as soon as possible as to whether or not in fact any such contracts have been entered into since November 2007?

Mr Warner—That is why we are waiting for Dr Gumley.

Senator MINCHIN—Are you saying that apart from the possibility that the DMO may have, you believe Defence itself—

Mr Warner—I do not believe that is the case, either for Defence or for DMO, but I know Dr Gumley will be able to talk.

Senator MINCHIN—He can answer for the DMO, but you are in the position to answer for Defence ex-DMO, and your answer does not sound categoric.

Mr Warner—I can be categoric about the rest of Defence. No contracts.

Senator MINCHIN—Okay, thank you. It sounds like the only remaining questions would be to Dr Gumley.

Senator Faulkner—I had thought he would be here by this point so I suspect he is not far away.

[2.47 pm]

CHAIR—So you have no further questions at this time. We can come back to it. There are no further questions for output 1.1, output groups 1.9 and 1.10 Vice Chief of the Defence Forces and JOC. Output group 1.12 Chief Finance Officer.

Senator NETTLE—I wanted to ask about the cost of the kangaroo cull.

Mr Warner—The process is keeping us on our toes. I am sorry, Senator, what was your question?

Senator NETTLE—The cost of the kangaroo cull.

Mr Warner—Are we talking about in Belconnen?

Senator NETTLE—Yes.

Mr Warner—The cost of the cull, the contract to Cumberland Ecology, is about \$470,000.

Senator NETTLE—I understand that there was a calculation of the estimated cost of the translocation. Do you know what the cost of that was?

Mr Warner—There were various rough estimates done of the cost of translocation and they were up to \$3.5 million. That is the scientific trial; that is not translocation. It is a scientific trial translocation, not just a translocation. Do you want me to explain the difference?

Senator NETTLE—I am wondering what it would have cost to translocate those kangaroos rather than do the cull in Belconnen. That is the cost I am looking for.

Mr Warner—I do not have those details with me. I am not sure we got to that stage, although we may have, where we did anything like an accurate estimation of what a translocation would cost.

Senator NETTLE—Do you want to explain to me what the scientific study was into translocation that related to the \$3.5 million? Can you explain the \$3.5 million figure?

Mr Warner—I want to put it forward as a rough estimate and I did say up to \$3.5 million. Perhaps if you were going to ask a series of questions on the kangaroo cull I might go back earlier.

Senator NETTLE—No, I am just asking about the cost at this point in time.

Mr Warner—Do you want me to talk about the scientific trial?

Senator NETTLE—Sure.

Mr Warner—We had an examination investigation done of the utility of a scientific translocation which would have seen 500, maybe 600 kangaroos, moved from Belconnen to a series of sites probably in New South Wales, but potentially some of them could have been in the ACT. The report that we had done recommended six or eight sites. It would have been quite a complicated and time-consuming process, given that we had to identify sites and we would have had to have got licences from the ACT government and potentially from the New South Wales government to move the kangaroos. We did rough estimates, but not fully-costed estimates, of that scientific trial.

Senator NETTLE—When you say ‘scientific trial’, was there an examination of what it would cost? I want to know what the cost of the translocation would have been.

Mr Warner—I said that I do not have any of those figures with me. I am not sure that we did an accurate estimation of what the translocation itself would have cost.

Senator NETTLE—Was the amount of ‘up to \$3.5 million’ for the studies and the translocation?

Mr Warner—It was for the scientific trial translocation, not just for a translocation. Under translocation, we would have picked up the kangaroos and moved them to another site. The trial would have been scientifically monitored, it would have thrown up information available to Defence but also to scientists about the utility of moving kangaroos in those numbers under those circumstances. It would have been a scientifically monitored trial.

Senator NETTLE—Could you take on notice the question about what it would cost to do the translocation?

Mr Warner—Sure.

Senator NETTLE—Who made the decision to do the cull rather than the translocation?

Mr Warner—As you probably realise, this issue goes back quite some time—perhaps a year. It is important that I provide you with some detail. This was quite a unique population of kangaroos in that they were a reasonably small but captive population. Belconnen is fenced on three sides, with the lake on the fourth side. To my mind, Defence carries out its responsibilities to the environment at a very high level, but I think we can do better than we do. A year ago, we looked at this population to see if there were better ways to handle them than to euthanase them. That involved looking at fertility control, translocation and scientific trial translocation. For various reasons, those three possibilities did not work and that left no option but to euthanase the kangaroos. That decision was made by Defence.

Senator NETTLE—By yourself, as secretary of Defence?

Mr Warner—Yes, that is right.

Senator NETTLE—Presumably, a non-scientific translocation would cost less than the \$3.5 million.

Mr Warner—Yes.

Senator NETTLE—That is all I wanted to ask on the kangaroos. The other cost question that I had for this section was about rising fuel prices and the impact that that is having on the Defence budget.

Mr Prior—As you can appreciate, Senator, fuel is a large component of our budget. I do not have with me right now the exact details of fuel costs to give you the precise answer that I think you are looking for. I looked at this very recently. You may appreciate that there has been a rising Australian dollar and that rising Australian dollar, interestingly, has been in some way offsetting some of the rising costs in fuels. That has been holding us in a reasonable position to date, but we, like the rest of Australia, are looking forward—in a forward sense, not looking forward to—and starting to think about what that continuation of oil prices would do to our budget. At this stage, it is a little difficult because there is a lot of interest in what the Australian dollar will do over the next period of time as well. At this stage, we are within budget and are able to maintain our budget to meet our estimates of fuel costs, but it is something we watch extremely closely.

Senator NETTLE—Do you know what proportion of the budget would be fuel costs?

Mr Prior—I would have to check the figures to give you a precise answer, but I could have someone do that very quickly if that is all right, rather than just me speculating. It is one of a million numbers.

Senator NETTLE—That is fine. That is all I wanted to ask.

Senator MINCHIN—Could I just ask the CFO: do you pay excise on your fuel?

Mr Prior—I do not know the correct answer to that, sorry.

Senator Minchin—You are not normally free of excise?

Mr Prior—No.

Senator MINCHIN—I would like you to confirm whether you do pay excise and, therefore, how much Defence's fuel bill would be reduced by if the excise was cut by five cents a litre. I would appreciate knowing that.

Mr Prior—We will get back to you.

Senator MINCHIN—Thank you very much.

Senator Faulkner—Senator, Dr Gumley has joined us. I appreciate him coming up at short notice to assist Senator Minchin with at least the two questions he asked, which went directly to the DMO. If Senator Minchin cares to progress those issues now, we are certainly in a position to be able to assist.

Senator MINCHIN—Thank you, Dr Gumley, for coming at short notice. I was simply asking the secretary about the engagement of CMAX Communications/Christian Taubenschlag. The secretary referred four separate communications contracts in the period 2004-07 that he understood to be with the DMO. Could you confirm that and explain to this committee the nature of those contracts?

Dr Gumley—Christian Taubenschlag was initially engaged with Communications Affairs in Defence from February 2001 through to about June 2004. At that stage he came and joined

me for a couple of months as my communications advisor. He was on a series of short-term, three-month sort of rolling contracts as a communications manager.

Senator MINCHIN—That was an individual employment contract, was it?

Dr Gumley—They were individual employment contracts. That was not very satisfactory to Mr Taubenschlag as an individual because he, obviously, as any individual would, would prefer more tenure than just a three-month contract which could be cut at any time. We found out to our advantage that Mr Taubenschlag was actually a fluent speaker of Spanish, and so at or around the time we were doing the initial work on the tendering for the air warfare destroyer project it became fairly clear to us that he was a pretty important asset to have inside the DMO negotiating team. CMAX Communications came on as his company as a sole source contract for about a year while we got through a difficult period. Mr Taubenschlag did a particularly good job during those negotiations. Once the first contract had finished we then tendered that contract and there was a competitive tender for his extension.

Senator MINCHIN—Just going back to the first engagement of CMAX Communications: so you changed from employing Mr Taubenschlag on an individual employment contract to engaging his company, CMAX Communications?

Dr Gumley—That is correct, yes.

Senator MINCHIN—Was that original contract competitively tendered?

Dr Gumley—That first contract was sole sourced.

Senator MINCHIN—No tender at all—you engaged him, did you?

Dr Gumley—Yes, we engaged his company. We went out to the market and we benchmarked what would be a fair amount of dollars for the work being engaged. We did benchmarking against what similar companies doing similar work are doing externally in other government departments and we struck a rate that was around about the medium or slightly below the medium of what other companies were charging.

Senator MINCHIN—Is it within your normal rules of operation not to competitively tender such a contract?

Dr Gumley—We normally tender unless we have a time urgency or a clear discriminator which would make tendering a burden to the tendering community—if they knew they could not win. There is no point putting people out to tender if you are in a situation where one party is most likely to win. The fact that we had these contracts coming up with the AWDs, and that we needed to have people who were not only good at communications but also able to help us with those negotiations in Spanish, was important to us. So I made a decision as CEO of DMO that that was the correct thing to do.

Senator MINCHIN—Was there any interregnum in Mr Taubenschlag's engagement or did he simply seamlessly transfer one day from being on an individual employment contract with you to being effectively employed under this contract in his name as CMAX?

Dr Gumley—I am not sure of the exact number of days, but there was certainly no more than a week or two between the two.

Senator MINCHIN—Did he, at any stage, cease to be engaged between the two periods of contract?

Dr Gumley—No, I do not think he ceased to be engaged.

Senator MINCHIN—So he effectively did the same job. He was your personal communications adviser, was he?

Dr Gumley—Yes, but initially he was on loan from Defence. Then, when he came over to me, he went on to this CMAX contract.

Senator MINCHIN—So there was no period while he was with you when he was on an individual employment contract with DMO? The individual employment contract was always with Defence, was it?

Dr Gumley—I just have to check my dates, Senator. Could I just take you through the dates?

Senator MINCHIN—Yes, sure.

Dr Gumley—From February 2001 to June 2003 he worked with Defence as director of communications, military recruitment. From June 2003 to December 2003 he was director of communications for Defence in the New South Wales media office. That was where he was employed on a non-ongoing temporary contract as an EL2. From February 2004 to June 2004 he was director of communications with Defence, working out some Defence budget matters. He was then employed on a non-ongoing temporary contract as an EL2. Between August 2004 and September 2004 he was seconded from Coordination and Public Affairs as a strategic communication adviser to DMO. He had a contract with Defence's Coordination and Public Affairs Division for three months as an ongoing employee as an EL1. It was a non-ongoing contract. At that stage I made the decision. I had been watching Mr Taubenschlag in action for about six weeks. He was doing a particularly good job. Public affairs did not actually have a billet for him, so I engaged him in a capacity as a PSP, funded by DMO, for about one month. Then he moved into CMAX for the longer term contract from October 2004 to May 2005. That was when he was engaged as a company.

Senator MINCHIN—What is a PSP?

Dr Gumley—A professional service provider.

Senator MINCHIN—I am not familiar with that term.

Dr Gumley—It is where you engage—usually—an individual as a contractor, typically doing specialist work.

Senator MINCHIN—A common-law contract?

Dr Gumley—Yes, normally a common-law contract.

Senator MINCHIN—That was him in his individual capacity?

Dr Gumley—It was him in his individual capacity at that stage. DMO, at any one time, typically has, say, 5,000 to 5,500 civilian APS staff, 1,800 ADF staff and about 200 to 300 PSPs, who are your specialists, your advisers and those with specialist skills.

Senator MINCHIN—Remind me again. He was engaged without a competitive tender initially when he entered into a contract with you as CMAX. How long did that last before, as I think I recall you saying, you then had a competitive tender for the continuation of his services? Is that right?

Dr Gumley—That continued during 2005. There was a contract. The contract ended on 31 July 2006. Then we ran a competitive tender and he won that tender.

Senator MINCHIN—Can you explain why you initially engaged him on the basis that you thought proper—no competitive tender—and decided in the middle of 2006 that a competitive was required? What was the difference?

Dr Gumley—I was not going to sole source forever. The urgency of the appointment had gone. We had managed to back-fill and recruit with APS employees in a number of other places in the organisation. I then thought it was appropriate to, rather than extending a tender for a sole source situation for another year, like in most normal circumstances, tender that contract.

Senator MINCHIN—How many tenders did you receive?

Dr Gumley—There were 16 companies invited to tender; four replied; one was ruled out; three companies were evaluated.

Senator MINCHIN—Were you the decision maker, Dr Gumley, or was there a panel?

Dr Gumley—There was a panel. That one was actually done in the Air Warfare Destroyer Program office.

Senator MINCHIN—That contract was for communication services to DMO generally or was it specifically to do with the AWD?

Dr Gumley—It was mostly to do with the AWD, but there was one clause in the contract that said that if there needed to be more general work in DMO you could be used to do that also—but primarily 95 per cent of his time was being spent on the AWD.

Senator MINCHIN—Was fluency in Spanish listed as one of the criteria in the tender document?

Dr Gumley—I do not know if it was in that particular tender document but I do know that it was rather important to me in the first year when we were getting into that AWD program.

Senator MINCHIN—I accept that. The secretary noted that the services of CMAX ceased in October 2007. Is that correct?

Dr Gumley—Our records show the last day that Mr Taubenschlag was on the premises and employed in the AWD program was 26 October 2007 and he received his final payment on 9 November 2007.

Senator MINCHIN—Was that the date the contract itself that he had entered into in July 06 terminated or was that a date that he decided of his own volition?

Dr Gumley—No, that was when both parties decided the work had pretty much come to an end for which he was employed. You will recall the previous government had made decisions on the AWD and the amphib. There was an amount of work to do with post-decision

communications strategy. We had to go around Australia and talk to industry. We had the announcements down at Williamstown for example on the amphib project. All of that work came to an end around early October.

Senator MINCHIN—Did the contract that was entered into in July 2006 have a completion date or a termination date in it or was it open-ended?

Dr Gumley—No, it was not open-ended. The only thing I have not been able to find since I became aware of your interest in this matter is why the gazette actually said June 2008. We cannot understand why that date was in the gazette. But we are continuing to try to research that.

Senator MINCHIN—So are you telling me there was no end date in the contract itself. It was—

Dr Gumley—The contract, we understand, was for a year and then it had a couple of roll-over clauses which were used for a month at a time and then a week at a time until the work was done. The piece we cannot work out is why in the gazette it was actually lodged as June 2008.

Senator MINCHIN—There is no payout as a result of the contract coming to an end in October 2007—

Dr Gumley—Absolutely.

Senator MINCHIN—He had simply been paid for services rendered to that point?

Dr Gumley—Yes. He just got his weekly rate until 26 October 2007.

Senator MINCHIN—It was terminated by mutual consent, was it?

Dr Gumley—Mutual consent.

Senator MINCHIN—Can you confirm that CMAX Communications has not been engaged by the DMO since October 2007?

Dr Gumley—No, it has not been engaged since that 26 October 2007 date.

Senator MINCHIN—Those are all my questions but I think Senator Johnston might have a couple.

Senator JOHNSTON—Thanks, Dr Gumley. Regarding the first time that the DMO contracted with CMAX, what was the value of that contract?

Dr Gumley—The value of the first contract between October 2004 and May 2005 was \$127,000, and then there was a period between May 2005 and August 2006 when records from our finance system show that a \$78,000 payment was made to—

Senator JOHNSTON—To July 2006?

Dr Gumley—No, from May 2005 to August 2005. From September 2005 to July 2006, the contract was written as: 'up to 60 hours per week of work and not to exceed \$300,000'. Then from 1 September 2006 to 26 October 2007 the contract was approximately \$213,000.

Senator JOHNSTON—Goodness. I take it that, as a matter of security, we evaluated CMAX as to who the directors and shareholders were.

Mr Warner—As you have heard, Mr Taubenschlag worked in Defence from 2001 to 2007 in a variety of roles. At the time he was in Defence proper he had a restricted security clearance.

Senator JOHNSTON—Yes. You do understand the corporate veil, I trust?

Mr Warner—Perhaps you could explain, Senator.

Senator JOHNSTON—He is contracted as a company so therefore he can have shareholders, directors and officers of the company that have absolutely no relation to the person you think the company is. I am absolutely staggered that I had to tell you that, given that he is contracting on air warfare destroyers, which is ITARS sensitive. Did we check CMAX to see whether the directors and shareholders were who we thought they were?

Dr Gumley—Senator Johnston, we were aware that the sole director and the shareholder of CMAX was Mr Christian Taubenschlag.

Senator JOHNSTON—What do you have to support that? You did a company search? Do you have documentation to support that? Because I can tell you that it changed along the way. You should be able to tell me when.

Dr Gumley—I do not have the documentation here.

Senator JOHNSTON—Why did you tell me that, Dr Gumley?

Dr Gumley—I will tell you what I do know and what I do not know.

Senator JOHNSTON—I want to know why you know what you know, what you think you know. I want to know why you know it. I want you to source the information for me. I do not want you to tell me what you think you know, if I may be so bold. I want to know why you are telling me these things.

Dr Gumley—I will have to take this and go and do some more research on what the files say on this matter.

Senator JOHNSTON—I think that is right. You need to tell me who the company officers and shareholders were when it first acquired the contract. You need to tell me what changes there were right up until October 2007. I want to know what names were used by the directors and any other officers, and I want to know who the shareholders were. I think you should also tell us whether or not the company was privy to top secret information and what checks were carried out on the company during the period of its retention by the DMO. I am happy to move on from there, but I think I need to know all those things. We will be coming back to this in November.

Dr Gumley—We will get this information for you, Senator.

Senator JOHNSTON—I am going to ask about this in November once we know; once the picture is clear.

Senator MINCHIN—We hope you come back to us before then.

Senator JOHNSTON—Yes, we will be asking questions about those answers.

Senator Faulkner—I hope we will be able to provide answers to questions on notice within the period that the committee allows for it. I suspect we will be able to do that and the

question has been taken on notice. Obviously officials have provided a lot of information here, but there are one or two questions that have been asked, particularly Senator Johnston's recent question, which officials are not able to provide answers to. It is proper in that circumstance to take them on notice and of course we will provide an answer for him.

Senator JOHNSTON—Thank you, Minister. Thank you, Chair. I have no further questions on this issue at this stage.

CHAIR—Thank you, Dr Gumley. We will return to Output Group 1.1.2, Chief Financial Officer. Are there any further questions?

Senator MINCHIN—I have a couple of questions on the information provided to us. One thing that has caused considerable consternation is on page xvi of the portfolio budget statement. The portfolio resource statement causes great confusion by throwing the number \$36 billion into the public arena. We all know how you got to that figure, but would you not concede that is a dangerous figure to print in a PBS of this kind, as it completely and utterly misrepresents the resources available because, obviously, it double counts in numerous ways?

Mr Prior—I am absolutely in agreement with you.

Senator MINCHIN—So we will not see that again in the PBS?

Mr Prior—You will not. As you may appreciate from your former role, the Department of Finance and Deregulation, in essence, provides the guidance for these documents.

Senator MINCHIN—They have gone downhill badly since I left, obviously!

Senator Faulkner—That is a very cruel blow!

Senator MINCHIN—This has all happened since I left, as you can tell!

Senator Faulkner—You have to say that with a straight face!

Mr Prior—It is a new table. The intent of the table was to try and capture, in a portfolio, the various elements that one would accumulate. Clearly, adding these up does not come to a meaningful number. The total should not be there because the money flows from one agency to another rather than to external parties. So, whilst the table may remain, what I will do next time is ensure the total was not displayed.

Senator MINCHIN—Also in that vein: ASPI does a remarkable job in producing their budget analysis. One of the things they point out quite astutely is, again, this element of double counting. As you may no doubt be aware, in table 152 on page 20 of their report they come up with an ASPI net defence spend to seek to eliminate that so that we, the public and everybody else actually know—as they describe it—what is spent on defence. That figure is \$600 million less than what you report as total defence funding. What is your assessment of their calculation, and is it a better reflection of what actually is available to Defence?

Mr Prior—As you may appreciate, I am bound by the Australian accounting standards and by the FMOs, the finance minister's orders. Currently, both the FMOs and the Australian accounting standards would have us report Defence, DMO and, indeed, DHA as separate entities. But clearly there are transactions between each of these entities. DHA's resources, in the main, come from Defence. DMO's resources, in the main—although not entirely—come from Defence. ASPI try to portray a more traditional consolidated set of accounts approach. If

the three entities I just referred to were thought of as more in holding company-subsidary relationships rather than separate entities in a reporting sense, then you would have a consolidation approach. ASPI have attempted a more holding company-subsidary consolidation approach. There is no doubt that there is merit in that approach and that there is merit in the current approach, which is adopted in accordance with those standards and the FMOs. So what they are doing is trying to portray the net effect of all the transactions when you bring them all together. It is something we are talking to Finance about, because clearly you can end up with these different results.

Senator MINCHIN—ASPI go on to say:

There is ... no reason for Defence to continue to report its budget in terms of Total Defence Funding.

Are you saying you are bound by accounting standards to report in the way you do?

Mr Prior—We face a curious problem in the public sector in that, under the current accounting standards as applied to the government sector, each department is treated as a separate entity in the context of a notion of control in an accounting context. It goes to this minister-departmental debate as well. So DMO is a separate FMA Act agency as Defence is a separate FMA Act agency, and the current construct of trying to take an entity approach to accounting in a government context is just to treat each separate FMA Act entity as a separate entity for accounting and reporting purposes—hence DHA. That is just a construct in the accrual accounting framework for government that we all run with at this time. Indeed, that new table that you just referred to is a kind of an attempt, but it did not quite work this time, to say that, whilst they are separate entities, in some way they all have interrelated transactions. The question is whether, in fact, a different portrayal might be to show the effect of the intercompany transactions and then what you end up with after all of that. That is something that is done.

If you were to look at the functional statements in the whole-of-government budget papers, you would see that they are done in a way where there is an attempt to eliminate the intercompany transactions. So we have it done in that context, but not done in the portfolio budget reporting context. I guess the purpose of displaying separate entities is so that there is not seen to be an attempt to, in any way, not have transparency around each entity. It is a framework issue that we run with and at some point I think the debate will re-emerge as to what is the right way of portraying all these numbers.

Senator MINCHIN—There would be nothing in the current accounting standards or government rules that would prevent you, in the PBS, attempting to give a more realistic number of the sort described by ASPI would there, in terms of total—

Mr Prior—That is correct. If it was the government's desire to do what I call a consolidated set of accounts then we could certainly respond to that and present it as a consolidated set of accounts.

Senator MINCHIN—I would encourage you to do so, so that we all know exactly what is available to Defence in net terms.

CHAIR—Are there any further questions on 1.12?

Senator MINCHIN—The CFO gave us a good rundown on what is the most unique feature of the defence budget, and that is the creation of this operational reserve. But I just want to have confirmed for the record that this is unique, that this is the first time that Defence has not been formally supplemented for operations. Can you confirm that?

Mr Prior—I can confirm that the reserve construct is unique but indeed there have been two instances that I am aware of where Defence has not been supplemented for elements of its operations. I think you will find, if you look back at the last MYEFO, that there was a decision to not fund Defence for some counterterrorism activities—it was a small order of dollars. There was also one some time before that—I just do not have it in front of me here.

Senator MINCHIN—I would not mind you giving us that information when you can. But it is true that the normal procedure is to separately supplement Defence for operations, is it not?

Mr Warner—Could I add a couple more points. As you know, the concept of no win, no loss continues. It has been confirmed by the government. With this operational reserve of \$1.036 billion, the vast majority of that is made up of the windfall—if I can use that term—from the non-farm deflator. Defence has been provided with, I think, \$826 million from the non-farm deflator to pay for operations. We have added \$210 million to that amount. And that is to fund currently approved operations.

Senator MINCHIN—Just to cut to the chase, having agreed costings on operations for the next year, two years, you would then be supplemented for that. That is what normally occurs—right?

Mr Warner—That is right.

Senator MINCHIN—But, in this case, someone made a decision that your normal price index was giving you more than you warranted and therefore that was going to be used to fund operations—is that as it occurred?

Mr Warner—As you know, I am sure better than I do, the non-farm deflator escalated out of sight during the last year. It did provide a very significant windfall. This was a windfall that Defence had not thought it was getting and had not planned to spend. It is being used to fund operations. That seems fine to me.

CHAIR—How did Defence get a windfall from an increase in the price deflator?

Mr Warner—It happens to be the index that government has provided to Defence. We are the only department, I think, who get the non-farm—

CHAIR—Defence gets \$X adjusted pursuant to this index?

Mr Warner—That is right.

CHAIR—And if the index goes through the roof—

Mr Warner—Which it did.

CHAIR—by definition, they get a whole heap more.

Mr Warner—That is right.

CHAIR—And that is what you refer to as the ‘windfall’?

Mr Warner—That is right.

CHAIR—And it was so significant that it is funding operations?

Mr Warner—That is right; to a large extent.

Senator MINCHIN—I probably should know this but I do not. How long has the non-farm GDP price deflator been used for Defence?

Mr Prior—My understanding is that it was from about 1999-2000 or thereabouts that it has been non-farm. It was, previous to that, on a basket of indices approach, which is akin to what the US do, and that had been in play for some many years. I think it was the workability of that basket of indices approach that then led a discussion to think of a more global index to try and represent the costs that confront Defence.

Senator MINCHIN—Just about every other department has a wage cost index—isn't that right?

Mr Prior—That is correct.

Senator MINCHIN—Is it deemed that it is not appropriate for Defence to have a wage cost index—wage costs are half you costs, are they?

Mr Prior—I think with most other departments the elements of their budget are largely wages and some supplier costs, in the main. Defence faces capital, by very large measures, as well as very large supplier costs. For most departments in the Commonwealth, their supplier costs really relate to administrative-type purchases, if you like. For Defence, as you can imagine, with the diversity of industries we are involved in, even our supplier costs are certainly not administrative types. Garrison support costs are food and so on, fuel costs—it goes on. The reason, as I understand it, why WCI does not work is because it is heavily weighted towards a wages component, which would not represent the structure of Defence's budget.

Senator MINCHIN—I hesitate to suggest this but is there a 13th review into the appropriate index for Defence, given what has occurred?

Mr Warner—Not specifically, but I think the budget review that I was talking about earlier would look at what is the right index for Defence.

Senator MINCHIN—It just begs the question of what happens from now on. Is there some criterion that suggests that if the non-farm GDP price deflator is above a certain threshold that that will be the source of funding of operations and that this will be a year-by-year assessment? It just introduces an element of considerable uncertainty, I would have thought, into Defence financing. Is there such a criterion, or is it just that this is a matter that will be reviewed on an annual basis and someone makes a guess as to whether it is too much and you should give some of it back, or what?

Mr Warner—Two points. It will be part of this audit of the Defence budget. Secondly, as I said before, the government has committed to major Defence operations continuing to be funded under no win, no loss.

Air Chief Marshal Houston—Could I just add, Senator, that you would recall from your time as finance minister that the smaller operations are generally absorbed within the overall defence budget. That is the majority of the United Nations contributions and so on.

Senator MINCHIN—I understand that. But Iraq, Catalyst, Slipper—all those?

Air Chief Marshal Houston—All the big ones are no win, no loss.

CHAIR—Just on this non-farm GDP deflator, can you explain what that is and what has caused it to go so askew that something in the order \$800 million has been found to fund operations?

Senator MINCHIN—It is the resources boom, I think.

CHAIR—Is that what it is?

Mr Prior—Yes, the resources boom. Without in anyway trying to represent the expertise that would reside at the Department of the Treasury, I will try and answer your question as best I can.

CHAIR—Thank you, Mr Prior.

Mr Prior—On the non-farm GDP deflator, there is a non-farm component and a farm component of the gross domestic product. The non-farm component is everything that is not farm, which would therefore include the mining sector. As everyone appreciates, the mining sector—

CHAIR—Is this the same argument as the terms of trade?

Mr Prior—Absolutely; it links straight into that. As those terms of trade keep performing the way they do, given that we are linked to that index, it therefore flows through to Defence.

CHAIR—In that case, what is the intellectual justification for linking price indexes for Defence purchases to, essentially, the terms of trade?

Mr Prior—Again, I would not like to try and second-guess the Department of the Treasury and the department of finance. If you go back in time, Defence did have a basket of indexes to try and link to the various sectors and therefore the various costs that Defence would face. For various reasons back in the late-nineties it was felt that it would be more efficient to have a more general index rather than a series of indexes. If you were to look at the non-farm GDP deflator during the nineties, it was travelling at well below the five per cent mark. It was travelling in the twos and threes on average. I cannot remember exactly but it was in that order of magnitude. If that was the historical trend then one might argue that, if you are looking for a single index for the vast number of industries that we buy from—it is not just the mining sector of course; we buy pharmaceuticals and health care, and all those industries are in the non-farm calculation—there is some logic to say that non-farm probably is not a bad one to use. Now the world has changed to some extent in terms of Australia's trading and I am sure there is a debate to be had about what is that appropriate one. As the secretary said, it is part and parcel of one of the reviews.

CHAIR—Particularly over the next 12 or 18 months. Thank you, Mr Prior. Sorry to have interrupted, Senator Minchin.

Senator MINCHIN—On the funding of operations, I just noticed in table 1.2.11 that Iraq, Afghanistan, East Timor are funded for 2008-09 and 2009-10 and, indeed, in Afghanistan there is a small spillover into 2010-11. But in the case of the Solomon Islands there is provision only for 2008-09. Is there any rhyme or reason to that—any reason why the Solomons is treated differently in that table?

Air Chief Marshal Houston—It is where we have got to with presenting the various operations for review to the National Security Committee. As they come up, we get the approvals for further funding into the future. Essentially, the Solomons has not popped up yet.

Senator MINCHIN—So it is not that a decision has been made with respect to the length of that operation?

Air Chief Marshal Houston—A decision has not been made to extend it and therefore funding has not been sought for it.

Senator MINCHIN—Right. That is fine.

Proceedings suspended from 3.29 pm to 3.49 pm

CHAIR—We will continue on output group 1.12, Chief Finance Officer.

Senator MINCHIN—CDF, could I interpose by referring you to media reports I have just been alerted to about an Australian Army soldier serving in Afghanistan having been injured while attempting to extinguish a vehicle fire near Tarin Kowt yesterday and also that a Bushmaster vehicle was damaged in that fire. Do you have any information you could supply to the committee on that incident?

Air Chief Marshal Houston—Yes, I certainly do. This happened late last night our time. One of our soldiers was hurt in a Bushmaster that caught fire. I understand he was involved in trying to extinguish the fire and he inhaled hot gases into his lungs, and there is some damage to his air passages. He was initially evacuated to Kandahar and he was treated there. Subsequently the decision was taken to transport him to Germany, and he is on route to Germany as we speak. It is yet to be determined how long he will be in Germany. Essentially, we are talking to the next of kin to establish whether they want to join him in Germany. If they so desire, we will fly the next of kin to Germany so that he has that sort of support with him.

Senator MINCHIN—Are you able to confirm that his injuries are not life-threatening?

Air Chief Marshal Houston—Last time it was reported to me, he was stable but he was serious. I understand that his injuries are not life-threatening.

Senator MINCHIN—And you are not yet in a position to release his name; is that correct?

Air Chief Marshal Houston—I have not got his name at this stage. We should be close to being able to do that—I guess a lot depends on where we are with the process of informing wider family. My advice is that the next of kin were informed earlier today.

Senator MINCHIN—And are you satisfied, on the evidence available, that this was not enemy action—it was an accident of some kind?

Air Chief Marshal Houston—It was an accident; it did not involve enemy action.

Senator MINCHIN—And no other soldiers sustained any injuries at all?

Air Chief Marshal Houston—That is correct.

Senator MINCHIN—Going to the savings and efficiency measures in the PBS: it does appear that Defence has had to absorb, through savings measures, the costs of a number of new measures. I wanted to refer to those and perhaps seek some explanation of exactly what they mean. I am referring specifically to table 1.2.9 on pages 22-23. If I could run through each of them: firstly, 'Efficiencies in the sustainment procurement cycle' for a total of almost \$32 million—exactly what does that mean?

Mr Prior—As you would appreciate, we have embarked upon a savings program, as the secretary said in the opening statement, of up to \$1 billion a year. Those efficiencies in the sustainment procurement cycle essentially relate to DMO: Dr Gumley has made public his view that we can improve efficiencies in our procurement activities, and that relates to those things. It is procurement not of the projects but of the actual sustainment—the underlying support activities in relation to those. That goes to processes as well as equipment.

Senator MINCHIN—That is DMO's contribution to the savings effort at this point. The reduction in the sustainment budget to fund the sinking of HMAS *Adelaide*—\$3 million. Tell me about that.

Mr Prior—Sustainment is the same activity—we have just identified, in some cases, where there were particular savings, and linked them to a particular activity. The sinking of HMAS *Adelaide*, at a cost of \$3 million—the government announced that would be funded out of sustainment, so we are just identifying where that particular one came from.

Senator MINCHIN—That is the cost of sinking it?

Mr Prior—Yes.

Senator MINCHIN—Where is that being sunk?

Mr Prior—Off the coast of Terrigal in New South Wales.

Senator MINCHIN—So you do not seek any contribution to that from, for example, the New South Wales government? It is funded entirely by Defence, is it?

Mr Prior—I do not know the exact answer to that; I would have to take that on notice. That is certainly how much we are putting towards it.

Senator MINCHIN—But you cannot tell me that is the total cost?

Mr Prior—I will have to take that on notice.

Senator MINCHIN—I would appreciate that. What is the total cost and who is contributing how much to the effort? The next item is 'Reduction in the major capital facilities program to fund the Kings Highway upgrade'—\$23.3 million. What reductions are occurring and in which capital facilities?

Mr Prior—Again, I do not have the precise capital facilities. As you would appreciate we spend a lot of money on our own facilities and this is essentially, if you like, putting the upgrade of that Kings Highway into the facilities program, so that means other things had to be moved to the right to accommodate that particular activity.

Senator MINCHIN—I am a bit intrigued by Defence having to reduce its expenditure in other areas to fund \$23 million of roadworks, presumably between Queanbeyan and Bungendore.

Mr Prior—Correct.

Senator MINCHIN—My recollection and my experience was that the impact of the Defence HQ on the road system never amounted to anything like \$23.3 million. How are you able to satisfy this committee that there is objective evidence you can provide to us that the assessed impact upon that road of the establishment of this Defence HQ amounts to \$23.3 million worth of roadworks? This is public moneys that are being redirected from within Defence, from Defence equipment or Defence capital, to a public road on the assertion that that is the agreed impact on that road as a result of building this HQ, which, as I say, certainly exceeds my recollection of the estimated impact on that road.

Mr Warner—Obviously there is going to be increased usage of that road. I do not have the details here. We will take your question on notice and get back to you.

Senator MINCHIN—I would appreciate that. I would appreciate the independent, objective evidence that demonstrates that the additional usage of that road has been estimated to cause \$23.3 million worth of work to be required—not to improve the road but simply to ensure that, presumably, you effectively neutralise the impact. Anything over and above that I think would be a quite improper diversion of Defence resources. This is not a federal government road for the express use of Defence; it is a public road which Defence is having to pay for, so I think it is quite a serious issue.

Mr Warner—I understand your point. We will take it on notice and we will get you the details.

Senator MINCHIN—Thank you. The next item is ‘Reduction in administrative travel’—\$51.1 million. Can you tell me what proportion of decrease that is in administrative travel?

Mr Prior—I am sorry, I am not trying to be an obstructionist in any way; it is just that I do not have those sorts of details in front of me. I will get them for you in terms of the total spend that we have on travel and I will tell you that proportion.

Senator MINCHIN—This is specifically administrative travel. Presumably that is a class of travel in the total—

Mr Prior—No. Sorry, Senator, what we try and distinguish between is operational travel. We have travel for operational activity and for operational activity offshore and onshore, so this is, if you like, non-operational. It is the travel that, if you like, bureaucrats do as part of the DMO work and as part of our Defence work.

Senator MINCHIN—But presumably it does include also military flying around Australia. If the CDF wants to go to Brisbane, that would be administrative travel because he would be going up there for an exercise.

Mr Prior—Correct, on non-operational matters.

Senator MINCHIN—I would appreciate knowing what the total administrative travel budget is and, therefore, what proportion of reduction you are seeking to achieve by cutting

what is a substantial sum of money. A reduction in the travel budget each year of \$12.8 million suggests it must be a mammoth travel budget, or you are taking quite a slice.

Mr Prior—Senator, when I get the details to you, you will see what proportion this is. We do spend a fair amount on travel.

Senator MINCHIN—I remember trying to get Defence to use Virgin and Rex—to no avail, because of your travel arrangements.

Senator Faulkner—This does not mean that your successor has been more successful in this regard!

Senator MINCHIN—I suspect not! I would encourage you, since you are seeking—as I am pleased to see—to reduce your travel budget, to look at using Rex and Virgin. The reduction in scientific research programs, that \$2 million figure there—that is not the DSTO program that was referred to earlier, is it? Is that something else?

Mr Prior—No, it is in addition to that one. This is another one.

Senator MINCHIN—Is it a specific program?

Mr Prior—These are long-range research programs that they do, essentially in relation to other agencies in the Commonwealth and some of the things they want to do. This was seen as an area that was a lower priority and therefore is available for putting forward for redirection.

Senator MINCHIN—Is it out of the DSTO budget?

Mr Prior—Yes it is.

Senator MINCHIN—And then efficiencies in telecommunications contracts—again, a substantial sum of money: \$35.8 million over just three years. Nothing in 2008-09. Can you explain why there is nothing in 2008-09, and then what the remaining three-year figures really represent?

Mr Prior—First of all, the telecommunications contract is about us rationalising or bringing together the number of telecommunications contracts we have. We have recently signed new communication contracts to provide mobile, fixed line and broadband services. We are a large organisation; we have had quite a widespread telecommunications contracting arrangement. By bringing them together we think we can find some significant savings. That is the first part of your question. Now to the second part of your question. As is pointed out in this particular table, this entire package alludes to \$477.6 million worth of savings. We are on a journey of \$1 billion a year; this is where we have got to to date. So when you say, ‘Nothing in 2008-09’, sometimes it is because we have not finished with 2008-09 in a savings agenda sense. We had some priorities we had to find funds for, and so we marshalled the funds accordingly.

Senator MINCHIN—Okay, that is good. Then: reduction in project definition costs for major capital equipment projects, \$10 million next financial year and \$7.8 million the year after that—can you explain that item?

Mr Prior—This is to do with the unapproved major capital equipment program, which is to do with the conduct of project studies and various planning exercises that we do to gain

initial first pass approval for projects. We are looking at how we can do those more efficiently. It is not the project per se; it is the planning for it. And that is what we are looking at to see if we cannot find some efficiencies in that area as well.

Senator MINCHIN—Okay. Just on a measure: there is a reference in Budget Paper No. 2 to a Defence item, the Asia Pacific Centre for Civil Military Cooperation. The government will provide \$5.1 million over four years for the establishment of this centre in Queanbeyan. I cannot find where this initiative is referred to in the PBS.

Mr Prior—It is in the PAES. Do you have the additional estimates with you?

Senator MINCHIN—No.

Mr Prior—In the whole of government budget measures there is—it is an inclusive document of what was in the portfolio additional estimates document as well as what is in the PBS document.

Senator MINCHIN—Right.

Mr Prior—So, to get the entire list of what is in Budget Statement No. 2, you need to refer to both of those documents. Your next question would be ‘Why did you not include all those in there?’

Senator MINCHIN—Good question.

Mr Prior—I am here to help you Senator—I am here to help the Senate.

Senator MINCHIN—Thank you

Mr Prior—The answer is that we are trying to keep some sort of sequence in our records of what happened in what period. All of that is displayed in the PAES document. What is in the PBS is that which occurred after that document.

Senator MINCHIN—It is not an 2008/09 budget measure? I see, no, it is from 2007/08—okay.

Mr Prior—It is just a technical distinction between the two.

Senator MINCHIN—That is fine. I understand,

Senator NETTLE—When we get to operations and we want to ask about the cost of operations, can we do that then or do we need to do that now?

Mr Warner—Do it now.

Senator Faulkner—Happy to help you Senator.

Senator NETTLE—I just wanted to ask about the cost for Operation Testament.

Air Chief Marshal Houston—The cost that has allocated is \$7 million.

Senator NETTLE—Can you outline what that is for—is there anything more specific in terms of the breakdown for that?

Air Chief Marshal Houston—In common with many other events of that size—the ADF are doing low-risk bomb search, we are doing underwater search and we will obviously deploy other elements to provide a response if they are needed.

Senator NETTLE—What was the first one you mentioned—sorry I missed that low risk—

Air Chief Marshal Houston—Low-risk bomb search. It is something that we do with our reservists at all of these large events.

Senator NETTLE—Thanks. I will ask some more about that operation later on when we get to operations.

Senator MINCHIN—The Minister for Defence, Mr Fitzgibbon, claimed with great fanfare that there was a ‘black hole’ with respect to the funding of the army’s new infantry battalion—I think a figure of \$700 million was sited in the public arena. I just want to nail that. Is it not the case that when this matter was considered by the previous government that costings would surely have been agreed between Defence and Finance when that matter went to the NSC and the agreed amount would have been approved by the NSC based on agreed costings? Would that be the case?

Mr Warner—Senator, there is a black hole. There is a costing shortfall and the fault lies with Defence. Our costings at that time—the time you are talking about—were inadequate.

Senator MINCHIN—So there was an agreed costing—

Mr Prior—There was.

Senator MINCHIN—with Finance that was presented to NSC but you had somehow or other underestimated the cost of the correct battalions?

Mr Warner—Correct

Senator MINCHIN—Is there a reason why that occurred? A systemic reason? Do you want to explain how that occurred?

Mr Warner—Defence does not do costings often as well as it should. That was certainly the case on this occasion. Since the minister made his comments, we have scrubbed the figures again and brought them down to some extent. Perhaps Phillip has a more detailed answer but my answer is that we just do not do these things as well as we should. We need to get better at it.

Senator MINCHIN—I appreciate your accepting, on behalf of Defence, responsibility for the underestimation. However, the minister did say publicly on 13 May that this was all the fault of the previous government. Are you able to tell me whether he had been informed by Defence, prior to 13 May, of the cause of the underestimation and the responsibility which you accepted for it?

Senator Faulkner—Senator, as you know, very rarely do officials respond about the content of advice from—

Senator MINCHIN—No, I asked about the timing.

Senator Faulkner—You did not ask about the timing—you may have asked about that in addition—but we are very happy to help you, if we can, with the timing. But I know that you are aware of the procedure on questions about the nature of the content of advice. But certainly ask officials to assist you with timing of advice on that issue in the broad if they are

able to—which does not beg the question of the nature of any such advice, of course. Otherwise, we will just take it on notice.

Senator MINCHIN—Let us see if they can help us.

Mr Warner—It is a very specific question, and I do not have the answer with me at the moment. I would like to take it on notice.

Senator MINCHIN—I would appreciate your taking it on notice. If you have not, by now, informed the minister of your acceptance of responsibility, I would appreciate your doing so so that in future he does not seek to blame the previous government for that underestimation.

Senator Faulkner—We will treat that as an editorial comment, I think!

Senator MINCHIN—Oh, I do not know; I think you should take it quite seriously, Minister, rather than as being merely editorial.

Senator Faulkner—I am sure that the Minister for Defence will assiduously read the *Hansard* transcript of your questioning at this hearing.

Senator MINCHIN—I should hope so.

Senator Faulkner—I am sure he will. Therefore, he will be apprised of your editorialising, as I have described it—that is my description.

Senator MINCHIN—Thank you. While we are on that subject, I think the provision in the MYEFO of 2006-07 was \$4.1 billion for this exercise. Is that now \$4.8 billion over 11 years?

Mr Prior—I do not have the current figures, but that would be right. If you take into account the errors, miscalculations et cetera, they do come to that order of magnitude. That is right.

Senator MINCHIN—Has a decision been made as to how that underfunding will be met?

Mr Prior—Part of it has been included in our costs, because there was a miscalculation in the employee costs. We have now remedied that, but there are still some elements which we need to work our way through and understand how we can apply funds to.

Senator MINCHIN—So you have not sought supplementation for that.

Mr Prior—No.

Senator MINCHIN—So, as I understand it, the decision therefore has not actually been made as to the ultimate source of the additional funding that you will require.

Mr Prior—We face funding pressures, as the secretary articulated in the opening statement, and this is one of those funding pressures. In the billion-dollar savings program, it is all about reinvesting back into these sorts of funding pressures that we know are around. That is the way we would currently seek to look at this.

Senator MINCHIN—But there will be no reduction in the quality of the decision that has been made in terms of these two battalions and what they need in order to perform?

Mr Warner—No, there will not be. Not at all.

Senator PAYNE—I might need some guidance in making sure that this is in the right area. I want to ask a question about something on page 23 of the PBS—the entry in relation to reduction in scientific research programs. Is that a question that I should be asking now?

Senator Faulkner—Senator Minchin asked a brief question on this before, Senator, so feel free.

Senator PAYNE—I am sorry. I apologise for not being in the room.

Senator Faulkner—That is fine.

Senator PAYNE—What was the response? That might help me know whether to pursue it.

Senator MINCHIN—I would be happy to see if I could do justice to it, but I—

Senator PAYNE—Mr Prior could, perhaps, repeat his response!

Senator Faulkner—Senator, please go ahead.

Senator PAYNE—I want to know what the \$2 million related to.

Mr Prior—That relates to some long range programs in DSTO. They are programs that relate to doing some activities for other government agencies here in the Commonwealth. As I said before, it was assessed that those programs were of lower priority than other programs and hence those funds have now been released for reinvestment into other higher activities.

Senator PAYNE—Did Senator Minchin ask you to identify the programs.

Mr Prior—He did and I said I do not actually know—I do not have them here.

Senator PAYNE—Take them on notice?

Mr Prior—Yes

Senator PAYNE—Do you know, Mr Prior, if it affects any particular Defence science facilities around Australia?

Mr Prior—Again, I would have to take that on notice to be precise, otherwise I would be guessing.

Senator PAYNE—All right. That would be helpful if you would not mind advising the committee about that, and I am sorry for the repetition.

Mr Prior—That is fine.

Senator JOHNSTON—Mr Prior, is DSTO coming along to estimates?

Mr Prior—Tomorrow apparently.

Senator JOHNSTON—Very good.

Senator PAYNE—Chair, your guidance if I may. On page 54 of the PBS in the capital investment area, is it appropriate to ask a question here about that or to wait until 1.6?

Senator Faulkner—We are happy to help you if we can, Senator, so please ask your question.

Senator PAYNE—The Chair may take issue with me, Minister. He does not want me to be all over the shop and I am not keen to be all over the shop myself.

Senator Faulkner—It is whatever suits the committee, Senator.

CHAIR—We might wait and ask at the appropriate time.

Senator PAYNE—Thank you, Chair.

CHAIR—Are there any further questions on 1.12?

Senator MINCHIN—Minister, is it the case that the Labor Party in the election campaign promised to devote \$33 million to establish 12 Defence family health centres to provide for families with military personnel the same level of health care as was provided to service personnel.

Senator Faulkner—Senator, I do recall a—

Senator MINCHIN—I know you have trouble with remembering election promises from last week's estimates—

Senator Faulkner—No, no, Senator—

Senator MINCHIN—and I hate to catch you unawares, Minister.

Senator Faulkner—Senator, one tries to keep across these things as we best can, but it is certainly true that my understanding is that there was a commitment made to progressively extend what I think was described as free basic medical and dental care to spouses and children of Australian Defence Force personnel and that that did have a particular focus on remote based locations and regional centres. But I would also say to you, Senator, that obviously, as you would appreciate, as the Minister representing the Minister for Defence, one does one's best in very accurately reflecting those commitments in another portfolio area.

Senator MINCHIN—Well that is my understanding of the commitment. Are you able to tell us whether that commitment still stands?

Senator Faulkner—What I am able to say to you, Senator, in relation to that particular commitment is that it is certainly my understanding that the government announced in the 2008-09 budget an initial trial to implement that policy across the ADF family community. That is my understanding, Senator.

Senator MINCHIN—That is just what I am trying to determine, with your assistance, whether this represents a down payment on a promise which remains a commitment of your government or whether it represents a decision to change that promise by restricting it from a \$33 million commitment across 12 locations to a commitment of \$12 million in five locations?

Senator Faulkner—My understanding is that the trial will inform the progressive delivery of free basic health care to ADF spouses and dependants. I am sure you would appreciate that the government obviously acknowledges that access to health care is absolutely fundamental for ADF families.

Senator MINCHIN—So this committee should take it that the government remains committed to that objective and that this is a first step down that path?

Senator Faulkner—I would say that you should treat this trial as a good example of the government's evidence based policy approach—

Senator MINCHIN—A rare example!

Senator Faulkner—In this case, of course, there is a use of small-scale pilot studies. I will not respond again to your editorialising by interjection. I think that I have properly described and encapsulated the government's approach on this—and the minister's approach.

Senator MINCHIN—We should take it that the government remains committed to extending to all ADF families free health care? That is the commitment, is it?

Senator Faulkner—I do not know if I can use any other words than those that I have. I can certainly give you as much information as I possibly can about the trial. It is true, as I understand it, that this particular initiative will provide free basic medical and dental care with basic dental services capped at \$300 per dependant per annum. That is certainly my understanding of the approach that is being taken with the trial. From the nature of your questioning, I am sure you are aware of this but, for the record, I should say that this particular trial is focusing on Singleton in New South Wales, Karratha in the Pilbara region in Western Australia, East Sale in Victoria, Cairns in Queensland and Katherine in the Northern Territory. I hope I have been able to assist you in relation to that.

Senator MINCHIN—I think you would be aware that this decision is widely reported as a broken promise. For example, the *Townsville Bulletin* reported on 15 May:

THE Federal Labor Government has broken a promise to operate a clinic providing free medical and dental care to defence force families at Lavarack Barracks.

Would you care to seek to deny that that is in fact the case—that these people were promised such a clinic in the election campaign? They do not have it.

Senator Faulkner—No. I have not had the benefit of reading the newspaper that you refer to.

Senator MINCHIN—You accept that there is no clinic being put into Lavarack Barracks at Townsville?

Senator Faulkner—I have indicated to you my understanding of the areas that are targeted in the trial. I have outlined to you the five areas, and Townsville is not one of those areas.

Senator MINCHIN—So that is a broken promise to the people of Townsville?

Senator Faulkner—This is a trial, and I think that is the best way to describe it. I indicated the election commitment that the Labor Party made, which was to progressively extend free basic medical and dental care to spouses and children of the ADF. As I understand it, the government has commenced that process with the trial that I have outlined to the committee. So, without getting into the semantics of it, I have tried to deal with the factual situation as I understand it to be.

Senator MINCHIN—I am happy to accept your word for it that the government remains committed to implementing the objective of its promise of free health care, but are you now essentially conceding that the delivery may well not reflect the promise made in the election campaign, depending upon the results of this trial. Otherwise, what is the point of the trial?

Senator Faulkner—I think it is fair to say that you have spoken about the commitment that the current government gave while it was in opposition. I do not think there is any doubt

that during our period in opposition we certainly learnt that access to health services was an issue of significant concern to Defence families, which led to the commitment that was made by the Labor Party during the campaign. It is also true to say that on coming to office the government learnt that delivering on this commitment would be more difficult both financially and logistically than was first thought. So the government's approach was to agree on a more modest model, the trial that I have mentioned to you and you have canvassed in your question, to ensure that the government gets the delivery of its commitments right.

Senator MINCHIN—Generally speaking, I would support such an approach. But the fact is that Mr Rudd, just prior to the election, in announcing this policy at Lavarack Barracks promised that the first two clinics would be established at Lavarack Barracks and at Robertson Barracks in Darwin. Why has he not honoured that promise to establish the first two clinics at those two locations?

Senator Faulkner—The trial that I have spoken about in answering your questions is to be implemented during the 2008-09 financial year. I mentioned the sites that were targeted. I think it is fair to say that those particular sites have been selected on the basis that they are small, rural or remote sites where there are particularly difficult access issues for families. I can also say to you that my understanding is that discussions have commenced with Medicare with a view to utilising their services in support of an incentive payment program to participative general practitioners. I can also indicate to you—and I think I touched on this before—that dependants will be reimbursed for dental services, with reimbursement as I mentioned capped at \$300 per dependant per year. It is envisaged that Medicare may provide support through the claims processing. The plan is for the trial to be evaluated in December 2009. I can also say to you, which may fill out the picture for you in relation to the question you asked, that preliminary work has been undertaken on the potential to combine ADF dependant health services with the government's new GP superclinics.

In relation to the specific issue you raised with Townsville, it is certainly my understanding that the Townsville GP superclinic is being planned. I believe public consultations will occur in 2008 and I think the opening of that is scheduled for the end of 2009. So I can say to you that the government is determined to ensure that when it comes to Defence families, practical support where it is needed most is definitely the primary focus of our resources.

Senator MINCHIN—I am pleased to hear that, Minister, but your now Prime Minister and now defence minister announced on 12 November 2007 on behalf of your party that the locations of the first two Defence families' health care clinics will be in Lavarack Barracks, Townsville, and Robertson Barracks, Darwin. Now I am sure the service families in Singleton, Katherine, East Sale, Cairns and Karratha-Pilbara are pleased to be part of the trial, but I would like you to explain to me why you have so—there may be good reason—blatantly broken a promise to the people of Lavarack Barracks and Robertson Barracks with respect to clinics for them. They were promised the first two. They are not included in the first five that are being trialled as you describe it.

Senator Faulkner—In fact, Senator, I hope I have provided to you a detailed explanation of this, but I can say to you—I will come back to the Lavarack issue in a moment because I think I mentioned Townsville and did not touch on the situation in Darwin—that by initiating a pilot program in five locations across Australia, in the view of the government, Defence will

be able to take a sensible and practical approach to ascertaining the health service needs of Defence families into the future. I mentioned to you the situation of the Townsville GP superclinic. In addition, I can say to you it is my understanding that the Darwin GP superclinic is scheduled to open by the end of 2008. I am not sure I can provide very much more information.

Senator MINCHIN—Just to be clear: you are telling us that because of the establishment of GP superclinics in Townsville and Darwin, the promise to the service families of Townsville and Darwin has been rendered obsolete. Is that what you are saying? With respect to them having Defence family health care clinics on those bases, that promise no longer stands because you are providing GP superclinics which presumably will not be on the bases but in the cities.

Senator Faulkner—No, Senator, to be fair I think you are using the word ‘obsolete’. It is not a word that I used, but I certainly did say to you that preliminary work has been undertaken on the potential to combine ADF dependent health services with the government’s new GP superclinics. I will just check with officials whether it would be proper to say to you that this is scoping work. That would be my understanding of it, but officials may be able to assist me. I would use the terminology trial scoping, preliminary work.

Senator MINCHIN—I am just trying to be clear of the government’s position. The government therefore is no longer necessarily committed to the establishment of Defence family health care clinics at Lavarack Barracks and Robertson Barracks because it is trialling the use of GP superclinics instead. Is that the situation?

Senator Faulkner—That preliminary work or scoping work has been undertaken on that potential. I am not sure I can give you a great deal more detail on that than I have. I simply do not have any more to hand. But certainly the trial that the government has announced is about informing the progressive delivery of free, basic health care to ADF spouses and dependants. That is the purpose of it. We all know that one of the biggest challenges currently facing the ADF is a shortage of the right people with the right skills and this initiative forms part of the government’s retention and recruitment strategy, as I understand it. I think I have given you a detailed response to the questions that you have asked on this issue. I would have—

Senator MINCHIN—With great respect, obfuscation does not become you. You seem to have great difficulty simply saying that the government no longer has an unqualified commitment to the establishment of Defence family healthcare clinics at Lavarack Barracks and Robertson Barracks.

Senator Faulkner—The reason I have not said that is that what I have said to you is something different. I have talked to you about the process that has been undertaken. I know it might be an easy thing to do politically to put words into my mouth, but I am not in a position to use the words you would like me to use and then have those words placed in my mouth. What I have tried to do is outline to you the situation as I understand it as the minister representing the minister for defence and personnel at the table. I have outlined to you as fully and frankly as I can what the situation is. And all the information available to me, I have provided to you.

Senator MINCHIN—As I said, this is like drawing teeth. All the evidence you have provided to us today makes it clear that the government no longer has a firm commitment, an unqualified commitment, to establishing these Defence family healthcare clinics at Lavarack and Robertson. Is that not the case? If I am wrong, tell me.

Senator Faulkner—What I have said—

Senator MINCHIN—Please tell me now that the government has a firm commitment to honouring its promise to establish Defence family healthcare clinics at Lavarack and Robertson.

Senator Faulkner—What I have indicated to you very clearly is that there is a trial taking place that is going to occur during the 2008-09 financial year. The sites for that are: Katherine in the Northern Territory, Cairns in Queensland, Sale in Victoria, Singleton in New South Wales and the Karratha-Pilbara region in Western Australia. That is what I can say to you. It is a decision that the government has made and, as you know, it is a decision that is a budget commitment.

Senator MINCHIN—All I can do is note that it does not include Lavarack and Robertson, and you have not been able to give us any commitment that the government will honour its promise to establish Defence family healthcare clinics at those two barracks.

Senator Faulkner—It does not mention those two places, as I have said. I have talked to you separately in relation to the situation where. I can say that to you again. But what I am aware of is that preliminary work has been undertaken on the potential to combine ADF dependant health services with the government's new GP superclinics. I have said to you, but I will make it clear, that the Darwin GP superclinic is scheduled to open by the end of 2008. The Townsville GP superclinic is being planned. Its status, as I understand, is that public consultations are to occur in 2008. Opening is scheduled by the end of 2009. Obviously there is an issue here about duplication of health services in those areas where GP superclinics will be established. I think that is clear. The government's approach in relation to the provision of basic medical and dental health care to dependants of ADF members is clear and is as I have outlined in this level of detail to the committee.

Senator MINCHIN—Thank you, Minister. That is about as much obfuscation as I can bear for the moment.

Senator Faulkner—That is a most ungenerous thing to say.

Senator MINCHIN—Just in relation to savings measures, there was much speculation in the lead-up to the budget about the future of ADFA. We noted that it did take a considerable time for the minister to come forward and seek to terminate that speculation. Could the government indicate its position with respect to the future of ADFA? Is this just a stay of execution, or is the government firmly committed to the retention of ADFA?

Senator Faulkner—Can I just say to you that the Minister for Defence was able to inform me of the status of the issue you previously raised. I have no knowledge that this issue that you have now raised was ever on the agenda, but I will check with CDF or the secretary as to whether they could assist you further on this.

Air Chief Marshal Houston—ADFA was never under consideration for any cuts. I do not know where that came from. The minister clarified the situation as soon as it became evident that there was a rumour out there.

Senator MINCHIN—So you are happy to confirm to this committee that there was never even consideration of that as a savings measure.

Air Chief Marshal Houston—That is correct.

Senator MINCHIN—I accept that. Thank you.

[4.43 pm]

CHAIR—If there are no further questions on 1.12, we will proceed now to output group 1.14, Superannuation and housing support services for current and retired defence personnel and other administer items.

Senator MINCHIN—What is the situation with the review of military superannuation? That must be the 13th review.

Senator Faulkner—Do you want this to be a lucky or an unlucky 13?

Senator MINCHIN—Let us make it 14 then, so it is not unlucky. I think it has been completed. What is its status?

Mr Warner—Firstly, I am not counting reviews any more. Secondly, it is before government at the moment.

Senator MINCHIN—You are not able to say any more than that?

Mr Warner—I am not, I am sorry. It is with the government.

Senator NETTLE—In relation to the government's legislation about superannuation for same-sex couples as it applies to military personal, has the department done any estimates of the number of people to whom that will apply?

Air Chief Marshal Houston—I am sorry; estimates of the number of people?

Senator NETTLE—Yes. I just want to ask about the impact of same-sex superannuation changes that the government have introduced into the House of Representatives in terms of the ADF and whether there has been any estimate of the number of people who will be able to access benefits if that change goes through.

Air Chief Marshal Houston—There will be an impact. There are a number of couples that will take advantage of those circumstances, yes.

Senator NETTLE—Is there a figure that Defence has done as to the number of people?

Air Chief Marshal Houston—I would like to get back to you. I do believe we know how many people will take advantage of the new arrangements, but I would like to take that on notice, if you would not mind.

Senator NETTLE—Sure. Thank you.

[4.45 pm]

CHAIR—We now move to outcome 2, Military operations and other tasks directed by government to achieve the desired results. If there are no question under output group 2.1,

Operations contributing to the security of the immediate neighbourhood, we will go to output group 2.2, Operations supporting wider interests.

Senator MINCHIN—We did canvass Iraq and Afghanistan quite extensively, so I do not have any questions.

Senator Faulkner—To be fair, Chair, a lot of these issues were actually dealt with in the portfolio overview.

CHAIR—They have been. We all acknowledge that. I am just working through the agenda.

Senator NETTLE—I have three operations I want to ask questions about. Operation Testament I was asking about before. I have read what I can on the various websites about what that involves. Something I am just a bit confused about is whether the \$7 million that you indicated before is for the Army assistance and logistics associated with World Youth Day and does it also cover the military pilgrims program?

Air Chief Marshal Houston—It certainly covers the people who are actually conducting the operation. From memory, that is about 370 people. But there are a number of military pilgrims as well and what their entitlements will be under the circumstances of their deployment to the event I will take on notice.

Senator NETTLE—So the 370 are ADF personnel who will be involved in logistics around World Youth Day.

Air Chief Marshal Houston—They are doing the sorts of things that I mentioned to you earlier on—there is low-risk bomb search, there is obviously a command element and there is also a response element, who will obviously be there in circumstances where the civil authority requires them.

Senator NETTLE—Do you know what proportion of that 370 is part of that response element?

Air Chief Marshal Houston—Perhaps I could take that on notice.

Senator NETTLE—Sure. You are taking on notice whether the \$7 million covers both the logistics around World Youth Day and the pilgrims. Is that right?

Air Chief Marshal Houston—I would like to take that on notice. That \$7 million certainly covers all the operational aspects, but I am not sure that it covers the pilgrims—I do not think it does, but I would like to take that on notice just to ensure that I give you the right information.

Senator NETTLE—Thank you. Are the military pilgrims ADF personnel or military personnel from elsewhere?

Air Chief Marshal Houston—There could be up to 500 ADF personnel and there could be up to 500 personnel from other countries, and of course they are all military.

Senator NETTLE—Presumably there is some subsidisation of their activities. On the website about military pilgrims, it says that they pay \$350 for a week's activities in Canberra and then a week in Sydney. So presumably there is subsidisation involved in that.

Air Chief Marshal Houston—I think there might be some subsidisation in the form of accommodation and so on, but again I would like to come back and itemise what is subsidised and what is not. Is that okay?

Senator NETTLE—Yes. If we could get a cost for the subsidisation of the military pilgrims program, that would be great.

Air Chief Marshal Houston—Certainly.

Senator NETTLE—Is this the first time the ADF has been involved in a religious ceremony or event like this?

Air Chief Marshal Houston—The reason we are involved is just the scale of the activity. We are going to have an incredible number of young people from around the world congregating in Sydney. We are also going to have a visit by his holiness the Pope. It is a very high profile event, so there are many security dimensions to this and we have been asked to provide the normal sort of support that we have provided for a number of events of this scale. It is much, much bigger than a grand final, for example. There will be a huge number of people at Randwick; I think on the week that this is conducted it will be the third largest city in Australia. There are a huge number of people coming.

Senator NETTLE—In particular, take the military pilgrims program—is this the first time that the ADF will be involved in that kind of event?

Air Chief Marshal Houston—It is a unique event. The answer to that is yes, but it is not unusual for us to become involved in the security arrangements for high-profile visitors and I would put the Pope in that category. When he has come to Australia in the past, I think we have been involved in providing some backup to the civil authorities, if it is required, if it is requested. So it is not unusual to provide support in the form of some sort of capability that the civil authorities are deficient in to provide them with the necessary support for the event.

Senator NETTLE—I am particularly asking about the subsidisation of the involvement of ADF personnel in the military pilgrims' activities, which is them attending and being involved in those events, and whether the military subsidises other ADF involvement in other religious events or if this is the first.

Air Chief Marshal Houston—This is the first event of its kind of any religion that I can recall in my career. So it is a first, it is quite unique and there are no benchmarks against which I could draw a comparison.

Senator NETTLE—Do you know whether the ADF subsidised ADF personnel in the past to go to other World Youth Day events or other religious ceremonies?

Air Chief Marshal Houston—I am not aware of any subsidisation. I am not aware of our sponsoring people to go to those sorts of events in the past.

Senator NETTLE—I am particularly interested in whether there are any ADF programs for or subsidisation of involvement in events to do with other religions. There is World Youth Day, but I want to know whether there are similar programs for people as they relate to other religious events with other religions.

Air Chief Marshal Houston—This is a first; this is absolutely a first. I am not aware of any other activity like this that has been conducted in the last 30 years. So, at the risk of sounding like a broken record, this is a first and, if we get something else similar with another religion, I suggest to you that we would probably, depending on the scale, react in a similar way.

Senator NETTLE—I want to ask questions about Operation Paladin. I understand that there are 12 personnel deployed in Operation Paladin. Could you describe what their activities are, what they are involved in doing?

Air Chief Marshal Houston—There are 11 right now. There will be 12 very shortly. We provide up to 12 personnel. They are involved in the United Nations operations in the Middle East. We have been doing that since 1956. As you are probably aware, the truce arrangements were first put in place in 1948 and the UN has been there ever since, and we have been involved since 1956. The principal task that we do is observing, the classical military observer role; our people do it very well and they have been doing it very well for many, many years. Of course, right now Major General Ian Gordon is the commander of that operation—and, again, doing a magnificent job.

Senator NETTLE—What does that observing involve?

Air Chief Marshal Houston—It is essentially a role that requires these individuals to be manning observation posts that are set up between the potential adversaries. For example, UNTSO has a series of posts along the border between Israel and Lebanon and of course the headquarters is in Jerusalem.

Senator NETTLE—I want to ask also about Operation Mazurka. Again, I think the website said that there were 25 personnel involved in that. Could you explain a bit more about what they do?

Air Chief Marshal Houston—They are doing work similar to that of our people on Paladin. This particular group works for the Multinational Force and Observers, which is headquartered in Rome. This is something that we have contributed to for many, many years. Back in the 1980s and early 1990s, we contributed eight helicopters to the Multinational Force and Observers. Essentially, it is the same role as is performed by the UN. Essentially, observation points are set up in the Sinai Desert between Egypt and Israel and again our people do a great job.

Senator NETTLE—What is the current situation in terms of the blockade of movement for people in and out of Gaza? What impact, if any, is that having on that particular operation?

Air Chief Marshal Houston—I am not sure specifically what is actually happening in terms of our people who are involved in Mazurka, but again the role is purely an observation role. So, if the border is closed, they will observe what is going on; they will not be directly involved in any enforcement action or anything like that, if that is what you are getting at. It is purely observation and essentially the sovereign governments on either side of the border conduct their affairs as they see fit. We observe and report back to the parent headquarters on what is going on.

Senator NETTLE—I know what the impact is. Presumably they are not getting supplies or anything out of Gaza that would be impacted on as a result of that. I just wanted to ask—

Air Chief Marshal Houston—It has absolutely no effect on their wellbeing, on their resupply and so on. They are going very well and there are no major issues with their current operations.

CHAIR—I have a question under this heading and it is probably for General Leahy to come forward.

Air Chief Marshal Houston—What is the question?

CHAIR—The question relates to the 39th Personnel Support Battalion at Randwick. It has to do with the peacekeeping materiel. Can you give us some detail on the number of staff that are located and involved there and what role they play in terms of course preparation or course delivery in the context of peacekeeping?

Lt Gen. Leahy—The 39th Personnel Support Battalion is an Army unit. It has two main functions. The first function is to provide force preparation to ADF forces which is operationally specific. It actually provides force preparation to all units, not only for peacekeeping, involving people who are going off on major operations. I will become more specific in a moment in terms of peacekeeping. The second major function is to provide personnel support to all deployed forces and that includes welfare, amenities, postal, cash support. That also includes as to exercises. It is predominantly for Army forces though.

The strength of the unit is 160, of whom 60 are reservists. It is a unit that has all services in it—so there are Army, Navy and Air Force in there. There are a number of subunits. Clearly it has a headquarters; a force preparation company, which is in support of joint operations command, and it conducts specific training on behalf of JOC; a personnel services company that looks after the welfare and the cash and so on; an administrative company; and a force level logistics asset that provides support to the minor operations—and this is where I will get more specific on the peacekeeping roles.

Last year they trained and conducted courses for 10,432 people; this year they are up to 3,500. They have training that is conducted by fly-away teams—that is, they go to unit locations and, in conjunction with our mission rehearsal exercises, they provide extra training and provide the specifics. For individual reinforcements—and this includes people who are going off to many of these smaller peacekeeping operations—they will come to Randwick where the unit is, they will conduct their training there and they will be kitted out—that is, they have a Q store that has the specific-to-operation equipment that they need.

The sort of training that they do is administration. They tell people about their posts, their pay, housing, community organisation and welfare. They will conduct training for intelligence and security, rules of engagement and movements—they have liaison efforts with the National Welfare Coordination Centre—and any other specific sort of training that is required. They conduct training for major exercises, including Talisman Sabre.

For the specifics of your question in relation to the peacekeeping: if someone is nominated to a peacekeeping operation, they are normally nominated as individuals rather than as a formed body. So the individuals would go to Randwick, would conduct that training, would

be briefed on their entitlements and so on, would be kitted out and then they would go off on the operation.

CHAIR—Does the battalion have any role in the debrief afterwards?

Lt Gen. Leahy—No. The debriefing—

CHAIR—At unit level.

Lt Gen. Leahy—in terms of psychological debriefing, is a function of the unit deployed forward. They would probably have some minor roles in terms of lessons learned and so on but not the formal debriefings, no.

CHAIR—Understood. Thank you. I just wanted some general information. Thank you for that. Returning to the agenda, are there further questions on outcome 2?

Air Chief Marshal Houston—Perhaps I could add something to the record. Earlier on today we were talking about civilians in the vicinity of the incident in which Private Worsley and two Afghan civilians were killed. Our investigation into that provided no further information on the presence of any other civilians, so at this point we assume that there were no others who were obviously there. I cannot add any more than that.

Senator TROOD—CDF, with regard to both 2.1 and 2.2, there is reference in the PBS to concurrency pressures. I am not actually confident that I know what concurrency pressures are, but I have some vague sense of them. I noticed in your opening remarks this morning that you did not actually refer, as you have done in the past, to the very intense tempo of activities of the Defence Force. I assume that ‘concurrency pressures’ is another way of describing the demands that are being placed on the ADF simultaneously. Is the reference here to a general observation about the possibility that these dangers will emerge in the future, or do you have an expectation, in that somewhere down the track you can see some particular pressures building up that may cause concern for the ADF?

Air Chief Marshal Houston—Thank you for the question. As you know, for the last two to three years, we have had significant concurrency issues to manage. The principal issue in the first instance was what we call the joint enabling capabilities. Because we are deployed to multiple locations, it puts a fair bit of stretch into our logistics, communications, health support, air lift, tactical level intelligence, movements and a number of other functions. We have managed those areas very closely for the last three years.

But more recently, with I suppose the continuous and sustained deployments that we have had, we have found that our infantry and our cavalry capabilities have been under significant concurrency pressure. I think it is true to say that, if we were to continue into the long term at the same level and on the same basis, it is probably not sustainable, given that we have to maintain a ready component back home for regional contingencies. I would stress right now that there has never been a difficulty in providing what the government has required of us in terms of that ready element. So we have had to manage significant pressures with the infantry and the cavalry. Of course, the draw down from Iraq of the battle group assists, and the pullout of the 200 or so troops, which included a company from Timor after the assassination attempt on the president there, also helps. So we have had relief in both Timor and Iraq, and

that will ease our concurrency pressures quite a bit, particularly in the infantry and cavalry area.

The other thing that we did, which I alluded to in my presentation, is that we have put reserves into the Solomon Islands, and our reservists have performed superbly. As I mentioned earlier and as I have mentioned previously and as I think General Leahy has mentioned on several occasions, our reservists have done us proud in the Solomon Islands—and of course that has provided some relief to the permanent force.

Nevertheless, even with the draw down in those areas, we have also decided that the time is probably appropriate to adopt a different cycle for managing the Army elements that deploy. For the immediate future, what we will do is deploy people in the Army for eight months, and that will enable us to have a much longer period of rest and also a much longer period to do that very important maintenance of professional skills in the period that they are back home. So somebody will deploy for eight months and it will be a period of 16 months before they have to deploy again.

As you are probably aware, what we have had in the last two or three years is six months deployment, a year at home, six months deployment; and a lot of people have done consecutive deployments where they have had the absolute minimum back home and then they are off on another deployment. By adopting this new model, we will get much better professional development and it will be much better for the long-term health of the Australian Army. So that is where we are going, and I think, with recent draw downs in both Timor and the Middle East, that will help enormously on easing the concurrency pressures that we have to manage.

Senator TROOD—I can see the advantage in having forces return for a longer period of time, but it clearly means that they are going to be in operations for a longer period of time—another two months. Is that correct? They will be on operational activity for an additional two months beyond what has been the norm.

Air Chief Marshal Houston—Yes. This will not be all elements; this will be specific elements. For example, it will not include the special forces, who maintain a very intense tempo of operations when they are deployed. We will stick to shorter term deployments for them, for the very obvious reason that, after a few months of doing what they do, it is imperative that we pull them out and give them a break because we need to maintain them at a very high level of preparedness for the sort of work that they are doing. Similarly, if you look at the aviation elements, again, there are other requirements that we have to meet and most of the aviation elements from both Army and Air Force will probably go for periods of about four months before they are rotated. So it depends a lot on which particular group you are talking about. For example, the Reconstruction Task Force in Afghanistan will go for an eighth-month deployment. We have no difficulty in doing that and I think our people will appreciate that. It means that they will get a lot more relief when they come home, they will have a much longer time with their families and they will be able to pursue the development they need to progress into the future as a professional member of the Army.

Senator TROOD—Are there any units that have now been deployed on the new rotational basis?

Air Chief Marshal Houston—No, not yet. This is something that we will introduce with the next deployment of the RTF.

Senator TROOD—When is that expected to be?

Air Chief Marshal Houston—It is later this year.

Senator TROOD—Clearly, if you have forces on deployment for a longer period of time, it attracts entitlements et cetera, so there is a cost element to that. How much greater will the cost element be of that longer period of deployment?

Air Chief Marshal Houston—I do not think there will be a significant cost, because essentially we have to have a certain number of people deployed. You deploy them for six months or eight months. We rotate them when they finish and they come home and there is another group of people that take over. We think this is a step in the right direction and it means that our people will have a lot more time with their families. They will do the job and then they will come home for an extended period before they have to go again.

Senator TROOD—Will that apply to the reserve forces as well?

Air Chief Marshal Houston—No. Reserves are different.

Senator TROOD—Is this permanent forces, Army personnel?

Air Chief Marshal Houston—The reserves in the Solomon Islands are different. That is another example of a different group of people. Of course, with the reservists, we want to rotate as many reserve companies through the experience as we can. It is a very popular thing in the reserves and I think it is one of the reasons that we have turned the reserves around. We are getting, as you saw, great recruiting outcomes. We are up around the 93 per cent. People are staying in the reserves and we are building up the reserves again. It has been a very pleasing outcome and the Army in particular is growing again because of this initiative and, indeed, a number of other initiatives.

I might add that the reservists across the three services have done a magnificent job for us. Right now we have about 1,800 reservists on continuous full-time duty and, of course, they provide a very valued capability to fill gaps and to assist us with sustaining the operations that we are conducting. The Navy in particular has gained a lot of benefit from those people because most of them are very experienced former permanent members who come out of their civilian employment and are deployed to the North Arabian Gulf for a period of time and that helps us immensely.

Senator TROOD—Is there a need, do you think, to apply the longer period of deployment to the other services, or is it mainly a problem which is confronting the Army?

Air Chief Marshal Houston—If you look at the Navy, the Navy has ships deployed in the Gulf for six months and, if you take their preparation, their deployment, their period in the area of operations and their redeployment, we are probably talking in excess of eight months. In fact, the Chief of Navy could give us a precise time, but it is in excess of that eight months if you take the whole period when the ship's company is together.

A lot of the Air Force people do six months. But, as I said earlier on, the aircrew, because of the need to maintain skills in other areas, particularly with things like P3s where there is a

requirement for other, high-end war-fighting skills, we only deploy them for four months or so. I might add that some of them have rotated through those deployments up to five times.

Vice Adm. Shalders—CDF is correct. The actual deployment port to port is six months. But, in advance of that six-month deployment, there is a period of about four months of workup. So the ship comes together and works up through a graduated series of activities, after which they are designated or certified as ready to go. Typically that is four months. On return home after the six-month deployment, there is obviously a period of reconstitution, leave until they are ready to go again. So the entire process actually takes about a year for a typical Gulf deployment.

[5.17 pm]

CHAIR—Are there any further questions on outcome 2? Outcome 3?

Senator MINCHIN—CDF, under this item, could you just give us an update on the military contribution to the Northern Territory intervention, which I presume is listed under this. Could you just bring us up to speed on that?

Air Chief Marshal Houston—I guess for most of this year the contribution has essentially been a one-off, providing support. We only have a small number of people who are currently deployed on the operation. I can give you precise numbers. I think I have a brief here somewhere. I cannot find the brief, but essentially the number of people deployed is well under 100.

Senator MINCHIN—All Army?

Air Chief Marshal Houston—Mainly Army. There are very few people from principally the Air Force. But they are providing support functions and we have essentially transitioned most of the hands-on work to civilian people who are still doing a great job under General Chalmers. I do not have much—

Senator MINCHIN—So at the moment is it essentially a law and order function?

Air Chief Marshal Houston—Our function is just a purely support function. We are really providing logistics, providing movement and providing other specialist functions that are not available elsewhere in government.

Senator MINCHIN—So there is an equipment contribution; it is not simply personnel. Is there much by way of equipment dedicated to this?

Air Chief Marshal Houston—For example, we have organised some of the support contracts. We have provided expertise and assistance wherever it has been necessary. Obviously in the first instance we provided a lot of planning support, but the whole operation is running along on a very regular basis now. In terms of law and order, that is being handled by the police authorities—the Northern Territory Police and with some supplementation from the AFP—and that may have dropped off a bit too. I think the Northern Territory Police are very much in the primacy now. Of course there are a number of government agencies from right across the Commonwealth government who provided people who are doing a great job. They are the ones who are carrying the load at the moment. That is as much as I can give. Certainly from an ADF point of view, it is not something that is stretching us in any way. We have also provided—just another example of the movement support—from time to time a

landing craft heavy to access some of the remote communities on the coastline of the Northern Territory. That is the sort of thing that only we can do and that is when we come into play.

Senator MINCHIN—Is there a formal end date to your involvement or is it simply—

Air Chief Marshal Houston—It is still bubbling along, and I will take that on notice but I am not aware of any plans to terminate our support in the immediate future.

[5.21 pm]

CHAIR—Thank you, CDF. We now move to output 1.11: Capability development, Unapproved Major Capital Equipment Program and the DCP. If those officers could come forward. Do we have any questions on capability development? Senator Johnston will lead off.

Senator JOHNSTON—Vice Admiral Tripovich, how long have you been a Vice Admiral?

Vice Adm. Tripovich—Since 4 October 2008

Senator JOHNSTON—2008?

Vice Adm. Tripovich—2007, I am sorry.

Senator JOHNSTON—I did not note that you were a vice admiral—congratulations anyway. I remember when you were a commodore.

Vice Adm. Tripovich—There you go.

Senator JOHNSTON—What can you tell me about our development with respect to the next generation of submarines—where are we at with that?

Vice Adm. Tripovich—About 2006, we started the initial scientific studies, if you like, into what the future requirements might be for future submarines to replace the Collins class.

Senator JOHNSTON—Who is ‘we’?

Vice Adm. Tripovich—Defence. The capability development group in conjunction with DSTO, Navy and related parties in defence that deal with the very early part of the capability development process.

Senator JOHNSTON—Is it a primary team a primary team that is solely responsible for this?

Vice Adm. Tripovich—The lead is in capability development group—yes.

Senator JOHNSTON—And how many of them are there?

Vice Adm. Tripovich—There are two desk officers in capability development, but if you include me, my deputy, a number of scientists in DSTO, I guess at any one time there would be a dozen people providing an input over time. We did the pre first-pass activities very early, scoping what the future requirements might be for a submarine and what the world might look like. Of course we are dealing with something that will come into service in 2026, so it is very far-reaching stuff.

Mr Warner—Senator, could I just add a point, which I think will help you and is important. We spoke earlier about the white paper and how the classic white paper would look

at the strategic environment and we were doing a force structure review. Obviously the need for submarines, what sort of submarine, their capabilities, range endurance et cetera will flow out of that process.

Senator JOHNSTON—When is the white paper being handed down?

Mr Warner—I think I said earlier today that the government was committed to having the white paper by the end of this year.

Senator JOHNSTON—Do we have any funding for the development of this particular project beyond the white paper?

Vice Adm. Tripovich—The work that we do before first pass is funded from what is called project definition funding, which is a line in the defence capability plan each year. It is the working capital I have to do this pre first-pass work.

Senator JOHNSTON—Given that we will see the white paper talk about submarines and all things being equal, when are we likely to see a separate line item for the development of the new submarine?

Air Chief Marshal Houston—The whole business of submarines and all other capabilities is what we are looking at in terms of the white paper. As part of the white paper process, we are doing a force structure review and, out of that work, will come the detailed requirements in terms of the capabilities required to meet the strategic tasks.

Senator JOHNSTON—I think the timeline is very pressing with respect to this capability. I remember we used to talk of 2025. Now we are talking of 2026, which is only one year. But by the same token given our history I think we are on the cusp of being late.

Air Chief Marshal Houston—A lot of that work is being done, and there is a lot of work that needs to be done before you get to definitive solutions. The point is we are surveying the strategic environment out to 2030. It is a strategic environment that is changing substantially and it is likely that there will be some adjustments to our force structure, so force structure review is an absolutely essential part of the white paper process. It is that process that will firmly establish what sort of submarines we might need into the future, and the work continues. If you go to Fishermans Bend and visit our scientists, they are seized with all of their necessary work looking at a whole raft of different issues involved with the technology that is being presented in the future. All of that work is going on. The research and development is going on. But, in terms of a line item in the DCP—how much money might be required and how many submarines might be required—all of that stuff is going to be part of that white paper process.

Senator JOHNSTON—It concerns me that you say you are surveying out to 2030. To this point in time we have accepted that the first vessel will be in the water in 2026. What does that mean? Does it mean that they are coming into an environment that we have anticipated for a life of, say, four years?

Air Chief Marshal Houston—Sorry, I am not with you.

Senator JOHNSTON—We are surveying the strategic environment out to 2030. These vessels do not hit the water until 2026 at the earliest.

Air Chief Marshal Houston—Certainly.

Senator JOHNSTON—Should we not be surveying the strategic environment out to 2040 and beyond to some extent?

Air Chief Marshal Houston—The government has asked us to look out to 2030 and obviously there is an environment beyond that. We take cognisance of that environment, but you could say the submarines will be in the water from 2026 for 20 years and that takes you out to 2046 or 2050. You have to draw a line somewhere. I do not think you can look at the strategic environment with certainty out to, say, 2050. The government has decided that we should look out to 2030, and I think that is a reasonable thing to do. I might add that no other white papers have cast that far forward in the past.

Senator JOHNSTON—The reason I raise it is that no other capability requires this level of time.

Air Chief Marshal Houston—No, I understand that. That is why we are doing all that research and development right now. We are investing resources right now in the research and development function. In fact, I will get Admiral Tripovich to run you through what we are doing in those terms.

Vice Adm. Tripovich—If I can reassure you, on the way to first and second-pass we continually refresh our views of what the submarine will need to do, and it is many years before we will have to get to the second-pass solution. It is not as though decisions that the white paper will make will necessarily draw a line on what the submarine will do. It just informs us on the journey to second-pass, if you like. There is a whole raft of studies that we are doing. As the chief said, they are an ongoing thing in scientific research about the future performance of propulsion and their efficiency, the future weapons systems that may be coming onto the market by the time we have to make those important decisions. A significant amount of effort is expended while the white paper is going on. It is just a part of a parallel process, if you like.

Senator JOHNSTON—Can you confirm with me that the principles enunciated by Kinnard and the first and second-pass methodology is still concurrent and current today, and there has been no suggestion of changing any of that?

Vice Adm. Tripovich—There has been no suggestion of changing the principles of Kinnard first and second-pass. As part of the white paper review there is a review of the Defence Capability Plan and the process we are using. In that context, we are always looking at how the process could be improved or refined because of the lessons we have learned since the Kinnard process kicked off.

Senator JOHNSTON—Is it anticipated that there will be another Defence Capability Plan issued next year?

Vice Adm. Tripovich—I think it would be reasonable to expect one to come out informed by the white paper.

Senator MINCHIN—I have a couple of questions on the submarines. When would you be planning to seek first-pass approval?

Vice Adm. Tripovich—As I recall, the minister has already indicated it will be around 2011, and we are very comfortable that we have time. We are on schedule. With the work that we have already started and the structure of the project, 2011 would be appropriate.

Senator MINCHIN—In your capability planning, are you operating on the basis that nuclear propulsion is not an option?

Vice Adm. Tripovich—All these things are being examined in the context of the white paper. We will have to wait for the outcome of all of that.

Senator MINCHIN—So nuclear propulsion is an option?

Vice Adm. Tripovich—I am not saying yes or no; I am just saying there is a whole lot of research going on. I do not want you to misquote this, but I am not ruling anything in or out because it is very early. I would not want that to become a headline that says ‘nuclear propulsion is in’ either.

Air Chief Marshal Houston—I would not anticipate nuclear boats in the ADF.

Senator MINCHIN—Has the government ruled out nuclear propulsion for the next generation of substitute?

Senator Faulkner—I thought CDF summed this up very well when he said, ‘Don’t anticipate that.’

Senator MINCHIN—That does not rule it out. I would have thought you as a minister in the government would be able to tell us whether or not nuclear propulsion has been ruled out.

Senator Faulkner—As far as I am aware, it can be ruled out.

Senator MINCHIN—You may just want to confirm that.

Senator Faulkner—I just did I think.

Senator MINCHIN—You qualified it, but it was not exactly a categorical statement. No doubt you would like to come back to us with a categorical statement or, if not, make it now.

Senator Faulkner—I thought it was pretty categorical.

Senator MINCHIN—Nuclear power has been ruled out?

Senator Faulkner—As I said, as far as I know, it has been.

Senator MINCHIN—That just qualified it.

Senator Faulkner—I cannot speak on behalf of anybody else.

Senator MINCHIN—‘As far as I know’ is a qualification on government policy because, as you have regrettably demonstrated in estimates, despite your great wisdom and knowledge, you do not know everything.

Senator Faulkner—If you did not feel that was enough of a categorical assurance, let me provide it in a way that you can define as categorical.

Senator MINCHIN—I am all ears.

Senator Faulkner—It is categorical.

Senator MINCHIN—Thank you. I also note that in August of last year Mr Rudd came to Adelaide and declared, again in a quite unqualified fashion, that the next generation of submarines would be built in Adelaide. Does that remain government policy? Do not all speak at once.

Air Chief Marshal Houston—I think, again, the government has not considered those issues at this stage. I think we just have to wait and see.

Senator MINCHIN—It is quite a significant question because the people of Adelaide were told in a quite unqualified fashion by the now Prime Minister in August of last year that a Rudd Labor government would build the next generation of submarines in Adelaide. Is that still the case?

Senator Faulkner—Senator, that is obviously the expectation, but this is in advance of any processes having commenced in relation to this. That is the best advice that I can give you. The Prime Minister has made that commitment. You should just take it at face value.

Senator MINCHIN—I would love to be able to, but not every commitment made by the Prime Minister in the lead-up to the election has in fact been honoured, and I think the people of Adelaide would like to know whether this remains the policy of the Rudd Labor Government. Given that we are discussing the planning that is going into the development of the next generation of submarines, I would like to know and the people I represent in Adelaide would like to know whether the premise for the development of this next generation of submarines is as Mr Rudd declared it would be: that they will be built in Adelaide. Either it is or it is not the premise on which you are—

Senator Faulkner—I cannot give you any further detail beyond what the Prime Minister has said.

Senator MINCHIN—So you are confirming and the admiral can confirm, presumably, that his planning is on the basis that the submarines will be built in Adelaide. Is that correct, Admiral?

Vice Adm. Tripovich—We will go through the process of first and second pass, and present options to government for them to consider, Senator.

Senator MINCHIN—That means that you have not been instructed to operate on the basis of Mr Rudd's clear declaration that these submarines will be built in Adelaide?

Vice Adm. Tripovich—I have received no direction that the submarines are to be built in Adelaide.

Senator MINCHIN—Minister, this is a reasonably serious issue. Your statement to this committee is not of a sort that would give any comfort to my constituents. If you are able to, come back from the dinner break to this committee with a confirmation that the promise and the declaration made in August last year in Adelaide remains or has been confirmed as government policy and, if not, please inform the committee.

Senator Faulkner—I have indicated that Mr Rudd's commitment stands, Senator, but if I can give you any further or better information I will.

Senator MINCHIN—You do seem rather hesitant—and I accept that—so I would appreciate you taking advantage of the dinner break to confirm what—

Senator Faulkner—I do not feel at all hesitant about it.

Senator MINCHIN—With great respect, you certainly look it and sound it, so I would appreciate you seeking confirmation that that commitment is the basis on which the next generation of submarines is being planned: that they will be built in Adelaide.

Senator Faulkner—If I can give you any further or better advice from what I consider is a very non-hesitant response that I have given you, I will certainly provide it to you, Senator.

Senator MINCHIN—Thank you.

Mr Warner—Senator, could I just provide a few facts—a few dates—to put this discussion into context. As Senator Johnston said, we are talking about a submarine that will come into service in 2025-26—and I am not sure that any of us will be around here then—

Senator MINCHIN—But you will have to start building them somewhat before then.

Mr Warner—a submarine that we will start building in 2017—

Senator MINCHIN—That is only eight or nine years away; it is not that long.

Mr Warner—It is quite a long time—and a submarine that will go to first pass probably in 2011. I think these are very long time frames indeed.

Senator MINCHIN—With great respect—

Senator Faulkner—It seems like a long time to me, I would have to say, Senator, and I am sure you will feel when you have been in opposition for that long that it is a long time, too. I can confirm this from my own recent experience. Eleven and a half years felt like a very long time.

Senator MINCHIN—My experience in these sort of projects is that time goes very quickly, and I am sure people in DMO and others will confirm that. But I am referring to an unqualified undertaking made in August of last year as to where these submarines will be built. And it is the Rudd Labor government which currently is charged with the task of planning for the next generation of submarines. The now Prime Minister made this commitment. I am asking whether that remains the government's commitment and that the planning for these submarines is based on that commitment. I understand that to be your position, but I would appreciate any further confirmation you can give me, because—

Senator Faulkner—I think the commitment is clear, Senator.

Senator MINCHIN—I have to say the secretary's remarks—probably inadvertently—suggest some doubt about that.

Senator Faulkner—No. The secretary spoke about the time frames and said that they are very long time frames.

Senator MINCHIN—With a view to suggesting, 'How can we say now that they will be built in Adelaide when we won't start building them for nine years.'

Senator Faulkner—Most people agree with it except you. You seem to think that these were very short time frames, and I was trying to point out to you that, if you have to live

through them, they are very long time frames. But the commitment stands; I cannot put it any more clearly than that.

Senator MINCHIN—Secretary, I assume that your advice to us as to time frames was not to suggest, ‘How can we say they will be built in Adelaide when we will not start building them until 2017?’ Was that not the point of your remarks?

Mr Warner—They are just very long time frames.

Senator Faulkner—But you will be here, I am sure, in 2025—

Senator MINCHIN—I will certainly be in Adelaide waiting for the materiel to go down.

Senator Faulkner—to congratulate the government at the time.

Senator MINCHIN—Presiding over the building in Adelaide; I look forward to that.

CHAIR—Further on capability development?

Senator MINCHIN—Perhaps while we are on Navy, just inform us of the capability planning with respect to multirole naval helicopters given the decision that has been made on the Seasprite and the capability gap which that no doubt now represents. What capability planning is under way with respect to that?

Air Chief Marshal Houston—Again, that is a classic issue for the white paper process and, in particular, the Force Structure Review that is being conducted as part of that process. Fundamentally, what the Force Structure Review is doing, as I said earlier on, is coming up with a force to meet the strategic tasks that will be defined in the white paper and then looking at how we translate that into an acquisition program into the future; in other words, a new DCP. One of the requirements is clearly going to be that helicopter requirement to replace the Seasprite capability.

Senator MINCHIN—It is not the case that the capability requirement is clear, and it is simply a matter of how do we fill it. You are saying that the capability itself is—

Air Chief Marshal Houston—I think that capability requirement is very clear, but it is how that stacks up against all the other priorities that are going to be in play. As you would be well aware, the DCP has to be managed in a way that we satisfy the high priorities in the first instance and we manage it in a pragmatic way to fill any gaps that might be out there. As part of the process, we will be looking at where the gaps might be. But I stress that it is a complete and comprehensive process we are going through; it is not just adding a bit here and adding a bit there. We are taking the whole environment, defining the environment, coming up with strategic tasks and then doing a Force Structure Review against those strategic tasks.

Senator JOHNSTON—Are you suggesting that there will not be a helicopter aboard the Anzac class frigates, the FFHs, that had capability approaching or near to what was anticipated with respect to Super Seasprites? Is there a likelihood that that would be a result of the white paper assessment?

Air Chief Marshal Houston—Absolutely. We will be looking at every capability requirement in the ADF. A Force Structure Review is a very robust process and we need to go through it. It is a process that will take some time. What comes out of the Force Structure Review will be a fundamental outcome from the white paper process.

Senator JOHNSTON—So it is possible that we just leave the ordinary Seahawks that we have got on board now?

Air Chief Marshal Houston—The Seahawks will continue in service but, fundamentally, we have got to go through a process. We went through a similar process in 2000 and we have done similar processes before in other white papers. It is imperative that we do a force structure review, and that is going to be a demanding process.

Senator MINCHIN—That great record, the Adelaide *Advertiser*, of 24 May reported that the US Navy has offered to resuscitate our ailing naval helicopter fleet with a \$500 million plan to fast-track delivery of new Seahawk choppers. Has such an offer been made?

Vice Adm. Tripovich—All the while white paper is going on, capability development continues its regular process of exploring what the options are there in case they need to be brought forward. We are in constant discussions with a variety of helicopter manufacturers and helicopter users to see what is the art of the feasible. It is true that we have been talking to Sikorsky and other manufacturers to see what is out there so that, when we do get the answer from the white paper, we are ready to move with options for defence committees to look at in the first place, and then government. But we have not chosen anything yet because it is very much dependent on the white paper. If we were to stop work while waiting for the white paper, that would be, for a number of reasons, bad and remiss of us. A lot of things continue in the background. We have a lot of pots on the boil at any one time ready to bring them forward as the requirement exists. It is an ongoing process. Normal capability development pre-first pass work.

Senator MINCHIN—I am pleased to hear that because we might have inadvertently got the impression that the white paper had put a halt to detailed capability development.

Vice Adm. Tripovich—I can assure you that is not the case. A lot of things happen before it leaves the department. There are a lot of committees and subcommittees in Defence where we do our own work and they are an important part of checking our facts and making sure that we have a robust business case to take to government. Figuratively speaking, there are many projects that are going along to a point, and then, if you like, they sit in my bottom drawer waiting for the outcome of the white paper. Some of those things may then get wrapped up and put in a filing cabinet because the white paper does not require them. But we would not want to wait to be suddenly caught flat-footed to start the process. That would be very unwise, obviously.

Senator MINCHIN—I accept that; I am pleased to hear it.

Senator Faulkner—I will just make it clear on the last issue. I can certainly confirm that the Prime Minister's commitment stands, if I did not do that—I believe it was pretty clear. Senator Minchin was worried about how I looked when I was answering the question. I just look like this probably all the time but, certainly, after seven or eight days of estimates, I start to look even worse. I know it does not affect you, Senator Minchin, but it just seems to affect me that way. You look terrific all the time.

Senator MINCHIN—Thank you, Senator Faulkner. Thank you for that unqualified confirmation; my constituents will be pleased.

Senator Faulkner—However I look, the Prime Minister's commitment stands.

Senator MINCHIN—Thank you.

[5.48 pm]

Defence Materiel Organisation

Senator JOHNSTON—Dr Gumley, we have resolved our situation with Kaman on the Super Seasprites. Please tell us about the resolution.

Dr Gumley—I will invite General Fraser to come forward; he has got the details.

Major Gen. Fraser—Senator, with regard to your question, it might help if I take you through the process that we took to get where we are at the moment. Government made the decision to cancel the Seasprite project. Dr Gumley that night, on 4 March, notified Kaman of the decision, and then concurrent media announcements were released by Kaman and us on 5 March.

A negotiation team, which I led, headed across to the US to negotiate with them, starting on 10 March. We then proceeded to achieve a heads of agreement over the 10 days that followed—a heads of agreement and a deed of agreement—signed on 19 March, which announced the result that we had to achieve. It is, subject to US government approval, and I need to stress that part because of the ITARs issue as well—as you would understand—that we would transfer all aircraft, spares and equipment to Kaman for resale with a guaranteed minimum amount to the Commonwealth of A\$39.5 million, to be paid in 2011—as the major instalment—2012 and 2013 regardless of any sale; that \$30 million of spares would be retained by the Commonwealth for Seahawk and in the case of engines for Black Hawk to increase the availability of Seahawk—similar things like infrared systems and electronic warfare systems; and that we would share, on a profit-sharing arrangement that is at least 50 per cent, any additional amount over the \$39.5 million.

Part of the agreement was a nondisclosure, or a mutual agreement, regarding each other's performance and abilities. The intent is that both we and Kaman will make the best efforts to sell the aircraft. Kaman is responsible for that and they are actively trying to do that at this moment. It is subject to US government approval, and the issue for us that makes it difficult to achieve is that it is nonstandard, without an end-user agreement, so they are actively trying to find their market at the same time. If we get an end-user agreement then that makes it a very simple task, otherwise we are seeking the US government state department approval. We have commenced that process and are hearing favourable information from them, but that is not yet concluded.

Senator JOHNSTON—How do you define equipment? What equipment are they taking?

Major Gen. Fraser—It will be all of the aircraft, the spares, simulator—

Senator JOHNSTON—Sorry, just pause there. When you say spares, what do you mean by spares?

Major Gen. Fraser—Anything that was bought specifically for the Seasprite program

Senator JOHNSTON—Do you mean air related: rotors and all of the motor spares, what have you?

Major Gen. Fraser—That is correct. The parts that they will not take are specific classified equipment and government furnished equipment—anything that we, as the Australian government, provided that we bought from the US specifically, like GPS, the identification friend and foe, that sort of equipment that we have not passed and will not take to Kaman. Much of the configuration of the aircrafts will be determined when and if we find a buyer. If they find a buyer modifications may or may not need to be made to the aircraft. So the equipment is all of the aircraft, the spares that are associated specifically with Seasprite—

Senator JOHNSTON—Yes. There are 11 aircraft?

Major Gen. Fraser—There are 11 aircraft, 10 in this country, one in the US at commands facility, plus seven hulks across in the US desert that were bought and put there for spares—they were part of the breakdown that were available for additional spares and/or for upgrading the aircraft to the current standard. That path was not chosen for those remaining aircraft and they are included in this potential.

Senator JOHNSTON—What about the simulator?

Major Gen. Fraser—The simulator is included in the deal. What we are trying to do is to develop a Seasprite going package for sale to another country; that is the intent.

Senator JOHNSTON—So it is the 11 aircraft plus the simulator. What is the simulator worth—\$2 million, \$3 million, \$4 million?

Major Gen. Fraser—It would be more than that. We have not specifically broken down exactly what issues there are for separating them out. We are trying to sell it as a complete going package, acknowledging, though, that if a country was to buy less than the full amount then clearly we would have spares available to be sold on that profit-sharing arrangement.

Senator JOHNSTON—So we are giving them the first \$39.5 million and we take a half of everything over that?

Major Gen. Fraser—No, regardless of whether they make a sale or not then we would get the \$39.5 million. Because we still have to get a sale to recover funds for the Commonwealth.

Senator JOHNSTON—So they are going to pay us \$39.5 million for all the aircraft and the simulator?

Major Gen. Fraser—That is the guaranteed amount, correct.

Senator JOHNSTON—And the spares and the equipment that you have enunciated?

Major Gen. Fraser—That is the guaranteed amount, Senator. That is correct. Its clear intent, though, is to try and sell that and to get considerably more than that figure, of course.

Senator JOHNSTON—Tell me again how much we paid for the simulator.

Major Gen. Fraser—It was included in the complete package of—

Senator JOHNSTON—It has a value, hasn't it?

Major Gen. Fraser—I would have to take on notice exactly what the price of the simulator was but it was within the order of about \$50 million to \$60 million.

Senator JOHNSTON—So, the simulators are worth \$50 million to \$60 million and we are getting \$39.5 million?

Major Gen. Fraser—All that we could get was the guarantee at that point in time. The simulator, if we are to not continue to fly the aircraft, is of no significant value to us, so the \$39.5 million is all that we have guaranteed. The \$39.5 million is inclusive of all the issues that we looked at on both sides. It is not just about an aircraft value.

Senator JOHNSTON—I am starting to understand exactly that: 11 aircraft plus spares, plus equipment, plus a \$50 million simulator for \$39.5 million.

Major Gen. Fraser—No, what we have done is negotiate a cancellation of the project, which looked at both sides' arguments and issues associated with this project and, by the deal that we have negotiated, it releases us from all liabilities against each other.

Senator JOHNSTON—You are telling me this deal contains a release and discharge such that this can be pleaded against us in any litigation against these people? Have we thrown away our rights?

Major Gen. Fraser—We have negotiated, in the cancellation, what we consider to be the best outcome for this project.

Dr Gumley—Perhaps I might add that the legal situation was complex. There were claims from both parties going in each direction. I am happy that this is a reasonable outcome for the Commonwealth in all the circumstances.

Senator JOHNSTON—You know the next question: how much has it cost us in total?

Dr Gumley—About \$950 million—is that right?

Major Gen. Fraser—What we have paid is \$1.1 billion complete on the Seasprite program.

Senator JOHNSTON—And we have given away our rights to sue for \$39½ million.

Major Gen. Fraser—We worked through this in great detail and, if we say it is just \$39.5 million, then that is clearly not what the objective was to resolve the matter. The cancellation of the Seasprite project was a very difficult issue, and we have been before this committee and described it every six months. You have heard all the difficult issues that we have had with this project.

Senator JOHNSTON—I have got no doubt about that, but \$39.5 million, when we have spent more than a billion dollars, staggers me—whatever that figure was; I do not want to even think about it. We did it all—11 aircraft, a \$50 million simulator, spares and equipment for \$39.5 million. These guys must be pretty happy.

Major Gen. Fraser—In the discussions and the negotiations, it was very clear that both parties believed we had a particular position and view that we would gain whatever amounts they were from each other. In fact, they are not that happy about it. They are now responsible—

Senator JOHNSTON—The end of the gravy train might be the reason why! They have given us nothing and we have spent a billion dollars, and then we have got out of the contract for \$39.5 million. This boggles my mind. I am sure the taxpayers sitting out there just cannot

believe this. You cannot even sue them now. Why did we do that? Did we take legal advice on the rights?

Major Gen. Fraser—No, we did not take legal advice on the run; it was detailed legal advice as to what our best—

Senator JOHNSTON—No, the forgoing of our rights to sue—we took advice on that?

Major Gen. Fraser—Yes, we did. I might call the special counsel to DMO to assist me with the legal matters.

Mr Dunstall—An enormous amount of legal advice was obtained in relation to this program, both from Clayton Utz and from the Australian Government Solicitor. The legal advice concurred on our position in relation to liability and our potential to recover. That advice was consistently that a settled, negotiated outcome was the best approach for the Commonwealth to take.

Senator JOHNSTON—This contract was drawn in 1997.

Mr Dunstall—That is my understanding, yes.

Senator JOHNSTON—Who drew it? Was it done in-house or did we employ one of the big 10?

Mr Dunstall—It was negotiated as normal with DMO contracts—a project team was established and they had the benefit of external legal advice.

Senator JOHNSTON—It must have been a great contract.

Mr Dunstall—Negotiated major project contracts are always a negotiated outcome. Things are traded off and you get to particular positions.

Senator JOHNSTON—No, I am not talking about that. We had a contract from 1997. They were to provide a capability and we were to pay them for it. You are telling me that that contract is not worth the paper it is written on?

Mr Dunstall—No. The contract remained in force until it was terminated. As you would be aware, during the management of contracts, the parties' behaviours can potentially affect the rights that they might otherwise have had under that contract, and so it was in relation to the Seasprite contract where the constant process of engagement to try to deliver the capability led to positions where the parties had claims against each other in relation to how that contract was performed.

Senator JOHNSTON—Just tell me again: who drew the contract?

Mr Dunstall—The DMO ultimately was responsible for putting the contract together, although—

Senator JOHNSTON—It was not the DMO then. In 1997 the DMO was not around, was it?

Mr Dunstall—Whatever its form was, the project—

Senator JOHNSTON—‘Capability Acquisition’ or whatever they called themselves.

Mr Dunstall—Was it the Defence Acquisition Organisation at that time?

Air Chief Marshal Houston—Back then it was single service materiel organisations.

Senator JOHNSTON—The Defence Materiel Organisation?

Air Chief Marshal Houston—No, it was a single service. I think it was Navy Materiel.

Senator JOHNSTON—This contract I take it was so irrelevant to the process that we had firm legal advice that we could not successfully sue for the damages that we had sustained.

Mr Dunstall—The legal advice was that, if we were to sue for damages for breach of contract, the outcome would have been unclear. We could have spent an enormous amount on litigation with no necessary prospect—

Senator JOHNSTON—Just define ‘an enormous amount’ for me in the circumstances of one-point something billion dollars.

Mr Dunstall—Another possible \$20 million.

Senator JOHNSTON—Gee, that is so many paperclips, isn’t it, given that we have lost \$1 billion and we have had no capability for five years? We have bought Penguin missiles and various bits of kit to go on this. We have a \$50 million simulator and we are quibbling over \$20 million.

Mr Dunstall—We could have spent that money with no better outcome—

Senator JOHNSTON—At least they would not have seen us coming in the future. We would have set a precedent that we are not prepared to cop this. We are such easy pickings.

Senator Faulkner—You do not think the previous government bears some responsibility here?

Senator JOHNSTON—The contract was commenced, as you well know, in 1995 by a former retired senator.

Senator Faulkner—I know when the contract was written.

Senator JOHNSTON—I am not interested in the political side of it at the moment; I am interested in the \$1 billion that has gone because this department seemingly did not run this project properly.

Senator Faulkner—I am well aware of when the contract was signed.

Senator JOHNSTON—I am—1997.

Senator Faulkner—Yes, so am I.

Senator JOHNSTON—Let us go back to this point. We have decided to give it away—sell the aircraft for \$39.5 million, with all the spares, equipment and everything else—and to give away our rights to recover the damages because the contract we signed in 1997 was no good.

Mr Dunstall—I do not know that the contract signed in 1997 was no good. As I said, during the process of contract management actions can be taken which can waive rights that you might otherwise have had. That was the position we were in 10 years later.

Senator MINCHIN—Is it the case that essentially change in specification was the fundamental legal difficulty in enforcing any rights under the contract?

Mr Dunstall—There are a whole range of issues: specifications, the fact that capability could not be delivered, us working with the contractor to try to develop that capability can result in waiving of rights, affirmation of the contract and the inability to exercise rights in relation to those breaches because we have acquiesced in their further development.

Senator JOHNSTON—This capability was quite unique. Obviously that was part of the problem. How many Penguin missiles did we acquire for this aircraft?

Major Gen. Fraser—The actual number we would have, but the cost for that was \$198 million.

Senator JOHNSTON—We were going to put two on each one.

Major Gen. Fraser—That is correct.

Senator JOHNSTON—So is there is a minimum of 20?

Major Gen. Fraser—I would prefer not to disclose the number of actual missiles under stocking levels.

Senator JOHNSTON—I accept that, and I thank you for that comment. I will not push it any further. What can we do with them now?

Major Gen. Fraser—We have commenced selling them back to the manufacturer and/or to another nation. We have that work underway at the moment.

Senator JOHNSTON—I hope we are not trying to fit them to the Seahawks?

Major Gen. Fraser—We are not.

Senator JOHNSTON—What a merciful realisation that is. How many Mk 46 torpedos did we buy? Don't tell me if you do not want to, but tell me the value.

Major Gen. Fraser—I do not have that information. I will have to take that on notice.

Senator JOHNSTON—Did we did acquire some for this aircraft?

Major Gen. Fraser—The Seahawk carries the Mk 46, so it is not—

Senator JOHNSTON—Wasn't this anticipated to carry a Mk 46 at some stage?

Major Gen. Fraser—I will have to take that on notice.

Senator JOHNSTON—Your website says it does.

Major Gen. Fraser—Yes, it does, but I do not know what the specific numbers were. That was not the designed purpose for this aircraft.

Senator JOHNSTON—Did we pay for the ITAS?

Major Gen. Fraser—The integrated tactical avionics system was part of the Seasprite program; that is correct.

Senator JOHNSTON—How much did that cost us?

Major Gen. Fraser—It is included in the complete package.

Senator JOHNSTON—The one point whatever billion dollars?

Major Gen. Fraser—That is correct; it was not isolated out.

Senator JOHNSTON—Is it off the aircraft now?

Major Gen. Fraser—It is not. It is fully embedded through the aircraft. I understand your point about the \$39.5 million. The intent is to try and recover as much as we can possibly get back by selling the aircraft. The ITAS is part of that aircraft at the moment and we will try and sell it with that included.

Senator JOHNSTON—Hazard me a guess as to how much we spent on the ITAS.

Major Gen. Fraser—I cannot give you that, because it has not been separated.

Senator JOHNSTON—Can you give it to me within \$100 million?

Major Gen. Fraser—I do not think I can, because the aircraft were purchased and then modified with a number of modifications. I can take it on notice for you but I cannot give you that figure at the moment as to what the ITAS, the integrated tactical system, was actually worth.

Senator JOHNSTON—What about the FLIR pods—do they go with the aircraft too?

Major Gen. Fraser—Yes, the full system was integrated into the aircraft.

Senator JOHNSTON—Correct me if I am wrong, but those FLIR pods are state-of-the-art, they are completely unique, are they not?

Major Gen. Fraser—We are retaining forward-looking infrared systems back to us.

Senator JOHNSTON—How much were they worth?

Major Gen. Fraser—I do not know the individual cost.

Senator JOHNSTON—Does anybody here know?

Major Gen. Fraser—We have retained \$30 million worth of that infrared system for Seahawk and we are putting that onto the Seahawk aircraft to increase the spares and availability of Seahawk. We are retaining the spares and equipment that we can, that are useful, like that infrared system, onto Seahawk.

Senator JOHNSTON—What is SENSO? Is SENSO an equipment system on board the plane? Can you explain to me what that is and what that does?

Major Gen. Fraser—It is my understanding that it is the position of the tactical operator.

Air Chief Marshal Houston—Yes, it is the sensor operator.

Major Gen. Fraser—That is the actual person that operates the tactical systems.

Senator JOHNSTON—Have we trained all our personnel up on these bits of equipment?

Major Gen. Fraser—We have trained some personnel.

Senator JOHNSTON—And how many did we train up?

Major Gen. Fraser—I do not have the exact figure. It would be in the order of about 20 personnel. That would be all aircrew that would have been trained on Seasprite.

Senator JOHNSTON—What are they doing now?

Major Gen. Fraser—They are transitioning across, and have been for some time, to other aircraft types in Naval aviation. Given that the Navy has not had excess personnel—they have been short of personnel—we are transitioning them across to other types.

Senator JOHNSTON—What ITAS problems do we have with the sale of this aircraft to just anybody?

Major Gen. Fraser—It is subject to state department approval and it is not an easy issue; we fully acknowledge that.

Senator JOHNSTON—So the market is very limited?

Major Gen. Fraser—Yes, it is.

Senator JOHNSTON—It is probably limited to about three countries.

Major Gen. Fraser—It is limited for the tactical side of it but, depending on the configuration of an unclassified version, we might be able to sell it to a broader community.

Senator JOHNSTON—Unbelievable. The Navy websites have still got these aircraft up on them. I can read all about them. I can see them flying—they are coming down the Nowra runway and they are flying off Batemans Bay. Is that a good thing when we have just terminated the contract?

Major Gen. Fraser—Your point is valid. We have taken steps to remove the Seasprite. I know that they have been removed from a number of websites and I will continue to make sure they are removed across the complete organisation.

Senator JOHNSTON—Dr Gumley, have we learnt any lessons in this operation? Tell me what we have learnt about acquisition and about making our own arrangements with helicopters.

Dr Gumley—Australian unique development when you are going to be sole orphan fleet in the world is obviously an extremely high-risk activity. You and I have been on opposite sides of the table many times and we have discussed that for the four years I have been here. It might have been a great aspirational goal for many of our programs in the mid-nineties. The FFG upgrade is in the same sort of area where you have got a unique Australian design. My own view is that it is not a very clever way to do Defence acquisition.

Senator JOHNSTON—Are you fully informed and aware of all the deal making and everything that went on here?

Dr Gumley—Yes. I reviewed the legal advice and in the end I signed off on it, given what had happened in the contract. I should point out that the legal advice was first obtained over two years ago. We have been working on it consistently over that two-year period. We have reviewed it, we have tested it and we have poked at it. I have personally been involved in asking some very difficult questions of the lawyers and, in the end, I resolved that this was the best value for money deal we could obtain for the Commonwealth in the circumstances.

Senator JOHNSTON—I accept that. Let us go on to something else then. What is happening with our major concerning projects—our FFG upgrade?

Dr Gumley—Would you like each of the project managers to give you a briefing, Senator?

Senator JOHNSTON—I think we need that.

Dr Gumley—We will do FFG first.

Senator JOHNSTON—Here we are again, Mr King. What have you got to tell us?

Mr King—It is always a pleasure. The FFG upgrade program, as you know, has been a difficult program. Last time I was here you asked me what our plan to deal with that was. I think the clear commitment I made to you was that we would come back at the end of May and be able to tell you. You might remember that the particular issue here is the performance of the ESM system. I would like to stress now that those ships are working, except for the last one undergoing upgrade. Their combat systems, radars and missile systems are all performing well. That is the report I have.

Indulge me for a minute so I can explain why the ESM system is important, how it works and what the challenges are. The ESM system is on the ship to identify radio transmissions from other ships or hostile missiles. The environment is obviously always changing. To use an analogy, the challenge we have with this system is like looking for the weakest star while sitting in your house with all your lights and all the neighbours' lights on. This makes it incredibly difficult, because you are looking for this potentially very weak target and you have all your own lights on. If you went back 20 years ago to when I was still a middle-aged person, you would see that it was then more like being out camping with a few candles on, because the whole electromagnetic atmosphere was much lower. That is true for ships, which are now employing evermore powerful radars, communications systems and internet, for example. All of these are increasing the amount of radio emissions. Additionally, of course, when you get close to shore with mobile telephones and all the other things that are happening, that whole background radio transmission is going up.

What I said we would do is that I would come back and say by May whether or not that system was likely to meet contracted specifications and meet that performance requirement by November. We had absolute focus on this project. The Navy made lots of ship time and crew available to us. Both Thales and Rafael, the contractors, got absolutely focused. I have to be a bit sensitive dealing with some of these issues, as you might imagine. We identified seven or eight major areas of concern, which have been addressed by and large. There was a range of concerns. We found antennas with a physical leak in them; the antennas have been replaced by the company. We found hardware deficiencies. We found some mounting deficiencies. We found some software deficiencies. I might add that through this detailed analysis we also found, surprisingly perhaps, some deficiencies on fitted equipment that has been there for quite some time which generated spike. It was a very thorough trials process.

We still have a little way to go, but my conclusion, at the results of those trials, is that there is every prospect that, with the continued focus of Thales and Rafael, this ESM system will meet the contracted specification by November. There is work remaining to be done, and I would liken it to electronically making this system fit like a shoe. Because each ESM system is sitting inside this high-radiation environment, the ship, you actually have to tune the system to work inside that ship environment and the ships it is going to work with. So it is installed, it is working at a much higher level than it was and I have confidence that, as I say, if they

continue to apply the resources they have, it will meet the contracted specification by November.

Senator JOHNSTON—What has the delay cost us?

Mr King—The delay has not cost us in terms of direct capital. It has cost us clearly in that we do not have the ships at sea doing the full function that obviously the Navy would like. But there is no cost involved in that delay in the sense of a direct capital cost.

Senator JOHNSTON—I do not have any further questions on that project. Would you like to give us a snapshot of where we are at with the air warfare destroyer?

Mr King—As you would be aware, we got second pass approval in June of last year and we entered into the contracts in October of last year. The alliance continues to grow in terms of its manning. We were concerned that we may not be able to attract enough people into the project with the demands of the general industrial base, which you might be aware of. We have over 250 engineers and commercial people in Adelaide in the AWD Systems Centre. The first major milestone was a data drop to Navantia, which was information about the Australianisation of the combat system. We actually missed that milestone by about four or five days. But since it was over Christmas, Navantia forgave us that. The next major milestone was a system functional review, which was about a month ago; we passed that milestone. Our second data drop, which was more than 450 documents going to the designer, has gone forward.

We will do our initial baseline review. We have set up a system. Lessons learned—what are we learning? Based on previous programs, we are very conscious that we do not want to be in a position where companies have made a lot of profit and not delivered us a product. So we have invented, or created, a combination of fee payment schedules which is both earned value management and milestones. The company gets paid its fee on earned value management, which is work being undertaken, but milestones prove that the work being undertaken is effective. If the companies do not get to a milestone then the fee stops, and in fact for some milestones we have structured it so that the fee actually gets repaid.

Senator JOHNSTON—What mechanism do you have to disclose to your financial controller that the stream should stop?

Mr King—Sorry—that what should stop?

Senator JOHNSTON—That the stream of money to the contractor should stop given the failure to reach a milestone. Take me through the practical lights and whistles that go off when a milestone is not reached and the money has to stop. I do not want to come back in five years time and say, ‘How come we paid these people?’ after what you have said.

Mr King—The fee stops getting paid when the milestone is not met.

Senator JOHNSTON—Just take me through exactly what happens.

Mr King—If they do not meet the milestone, that will trigger—it is a contractual requirement to make that milestone.

Senator JOHNSTON—Who adjudicates that?

Mr King—I do not think it is open for adjudication. It is in the contract. Once a milestone is not made—

Senator JOHNSTON—Who is managing the contract to say this milestone has not been obtained?

Mr King—My program office.

Senator JOHNSTON—So he goes and finds that certain work has not been done. What does he do then?

Mr King—The order will be issued not to pay fees.

Senator JOHNSTON—He goes to another person who—

Mr King—To the financial group inside the air warfare destroyer project office which will no longer pay fees.

Senator JOHNSTON—The contractual relationship between all the contractors provides for the unilateral termination of the payment on the say-so of your contractual supervisor?

Mr King—The alliance based contract that we have has a lot of key features in it that, once again, we learnt from lessons all around the world and from our own lessons learnt on a lot of projects. In fact we studied Collins and a lot of international projects. We have structured something into that alliance based project which is quite novel and in which the US is very interested. A lot of people think that a prime contract gives you a lot of protection but when you get to a milestone that is not met obviously what goes with that is a lot of commercial tension between suppliers and primes and so on. Quite often, and you can look back at the history of Collins and others, that brings the shutters up between the parties—the Commonwealth, the prime, the subbies—so resolving problems becomes very difficult because you get this sort of defensive mechanism. One of the very novel but powerful things about the alliance based contract that we have with the two industry participants that have the bulk of the work, which are ASC and Raytheon, is that they are jointly and severally responsible for delivering the product and jointly and severally suffer the consequences. Once those things stop it is not as though, say, if ASC was prime that only ASC suffers and Raytheon would go ahead and continue to get its money and so on. Under this arrangement those two parties both suffer together and both share those consequences.

Senator JOHNSTON—They assume and carry the risk?

Mr King—They assume and carry the risk but I have to make it very clear that under an alliance based target contract we carry risk as well because there is a 50-50 share line on superior performance and on underperformance.

Senator JOHNSTON—Just explain to me what precisely that equates to.

Mr King—One of the problems that you get with a fixed price contract, apart from it not being jointly and severally, is that the contractors will look for extra work in order to increase their profits.

Senator JOHNSTON—Variations.

Mr King—Under this arrangement the fees were calculated in the lead-up to second pass but that fee is now fixed; there is no benefit gained by the industry trying to create work. In

fact, it is to their interest not to create work and to get the job done. So the price of the project for the industry participants is based on this target cost estimate. If they run over their target cost estimate by \$100 million then 50 per cent of that cost is borne by the industry and 50 per cent of that cost is borne by the Commonwealth. If they come in \$100 million under that target, 50 per cent of the benefit is derived to the Commonwealth and 50 per cent of the benefit is derived to industry. The benefit of that is that we get a very competitive profit basis; that is, we pay a low percentage profit for the contract and the contractors can only achieve superior profit margins by having superior performance.

Senator MINCHIN—Just while we are on the alliance, I would appreciate you commenting on a report in the *Australian* of 2 April that animosity between Lockheed Martin and Raytheon was becoming a major problem and that a warning was delivered to Lockheed Martin and Raytheon by Dr Gumley with respect to this alliance contract. Would either of you like to comment on the veracity of those reports and whether or not there is a major difficulty in managing this alliance.

Mr King—I can comment that Dr Gumley delivered the message.

Dr Gumley—It is true I delivered the message; I had to. The Aegis combat system is an evolving system and in the US marketplace the two companies are fighting it out for what is going to become the son of Aegis or the grandson of Aegis for the next 20 or 30 years of naval combat systems. It is an intense rivalry and that is fine. Basically the message I delivered was this: I am quite happy for you to have your discussions in America but leave your discussions in America; in our program you are working together. Both companies have given me their personal assurances at the highest levels that that is what they are going to do.

Senator MINCHIN—Was your message a function of that obvious intense rivalry in the US manifesting itself in Australia and in relationships within the alliance or was this a pre-emptive strike by you?

Dr Gumley—It did not actually get to the alliance. It was more marketing types in the companies coming into Australia. They did the rounds of the Pacific marine conference in Sydney in early February and talked to a number of journalists. I felt that the nature of the dialogue was not helpful to our programs and I felt that it was worth putting a warning shot that you can do what you like in America but in Australia you are working together. And they have both agreed to that. I have talked to the most senior executives of both companies in the US and they have also agreed.

Senator MINCHIN—So it was a pre-emptive strike, so to speak?

Dr Gumley—Yes. You have to set the framework for these programs to make them successful.

Senator MINCHIN—That was around late March or early April?

Dr Gumley—It was either just before or just after Easter.

Senator MINCHIN—In the two months that have expired you are satisfied that your warnings have been heeded and there has been no interference?

Dr Gumley—Yes I am. I am also satisfied of the progress within the alliance. We are not seeing any awkward activity within the alliance team itself. I was in America only recently

and I saw signs of it there but that is exactly where you expect the intense rivalry to be. As long as they leave it there I am okay.

Mr King—I would like to echo what Dr Gumley said. Inside the alliance, doing the actual technical work, it never manifested itself at that level. To put that into effect we have a table of responsibilities, if you like, between Raytheon and Lockheed Martin. I should also stress that it is USN that is delivering that system. But Lockheed Martin is clearly a very important supplier under that arrangement. Inside that environment the work is being done very well. I am enthusiastic about the mindset that is coming between us and industry in focusing on solving problems, and we will face problems. With a program of this size and complexity, with the ships and the structures we have to build, there will be challenges no doubt. I am very motivated that the model that we have developed for this particular structure for the air warfare destroyers has the potential to deliver better outcomes than we have seen for a long time. Steve, do you want to mention that the USN is also quite interested in what we have done there.

Dr Gumley—The US Secretary of Navy, Dr Winter, is very interested in what we are doing in DMO and in the AWD project itself and has invited Mr King to go and join his office in America for a couple of months to benchmark, if you like, some of the Australian experiences and learnings into the US marketplace for naval shipbuilding where they have had some difficulties recently.

Senator MINCHIN—That is great.

Senator JOHNSTON—Just coming back to this project: can you just confirm, before we come back to the nitty-gritties and the time lines and the milestones: has Navantia got a track record of installing the Aegis system?

Mr King—Yes, that is why we chose the F100. If you go back to key lessons from Collins: developmental platform and developmental combat system had never been brought together. When we started the air warfare destroyer two-pass process there was probably a thought in our mind that the evolved ship would be the solution. We looked at that more and more. We had an existing platform, the F100, that had already had Aegis installed—and that is a tricky job. So there are four ships already in the world that have Aegis installed in them and we are building a variation of that.

Senator JOHNSTON—So you have no qualms on that front. They have considerable experience with this particular system?

Mr King—Indeed. And of course we also have the USN supporting us. And, Bath Iron Works is supporting ASC, and Bath Iron Works installed Aegis on the *Arleigh Burke*. So we have a big raft of international experience being drawn into the program.

Senator JOHNSTON—Very good.

Dr Gumley—We have got a number of reach-back opportunities.

CHAIR—As interesting as this is, we will take a break.

Proceedings suspended from 6.31 pm to 7.32 pm

Senator JOHNSTON—Mr King, the air warfare destroyers project is on time, meeting milestones and there is nothing of a problematic nature that we should know about.

Mr King—No. There are the normal matters that you have to address in a project of this scale, but if I take the meaning of your question—for example, that you should be alerted and made aware of something that could be a major issue for Australia—no.

Senator JOHNSTON—There are no alarms flashing.

Mr King—No; no alarms flashing, but there are a number of tasks that we are undertaking that you do in the normal course of a project of this scale.

Senator TROOD—No cost alarms.

Mr King—No. The way the project has been priced by the industry participants is: we had full visibility of their pricing because of the nature of the alliance. In putting their price together they were required to build up the cost structures for the ships in the design and delivery and so on. In addition to that, in any normal bidding process, you have some unknown factors, which are called management reserve. So, at the moment, that management reserve is intact, not touched. It is a large sum of money. Industry participants get superior profit results by delivering effectively, either early—we have KPIs for early delivery—or delivering under their estimated cost, so the alliance has set itself a target of a 10 per cent cost reduction in delivering the ships. At this stage, they remain targets, of course. There are early indications. For example, you might remember that we bought Aegis early because that was a long delivery item, and you might remember that we avoided \$200 million odd of costs by doing that. In addition to that, the Aegis procurement is going very well; it is just slightly under budget and on schedule, so there is nothing at this stage. However, we are about to make some major selections in some of the systems—sonar, for example—and then coming up soon will be the outsourcing of the modules; 70 per cent of the modules are to be built around Australia. We have an estimate for that but until the quotes come in we do not know. But there are no alarm bells at the moment.

Dr Gumley—Senator, I will answer that in relation to the time when we get a bit of disquiet in the industry. There is going to be competitive tendering. All of the decisions on the modules and the major systems of the ship are made on a best-of-project basis. One could imagine quite a bit of noise from those who miss out.

Senator TROOD—Just remind me where we are in relation to the number of ships?

Mr King—Three ships.

Senator TROOD—We are settled at three?

Mr King—We took an option in the contract when we signed it for a fourth ship so that the government could exercise that option. That option expired 12 months after contract signature—that is, 3 or 4 October this year. I have gone back and asked the companies for an extension of that option for another six months so that, if the deliberations over the white paper suggested that a fourth ship was advisable, then we would have the option for government to exercise it, should they wish to.

Senator TROOD—Good.

Senator MINCHIN—So, have you got that six months?

Mr King—I am waiting for it. I have written to the companies asking for the extension, and they have indicated they will have it back to me by the end of July

Senator JOHNSTON—I want go back to Dr Gumley, because we can deal with these rather quickly.

Senator MINCHIN—One last question on AWDs. You specifically raise in the PBS as a risk to this project the proposed sale of ASC. Do you want to expand on that a bit? I do not know if there is anyone at the table that can tell me where that proposed sale is at. Has the government remained committed to that sale? Is Defence actively involved in the consideration and development of that sale proposal, and how is that impacting on the AWD project?

Mr King—It is not at the moment. I raised that simply as a sort of 2 am cast around my mind to think what might come down the track, and, clearly, the sale of ASC has been a topic of discussion by two governments. It is risk and opportunity. The benefit or the opportunity of that might equally be a risk. It is just that I am alert to that, and we at the DMO are alert to it. We have our input to the Department of Finance and Deregulation about some of the conditions of that sale and, if it were to go ahead, that would be important to us in the exercising of the contract.

Senator MINCHIN—Are you concerned about the diversion of management time or something?

Mr King—That is potentially an issue, although probably less so because, you might recall, we have set up a special purpose vehicle for ASC to do the shipbuilding. Mostly, the folk in that work in the systems centre or in a separate part of ASC anyway. One of the things that we are alert to is: you have to bring a culture with you to an alliance based contract. You all have to be mutually focused on getting a good outcome—and that means us as well. You could potentially get a culture that is a bit inconsistent with that.

Senator MINCHIN—It is more a question of who might end up owning it and what that means.

Mr King—I think what I said in that bit of text is that we are interacting with finance and making sure, as there would be, ITAR restrictions and things like that. The potential ownership of it does not create any unnecessary risk to the project.

Senator MINCHIN—From Defence's perspective, where is this sale at? Is it progressing; is there a time line on the sale?

Dr Gumley—The sale is progressing. The government has not actually announced a sale date yet, but we are working with closely with the Department of Finance and Deregulation at an official level protecting the Commonwealth's interest with respect to the contracts. We have to make sure that the through-life support contract for the submarine is robust when there is a change of ownership. There will be a bit of diversion of management time as we do an intellectual property audit. You would be aware of some of the previous intellectual property issues that are associated with the submarine. Clearly, we want to get any residual issues tidied up before the company is sold. There will be an overarching deed that ties

together any loose ends such that any new owners would be in a position not to leave the Commonwealth disadvantaged.

Senator MINCHIN—But there have been no changes in the framework of the sale, the rules associated with the sale?

Dr Gumley—That is a matter for government; I would not like to comment.

Senator MINCHIN—But you can say whether you are aware that there have been any changes. Are you operating at the moment on the basis of no change to those—

Dr Gumley—I am operating at the moment on substantially no change. I am probably a little bit more concerned now about what impact a new submarine has on the sale, and so we are putting our minds to thinking about what might happen in the region. It is not just ASC as a company, of course; it is really the facility that matters. A submarine built in Adelaide is really all about the facility, and so we are thinking very carefully through what those issues might mean.

Senator MINCHIN—Okay. That is fine. Thanks.

CHAIR—Senator Johnston.

Senator JOHNSTON—Dr Gumley, the amphibious ships—are we on schedule with those? Any alarm bells ringing, any problems?

Dr Gumley—I invite Mr Gillis to respond.

Senator JOHNSTON—If he wants to. I am sure you are aware of it.

Dr Gumley—Okay, let us just talk about where we are with the amphibious ships. The significant change to the program came about when Tenix put itself up for sale. Tenix, as you are aware, is the successful contractor for the amphibious ships. BAe is the preferred buyer of Tenix. There are a range of intellectual property issues that we are working through at the moment. The Commonwealth is working closely with Tenix, BAe and Navantia, who are the owners of the intellectual property, to make sure we get a seamless position. The stance we are taking is that this transaction between Tenix and BAe shall not leave the Commonwealth disadvantaged. So, in any rearrangement of the contractual set-up for the amphib, the test is that there be no disadvantage to the Commonwealth.

Senator JOHNSTON—Okay. That is very interesting. Just take me through how we access the privity between the two parties, Tenix and BAe. What you are telling me is that the Tenix contract with the Commonwealth is conditional upon us having some input into that transition to BAe.

Dr Gumley—We have standard novations and change-of-control clauses in their contracts—

Senator JOHNSTON—Good.

Dr Gumley—and therefore it will require the Commonwealth's approval for the transaction to take place, again using a no disadvantage test and all the normal language. You do not try to push your own position too hard either; it is a matter of being fair and reasonable, but it shall not leave us disadvantaged.

Senator JOHNSTON—And our contractual position is obviously strong.

Dr Gumley—I would hope so.

Senator JOHNSTON—Good. We all hope so. How much has this set us back?

Dr Gumley—I do not think it has set the program back much, but it might have set back the transaction between Tenix and BAe by a month or two.

Senator JOHNSTON—Well, that probably does not worry us greatly; it is a commercial transaction between them. I am more concerned about our project.

Dr Gumley—There is a small risk if Navantia prove difficult with the IP. Warren, when is Navantia coming out—have you heard from them?

Mr King—We are expecting Navantia out on the 15th to finalise this matter. We actually do not think we are far apart in concept, but obviously, when you deal with nations using a different language, sometimes talking about concept and then capturing it—legalese even captures us sometimes, I guess—that is the difficulty, I think. I do not think we actually have a difference of reality about what we want to achieve. So I think the easiest way to solve that is for them to come out and have that discussion, but they have got some other issues on, I think, so it is the 15th. But on the project side, which I think you are worried about, Senator, it is going ahead; it is not a problem. We would not like it to stay in that situation, obviously—an owner that is intending to vacate a project and a new owner looking to come in. It does potentially leave a bit of a vacuum in leadership if it goes on too long.

Senator JOHNSTON—Okay. I think that is fine. Briefly touching on the fuel line problem with Armidales, where are we at with that? Has that reared its ugly head again?

Dr Gumley—Yes. Rear Admiral Robinson is the best person to answer that, Senator.

Rear Adm. Robinson—At the last estimates I reported that we had established that the boats were fully operational, but we had not decided on a permanent solution. That has not changed, because what we want to do is pursue the several lines of investigation that we have into the best way to turn these interim arrangements into a permanent solution, and we are working on that. But the boats are meeting all their obligations.

Senator JOHNSTON—Is it costing us anything?

Rear Adm. Robinson—We are working with the prime contractor, DMS, and the manufacturer, Austal. We have not finalised how we might split any costing arrangement.

Senator JOHNSTON—So that is up in the air, and we will come back to that—

Rear Adm. Robinson—That is correct.

Senator JOHNSTON—next time we meet.

Rear Adm. Robinson—Yes.

Senator JOHNSTON—Very good. Wedgetail?

Dr Gumley—Wedgetail has pretty much confirmed what we mentioned to you at the last hearing, that the delay is about 36 months now, not the 24 months that we were talking about last year. You might recall that DMO has been predicting that extra delay now for at least six months.

Senator JOHNSTON—Yes.

Dr Gumley—Boeing produced a full integrated schedule just last week which confirmed those times. They propose that we accept aircraft on an interim basis to help us with training at a net total of about a 30-month to 32-month delay, with the full capability at 36 to 38 months. There is a bit of logic in that because it takes a while to work up the crews and the other inputs of capability, and we are working with Boeing now to discuss that.

Senator JOHNSTON—At whose cost?

Dr Gumley—Boeing's cost.

Senator JOHNSTON—I have one more question on 34 Squadron. Are we doing any work to expand 34 Squadron—with the purchase of further aircraft?

Air Chief Marshal Houston—No, we are not.

Senator JOHNSTON—There is no suggestion that we require further aircraft in 34 Squadron?

Air Chief Marshal Houston—No. No suggestion at all.

Senator JOHNSTON—Great. Lastly, Dr Gumley, are there any other projects that we should be aware of? What is causing you concern, what lights are flashing and what milestones have not been met that you think the committee would want to know about?

Senator Faulkner—Good question!

Senator JOHNSTON—Well, if the string is very long, you had better start.

Senator PAYNE—You can tell Senator Johnston—he won't tell a soul!

Senator JOHNSTON—I asked the question in that way, Dr Gumley, as you would understand, because the knowledge in this area is peculiar and unique and we are in your hands. I want you to tell us what you think we might be concerned about.

Dr Gumley—Perhaps it might help if I just run through the projects of concern and where we have got to, just in a sense or two, on each, and then perhaps you could choose whether you want to go deeper on any one of them.

Senator JOHNSTON—Thank you very much.

Dr Gumley—On Wedgetail, we have talked about the delay now totalling 36 months. We did the FFG upgrade earlier, and I hope we had enough answers there.

Senator JOHNSTON—Very happy with that.

Dr Gumley—We have talked about the Seasprite, and that is now a cancelled project. The HF Modernisation Project with Boeing is in a negotiation about a deed at the moment, on commercial terms. There have been further delays, and it has been a fairly protracted negotiation with Boeing on that project.

Senator JOHNSTON—What is the capability plan reference for that?

Dr Gumley—It is Joint 2043.

Senator JOHNSTON—Thank you.

Dr Gumley—Vigilare, which is the ground control system, is another Boeing project. That is Air 5333. That is also being worked contractually with Boeing at the moment. Echidna is Air 5416. There it is primarily an issue that the needs of the ADF have been changing. You will recall that some of the Echidna project was to put EW fit onto the classic Hornets. In the end we went ahead with an American system. We are now looking at Chinooks and Black Hawks and so on, so we have a number of what I call platform issues to work our way through on that project.

Senator JOHNSTON—So that is an expanding project?

Dr Gumley—No, it is probably more a contracting project. A good way of putting it is that very shortly we will have all the Echidna EW boxes, if you like, ready to go should the operational task require it in the future. So, if we ever need this capability to take offshore somewhere where we are in a genuine threat zone, then it would be a matter of taking the boxes and doing the helicopter physical mechanical fit. But, if you like, the brainy part of the project has already been done.

Senator JOHNSTON—Good.

Dr Gumley—The Tiger helicopter: significant contract improvements over the last three months. You may have seen some indications from the Parliamentary Secretary for Defence Procurement that that project is pretty much coming out of the project-of-concern list, and I have been quite happy with the improvement of that over the last three months.

Senator JOHNSTON—Good.

Dr Gumley—The Anzac antiship missile defence is one that does cause me quite a bit of loss of sleep. It is a development project. It is very much at the leading edge. We have still some technical challenges to overcome on that project, not so much with the radar system itself but with the overall integration onto the Anzac ships. That is Sea 1448, phase 2B.

Senator JOHNSTON—So that is an integration issue?

Dr Gumley—It is an integration issue: the way different radar systems on the ship might interfere with each other and whether you have to build a change to the physical arrangements on the radars and the masts on the ship. What we have decided to do there is to take very much a risk based approach. The original approach was to buy eight ship sets of equipment, a bit like we did with the FFG upgrade. I said, 'Well, we've been there once before; we don't want to do that again,' so we are now insisting that one ship set gets made. There is going to be a three-phase process. First of all, it has got to be proven on a land test site. Secondly, one ship set of equipment gets made, and it has to be proven when the ship is out at sea, rocking around on the ocean and in genuine environmental conditions. They are both off-ramps, and, if the technology does not work or we have a problem there, I would have no hesitation in recommending through the secretary and CDF that that project get modified or cancelled, but it would be irresponsible, in my view, to go and buy eight ship sets of equipment when you do not know if the technology is fully going to work.

Senator JOHNSTON—What have we committed in dollars to this point?

Dr Gumley—I do not know. I would have to—

Senator JOHNSTON—Roughly?

Dr Gumley—Have you got the figure there?

Mr King—\$69 million has been expended to date. A further \$44 million has been committed. I think it is worth reflecting that this is Australian indigenous technology. It is really world-beating technology. Recent testing, both late last year and early this year, has been extremely encouraging. I echo everything Dr Gumley is saying about the challenges of putting it in a ship and taking it to sea, but recent developments I would say over the last eight months, from a technological point of view, have been very, very encouraging. In fact, some of the capability they are demonstrating is ahead of schedule, so we are very happy with that side of it.

Dr Gumley—The more responsible way to act with these projects is to do the stage testing and evaluation so that you give government earlier opportunities to make decisions rather than have the whole government totally committed and then you have got nowhere to go. On the M113 armoured personnel carriers, the problems we have discussed several times previously with the brakes have been fixed. Tenix are now producing the vehicles. In my view and the view of the parliamentary secretary and the minister, it is no longer a project of concern and we are happy that that project is well on the mend.

Senator JOHNSTON—Just in passing, can you tell us about the sale of Bushmaster? Is there any upside to any of that? Are you aware of any of that?

Dr Gumley—Yes, because each time Thales do an export sale, given that they have a factory production line that is producing vehicles for the ADF, it really becomes a matter of cooperation between DMO and the company that they release vehicles to foreign customers. So, when they had the sale to the Dutch and then to the British, we sat down with Thales and negotiated an arrangement that enables our allies to receive their vehicles but our Army not being affected excessively for our vehicles.

Senator JOHNSTON—So we are aware of what is happening there in terms of the export of those vehicles. Do you know how many vehicles they have been able to successfully export?

Mr King—That group is under me now. I understand it is 68 vehicles at the moment, and we might have bigger problems for the other side of our house, because I understand there is some very strong interest from other countries. The Defence Export Unit—

Senator JOHNSTON—The sort of problems we like to have, I suppose!

Mr King—They are great problems really, because it is exactly where we thought we would like to take Australian defence industry. It means that they are investing in our technology. We pull down the life-cycle cost of our vehicles, and it potentially puts us into a position for whatever replacement vehicle comes along at some distant point. So this really is a great success story.

Senator JOHNSTON—Great news. Thank you very much.

Senator TROOD—Are they doing anything about the production line in the light of the increasing demand?

Mr King—I am not very close to that, but my understanding is that they are looking at it, because one of the issues is that some of the orders are potentially so large that it will be much greater than the throughput that they presently have.

Senator JOHNSTON—Of course, most of these countries saw the vehicle in Iraq, did they not?

Mr King—I understand in fact, yes, that at least one of our soldiers that used these vehicles has been supporting industry, if you like, to present that vehicle.

Senator JOHNSTON—Thank you for that, Dr Gumley. Please continue. Have you got many more that you want to tell us about?

Dr Gumley—There is one other, and you referred to it earlier, which is the lightweight torpedo. The issue there is that it is integrating quite successfully onto the Anzac frigates, but the integration decisions on the Navy helicopters are still to be made.

Senator JOHNSTON—That is C what?

Dr Gumley—That is Joint 2070.

Senator JOHNSTON—Thank you very much for that. I do not have any further questions on any of those matters.

CHAIR—Is the FFG upgrade project still keeping you awake at night, or are you starting to sleep through on that?

Dr Gumley—I am watching it very carefully. It has been given a lot of senior professional attention. We have very good goodwill from the company to try and pull it off, and I am more relaxed about it than I was previously.

CHAIR—Thank you.

Senator MINCHIN—You might just like to bring us up to speed on the progress of the planned acquisition of the Super Hornet—is that progressing well?

Dr Gumley—Yes, it is progressing well. The first aircraft are expected to come off the Boeing production line in the fourth quarter of 2009. We expect to get the first aircraft in Australia in April 2010, and we will probably have 12 aircraft in total by the end of 2010.

Senator MINCHIN—There were 24, were there not?

Dr Gumley—We are getting 24.

Senator MINCHIN—And the remaining 12—what is their delivery date?

Dr Gumley—The other 12 will be the year after.

Air Chief Marshal Houston—At the end of December 2012.

Dr Gumley—The break is 12, then six, then six, isn't it?

Air Chief Marshal Houston—Yes.

Dr Gumley—As far as we can ascertain, the project is either on or ahead of schedule at the moment.

Senator MINCHIN—What about the Hornet upgrade and refurbishment?

Dr Gumley—Yes, that is on time, and on budget, at the moment. The hope is that we might be able to do fewer centre barrels on the aircraft than we originally expected. DSTO are still doing some analysis. We have not seen anything on the earlier analysis that says we will

have to do more—we are hopeful that we might be able to do less. The rule of thumb for the Hornet upgrade is \$10 million for each aircraft for the centre barrels—any money we can save there would be very welcome.

Senator MINCHIN—Can you just tell us where the Orion replacement project is up to? It might be the air capability plan.

Dr Gumley—It has not got to DMO yet, so I will hand it over to Capability Development Group.

Vice Adm. Tripovich—The issue of numbers is clearly a matter that will be examined through the white paper process. We are developing, in parallel, the various options, but at the moment, there are two: an aircraft called the P8, which is a US platform; and, as risk mitigation, we have a project in the DCP called the Capability Assurance Program, where we would incrementally do things to the existing P3 to make sure it remained capable until a replacement came along.

Senator JOHNSTON—What is this P8? It is an extended 737 or something, isn't it?

Vice Adm. Tripovich—From memory, I believe it is.

Senator MINCHIN—Boeing have a 737 platform that, I gather, is one of the options.

Air Chief Marshal Houston—It is a Boeing 737 derivative, with extra long range, and the ability to carry stores. So it would do a very similar job to what the P3 does, but it would be a twin-engine aircraft—and a very capable aircraft.

Vice Adm. Tripovich—So, once again, we are getting all the data together ready for the white paper pronouncements, and then we will be able to move forward.

Senator MINCHIN—Thank you. My attention was drawn to foreign military sales by Mr Combet's reference to a proportion of the slippage in the DCP being due to foreign military sales. Can you expand on what he meant by that, exactly? I am interested in what it is—in relation to a US purchase—that dictates an acquisition is under these FMS rules, as opposed to a direct acquisition from the manufacturer. And when it is an FMS sale, what is it about that which causes these apparent problems with slippage?

Dr Gumley—Let us talk about the arrangement of FMS. FMS is a very good way of buying products off the end or from the middle of an existing production line. It enables a foreign country to avoid the development risk and the risks associated with a poor or delayed or slipped schedule of a direct program. For example, we did a direct commercial sale with Boeing on Wedgetail, and there the Commonwealth is bearing all the risk of schedule delay because there are no other customers. When you get into an FMS system, you nearly always have the opportunity of doing direct commercial sale. But because the US government tends to be reasonably effective in contracting, particularly once they have got in past the development phase, it is often cheaper, easier and of lower risk to use the American government's contracting system to get the purchases for Australia. You have seen some very good examples of that: the Abrams tanks, which arrived on time and ahead of budget, and the C17s, which arrived ahead of time and a bit ahead of budget. We have had some good experiences with the FMS method of purchase.

The one vagary that seems to happen is: what is your cash flow estimation? The US has a range of quite complicated cash flow estimating rules and, frankly, we are not as good as we could be in fully understanding how those rules are applied. So when it came to the Super Hornet—and that is what most of Mr Combet's reference was to—it looks like, moving into the year that we are about to start, about \$200 million of money is not going to be spent next year. The money is going to be spent but, working with our US Navy colleagues, we have worked out better purchasing terms. Normally, if you can defer paying cash for a purchase you are doing better. So we are not paying any more for the aircraft; we are just paying for the aircraft later. So it is an estimating cash flow problem but not a cost problem. As we get more experience and get better at the FMS cases, we would hope that we would get our cash flow estimated better than we do now.

Senator MINCHIN—So there are no other complications, difficulties or hurdles?

Dr Gumley—You do pay a fee to the US government for using their contracting system.

Senator MINCHIN—Is that a flat fee or a percentage of contract?

Dr Gumley—It is 3.8 per cent of contract, normally.

Senator MINCHIN—That is good. And, even with that, on your assessment it is better than directly dealing with the manufacturer?

Dr Gumley—Yes, and then you have to factor in the time value and money. If you use an FMS case, because all the contractual arrangements are set up you can quite easily carve six or 12 months off a purchase, and that gives the ADF that capability earlier.

Senator MINCHIN—Thank you.

CHAIR—Are there any further questions of DMO?

Senator MINCHIN—I just want to get a feel for David Mortimer's review. Is it just a stocktake on the progress in fully implementing the Kinnaird reforms, or is it more than that? I was a bit intrigued by reading the terms of reference, particularly where it refers to further potential reforms—the potential for utilising public-private partnerships and the potential advantages and disadvantages of off-the-shelf. I would have thought that was all thoroughly canvassed in the Kinnaird review, so I am a bit surprised to see them listed as further potential reforms. Is it not the case that now you are fully involved in endeavouring to ensure that, where you can, you do purchase off-the-shelf, or that you properly assess, in any acquisition, the off-the-shelf option? I thought that was very much part of the process that had been put in place, and also that the public-private partnership is properly assessed as an option in any acquisition you undertake now. I am just surprised to see them listed as further potential reforms which Mr Mortimer might look at. I am wondering what more you could possibly learn from yet more examination of two matters in particular which were properly being exercised now.

Dr Gumley—I think it is appropriate that four years into Kinnaird we have a person assess where it has got to. My own view is that the Kinnaird reforms have been very successful. The question is whether we can do even better. We still have a number of projects and a number of areas where we can do better and maybe this will help us. I think there has been a bit of confusion about public-private partnerships and how they apply to defence assets. I know I

have been negotiating a few over the last couple of years where it has just been almost impossible to obtain the risk transfer to the private sector that they expect. Putting military assets in harm's way is always something that the private sector would get nervous about. You can understand that there must be some boundaries. Just the negotiation of a large PPP takes a lot of effort from staff—management time, lawyers and so on. Maybe we will end up with some boundaries at which are the areas of business where it makes good sense to review PPPs and at which there are some areas where the risk will always stay with government and probably government should keep those as areas that it funds itself. It certainly helps—

Senator MINCHIN—I thought we already knew that. Any item of equipment that was potentially able to be shot at was really never going to lend itself to PPPs, but they might well apply in a whole range of other areas of defence activity where assets are not necessarily liable to being blown up.

Dr Gumley—I am not sure where Mr Mortimer is going to take that line of inquiry. I will certainly be making a submission on PPPs as to which ones I think are the most efficient and best value for money that we have found in the work that we do.

Senator MINCHIN—What about the reference to off-the-shelf. For him to have to look now at the potential advantages and disadvantages of off-the-shelf almost suggests that that matter has not been properly and is not properly being exercised. I thought the importance of that being always the live option was the biggest take out from Kinnaird.

Dr Gumley—The things that keep me awake the most are not costs—and I could give you evidence that we have got costs under reasonable control—they are schedule and the supply side of the economy and whether we have enough capacity in this country to do as many indigenous developments as we do. The government has set us a fairly ambitious target, both in the capital program and in bringing more and more fleets into service. There are a limited number of engineers, logisticians and project managers in this country. Over the last three or four years we have managed to grow the Australian industry by about 3.1 per cent compound in real terms per year. About 0.9 per cent of that has been productivity growth and about 2.2 per cent compound has been extra numbers of people in the industry. But the government is actually asking us to grow at higher rates—seven, eight and nine per cent a year—as we bring these projects on stream. This question of MOTS versus indigenous development is going to be dominated as much as anything by the supply side of the economy and whether we have got enough capacity in this country to produce what we need to do.

If you then look at where we are competing in the Australian economy for resources—with the mining sector and the infrastructure sector—you can import aircraft from the United States but you cannot import bridges and roads from anyone. You have got to develop them locally with your local talent in your local economy. I think there is a series of macroeconomic choices that the government will be confronted with in the near future. I would hope that perhaps this review teases some of those out with data. Of course the industry capacity piece of the white paper, the companion review there, is also teasing that out.

Senator MINCHIN—I was really just going to the point that listing that there as something we should have a look at suggests that it is not already an active part of military

acquisition processes. As I understood it, the off-the-shelf option was in effect a requirement of any—

Vice Adm. Tripovich—I can reassure you that a key part of Kinnaird was that we are required to present to government arguments for or against COTS or MOTS where it is appropriate and explain why we would not want to proceed with one for example. There are a number of reasons, from time to time, where straight off-the-shelf is not the answer. Sometimes it is industry capacity; we just do not make them. Sometimes when you go strictly off-the-shelf there is always going to be some compromise to your requirements because you are effectively buying something that was designed for someone else's requirements. There are balances to be made, but I can reassure you that we are complying with the Kinnaird process. I recall that our internal management audit branch reviewed this and part of the former defence procurement board looked at our compliance with it and they were satisfied that, where we had not proceeded with a MOTS or COTS, it was for a reason that was understood.

Senator MINCHIN—Thank you. That confirms my understanding of what is currently the proper practice. That is why I am surprised to see it listed in this review as a further potential reform.

Vice Adm. Tripovich—I agree with Dr Gumley that there are a number of issues with it that it would be worth while teasing out through the Mortimer review so that the full concept of MOTS and COTS and the implications of a choice between those can be examined, along with what is really involved in that. That is a worthwhile thing to do.

Dr Gumley—Another one that might be looked is first and second pass. There are a couple of very big projects where you have a third pass. With the air warfare destroyer, we did not have a third pass; we had a zeroth pass.

Senator MINCHIN—What?

Dr Gumley—A zeroth pass. We took to government the decisions on where the ships might be made and issues like that before we even got to the first pass and before we got to second pass. For the really big ones, it might make sense for government to have an additional look at what the acquisition strategy might be.

Senator MINCHIN—Before first pass?

Dr Gumley—Before you even get to first pass where you start presenting some broadly costed options. On the really big or strategic ones, that could work well. I would be very surprised, for example, if the next generation submarine did not go through that sort of process.

Senator MINCHIN—Thank you.

Senator TROOD—The PMO pilot report: you are sending some projects to the Audit Office for assessment. Is that part of that process or is that independent?

Dr Gumley—That is independent of the Mortimer review. We have agreed with the Audit Office a methodology for the top whatever number of projects that it is going to be. Basically, there is going to be annual accountability to the parliament and therefore to the public about how the major projects are going.

Senator TROOD—I see. Is there agreement on the number of projects that you are going to send each year, or not?

CHAIR—Isn't it nine for the pilot program?

Dr Gumley—I will just get the details. I would like to emphasise that it is being done cooperatively with the Audit Office. We have worked together to come up with a methodology that is not excessively resource consuming but will give that visibility and transparency that people are looking for.

Ms Wolfe—The first report will cover nine projects. The report for the first full year, which is next financial year, will cover at this stage an agreed 15 projects. That will include the nine that will be part of that first report to government. We started a discussion with the Audit Office about whether ultimately there will be 30 projects or whether that is too ambitious, given the feedback from the UK Audit Office, which was that, if you look at 20 to 25 two or three years down and you have built that first couple of years off the back of the nine and then the 15, you can start to do some deeper analysis of some of the issues that are starting to emerge. If you have a bigger number of projects, you have to do that analysis at a slightly shallower level.

CHAIR—One of the principles as I understand it is that once a project goes on the list, and the list gets bigger as the years go out, the project will remain on the list until the project is concluded.

Ms Wolfe—That is correct. That is why part of the discussion that I had when I was with the UK Audit Office and also the Government Accountability Office in Washington was that they are now looking to do deeper analysis across a slightly smaller number of projects and give that back to their Department of Defence and DE&S equivalents et cetera to use as input to some of the systemic reforms of those agencies going forward. That is a concept that I have briefed ANAO on. We are to meet with them again very shortly to decide what the best approach is, ultimately.

CHAIR—In four or five years time, we are going to have some useful data in a very deep fashion in a range of areas.

Ms Wolfe—Yes. Both the US and UK governments have done some very good work that I would look to model that on.

CHAIR—You are right.

Senator TROOD—When are they beginning their work? When do you expect the first—

Ms Wolfe—The first report should come to the parliament in October or November—probably November by the time we submit our reports and the Audit Office submit their report. That will go through a cycle that we have agreed will have it to parliament by November. It is a very detailed project plan that we will sign with them next week.

CHAIR—So the first report will come November this year or November next year?

Ms Wolfe—November this year. But that will be the pilot report.

CHAIR—Understood. We have detailed discussions on this in another committee.

Ms Wolfe—Yes, we have.

Senator HOGG—Yes. I will have a chat later.

CHAIR—Thank you, Ms Wolfe. There being no further questions on DMO, we will turn to Capital facilities and Defence support.

[8.15 pm]

Senator PAYNE—I want to go back to the questions that I wanted to ask under the capital investment program. There is a reference on page 54 of the PBS to the Defence site *Platypus* contamination remediation. Can I take it from the reference in the PBS that it is intended to proceed with the transfer of the former submarine base HMAS *Platypus* to the Sydney Harbour Federation Trust?

Mr Bowles—Yes, it is.

Senator PAYNE—Can you advise the committee when it is expected that the formal transfer of that site will actually occur?

Mr Bowles—We are currently in negotiations with the trust trying to finalise a memorandum of understanding. We are hopeful that we will have that finished in the next month or so so that we can do the transfer and the initial payment, hopefully even this financial year.

Senator PAYNE—Is it the negotiation and the finalisation of the MOU that have caused the delay?

Mr Bowles—Part of the MOU actually looks at the remediation strategy. Developing the remediation strategy is what has taken the time.

Senator PAYNE—I want to go to that strategy next. Perhaps this is the subject of negotiations—I am not sure—but what is the government's intention in relation to the responsibility for the decontamination process? Is it going to be the responsibility of Defence or of the trust?

Mr Bowles—As it stands at the moment, it will be the responsibility of the trust, with Defence funding that. It is the negotiation around the remediation strategy that is linked to the MOU.

Senator PAYNE—I see. Amounts were previously announced—I believe by Minister Nelson at the time—in relation to the decontamination process. They were in two parts: \$20 million at the time and the second was to be subject to the finalisation of the agreement, which I assume is the MOU. Has the first part been transferred? You referred earlier to a transfer issue, I think.

Mr Bowles—No, not at this stage. The first transfer of \$20 million is dependent on the signing of the MOU. If we do come to a conclusion before 30 June, we would look to transfer that money and then obviously the balance in subsequent years once we finalise the estimates, if you like.

Senator PAYNE—I think you said that developing the remediation strategy was the slow part of the process. What is the problem with the development of the strategy?

Mr Bowles—As you would appreciate, it is quite a complicated remediation strategy because we are talking about estimates of around \$40 million. It takes some time to go

through and make sure that we can deal with all of the issues that come up in any contaminated site of that magnitude.

Senator PAYNE—Remediation is not my area of expertise, so I am relying on you on this matter, Mr Bowles. So the \$40 million is an agreed amount between the trust and Defence, is it?

Mr Bowles—It will be once we have finalised that figure.

Senator PAYNE—But it has been along the way, in terms of the earlier announcements that were made of two parts of \$20 million.

Mr Bowles—Yes, the estimate at this stage stands at around \$40 million.

Senator PAYNE—And that is accepted as a reasonable amount. As you said, it is complex.

Mr Bowles—Yes.

Senator PAYNE—Hopefully, we will have an MOU finalised within the next month. I think you said you want to do it before the end of the financial year.

Mr Bowles—That would be my intention, if at all possible.

Senator PAYNE—That would certainly make the trust happy, too.

Mr Bowles—I would imagine so.

Senator PAYNE—Thank you. That addresses most of the issues in that area. Chair, where should questions on aspects of military justice be asked? Have I missed my opportunity?

CHAIR—Senator Payne, are you aware that we have a full-day inquiry on 20 June?

Senator PAYNE—Unfortunately, Chair, I do not enjoy the luxury of being a full member of the committee. That does not mean that I cannot participate in that process—I can—but it means I may have other obligations related to work outside the committee. Can I get some advice on where those questions would be asked?

CHAIR—We can do it now. They were to be in overview.

Senator PAYNE—Should I have done them in overview? I thought it would be either here or in 1.1.3.

CHAIR—They were listed in overview, but the CDF decided not to make opening remarks because we have a full-day hearing.

Air Chief Marshal Houston—We had anticipated that we would go into this in a fair bit of detail on 20 June.

Senator PAYNE—Let us leave it at that and I might come back in People strategies and policy and ask some other personnel questions.

CHAIR—I should also advise you that the committee has written to the CDF requesting information on a range of matters associated with military justice. The CDF has responded with a very lengthy piece of correspondence which addresses a lot of the issues.

Senator PAYNE—Okay, and I will try to be there on 20 June.

Senator HOGG—Can we get that to Senator Payne?

CHAIR—Yes, we will circulate that to Senator Payne.

Senator PAYNE—Thank you, Senator Hogg. I appreciate that.

Senator HOGG—I have a number of questions on mental illness. I heard it mentioned in your opening remarks, CDF. Firstly, can I have some idea of the way in which mental illness is manifested. Is it depression or PTSD? What are the main categories—not that I am a psychologist?

Air Chief Marshal Houston—Brigadier Tony Gill is an expert on this matter. As you know, we take mental health very seriously.

Senator HOGG—That is why I am asking.

Air Chief Marshal Houston—Where do you want to go?

Senator HOGG—I have some questions about training, regular service and people who have come back from overseas. I want to know a range of things within each of those categories.

Air Chief Marshal Houston—I will ask Brigadier Gill to start off with training and then we will work through it.

Senator HOGG—How is it manifested—through depression or PTSD?

Brig. Gill—The mental health issues we see are of a broad range. They include depression, anxiety, alcohol abuse and PTSD. The full spectrum of mental health issues that affect the population can affect the ADF population.

Senator HOGG—Do you see any of that disproportionately to what might occur in the normal population?

Brig. Gill—Unfortunately, we do not have good statistics on the incidence of individual mental health issues for comparison. We know, for instance, that our suicide rate over the years 2001 to 2006-07, on a standardised mortality ratio compared to the Australian population for age and sex, was about 0.53 or 53 per cent of the equivalent population in the general Australian community.

Senator HOGG—So in terms of the things you listed—depression, anxiety, alcohol and substance abuse and PTSD—there is no detailed study. Is there any detailed study in progress?

Brig. Gill—At the moment there is some work that is going to be underway under some initiatives to look at further information on this. We have some data on recent medical discharges, but on the whole, unfortunately, at this stage our information systems do not allow us to have the detailed information of the prevalence of these conditions within the ADF population.

Air Chief Marshal Houston—We do have some data on drug testing. We test 10 per cent of the ADF every year on a random basis.

Senator HOGG—Yes, I am aware of that program.

Air Chief Marshal Houston—Indeed the incidence of drug abuse is much lower than the community average; you might go there, Tony. That is certainly one area where we do have good data.

Brig. Gill—That is actually run through the personnel world rather than the health—the information on that.

Air Chief Marshal Houston—I have got those figures but—

Senator HOGG—All right. I am quite happy if you table those.

Air Chief Marshal Houston—I will.

Senator HOGG—I am not trying to drill down into this tonight. I am just trying to get some sort of feel. You said your information services are deficient in being able to collect reasonably good statistics in this area. Are you seeking to update the information services so that you can get better statistics? Because it seems to me in the longer term that is a real necessity indeed.

Brig. Gill—Yes, there is work underway at the moment to improve our information systems. We know that this is one of the information requirements that we have to improve to be able to monitor the health of the Australian Defence Force.

Senator HOGG—If I could just go to the suicide rate for one moment. Has that been increasing or decreasing, and is it more prevalent in one service over the other or is it pretty much the national norm in all the services?

Brig. Gill—The numbers have been very small in the way of suicides. For instance, last year there were six suspected suicides that are awaiting coronial determination. This year there have been three potentially suspected suicides. Over the last few years we have averaged about nine a year—since about 1997. Having said that, the numbers have been decreasing over the last few years. We have been running along at about six or seven.

Air Chief Marshal Houston—If I might just add, since we went to commissions of inquiry on all deaths in service, we have been able to pick up a vast amount of lessons learnt on all of these unfortunate cases. Of course, we then apply the lessons learnt to our mental health strategies and policy. I think it has had a very positive effect on the way we look after our people.

Senator HOGG—These questions will basically apply to the three groups that I would like. If you cannot give me the answers now I am quite happy to take them on notice. But I am interested in those recruits that may be in training. Then if you can give me the data on those who are in regular service—in other words not involved in service overseas. Then if you have the same sort of data for those who have served overseas. What I am trying to find out is if there is anything happening as a result of the increased tempo that we have overseas in terms of mental illness. That is what I ultimately would like to find out. I do not expect that sort of analysis to be available tonight.

If I can just go to those who are in training: how many who are in training suffer from mental illness as a result of the training or a pre-existing condition? How many of those are in treatment? How many of those are subject to medical discharge? How many of those then get post-treatment whilst remaining in the Defence Force? And what sort of follow-up is given?

Brig. Gill—Unfortunately, for most of those we would not have the data to provide even if there were a question of notice on that.

Senator HOGG—I am quite happy for you to take that on notice. Where a person is in training, in regular service or just returned from overseas service and they are identified to have a mental illness, are they required to parade whilst they are the subject of treatment?

Brig. Gill—That would depend on how it affects them. Because mental health is such a broad category, some people can still continue to work and train despite even mental health issues. There will be some at the other extreme who will not be able to train. There will also be those in between who might have a restricted amount of employment while undergoing their treatment.

Senator HOGG—My concern is that those who, for example, are not able to present for parade are not seen in some negative light by their peers or superiors as a result of their mental illness. I think that was one of the things that came out of the military justice inquiry that we referred to here earlier this evening.

Brig. Gill—Certainly, those who have had any significant illness are managed through our Australian Defence Force Rehabilitation Program, which caters to those who have mental illness, physical injuries or any other illnesses. They are managed by a case manager, with interaction with the command chain and the healthcare providers to manage them on an individual basis to get the best outcome for them.

Senator HOGG—I asked questions about those who were in training. Applying the same questions to the regular service personnel who have not served overseas, could you answer those questions for me again? And for those who have returned from overseas, do you have a breakdown in your statistics somewhere of whether they have done one tour of duty, two tours of duty or three or more tours of duty and if they are more or less prone to problems as a result of mental health? Is that emerging at this stage?

Brig. Gill—We would not have the data to be able to answer that question at this stage.

Senator HOGG—All right. In respect of those who have served overseas, could you apply the same questions again that I have asked for the previous two categories? Can you also tell me if, for those people who might return from a tour of duty overseas and be identified with a mental health problem, treatment is also made available to their families if their families are affected as a result of the serving person's mental illness that might be attributed to the overseas service?

Brig. Gill—We provide care for the member through Defence Health Services, but there is the opportunity through the Defence Community Organisation for the families to receive some counselling and other treatment.

Senator HOGG—How far does that counselling extend? Is it just for the immediate partner or spouse or is it for family members such as children, as well?

Mr Bowles—It generally deals with the dependants of the member, so that would be the partner and the children.

Senator HOGG—Is that treatment readily available to those people or are there financial restrictions that limit access by these people?

Mr Bowles—The Defence Community Organisation generally provides help if a family member comes through the door asking for help. Everyone works within the restrictions of any budget and any workforce pressures that they have but, generally speaking, we see people as they come through the door or will make arrangements to see them on a priority basis.

Senator HOGG—Is access to this sort of service more difficult in large centres like Darwin and Townsville, where there are large military populations?

Mr Bowles—Not necessarily through DCO. It just depends on the workforce in those particular areas. We obviously try to bias the workforce to areas with a high number of families and members. We are constantly looking at that. It is obviously difficult to move workforce around the countryside, but we do keep an eye on where our population centres are and how we then look at workforce more broadly.

Senator HOGG—Do you have any statistics on the number of people who would access that sort of assistance as a spouse or child in, say, Darwin or Townsville? They are two places that readily spring to mind that are not major centres such as Brisbane, where there would be a whole host of facilities readily available.

Mr Bowles—I could not say this evening, but I am happy to take that on notice. I know we do have a lot of statistics. I am not quite sure how far they go down—whether it is in relation to partners' deployment overseas or something like that. I could not guarantee that it is down to that level, but I am happy to look at the statistics.

Senator HOGG—Please look at that, because I am concerned that as we have ongoing tours of duty and repeated tours of duty—and I think this has been raised at a previous estimates by someone else—this may be an emerging problem, not only for the serving personnel who come back but also for their families, because it may well be that the families find that the serving personnel have a problem that was not otherwise recognised previously. Could you also give me some idea of the waiting time to access these types of services in places such as Darwin and Townsville. I use those cities as the two models in my own mind. If you could give me some idea of that, I would be pleased. Could you also give me the cost of that in terms of DCO. Does it place a cost burden on them? Is there a need for further funding for these facilities in the future? There might not be now, but is this a perceived need in the future?

Mr Bowles—We will take that on notice.

Senator HOGG—All right.

Senator MINCHIN—Coming back to the proposed expenditure in this budget on family health, I just want to confirm that what is involved in this trial in these five locations—Singleton, Katherine, East Sale, Cairns and Karratha-Pilbara—is neither the establishment of clinics nor access for families to existing clinics. What is proposed, as I understand it, is to enable those families to select a doctor or dentist of their choice in the town or community nearby. Is that how it is going to work?

Mr Bowles—The proposals around the trials are about trying to look at what is best for ADF family members. With GP type services, they are generally quite personal issues, and people tend to follow their GPs around. So what we want to be able to do is to trial a system

that actually works with families—with defence families associations, for instance—to find the best way that we can ensure that defence families have access to the medical and dental care. That is the nature of the pilots, and it is about trying to link to the current GPs. We are doing some work with the division of GPs to see if we can get good access through the broader GP community, first of all, so we can get the broader GP community to understand what we are trying to do and what is the best way to do it—hence the trial. From there, we will have some further detailed discussions with individual practitioners in the locations mentioned earlier today to try and negotiate a process for that to happen. We are obviously also talking with Medicare about how that might work and how we can work with Medicare to come up with the most efficient system that deals with the families' needs.

Senator MINCHIN—But, at the moment, that is presumably what families do. If you are ADF personnel and you get moved to one of these places, you have access to health services at a clinic on the base or something.

Mr Bowles—But the family members do not.

Senator MINCHIN—But the family members do not; that is the current situation. So they have to go into town and find a doctor or a dentist.

Mr Bowles—That is correct.

Senator MINCHIN—So what is different?

Mr Bowles—If all families lived on a base we would put a clinic on a base and you would capture your audience. The reality is our communities do not all live together; they live all over the place. So what we are trying to do with this trial is to come up with something that makes it easier for family members to access the services. We are trying to look at this process where they have already got a GP, but our initiative obviously is about free basic dental and medical care. So while they will still have their own GP in these locations, this program is looking at picking up the cost of that basic medical and dental care. And the dental care is capped at \$300 per person per annum.

Senator MINCHIN—So this trial essentially involves just picking up any gap fee and meeting the first \$300 of any dental fees for services these people are already accessing in the communities in which they live.

Mr Bowles—It is about trying to streamline a process to make it easier, because one of the issues when you do move around a lot is trying to get in to GP services. What we are trying to do with this is to link a whole lot of issues together so that we can streamline the process—and obviously a lot of GPs just do not bulk bill. There is a component on top of that and that is part of the issue that we need to negotiate with the divisions of GPs for instance.

Senator MINCHIN—But I am not wrong, am I, in saying that essentially what is involved is a process by which Defence will pick up any gap fees and the first \$300 of dental fees?

Mr Bowles—That is correct.

Senator MINCHIN—You may not be able to answer this question. The Labor Party said that when it came into government it would establish clinics to enable families to have access to these sorts of services. Is it the case that the government has been mugged by the reality that, as you say, most of these people do not actually live on bases and that, if you steered

everybody back into the base, they would be competing with the ADF personnel who already have established relationships? That proposal to have clinics was really mugged by reality.

Senator Faulkner—Senator, you need to be fair to the official and perhaps—

Senator MINCHIN—Yes, I know. I prefaced my remarks by saying he may not be able to answer it.

Senator Faulkner—I know that. I think there is a way of reworking that question so that it is reasonable to ask the official. I suspect that he is unlikely to respond to a question on government policy. That question would be better directed to me, and you have, in fact, directed a number of these questions to me earlier in the day's hearing. If you rework your question about circumstances on bases, I am sure that the official will be able to answer it. But I think it should perhaps be 'sans the political spin'.

Senator MINCHIN—It was not political spin—and the question is probably as well directed to you, Minister. Can you confirm that, based on the factual evidence presented here, which was obviously presented to the government, the government has decided—maybe with good reason—that a policy of establishing clinics, or allowing ADF families access to existing clinics, was not realistic? Isn't the best way to provide free health care simply by picking up the costs of families visiting their local GPs, as they currently do, but with Defence essentially picking up any gap fees and the first \$300 of dental fees associated with their medical care, which they are currently accessing in the communities they live in?

Senator Faulkner—Senator, I would have to be frank with you and say that I cannot directly answer your question because I certainly have not been briefed on any such matters by either the Minister for Defence or the Minister for Defence Science and Personnel, but what I will check with officials is whether any of them are able to provide that information to you. While I was able to answer some of your questions earlier tonight, that one, you probably do understand, I am simply not in a position to know.

Senator MINCHIN—Sure. I accept that.

Senator Faulkner—But I will just seek some formal advice to see if we can assist you in some way. Senator, Mr Bowles can help you with at least part of your question, so I will ask him if he can do that.

Senator MINCHIN—Thank you, Minister.

Mr Bowles—What we are trialling at the moment is this concept of patients using their current GPs and, as you have indicated, the gap in the other. More broadly, when we look at the ADF family centres, if you like, in some locations they are co-located and in those cases, when we actually get to look at some of the broader issues around this particular thing, maybe a clinic option will be best. What we are doing at the moment is trialling the more difficult parts of this and then we will look at how we can do it. At Puckapunyal, for instance, where most of the families live on base, we might be able to look at some arrangements there that are clinic based, and it would make more sense for them to be clinic based in that location. But in the locations we have looked at here, clearly, the people are, quite frankly, all over the place, so we are looking at what the best mechanism is to capture those.

Senator MINCHIN—And in these five it does not involve either a clinic or access to an existing clinic; is that correct?

Mr Bowles—That is correct. It is the GPs in their current clinics, wherever they may be.

Senator MINCHIN—Yes. Thank you.

CHAIR—On this issue, Mr Bowles, if we are talking about the provision of medical services or free health care to ADF members and their families, is consideration being given to extending the gold card? My memory is that the gold card covers people so they get free medical, pharmaceutical and hospital services. Is any consideration being given to that option?

Mr Bowles—What we are looking at at the moment is a variant, if you like, of that sort of system, but we are looking at basic medical and dental care only.

CHAIR—Medical and dental only?

Mr Bowles—Yes.

CHAIR—Not hospital?

Mr Bowles—Not hospital and not pharmaceutical.

CHAIR—Understood. Further questions?

Senator MINCHIN—I just wanted some information on the current status of Defence's land holdings and the extent to which Defence is participating in—

Senator HOGG—Senator Minchin, could I just interrupt before these officials for mental health leave?

Senator MINCHIN—Sure. Go ahead.

Senator HOGG—I have just got two quick questions.

CHAIR—Senator Hogg.

Senator HOGG—There is just one thing. In respect of the suicides, do you get any feedback on service personnel who have been medically or otherwise discharged and have subsequently suicided and it is attributed to their military service? Do you get any feedback on that at all?

Brig. Gill—Once they are discharged, we no longer provide their care—

Senator HOGG—No. I understand that.

Brig. Gill—and therefore we do not actually have any direct involvement in their care. In some cases, if they have a condition which has been recognised by Veterans' Affairs, they will then provide their care, be responsible for their care.

Senator HOGG—Right, but you do not get any feedback at all, in that sense. You do not know if their military service has contributed to them committing suicide.

Air Chief Marshal Houston—All of those issues are being addressed in the McLeod review. This follows, I suppose, the circumstances with Signaller Gregg. Both Mr McLeod and also the Inspector-General of the ADF, Geoff Earley, have been involved in doing some work to address some of these issues. I think it is very important that we get feedback and, if

there were to be a mental health problem that arises as a consequence of military service, that we investigate the circumstances and deal with the issues that come out of that.

Senator HOGG—When is that review due out?

Mr Bowles—That is being negotiated with the Minister for Veterans' Affairs and the Minister for Defence Science and Personnel.

Senator HOGG—So it is not a work in progress; it is about to start?

Mr Bowles—No.

Air Chief Marshal Houston—No.

Senator HOGG—So it is finished?

Air Chief Marshal Houston—It is done, yes. What I am saying is that all of that ground has been covered and I guess at some stage the two ministers will release the outcomes of those two reviews.

Senator HOGG—Does that go to the coordination between Vets Affairs and—

Air Chief Marshal Houston—It addresses all of those issues. I guess in the fullness of time that will be released, and I think that would address a lot of the concerns that you have raised—maybe not all of them, but certainly some of them.

Mr Bowles—We are also just about to embark on some work on a mental health review, which will actually look at linkages between DVA and Defence. That was announced about a week ago.

CHAIR—That is a new review, isn't it?

Air Chief Marshal Houston—That is one of your election commitments, and Minister Snowdon and Minister Griffin are both addressing that. We have had the McLeod review; following that there will be this review that is working to terms of reference that have been approved by the two ministers which actually address that boundary issue between Defence and Veterans' Affairs.

Senator HOGG—Thanks very much.

Senator PAYNE—Could I just ask one question on the review that is being carried out Associate Professor David Dunt—is that correct?

Air Chief Marshal Houston—Sorry?

Senator PAYNE—Is the review to which you were just referring the one that is being carried out by Associate Professor David Dunt?

Air Chief Marshal Houston—Yes, I think he has been involved.

Senator PAYNE—The statement in relation to the review said that it would, as you have basically explained, give an independent assessment of existing mental health programs and support across both the ADF and the DVA. Is it a review to which submissions are to be made?

Mr Bowles—We are negotiating with Associate Professor Dunt at the moment around terms of reference and the like. The issue about whether we take submissions or not within

that review is still to be determined. He is going to have a look at a whole range of issues within Defence and DVA and at what linkage points need to be in place to make sure people do not fall through any of the potential cracks that may or may not be there. His job is to have a look at that and basically try and stocktake the full range of mental health care programs that are between the two departments. He is going to give us a bit of an assessment about the best way to carry that work out.

Senator PAYNE—Does the department have a view about whether it is a review to which submissions could or should be made? The reason I ask that question is to examine whether there is value in receiving information on the experiences of individuals who have encountered the system in the ADF or in the DVA or on their way through and who may have some information to impart which might be useful to Professor Dunt.

Mr Bowles—That is still to be determined, but I would suggest there will be discussion with a whole range of professionals and people in the broader community. So I do not see that as being a particular issue; it is just that we have not had that discussion with Associate Professor Dunt at this particular point.

Senator PAYNE—I appreciate that, but serving members of the ADF might regard it as a particular issue insofar as the capacity to make submissions to an inquiry or a review into processes that currently obtain within the force within which they work, I would suggest, can be an intimidating process—one which individuals may, on occasion, have previously regarded as a career-limiting move. We spent quite a deal of time speaking with individuals in the military justice inquiry in the run-up to the report in 2005 who had had just that experience. I would be very keen to make sure that that was not repeated, but that individuals who had a capacity to make a contribution and who had had an experience—good, bad or indifferent—in either the ADF, and are continuing serving members, or through DVA and who had something to say about that were able to make their views known without any fear of negative effects.

Air Chief Marshal Houston—I take on board all your concerns. I can assure you that anybody who approaches the inquiry and wants to make a submission will be allowed to do so. There will be absolutely no penalties, no intimidation and no negative action against them. That will not be a problem as far as I am concerned. You have my assurance.

Senator PAYNE—I appreciate that. Thank you.

Senator MINCHIN—Is Defence participating in what was billed as the Rudd Labor government's audit of Commonwealth land with a view to seeing what disposal program could be entered into?

Mr Bowles—Yes, we did participate in an audit of government properties.

Senator MINCHIN—Do you have an outcome from that, with respect to Defence? Are you able to supply the committee with information as to what response you made to that audit by way of land that Defence regards as available for sale, which was presumably the terms of the audit?

Mr Bowles—There were a number of sites identified that Defence had owned, places like Schofields and West Wattle Grove. They were identified as surplus to Defence requirements

and were made available, along with Ermington, Ingleburn and Lawson, which is in Belconnen in the ACT.

Senator HOGG—Ermington was identified about seven years ago.

Mr Bowles—It is still surplus to Defence needs and is still in our portfolio.

Senator MINCHIN—As a result of the confirmation of that surplus land, which I think was well known to many of us, have decisions now been made to place those properties on the market?

Mr Bowles—Some of them already have been put on the market. West Wattle Grove, for instance, was put on the market in March this year. We are looking at a range of non-conforming proposals at the moment. Again, we are going through some of these processes.

Senator MINCHIN—What other parcels of land have been placed on the market?

Mr Bowles—Schofields was put on the market in early May and tenders will close late in June.

Senator MINCHIN—Has Ingleburn been placed on the market?

Mr Bowles—No, not at this stage.

Senator MINCHIN—Has it been decided not to place it on the market or is a decision pending?

Mr Bowles—At this stage they are scheduled for disposal within the 2009-10 financial year. The method of disposal is still in discussion.

Senator MINCHIN—So it will at least be another 12 months before it will be offered?

Mr Bowles—In some of those cases, yes.

Senator MINCHIN—What about Bringelly Radio Receiving Station?

Mr Bowles—I am not even sure where that is.

Senator PAYNE—How about we run with south-western Sydney, Mr Bowles?

Senator Faulkner—Senator Payne and I know where it is, I think.

Mr Bowles—Are you referring to the Ingleburn site?

Senator MINCHIN—I am referring to the Bringelly Radio Receiving Station.

Mr Bowles—No, I do not have any information on that one. I will take that on notice.

Senator MINCHIN—Ermington?

Mr Bowles—Again, it will be in the 2009-10 financial year, I believe.

Senator HOGG—Has any part of Ermington been sold off at all? I understood it was in the process of being decontaminated a long while ago.

Mr Bowles—I have just been informed that, yes, part of it has been sold.

Senator HOGG—So this is the continuing sale of Ermington as opposed to the start of the sale of Ermington?

Mr Bowles—Yes.

Senator PAYNE—Mr Bowles, is the delay with Ingleburn, which I think you said was until 2009-10—

Mr Bowles—Yes, 2009-10.

Senator PAYNE—to do with the environmental assessment issues?

Mr Bowles—There are a range of environmental issues on Ingleburn, yes.

Senator PAYNE—Is that the cause of the delay, though? It has been a much vaunted sale for some time. In fact, I think the Prime Minister went there two days after he was elected to indicate he was very keen to see that move along.

Mr Bowles—I would need to take that on notice, but I do know that there are a range of environmental issues with the Cumberland Plain.

Senator PAYNE—Could you take on notice what the cause of the delay in the sale is, and if it is related to the environmental assessment. The Cumberland Plain woodlands are very important woodlands. There is absolutely no question about that; I understand that absolutely. At the same time, though, it would be helpful to the committee to know what is causing the delay on this occasion.

Mr Bowles—Yes, I can take that on notice.

Senator PAYNE—Thank you.

Senator MINCHIN—It is the same with Ermington. I find the delay there surprising. As I understand, that has already been rezoned to permit residential development. I thought this government was anxious to release as much land for residential development as quickly as possible. Why is there another 12-month delay in selling the rest of Ermington?

Mr Bowles—There are a range of works that need to be done to, as you said, remediate some of the work. We have been doing some work around the topsoil. The site was included on the list you referred to, as I said. We are just still looking at doing a further stage of infrastructure works and then we will be trying to push that as soon as that is complete. Hopefully, it will be later this year but, more than likely, it will not come to fruition until the 2009-10 financial year. But we are pushing to get the infrastructure done by later this year, with the hope that we can move on to sale as soon as possible after that.

Senator MINCHIN—What is the status of the Belconnen Naval Transmitting Station in Canberra?

Mr Bowles—It is, again, one of those sites that we would need to do some remediation work on. As to the exact date on that one, I would need to take that on notice.

Senator MINCHIN—But it has been earmarked for sale?

Mr Bowles—That is correct.

Senator MINCHIN—If you could find a sale date for that, I would appreciate it. What is the status of the Elizabeth North Training Depot?

Mr Bowles—I believe that was one that was looked at under force disposition. We are looking at a range of those sites in the companion view to the white paper which the secretary talked about earlier on today.

Senator MINCHIN—What does that mean? Have you still not made a decision on it?

Mr Bowles—Anything to do with force disposition, as far as where our bases are and a whole range of those issues around a range of sites, we are looking at in the context of the estate companion piece to the white paper that the secretary talked about earlier this morning.

Senator MINCHIN—The previous government made a decision to sell that land. I think there is potential for some 450 housing blocks on that site. So that has been put in abeyance. That decision has been reversed and now the matter is being completely reconsidered; is that right?

Mr Bowles—No decision has been reversed. We are trying to look at the estate, if you like, in a more strategic context in the white paper. We are trying to look at what is the best force disposition—using old language now—within the context of the white paper.

Senator MINCHIN—Meaning it may not be sold?

Mr Bowles—If that is the determination of the processes that go through, that may in fact be the answer. But it is far too early to say that.

Senator MINCHIN—It means that the previous decision to sell it has now been put on hold with a view to possibly not selling it, subject to the outcome of the white paper—correct?

Mr Bowles—As I said, subject to the outcome of the white paper, the broader issue of anything within force disposition needs to be looked at in the context of the white paper and any force structure issues that were discussed this morning by the secretary and CDF.

Senator MINCHIN—Could you tell me, just for interest, what the current arrangements are within the government with respect to proceeds of these sales. There have been various arrangements over the years. What is the current arrangement with respect to proceeds?

Mr Bowles—Proceeds go to consolidated revenue, and the department is reimbursed any costs in relation to those sales—the same as it has been for a while.

Senator MINCHIN—You do not retain any part of those?

Mr Bowles—No, it is exactly the same as it has been for quite a while.

Senator MINCHIN—I think there was a point at which there was a fifty-fifty split.

Mr Bowles—My understanding is that that has not been the case for quite a while.

Senator MINCHIN—Thank you.

Senator TROOD—I have a question about the Asia Pacific Centre for Civil-Military Cooperation. This is a new project, as I understand it. I am just wondering whether someone can give me some explanation as to the intent and the size of the enterprise and the constituency to which it is to appeal.

Mr Warner—Certainly, Senator. I will start off. As you know, we have been engaged in a number of operations over the past decade, and some of them have involved stabilisation operations. That is going into a country, settling the situation down and then beginning a process—often a long process—of rebuilding the nation state and its institutions. We have learnt some lessons from those operations. This institution will take those lessons learnt, will

understand them better and will take them forward. As to its size, those things are still being worked through, but you will have seen from the budget papers that \$5.1 million has been allocated to it, I think, over the forward estimates over a four-year period.

Senator TROOD—When is the project expected to begin?

Mr Warner—In a sense, we are starting to put it together now. I cannot tell you when it will be up and operating. We are looking to recruit someone to head it. We are looking to second officers from a number of other departments and agencies to it, as well as providing Defence personnel. As for a start date—I am sorry but I am just not in a position to give that to you yet.

Senator TROOD—I am interested. There is already a peacekeeping centre, of course. They are analogous functions or activities, are they not?

Mr Warner—I will now pass to the CDF to talk about the peacekeeping centre.

Senator TROOD—I reckon I can make the conceptual distinction, CDF, but they seem to me to be analogous functions nevertheless.

Air Chief Marshal Houston—We have a peacekeeping centre as part of the ADF Warfare Centre up at Williamstown in New South Wales. Essentially, the peacekeeping centre does strictly peacekeeping; it does not get into the broader elements of a civil-military approach. It has been strictly focused on the business of UN peacekeeping.

I think the CIMIC centre has a much broader remit where you look at all elements of civil and military power to produce the right sorts of results. Of course, we have had very successful CIMIC operations in Iraq and Afghanistan recently. In fact, in Iraq over the last 12 months we have spent \$9 million on a series of CIMIC projects and they have all been focused on delivering services to the local population. That is quite different from the peacekeeping side of the house, which is something different. In terms of whether there are overlaps; most certainly there are. I guess you could, under certain circumstances, bring them together.

Senator TROOD—It seems to me that there is quite a lot of overlap between them. There are synergies between the two, and both sides would profit from working with the other. I very much acknowledge the success the Australian Defence Force has had in its civil-military activities, and I think there are some very important lessons there. I am not in any way suggesting that the capability is not valuable, but I suppose the question really is: why not put it together in a single centre where you can create some synergies and have a critical mass of knowledge?

Air Chief Marshal Houston—Let me put it this way—the operational spectrum goes from high-end warfare to the delivery of services. You go down through the sorts of operations we are doing in Iraq and Afghanistan at the moment—through pure peacekeeping, chapter 6 peacekeeping, and then you get into the delivery of medical assistance, civil assistance and so on. Our people can be involved in that spectrum in a number of ways. Where you draw the line between one function and the next is often quite difficult. The bottom line is, if you have a look at what we have been doing in recent times, one of the big difficulties that we and most other nations have had is bringing an integrated approach to a set of circumstances on the

ground. I think all of us have an ability to quickly deploy military forces to do a stabilisation operation, but after the initial part of it generally what you need is a much broader approach than just a military approach. You need a civil-military approach, you need a whole-of-agency approach, and you need a whole-of-government approach.

To some extent this CIMIC centre is all about creating a centre of excellence to address some of those issues. Here in Australia one of the things that we lack is, if you like, a civil deployment capability. If you go into any of the places that we are in at the moment, it is very hard to get civilian officials to go into areas where the security is not the best and where the conditions are very demanding. CIMIC is about creating a centre of excellence to address those sorts of issues; learning lessons from the operations that we are involved in at the moment; and teaching people about delivering a whole-of-agency approach in circumstances where you are dealing with failing states and the sorts of circumstances that we have been dealing with operationally over the last few years.

Senator TROOD—I can see the demand very clearly for that kind of thing. One of the lessons we learned from Iraq is the value of that kind of activity. What is the reason for putting it in Queanbeyan?

Air Chief Marshal Houston—I guess Queanbeyan is a thriving little town not far from Canberra!

Senator TROOD—I think I am geographically familiar with that. Is it intended to be in conjunction with some other Defence body?

Air Chief Marshal Houston—It is going to be very close. We have the joint operational command going in just the other side of Queanbeyan, so it makes some sense to have the civil-military centre, the CIMIC centre, somewhere close by.

Senator TROOD—That is the question. Is it related to some existing function, project, headquarters? Is there some virtue in having it situated near some existing capability? That is the question.

Air Chief Marshal Houston—I guess I could be a little flippant at the moment—the joint operation command is west of Queanbeyan and very shortly it will be east of Queanbeyan.

CHAIR—Let us not go into that debate again.

Senator TROOD—You do not have any further insight on this, Secretary?

Senator Faulkner—That was very insightful.

CHAIR—Senator Trood, we have done this debate to death for years. There being no further questions on capital facilities and Defence support, we will move to People Strategies and Policy—ADF and APS personnel and workforce matters, recruitment and retention.

Senator PAYNE—I have one very quick question which goes in fact to the remarks the chief made on opening in relation to the external reference group on women. When I was reading the release in relation to that, which I think was just from a few days ago—29 May—

Air Chief Marshal Houston—That is correct.

Senator PAYNE—I was struck by the fact that one of the quotes attributed to Minister Snowden was that he would be seeking:

A fresh look at the issues and barriers confronting women in the military is needed, and I will be seeking that from the women who know exactly why they joined, and why they've stayed.

I would have thought that knowing why those who have left have indeed left was equally as important and, although that is not referred to explicitly in a statement, I wanted to seek your advice on the approach that the reference group will be taking. I do not know if any of the individuals who are part of the reference group have any experience of the ADF directly, although I do notice that they do have very broad professional experience as a group. Your advice on that it would be helpful, Chief.

Air Chief Marshal Houston—I think what we are looking for is a group of very successful women—a group of women who have succeeded in spite of everything and a group of women who can provide me with advice on the policy we need to embrace to essentially increase the participation rate of women in the ADF. Clearly there are a number of things that we need to do. We need to get our policy settings right; we need to project the right image to the women of Australia—we need to be seen as being a very enlightened organisation that is really enthusiastic about having women participate fully in what we do. I think these women will be able to assist me with coming up with the right strategies and the right approach to meeting that challenge. It starts before recruitment with branding. It starts with recruitment. It is important to consider how we train people. I think perhaps in the past we have been overly demanding of all of our recruits. One of the very good things we have done in recent times is we have basically improved the way we look after our recruits, so we do not break so many in training. Over the years a lot of people have sustained injuries during the training process, probably because we have pushed too hard physically.

So there are lots of things that we need to do, and I think these women will assist me in addressing the policies that we need to put in place to move forward in this very important area. I think it is totally unacceptable that only 13 per cent of the ADF are women. In this time where the demographics are gradually going against us as time passes, it is absolutely imperative that we get a higher participation rate from the women of Australia.

Senator PAYNE—Thank you. And in relation to those who have chosen to leave, will the reference group be seeking input from them—particularly if they have chosen to leave at reasonably senior levels after they have invested a great deal in Defence and Defence has invested a great deal in them?

Air Chief Marshal Houston—Absolutely. I think we need to get better at seeking feedback from our women. I might add that we have had some very successful women in the ADF. It is just that far too often they leave. As I mentioned in my opening statement, they leave before the men do and we have got to find the right policies to keep them for the long haul so that we get them down to similar metrics to the men or even better metrics than the men.

Senator PAYNE—The statement says that as well as the work of the reference group there is going to be:

... an examination of the current range of family-friendly policies in the ADF which are not fully utilised.

Is that examination of those policies also to be done by this external reference group or is that being done separately?

Air Chief Marshal Houston—No, that will be done separately.

Senator PAYNE—By whom?

Air Chief Marshal Houston—It would be done separately by the new Deputy Secretary, People Strategies and Policy. I might ask him now just to give you a bit of a backdrop on all of that. Mr Phil Minns, and Deputy Secretary, People Strategies and Policy.

Senator PAYNE—Thank you, Chief. I just wanted to clarify one thing when you are responding to that, Mr Minns. I was assuming that that examination of that range of family friendly policies that are underutilised would be examined from the perspective of both men and women in the ADF, not restricted to concerns in relation to women.

Mr Minns—Yes, Senator. Coming in from the outside and looking at Defence's policies in the area, they are actually quite good and they benchmark quite well with the general employment community. They are probably better than all but the best private sector organisations. But it is not uncommon when these policies are first introduced to not see a cultural acceptance of their use by people within the organisation. I have certainly seen it in the past and I think you see a bit of that in Defence. We will be trying to understand why that is happening and what the reasons are for why people feel that if they avail themselves of flexible working arrangements that might not play well in their career—is that what they think; is that what is driving them? We will be doing that research. We already have done some research on it. We are interested in all these areas to look at both male and female reactions to the policy environment. When the reference group has its first meeting, we will provide them with a whole series of desktop research, summaries of what we know and understand currently on these issues in Defence, and that will be one of them.

Senator PAYNE—Thank you.

Senator MINCHIN—CDF, the *Canberra Times* reported at the end of March that Mr Fitzgibbon is adamant that the military will allow high school and university students to do work experience, despite his service chief's misgivings. He is quoted in this article as saying:

This will be resolved by me simply issuing an edict that this shall be done.

I wonder whether you could inform us as to whether you have received such an edict?

Air Chief Marshal Houston—We are well aware of the minister's requirements when it comes to work experience and it is something that we are embracing at the moment. It is another source of getting young people familiar with the three services. The gap year, as we have heard earlier today, has been a huge success. With a wider and better work experience program, we will probably be able to pick up even more people through a program like that. So, essentially, we know his requirements and we will meet his requirements.

Senator MINCHIN—What are your misgivings about this proposal?

Air Chief Marshal Houston—I do not have any misgivings about it.

Senator MINCHIN—At all?

Air Chief Marshal Houston—At all. I would say that one of the issues with any program like that is the resources available to do it. We are seized with the need to put sufficient resources in to make it happen.

Senator MINCHIN—Have you sought supplementation of any kind to allow this sort of program to be put in place if it does place burden upon you?

Air Chief Marshal Houston—No, we have not. In this era of savings and efficiencies we will absorb that. We will bring these young people in in an appropriate way.

Senator MINCHIN—Presumably the program has not yet commenced.

Air Chief Marshal Houston—It is interesting. If you have a look around the ADF, there are some locations where there is quite an extensive work experience program. The sorts of places where you get a fairly good program right now are places like Townsville, where there is a really good connection between the community and the military. In essence, Townsville is almost a military town. There are a lot of young people who go in and get work experience in the ADF in Townsville. In other locations it is more difficult, largely I suppose because of the location. Some of our places in the middle of Sydney perhaps do not have such an active approach to work experience. We are going to try and give young people the opportunity to go to the military facility that is close to where they live.

Senator MINCHIN—The minister was extolling the virtues of trials in our previous discussion about health clinics. Are you trialling this proposal first before you implement it across the country?

Air Chief Marshal Houston—No. We have a lot of experience of work experience. In fact, if you go back to the 1980s and 1990s, we used to do a lot of it. I guess with the increase in operational and organisational tempo, it is one of the things that perhaps slipped a little bit. It is perhaps something that we need to pick up on, given the fact that we do have some recruiting issues. We are on the way back in terms of recruiting. Our results in recent times have been very good, but I think we need to use every avenue to recruit people. Like the gap year, work experience is another way that we get people interested in the ADF. Cadets is another way we get people interested in the ADF. I might add that the richest source of recruiting for us is out of the cadets. That really is a form of work experience. Some people out there in our community do not have access to cadets, so we want to be able to give them an experience in the services that they can easily apply for and easily get into. That is what the work experience program will be all about because, simply put, not everybody can access a cadet unit.

CHAIR—Are there further questions? Okay, that concludes People strategies and policy. We will now turn to the remaining defence output groups. We will work through them one by one because a lot of this material has been covered in other areas. Navy capabilities? Army capabilities?

Senator MINCHIN—This is sort of related to People strategies and policy but also to Navy capabilities. Could you enlighten us about the current situation with respect to the manning of our submarine fleet? There is much press reporting of a crisis in the manning of submarines. What is the current state of play? What strategies are in place and what options are available to fix this problem?

Air Chief Marshal Houston—The Chief of Navy was anticipating some interest from the committee in this area, He has just arrived and will address the question.

Vice Adm. Shalders—Sorry, Senator. Could I ask you to repeat the question please.

Senator MINCHIN—It is really about the much discussed issue of recruitment and retention of submariners. Could you give us the current state of play with the submarine fleet—the manning status at the moment, what your manning needs are, what strategies are in place to meet the shortfall and what options are available to you.

Vice Adm. Shalders—The current situation is that we are at about 64 per cent of the required number of submariners across the fleet. That allows us to man fully three submarines at present. Our operational requirement is generally set at two submarines, so I make the point right at the outset that we are meeting operational requirements. We need, broadly speaking, about 670 submariners. We presently have about 430.

Senator MINCHIN—You say you need 670 and you say your operational requirement is only two subs so therefore you are meeting your requirements. Can you explain that apparent inconsistency?

Vice Adm. Shalders—Our directed level of capability—that is, the platforms that I am required to provide for operations—is two.

Senator MINCHIN—So two at any one time out of the six need to be operational?

Vice Adm. Shalders—Correct, if we had four or even five hulls available at any one time, we would be able to man all of those submarines but we would have no sea shore roster and very few support staff. In times of war, for example, if we are required to put four submarines to sea, of course we could do that. The notion that we could only ever man two submarines is quite incorrect. We can man three submarines at present. We are short and we would prefer to have more submariners of course, but we can do what we are required to do.

Senator MINCHIN—You said you need 670. What does that reflect?

Vice Adm. Shalders—The 670 allows for the submarines to be fully crewed, the sea training group to be fully staffed—

Senator MINCHIN—All six?

Vice Adm. Shalders—correct—and all the support staff positions manned, all the training positions manned and a number of the submarine community in out-of-branch postings—in development postings, at staff college and that sort of thing. So 670 is the ideal to allow the full capacity to continue in a healthy state. We are managing at about 64 per cent of that at the moment.

The strategies that we are using to attempt to build that number are many and varied. They range from lateral recruiting from allied navies through to in-service recruiting—that is, using surface sailors, for example, on short-term attachments—and through to direct recruiting—that is, a recruit comes into the service and is trained off the street to become a submariner, as opposed to our normal entry avenue, which is from in service. We have applied a lot of retention bonuses to the submarine force—most recently an allowance called the Navy capability allowance, which provides \$60,000 in three instalments for 18 months service to a

submariner. Individual retention bonuses are offered to particular branches and groups within the submarine community. There are also probably one or two other initiatives that I cannot quite recall at the moment. I assure you that we are taking every avenue that we can in order to attract and retain our submariner force.

Senator MINCHIN—Is retention just as big an issue? Once you get them, do you keep them? Are you finding that the turnover is increasing?

Vice Adm. Shalders—Retention is the most critical issue. They take a long time to train and because of the small number of training bunks onboard a submarine—there are limited bunks, as you know—we cannot rotate them through the training force. That is a bit of a self-fulfilling prophecy as well because the fewer hulls we have because of the fewer crews that we have means that we have less hulls at sea to train submariners. It is a problem but it is a problem that has our closest attention.

Senator MINCHIN—Is it essentially a remuneration issue? What do your surveys show when you ask people why they have left the submarine fleet?

Vice Adm. Shalders—It is not solely a remuneration issue, just as the retention problem across the Navy or across the ADF is not solely a remuneration issue. It is a different lifestyle being a submariner. The work they do can often not be described or talked about openly for obvious reasons. They live hard: when they are at sea, they are definitely at sea. On a long patrol, it is a difficult life. Perhaps there is an attitudinal problem—generation X and generation Y are not quite as attracted to that sort of lifestyle as we might have been in our early days. We think we understand why people want to leave the submarine force and it is not solely due to remuneration, although they do seem to attract better salaries outside, particularly in Western Australia because of the mining boom there and, it is fair to say, because of their high levels of training and how good they are.

Senator MINCHIN—Are your sister navies suffering equally from this problem? If so, are they employing any strategies we could learn from?

Vice Adm. Shalders—We certainly try to learn from them. I do not think they are suffering in the same regard as we are. Interestingly, I was recently in Japan and I was advised that they too suffer the same problem. They were keen to understand how many people we use in our submarines. They feel they have too many people and their retention problems are starting to impact on them. They were quite surprised on two counts: at the size of a Collins crew, which is only 45—an equivalent or smaller boat in the JMSDF is about 65, I think; they were also interested to learn about women in submarines. We do have women serving in submarines.

CHAIR—Further questions on Navy capabilities, Army capabilities, or Air Force capabilities?

Senator MINCHIN—On Air Force capabilities, I would like to ask about the VIP fleet. What is the contractual arrangement with the current fleet? Are you able to enlighten me as to when the contracts for the provision of those aircraft are up for renewal?

Air Chief Marshal Houston—In 2014.

Senator MINCHIN—Is there any active consideration of acquiring alternative aircraft before that date?

Air Chief Marshal Houston—Not at this stage.

Senator MINCHIN—No-one has either asked you or internally generated any examination of alternative options?

Air Chief Marshal Houston—Not at this stage.

Senator MINCHIN—There has been some public discussion, particularly following the tragedy in Indonesia, about whether or not the Australian government ought to acquire larger aircraft to enable the media in particular to travel with government ministers when they are overseas in areas where commercial aircraft are not available. Are you telling me that as a result of that and media speculation, that that is ill-founded and that there is no consideration at all?

Air Chief Marshal Houston—Senator, if I might chance my arm, I think it would be really good if we went for a couple of bigger aeroplanes for the VIP task because, frankly, the 737 aircraft is too small for the task. I think some of the risks associated with covering a political visit in the region were brought out very tragically in that terrible accident in Indonesia. It is imperative that we look after our journalists in places where the airline standards are perhaps not as high as they are in our own country. It is fine in Australia, but when travelling in many places around the world there are concerns about certain carriers and their particular airworthiness and flying standards. There is probably a requirement to have a bigger aeroplane. At some stage, the Australian government needs to have a look at a larger aeroplane. It would probably make a lot of sense to do that sooner rather than later after the tragedy that befell us as a nation last year.

Senator MINCHIN—I am sympathetic to that argument, but what would be involved in so doing, given that the contract with the current aircraft goes until 2014? Can the aircraft be replaced within the existing contract, or would you have to terminate and enter into a new contract with a new supplier?

Air Chief Marshal Houston—The current aeroplanes are perfect for flying around Australia for the day-to-day work that our government does. The problem comes when you have to go a long way or when we have an election campaign. The aircrafts that we currently have are just not big enough to carry a large entourage. They max out at about 28 or 29 in a Boeing business jet, and of course the Challengers are much smaller than that. How could it be addressed? I think that in 2014 we will need to look at something bigger than what we currently have. There are probably other options that we could have a look at in the meantime.

Senator MINCHIN—Such as leasing or chartering additional short-term aircraft.

Air Chief Marshal Houston—Leasing an aircraft is an option. Right now we have an A330 aircraft that we use to sustain our operations in the Middle East.

Senator MINCHIN—Yes, I flew on it.

Air Chief Marshal Houston—You flew on it. It is a very capable aircraft. It does not have a VIP fit. I think it is all economy.

Senator MINCHIN—No, there are some—

Air Chief Marshal Houston—There are some business seats; yes.

Senator MINCHIN—Fortunately!

Air Chief Marshal Houston—A jet like that would be ideal for the long-range work that is required when one of our ministers goes a long way with a large entourage.

Senator MINCHIN—Can you remind me if there is a six-monthly or annually published report on the use of VIP aircraft?

Air Chief Marshal Houston—Yes. There is a report every six months which lists the schedule of VIP flights and who has travelled on each flight, and so forth.

Senator MINCHIN—There have been no alterations to any of the aircraft in the last six months, I presume—configuration.

Air Chief Marshal Houston—No. The aircraft are identical to the way they were before. I think the only configuration change that can be made is in terms of altering the number of fuel tanks, but the aircraft at the moment are in a long-range configuration.

Senator MINCHIN—Going back to the issue of the press and the most recent world trip by the Prime Minister, the second BBJ accompanying the party was dedicated to the media, wasn't it?

Air Chief Marshal Houston—That is correct, Minister: sorry, Senator.

Senator MINCHIN—That is all right. It has taken a while for me to get used to it, too.

Senator Faulkner—I am coping, Senator.

Senator MINCHIN—I am sure you are, Minister. What were the media charged? Was it the equivalent business-class fare?

Air Chief Marshal Houston—Essentially, on this occasion, an agreement was reached whereby each journalist was charged \$12,000 for the round-the-world trip.

Senator MINCHIN—But presumably there was a differential between the cost to the ADF of providing that aircraft and the income from the journalists who paid for seats on the plane.

Air Chief Marshal Houston—Essentially, we normally do cost recovery, as you know, and any time a journalist travels, we recover the costs on the basis of economy-fare equivalent. That is part of the principles that pertain to the use of special-purpose aircraft. The figures relating to additional cost and flight hours are generally raw data and obviously subject to final verification. In this particular case, the journalist's BBJ additional cost was \$186,538 and that was based on 55.6 hours at the additional cost rate of \$3,355 per hour. The additional cost for this trip based on the average additional cost rate of that flying rate per hour was \$380,792, which is based on 113.5 flying hours—55.6 hours for the journalists in the BBJ and 57.9 hours for the PM's BBJ.

Senator MINCHIN—Sorry, the \$380,000 represents the difference between the total cost of the aircraft that carried the media going on the trip and the income that was received from the journalists—is that as I should understand the figure?

Air Chief Marshal Houston—The journalists' BBJ additional cost was \$186,538 and that is based on the 55.6 hours at the additional cost rate of \$3,355 per hour.

Senator MINCHIN—Yes. The \$380,000 was the cost of the Prime Minister's BBJ?

Air Chief Marshal Houston—In terms of what the journalists were charged, they were charged \$12,000—21 journalists travelled, so it is 21 times \$12,000. If you want the differential, I guess we could quickly do the maths there?

Senator MINCHIN—No, that is fine. We can do that. What was the \$380,000?

Air Chief Marshal Houston—The \$380,000 was essentially the cost of both jets flying around the world.

Senator MINCHIN—Yes, I understand. I think Senator Abetz has a couple of questions on this.

CHAIR—On Air Force capability?

Senator ABETZ—Yes.

CHAIR—Senator Abetz?

Senator ABETZ—Thank you, I have a few questions of the chief. The most recent trip undertaken by the Prime Minister would have a flight manifest which will be tabled in due course?

Air Chief Marshal Houston—That is correct.

Senator ABETZ—Can I ask whether past flight manifests for travel undertaken by the Prime Minister have disclosed a doctor on board—when he takes a trip outside of Australia?

Air Chief Marshal Houston—I think that who travels on the BBJs in terms of whether a doctor goes or does not go is a matter for the Department of Prime Minister and Cabinet.

Senator ABETZ—Yes, I understand that. I am mainly asking about the flight manifests.

Senator Faulkner—I might be able to assist you, Senator. I do not know if it was you, but a senator did ask some questions when the estimates for the Department of Prime Minister and Cabinet were being examined last week about this. I was certainly asked whether it was normal practice for a doctor to accompany the Prime Minister, and I tried to answer yes to that question, but in fact Senator Minchin interjected on me and answered yes to that question before I was able to. I do not want to take Senator Minchin's name in vain, because he has just walked through the door. I just indicated, Senator Minchin, that at PM&C estimates, when the issue was raised of whether it was normal practice for a doctor to travel with the Prime Minister, I was about to answer yes but I did point out that you in fact answered the question before I was able to. That does not cut across what CDF has said to you, because I think his answer is very proper in response. But in the interests of full transparency on this, because I am not sure that you were present at PM&C estimates—

Senator ABETZ—No, I was not at that.

Senator Faulkner—I think it is proper that I at least indicate to you that that question was asked in that form and answered by me in that form then.

Senator ABETZ—Right. I am just asking the chief, at this stage, about flight manifests, which I understand are within the remit of defence—that is, it is a defence official who prepares the flight manifests. Is that correct?

Air Chief Marshal Houston—No, that is not correct. The manifests are prepared, I believe—certainly for the Prime Minister’s travel—in Prime Minister and Cabinet.

Senator ABETZ—All right. Defence personnel tick names, in relation to who flies on these planes, off the flight manifest that is provided by PM&C.

Air Chief Marshal Houston—The manifest is provided by PM&C and then, I guess, the manifest is used by the crew at 34 Squadron to decide who is aboard and to come up with a list of people who travel. Obviously we have to do that for a large number of very sensible reasons. In terms of the manifest—the reporting of who travelled where—my understanding is that, when it is the Prime Minister travelling, PM&C have the weight.

Senator ABETZ—Has there been any advice provided by Defence—in relation to issues of security, health et cetera—to the Prime Minister’s office about the benefits of taking a medical adviser or doctor on overseas trips?

Air Chief Marshal Houston—No, there has not. Who travels in the Prime Minister’s party is a matter for the Prime Minister, his office and his department.

Senator ABETZ—Absolutely. I am not asking you what the advice was; I am just asking whether any advice is proffered in relation to that. I assume that the answer is no.

Air Chief Marshal Houston—No, no advice along those lines is proffered.

Senator Faulkner—But, as I have indicated, it is not abnormal—if this is the purport of your question, Senator; I do not know what is—for a doctor to travel with the Prime Minister.

Senator ABETZ—No, not at all.

Senator Faulkner—It is not unusual at all. It is not abnormal practice, I can assure you.

Senator ABETZ—No. I am wondering whether, on this occasion or in recent times, a doctor did travel with the Prime Minister.

Senator Faulkner—We are not in a position to be able to answer that, Senator. As I think you would know, when the manifests are tabled—let me just seek some advice from CDF as to whether the title of a person would necessarily be identified—

Air Chief Marshal Houston—No, just the name.

Senator Faulkner—I just checked, as an aside, with CDF about the manifests, because it was certainly my recollection that titles are not necessarily identified in such manifests—CDF may be able to assist you further—but names are certainly provided in documents that are tabled. So, if a person were or were not a doctor, I cannot say that that would necessarily be identified. But CDF may be able to assist you further, obviously.

Senator ABETZ—Are you able to assist further, CDF?

Air Chief Marshal Houston—I guess you want to know whether the Prime Minister travels with a doctor.

Senator ABETZ—Or travelled with a doctor on this particular occasion.

Air Chief Marshal Houston—I did not travel. I have not got the manifest.

Senator MINCHIN—No, the point is: does the manifest normally reveal the occupation or title of those travelling?

Air Chief Marshal Houston—I doubt it.

Senator MINCHIN—So it may not be obvious from the manifest whether—

Air Chief Marshal Houston—No, it will not be obvious from the manifest.

Senator ABETZ—Would the Prime Minister be referred to as ‘the Hon. Kevin Rudd’ on the flight manifest?

Air Chief Marshal Houston—Well, Senator—

Senator ABETZ—We will see what it reveals. In the dim, dark past, I remember seeing the odd one having my name ticked off, and I do recall the odd title here and there, but we will wait and see what the manifest reveals.

Senator Faulkner—I am sure they were not odd titles at all, Senator!

Senator ABETZ—Suffice to say I was never important enough for anybody to want a doctor to accompany me. So I cannot vouch for the doctors. I was too far down the food chain for that!

Senator Faulkner—But you would certainly be aware of the tabling of manifests for special purpose aircraft. It is something that from time to time has been addressed at this and other estimates committees. We are not sure about the titles but the names at least will be available to you and others when they are tabled.

Senator ABETZ—And, if need be, we can make inquiries as to what an individual’s role may or may not have been.

Senator Faulkner—You may not need to—for example, you would expect to see Mr Rudd’s name and so forth.

Senator ABETZ—Was there an occasion on the trip when a member of the travelling party was required to go from Bucharest to London for the purposes of medical treatment? Is Defence aware of that?

Air Chief Marshal Houston—I think, again, that is a matter for the Department of the Prime Minister and Cabinet.

Senator ABETZ—Then let me ask specifically: was an Air Force plane used to transport somebody from the party who was medically ill from Bucharest to London?

Air Chief Marshal Houston—I am not aware of the detail you refer to.

Senator ABETZ—You can take that on notice. I understand that did occur. I am interested to know whether it was a commercial flight. Minister, could you be so kind as to advise us of any extra costs associated with the need to airlift that person from Bucharest—if my memory serves me correctly—or some other place to London for medical treatment, which, from what I have been told, may have been obviated if a doctor had been travelling with the party. That is what I am seeking to explore. If you could take that on notice, Minister, that would be very helpful.

Senator Faulkner—I will see if there is any information available before I agree to take it on notice. The CDF has assured me that this information is not available in Defence. It is obviously a matter for the Department of the Prime Minister and Cabinet. It would be more appropriate for you to place a question on notice if you wish to do so.

Senator ABETZ—I understand that. If one of the Air Force jets had made a special return trip from Bucharest to London then clearly that is within the purview of Defence—and that is what I am seeking to explore. If you have no knowledge of that, that is fine. Take it on notice. Chances are that the person was flown commercially.

Senator Faulkner—Very senior officers in the ADF are saying that is not the case.

Senator ABETZ—That is fine. If they are saying that is not the case, I accept that.

Senator Faulkner—Instead of me responding—because I do not want you to think this is a political response—I sought advice from CDF. I think in this instance it is better, given the nature of your questions, if I ask CDF to respond to you so that you will be satisfied that it is a response from the ADF, not from me as the minister at the table.

Air Chief Marshal Houston—The Air Force have an air operations centre that is located in the Joint Operational Command. That command has no visibility of the movements of the aircraft once it departs Australia. All of that is done from Prime Minister and Cabinet. If you want information on where aircraft flew to and from and so on, you need to go to Prime Minister and Cabinet.

Senator ABETZ—I accept that but—with great respect—I would think that the Defence Force would be aware—or I hope it would be aware—of the whereabouts of its planes, and if one of them was sitting on the tarmac in London as opposed to Bucharest, I hope that somebody in Defence in Australia might actually be aware of that.

Air Chief Marshal Houston—We are obviously aware of the itinerary when the aircraft departs but, essentially, where it goes—if there was an adjustment to its schedule—that would be sorted out between the crew and Prime Minister and Cabinet. The aircraft is tasked by Prime Minister and Cabinet; it is not tasked by the Air Force.

Senator ABETZ—I am not saying who tasks it, but that information must come back to Defence. For example, if one of the aircraft did fly the extra few hours from Bucharest to London and return, the engines on that particular plane would have to be serviced so many hours earlier, surely. So, it must be known ultimately to Defence if that occurred. I do not know if it occurred. Could you check that? I accept your point that chances are it is a lot easier for us to check that up with PM and C, and I will seek to do that. I have one more question.

Air Chief Marshal Houston—Can I just clarify again. You talk about the Air Force and Defence very broadly, but the VIP fleet is operated completely differently from the rest of the Air Force and the rest of the Defence Force. Fundamentally, the aircraft are tasked by a number of tasking agencies. The Prime Minister tasks aircraft, the Governor-General tasks aircraft and, of course, the Minister for Defence tasks aircraft for all of his colleagues and other entitled people. All of that tasking is done directly from the tasking agency to 34 Squadron which would know everything about what is happening. When the aircraft is

travelling around the world it keeps in touch with the parent squadron, but what is important here is that it is a service provided by the Air Force for government. Essentially, all the reporting is done through either the Minister for Defence's office, the PMO or the Governor-General's office.

Senator ABETZ—I thought we were in Defence and that the Minister for Defence was represented here, but I do not pursue this any further.

Senator Faulkner—He is. Senator, Let me be clear. Obviously we are in Defence. We are examining the estimates of the Department of Defence. That is true, and I certainly do represent the Minister for Defence at the table. I can say this to you: from my own experience—not only as a minister in the current government for a brief period of time but also in a previous government and as a former opposition office-holder—I do know of quite a number of circumstances where ADF, in a range of ways, have assisted people associated with both sides of politics.

Senator ABETZ—None of this is in dispute.

Senator Faulkner—Please let me finish so we are clear. ADF have assisted people associated with both sides of politics in medical emergencies and difficult personal circumstances. I know of a number of examples in relation to this. Rest assured that you are right. You are at the Defence estimates and I do represent the minister here, and you are receiving proper answers to your questions. I am trying to ensure that you do not misinterpret any of these answers as political answers. I have tried to ensure that CDF responds so that you can be satisfied that that is the case.

Senator ABETZ—Well, none of that, with great respect, has been in dispute. One final—

Senator Faulkner—That is good.

Senator ABETZ—question, depending on—

Senator Faulkner—I am suggesting it is best not to go there.

CHAIR—Senator Abetz.

Senator ABETZ—One final question, depending on the answer, just to have it absolutely clear: the number of people that travel on the aircraft with the Prime Minister—that is, the number—is determined by the Prime Minister's office, and that is in relation to the trip that occurred recently—was it an 18-day trip around the world?

Air Chief Marshal Houston—Again, I do not have that sort of detail.

Senator ABETZ—No, I am confirming that it was the Prime Minister's office solely that determined the number of people that travelled with the Prime Minister, and who they were—other than, of course, the crew.

Air Chief Marshal Houston—That is correct. The crew would be done closely with 34 Squadron, because there would be a requirement for maintenance people, there would be a requirement for probably augmented crew and so on. It would be worked out between the squadron and the Department of the Prime Minister and Cabinet through Staff Officer, VIP Ops.

Senator ABETZ—All right. I will get the manifests through PM&C, and thank you for their assistance.

CHAIR—Further questions? Intelligence capabilities? DSTO, Defence Science and Technology Organisation? Senator Payne.

Senator PAYNE—Thank you, Chair. I wanted to seek clarification in relation to the question I asked earlier today about the item on page 23 of the PBS, 'Reduction in scientific research programs'. Mr Prior said at the time that he did not have the detail and would come back to us on notice, but I wondered if, given it was an allusion to scientific research programs, DSTO might be able to give us more information today.

Dr Sare—Yes, there are two items in the PBS on page 23 that pertain to DSTO's budget. The reduction in scientific research programs of \$2 million relates to DSTO's long-range research program—that is, the program of research that DSTO itself determines that it will undertake in order to do forward-looking work for the ADF of the future. The major impact of the reduction in funding will fall on collaborations that DSTO conducts with universities through things like centres of expertise that we have set up through research agreements and through research contracts. We are still working through the detail of which of those multiple university interactions we have throughout Australia would be affected by that small reduction.

The \$10.2 million reduction described on page 23 of the PBS as reprogramming of scientific support programs relates to the program of science and technology that DSTO conducts for the groups within the Defence organisation. Again, we are still working through the details of where those small reductions will fall, but essentially some of the lower priority work that has been gathered through our formal requirements-gathering process will cease. Work that had been planned but not yet commenced will not commence. But the details are still being worked through as part of our overall program-planning process.

Senator PAYNE—When do you expect the details of both of those aspects of the PBS, from your perspective, to be finalised?

Dr Sare—We are aiming to be in that position by the end of this month so that we start the new financial year on 1 July knowing that situation. With respect to the long-range research issues, and the fact that we need to have dialogue with a number of universities, I suspect that that particular element may go out a month or two beyond the start of the new financial year.

Senator PAYNE—In relation to the first of these items and your reference to long-range research programs, you also made reference to research contracts. Are they contracts out of which DSTO needs to negotiate itself?

Dr Sare—One of the issues, obviously, that we would need to look at is the degree to which, if there are contracts that need to be terminated, we have the wherewithal to do that. Most of our contractual arrangements do have clauses that allow us by mutual agreement to terminate them. Clearly, we would be looking at any implications associated with the termination of any contracts.

Senator PAYNE—Do either of these reductions have any impact on specific DSTO facilities?

Dr Sare—It is unlikely that they will. With the university engagements, the work is done in universities and so the DSTO input is generally the intellectual horsepower of our staff.

Senator PAYNE—Which is considerable, we know.

Dr Sare—Yes, thank you, Senator. I agree with you there. In respect of the reprogrammed scientific support for groups within the defence organisation—the ADF and other civilian groups—there could be some impact on our facilities and on some elements of infrastructure that are supported in conducting the work. But, as I said, we would be looking to pick the lowest priority areas that we could terminate or put on hold in order to meet the budgetary requirement.

Senator PAYNE—Relatively speaking, compared to its sibling organisations around the world, DSTO already works on a fairly lean budget, if I could put it like that. How do you go about assessing those lowest priorities in this decision-making process? I do not imagine that you were doing anything before just for fun. You may not want to say that, actually.

Dr Sare—No, we are certainly not. Maybe some of our scientists would regard long-range research as being done for fun. We have a formal process we go through with each of our defence clients to determine their requirements for scientific and technological support. We ask our clients to set priorities on that work and we then gather those requirements into coherent programs of scientific endeavour and attach our own set of priorities to those. We go through a formal process in conjunction with or in consultation with our clients to determine what the priorities are so that we in a position to remove things, if we are required to do so, at the bottom of our priority list.

Senator PAYNE—Given that you have indicated to the committee that this process in which you are engaged is going to take a period of time—some of it will be completed by the end of the month; some of it will take a little longer—can I ask you to provide the committee with more detailed responses on notice in terms of those matters which you determine are of low priority, so you are not going to proceed with them, in relation to both the long-range research program and the reprogramming of scientific support programs? Can you also provide on notice any assessment you have of the impact on DSTO facilities around Australia of your decisions?

Dr Sare—Yes, we will provide that information.

Senator PAYNE—Thank you very much.

Senator JOHNSTON—I want to talk about one particular project; it is called MAGSAFE. Can you tell me about what its genesis was, how much money we have had, who the partners were and where we are at with respect to that project?

Dr Sare—MAGSAFE had its genesis with CSIRO, essentially a sister organisation to DSTO. It used some very smart technology developed in CSIRO for detecting magnetic anomalies associated with mineral exploration. That was CSIRO's particular interest. Defence has an interest in magnetic anomaly detection for potentially detecting submarines from the air or from the surface.

Senator JOHNSTON—That is why I am asking the question.

Dr Sare—Accordingly, CSIRO applied for and successfully won a capability technology demonstrator project through the Department of Defence. Those projects are administered by DSTO on behalf of the department and funding was provided for that activity. I will just find you the quantum. The project was completed in July 2007 at a total cost of around \$3 million, over a three-year period, and a potential transition path for that technology into service, associated with project AIR 7000, the maritime patrol capability, was determined. The outcome of the trial and the capability technology demonstrator was that significant progress had been made on key technology challenges associated with that CSIRO technology but the overall assessment was that the technology was still too immature for Defence application at this particular point in time. CSIRO is currently investigating options on how to develop the technology further with a view to its commercialisation.

Senator JOHNSTON—Should I follow up with CSIRO?

Dr Sare—That would be the initial avenue for gaining further information on its future potential and current status.

Senator JOHNSTON—Who made the determination that the technology was too immature?

Dr Sare—That was the determination made by Defence as a consequence of participating in the capability technology demonstrator with CSIRO.

Senator JOHNSTON—When you say Defence, which section of Defence?

Dr Sare—It was with DSTO, which is a part of the Department of Defence. DSTO worked with CSIRO in that CTD project and we came to the conclusion that for the particular purposes that Defence was seeking, magnetic anomaly detection technology, this one was not yet at an appropriate stage of maturity for it to be considered for defence capability.

Senator JOHNSTON—What does ‘appropriate state of maturity’ mean?

Dr Sare—If a technology is to be utilised in a forthcoming defence acquisition it has to reach an adequate level of technology readiness. There is a formal scale of what are called ‘technology readiness levels’ that determines whether a technology is of sufficiently low risk that it can then form part of an acquisition program. This particular one was not at a sufficient technology readiness level for it to be seen as a viable technology for a pending acquisition program.

Senator JOHNSTON—Are any other countries around the world using this type of magnetic sensing device?

Dr Sare—Yes, magnetic anomaly detection is a well-known technology. What CSIRO had come up with was a new variant of it which had greater sensitivity than that in current variants that are deployed at the moment.

Senator JOHNSTON—Because it is not ready to go and there is a high risk attached to it we have sent it back to CSIRO?

Dr Sare—Yes, we used the capability technology demonstrator program as the mechanism for assessing the technology and looking at its further development but it had not reached the

level of maturity that was necessary for us to proceed with it into a formal defence capability acquisition.

CHAIR—Are there further questions of Defence Science and Technology? There being no further questions, that concludes, with the exception of Defence Housing Australia, the program that has been given to us in the Defence portfolio.

Senator Faulkner—Just before you close off, I know that a number of attempts have been made to contact Senator Nettle because she did flag that she had some questions. Can I just indicate to you, Chair—and obviously to Senator Nettle—that I will try and facilitate by taking those questions, which she did flag with us or which she might have, on notice. I think they mainly related to greenhouse gas emissions.

CHAIR—The secretary had informed me that she had twice this evening left messages for Senator Nettle and Senator Brown's office that we were available.

Senator Faulkner—We will try and facilitate that through questions on notice, if Senator Nettle cares to do that.

CHAIR—Tomorrow, when we reconvene at 10 am, we will open with Defence Housing Australia. When Defence Housing Australia is concluded, we will move on in the portfolio estimates to the Department of Veterans' Affairs. CDF, do you have something you wish to say?

Air Chief Marshal Houston—Yes, I would like to read into the record something on cluster munitions, if I may.

CHAIR—You may.

Air Chief Marshal Houston—I know it is late at night and Senator Allison and Senator Nettle are not here, but it relates to the SMArt 155 testing. The SMArt 155 was tested and certified by the German and US defence authorities in accordance with standards that adequately mirror our own testing standards. So a decision was made that those results were suitable for us to decide that the round was safe and able to be accepted into ADF service. The US testing also incorporated independent testing to check that the self-destruct capability was sound. It has greater than 99 per cent reliability in the self-destruct mode. That is all I wanted to say.

CHAIR—Thank you for taking the trouble to do that.

Senator MINCHIN—Chair, I am not sure that anyone on our side has any questions for DHA.

CHAIR—Does anyone from government have questions for DHA?

Senator HOGG—No.

Senator Faulkner—We could then discharge DHA.

Senator MINCHIN—I think they can be discharged. Secondly, I think it would be appropriate if the committee acknowledged that this is the last Defence estimates hearings in which Senator Sandy Macdonald will be participating. As Senator Macdonald is retiring on 30 June and has a fine and distinguished record of service to this committee, as well as serving as a parliamentary secretary for defence, I think it would be appropriate if the committee

honoured and acknowledged his great service not only to the Senate but particularly to this committee.

CHAIR—Senator Minchin, you are quite right to have raised that. Senator Macdonald was a distinguished chairman of this committee for many years. Further to that, he was a very active participant in a range of defence matters, as well as serving on the front bench for the government in previous years in the defence area. He has provided fine service. He was always a very gracious chairman. I am sure much better things will be said at another time in the Senate, but on behalf of this committee we acknowledge your fine service and wish you well into the future, Senator Macdonald.

Senator Faulkner—Chair, I associate the government with your and Senator Minchin's remarks. Senator Macdonald has also from time to time sat in the chair that I am currently occupying and did sterling service in that role. I certainly want to associate the government with those remarks.

Senator SANDY MACDONALD—Minister, Chair and Senator Minchin, thank you very much. Your comments are very generous and are very graciously received. Thank you.

CHAIR—On the final matter that was being tidied up, I think we will not need to have DHA tomorrow. Unless I receive contrary advice tomorrow morning, that means we will open at 10 am with the Department of Veterans' Affairs. That concludes this round of Defence estimates. I thank everyone for their attendance and assistance. The committee stands adjourned.

Committee adjourned at 10.24 pm