



COMMONWEALTH OF AUSTRALIA

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SENATE

STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE
AND TRADE

ESTIMATES

(Supplementary Budget Estimates)

WEDNESDAY, 22 OCTOBER 2008

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

Wednesday, 22 October 2008

Members: Senator Mark Bishop (*Chair*), Senator Trood (*Deputy Chair*), and Senators Feeney, Ferguson, Forshaw, Kroger, Ludlam and McEwen

Participating members: Senators Abetz, Adams, Arbib, Barnett, Bernardi, Birmingham, Bilyk, Boswell, Boyce, Brandis, Bob Brown, Carol Brown, Bushby, Cameron, Cash, Colbeck, Jacinta Collins, Coonan, Crossin, Eggleston, Ellison, Farrell, Fielding, Fierravanti-Wells, Fifield, Fisher, Furner, Hanson-Young, Heffernan, Humphries, Hurley, Hutchins, Johnston, Joyce, Lundy, Macdonald, Marshall, Mason, McGauran, McLucas, Milne, Minchin, Moore, Nash, O'Brien, Parry, Payne, Polley, Pratt, Ronaldson, Ryan, Scullion, Siewert, Stephens, Sterle, Troeth, Williams, Wortley and Xenophon

Senators in attendance: Senators Birmingham, Mark Bishop, Brandis, Feeney, Ferguson, Fierravanti-Wells, Fifield, Forshaw, Humphries, Hutchins, Johnston, Kroger, Ludlam, Macdonald, McEwen, Payne and Trood

Committee met at 9.03 am

DEFENCE PORTFOLIO

In Attendance

Senator the Hon. John Faulkner, Special Minister of State

Department of Defence

Portfolio overview and budget summary

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

Mr Nick Warner, PSM, Secretary of Defence

Mr Phillip Prior, Chief Finance Officer

Lieutenant General David Hurley, AO, DSC, Vice Chief of the Defence Force

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

Mr Peter Jennings, Acting Deputy Secretary, Strategy, Coordination and Governance

Output group 1.2 Navy capabilities

Vice Admiral Russ Crane, AM, CSM, RAN, Chief of Navy

Output group 1.3 Army capabilities

Lieutenant General Ken Gillespie, AO, DSC, CSM, Chief of Army

Output group 1.4 Air Force capabilities

Air Marshal Mark Binskin, AM, Chief of Air Force

Output group 1.5: Intelligence capabilities

Air Vice Marshal Chris Deeble, Program Manager Airborne Early Warning and Control

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

Mr Kim Gillis, General Manager Systems, Department of Defence

Mr Warren King, General Manager, Programs, DMO

Air Vice-Marshal Clive Rossiter, Head Aerospace Systems Division
Shireane McKinnie, Head, Electronics Systems Division
Ms Brigadier David O'Brien, Land Systems Division
Rear Admiral Boyd Robinson, Head, Maritime Systems Division, Department of Defence

Output group 1.6 Defence Support

Mr Martin Bowles, Deputy Secretary Defence Support

Output group 1.9 Vice-Chief of the Defence Force

Major General Michael Crane, Head, Military Strategic Commitments

Major General Grant Cavenagh, Commander, Joint Logistics

Major General Paul Alexander, Commander, Joint Health

Output group 1.10 Joint Operations Command

Output Group 1.11 Capability development

Vice Admiral Matt Tripovich, AM, CSC, Chief Capability Development

Output group 1.12 Chief Finance Officer

Output group 1.13

Phil Minns, Deputy Secretary, People Strategies and Policy

Steve Grzeskowiak, Acting Head, People Policy

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

Defence Materiel Organisation

Dr Stephen Gumley, Chief Executive Officer

DMO 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

Mr Michael Healy, Assistant Secretary Property Services, Department of Defence

Defence Housing Australia

Mr Michael Del Gigante, Managing Director

Mr Robert Groom, Acting Chief Financial Officer

Mr Peter Howman, Chief Operating Officer

CHAIR (Senator Mark Bishop)—I declare open this meeting of the Senate Standing Committee on Foreign Affairs, Defence and Trade. I welcome Minister 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. The committee will consider the budget supplementary estimates for the defence organisation. Topics nominated by senators will be considered in the order set out in the agenda. When written questions on notice are received, the chair will state for the record the

name of the senator who submitted the question. The questions will be forwarded to the department for answer. I remind senators to provide their written questions on notice to the secretariat by close of business on Tuesday, 28 October. The committee has resolved that Thursday, 4 December 2008 is the return date for 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. Giving 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 decisions of the departments and agencies which are seeking funds in the Estimates are relevant questions for the purposes of Estimates hearings.

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 or 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 on 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 does any officer wish to make an opening statement?

Senator Faulkner—No, Chair, I do not intend to, but in accordance with our usual practice both CDF and the secretary will make opening statements to the committee.

Air Chief Marshal Houston—Good morning, Chair and members of the committee. Today I would like to make an opening statement which provides the committee with an assessment of the conditions in Afghanistan and I would like to briefly respond to the recently released fourth military justice progress report. I then look forward to your questions on other matters.

Turning first to Afghanistan: there has been an important debate in the international and Australian media in recent weeks about progress in Afghanistan. Today I would like to provide the committee with my thoughts about the situation in Afghanistan as you form the formal mechanism to oversight our performance. Much of the media debate has centred on our ability to ‘win’ in Afghanistan. Before I address some of the specific questions raised in

this debate, I think I need to remind the committee and, through you, the public about what we are doing in Afghanistan.

We have deployed our young men and women to Afghanistan to contribute to a coalition of like-minded Western democracies that seeks to deny the use of Afghanistan as a base for anti-Western terror groups. There is strong evidence that the attacks on September 11 2001 were launched from Afghanistan, and that the Bali bombers received training and sustainment from these same groups. Our presence, in conjunction with our NATO allies, is being successful in denying these groups the ability to use Afghanistan for similar follow-on attacks. To that end I consider our involvement a success.

In order that Australia and like-minded allies do not need to remain in Afghanistan filling this role indefinitely, we are also embarked on an important journey with the new Afghan government to grow its capacity to replace us. You will be aware that progress towards this latter strategic objective is slow, sometimes frustratingly so, but we must remain patient. History shows that countering an insurgency is a long struggle, and growing governance from a very low start point is equally demanding. The ISAF coalition is undertaking both concurrently.

In April I accompanied the Prime Minister and the Minister for Defence to the NATO summit in Bucharest, at which a strategy was agreed to ensure a comprehensive, coherent and integrated approach to enable the delivery of reconstruction and build Afghan capacity. With our NATO partners, we are closely monitoring progress towards the achievement of the NATO objectives and will provide government with a 12-month progress report in March next year.

Recently you have seen prominent comment by British Brigadier Mark Carleton-Smith, who recently completed a highly successful tour as Commander United Kingdom 16 Air Assault Brigade. Brigadier Carleton-Smith gained international attention when he said that we should not expect a decisive military victory in Afghanistan. I want it to be clear that this is a man I have a great deal of time for. He has been on the ground in Afghanistan for the past six months, and during this time his brigade lost 32 men and another 170 were wounded. I think there are few better qualified to speak about the conditions on the ground in Afghanistan and to remark on our progress there, and I agree with his assessment that victory is unlikely through military means alone. I have been saying this consistently for at least 18 months—that it is not for the military to provide governance, social structures, institutions and the favourable economic conditions necessary for the long-term development of Afghanistan. That is a civilian role and one best overseen by locals, with assistance as needed from civilian counterparts and agencies from the international community. The military are only one phase of a three-phase approach that encompasses security, governance and development. And that is why we are not going to set the conditions for the withdrawal of military forces through military action alone.

Australian media commentators have recently observed that we could deploy more military platforms to Afghanistan, for example our FA18 Hornets. I would like to confirm to the committee that these highly capable fighter bombers could deploy at very short notice should the government so decide. However, I remain of the view that this conflict will be resolved on the ground amongst the population and this must remain our first priority.

In parallel to military action to deny Afghanistan to terror groups, the international community must sponsor the development of a government capable of effective central governance, of maintaining law and order and of fighting militant international terror groups. Progress in security is sustainable only with progress in governance and development. This requires the coordinated effort of the international community with increasing ownership by the Afghan people.

Members of the committee may also have read about a leaked United States intelligence assessment. I will not specifically comment on its contents, except to say that the Afghan government faces serious challenges in extending its authority throughout the Afghan territory. We must remember that, unlike Iraq, Afghanistan has no history of unified central government. The Pashtun identity transcends allegiance to any central government. The Karzai government represents the birth of a new democracy. It is far from fully formed, and the Afghan government will evolve many times in coming years.

Our aim must be to help the government learn the mechanics of democratic processes, including accountability to both a parliament and the people of Afghanistan. We in Australia take such processes for granted, and our presence here today is evidence that we have a complete and fully functioning democracy. President Karzai has not been so lucky as to inherit such a democratic tradition.

Additionally, I want it to be clear to the committee that it has always been apparent that establishing an effective government and security structure in Afghanistan was going to be an extremely challenging task. A warrior culture, a history of conflict, a harsh environment, an important geostrategic location, complex social structures and relations, high unemployment and poverty, and a wide variety of ethnic groups and conflicting religious beliefs all combine to make this area of operation one of the most complex in which to effect lasting progress.

We are aiming to build a nation from the rubble of one of the least developed nations in the world, which had no semblance of a lasting governance structure or public infrastructure. That this will take time should not be surprising. Nothing about this is easy—but slow progress is being made.

Today, before I highlight some recent achievements of Australian Defence Force personnel, I want to share with the committee the work being undertaken by the International Security Assistance Force in Oruzgan, which I believe is representative of the broader Afghanistan.

Australia enjoys an excellent relationship with the Netherlands, which is the lead nation in the province. Dutch forces provide the key capabilities that allow cohesive military action in Oruzgan province. Their command and control infrastructure, medical facility and combat support make it possible for our force to operate with confidence. We are also joined by forces from the Czech Republic, France, Slovakia, Singapore and, soon, Hungary. Together, we are building a more secure and stable Oruzgan and, two years after beginning our combined mission, we are beginning to see the prospect of lasting improvement.

Underlying the reconstruction strategy for Oruzgan is the principle of 'Afghanisation', which informs the three operational strands of diplomacy, development and defence. The basic principle ties into what I began my remarks by saying—that the efforts of the international community, and in particular the countries working together in Oruzgan, can

only be successful if the Afghan authorities become more effective and dependable. Afghan ownership and leadership are prerequisites for success.

The Netherlands took the early lead in deploying Operational Mentoring and Liaison Teams, or OMLTs, as we refer to them, to train the Afghan National Army in Oruzgan. Australia and other international partners will be assisting the Dutch in this mission. Our Australian OMLT will commence operations by 1 November. Over subsequent months our OMLT will develop the capability of the Kandak—or battalion, as we would refer to it—until it is capable of undertaking security tasks. Other nations are adding to the OMLT capability in Afghanistan, including new contributions from the Czech Republic, Latvia, Poland, Portugal, and Romania.

Other key infrastructure development is underway across the south. Of particular importance is the Kajaki hydro-electric power generation project, which our own forces were recently instrumental in supporting. This US\$16 million project to rejuvenate the 100-metre dam will provide electrical power and help irrigate tens of thousands of acres of farmland in what was the heartland of the Taliban, and I am proud to say that Australian commandos were part of the elaborate and successful military plan to support the movement of new turbines for the hydro plant.

These major infrastructure projects demonstrate the positive momentum being built by the international community and the Afghan people, and illustrate the importance of whole-of-government efforts applied alongside military efforts.

Within this broader international framework our Australian contribution in Oruzgan remains important. Our Special Forces are now highly experienced in this most demanding theatre of operation. Their impact on the enemy forces seeking to disrupt ISAF work in Oruzgan has increased. While I do not provide specific details of Special Forces operations, I can say that they have severely degraded the Taliban leadership in the Province, preventing the training and recruitment of many fighters and degrading their ability to mount complex attacks. And they have aggressively patrolled the area, drawing enemy attention away from productive activities like the Kajaki Dam renovation.

Our Rotary Wing Group has ably supported our contribution by providing combat support, quick response and evacuation tasks. They, like our Special Forces, are becoming increasingly experienced in this demanding environment and are highly regarded by all coalition elements.

Equally, our Reconstruction Task Force is regarded as amongst the most capable and balanced engineering assets in the country as it is largely self-contained for close protection and mobility. As a result, it was called upon to deploy over considerable distance in August, through Taliban contested territory, to rebuild two vital road bridges which had been blown up by insurgents. They are also providing assistance and life-saving medical support when required.

I want to just share with you one example of the lives they are saving. Last month soldiers from Reconstruction Task Force 4 fought to save the lives of four Afghans who had been seriously injured by a Taliban roadside bomb during the holy month of Ramadan. Five people died in the attack, after their car hit an improvised explosive device when they stopped to change a tyre near Sorkh Morghab, which is about 20 kilometres north of Tarin Kowt. The

Diggers, who happened to be nearby building a medical centre in the area, worked with Dutch and Afghan troops to treat the three injured men and a young boy with head wounds, before they were flown by American helicopter to the coalition hospital in Tarin Kowt.

The Reconstruction Task Force has also been highly successful in targeting quick impact projects to encourage local confidence in the ADF's effort and intent as well as building and repairing large infrastructure elements including schools and hospitals. In fact, just last month Uruzgan Governor Asadaulla Hamdan was able to open the \$300,000 women's wing of the Tarin Kowt hospital. This hospital was part of a \$1 million project which has been managed by the Australian Reconstruction Task Force, working with local contractors.

The committee will be aware that despite this progress the security situation in Oruzgan remains dangerous for our troops and we have suffered casualties. We recently released some details about an ambush of an Australian patrol that resulted in nine casualties. Thanks to the courage of our soldiers and the excellent care they received in coalition facilities, I am very pleased to inform the committee that all will recover from their wounds. I had the pleasure of visiting one young soldier here in Canberra while he recuperated with his family and I can report that he was in good spirits and was looking forward to seeing his mates. He was also able to describe to me how during the engagement our soldiers gave better than they received and inflicted heavy casualties on the enemy force.

The evacuation of these nine wounded soldiers was conducted effectively and confirmed my confidence in the coalition aero medical evacuation system. The subsequent inquiry into the circumstances of the death of Signaller Sean McCarthy also confirmed that AME consistently meets the demanding NATO benchmarks. Tragically, Sean McCarthy was too severely wounded to survive the improvised explosive attack on his vehicle.

It is also important that I report to you about the violent and confusing events surrounding a separate engagement that led to the death of respected tribal leader Rozi Khan. As an Australian patrol was passing through a rural settlement on their way to achieve a separate objective, they came under fire from multiple sources. As per their rules of engagement, our soldiers returned fire in self-defence. During this protracted night-time engagement a group of five armed men, that included Mr Khan, approached the patrol from the direction of some of the firing. Believing these men were a threat, we appear to have engaged the group that included Mr Khan.

ISAF and Australian inquiries advise that we will never know the exact details of the engagement, including who killed Mr Khan, because the immediate burial of the deceased required by local custom prevented forensic examination. Following negotiations, in accordance with Afghan culture an honour payment has been made to Mr Khan's family to help maintain our good relationship with Rozi Khan's followers.

The Australian inquiry determined that civilians in the area were anxious and uncertain as there had been Taliban activity in the area on the day before and again during that evening. Additionally, the Taliban had threatened to kill one of the locals in the immediate vicinity. This caused the guards on the respective compounds to be highly nervous and agitated, prompting the initial contact. On the night he was killed, Mr Khan was not aware that coalition forces were involved in the engagement, and he was moving to assist members of

his militia that he believed to be under attack by the Taliban. On the basis of the advice of the inquiry report—which I offer to table with the committee today—I am confident Australian personnel acted in accordance with their right to defend themselves under their rules of engagement. I have the report here and I can table it right now.

As a final point, I would like to turn to the matter of ADF detainee management in Afghanistan. I wish to reiterate that Defence takes allegations of mistreatment of detainees very seriously. Each incident of alleged abuse is thoroughly investigated. You will recall that earlier this year Defence conducted an inquiry into accusations of detainee abuse that were made in late April by an individual who claimed to have witnessed mistreatment against Afghan detainees. This inquiry found these accusations to be unfounded. However, the report described a view held by some that detainees were kept for a short period in what were described as ‘dog pens’.

To ensure that our detainee procedures are consistent with best practice, on 11 September I ordered an inquiry into issues associated with detainee handling by the ADF since the commencement of the Australian contribution to the ISAF mission in September 2006. I received the inquiry report on 15 October. I am considering the inquiry’s findings and recommendations. Although I cannot yet speak to the specific findings of the inquiry, I am pleased to advise the committee that the inquiry found that our people are very well aware that detainees are to be treated humanely, impartially, with dignity, and in accordance with Australia’s international obligations and Australian domestic law.

The inquiry also found that doctrine, policies, procedures and training in relation to initial detainee management practices are generally adequate. However, as in all things, there exists scope for improvement. I am able to advise that the inquiry found that the available evidence did not support—I say again did not support—the allegation that the enclosures used by the ADF to house detainees on 29-30 April 2008 were ‘dog pens’. This appears to be a colloquial term that was used by only a few individuals interviewed in the initial inquiry and is not representative of the actual function of the enclosures. The inquiry found the expedient enclosures had not previously been used to house dogs. In fact, with our own dogs, they were kept in a completely different part of the facility.

The ADF has now been conducting security operations in Oruzgan province since May 2007. As I said earlier, over this time we have developed an increasingly sophisticated understanding of the security environment, allowing us to conduct more effective operations and leading to the capture of increasing numbers of detainees. Under standing arrangements with our Dutch partners in Oruzgan province, the ADF transfers detainees to the custody of Dutch forces as soon as practicable, along with details about the circumstances of capture and the reason for ongoing detention.

In order that our combat forces can process detainees, the ADF operates a limited screening facility for detainees at Tarin Kowt. This screening process allows the ADF to undertake tactical questioning in a controlled environment, much safer than conducting the questioning in the field. Screening under controlled conditions allows positive identification of individuals of interest and the compilation of evidence to ensure that detainees can be appropriately dealt with in the Afghan justice system.

The inquiry recommended that, regardless of the short time detainees spend in this screening facility, its existence should be reported to the International Committee of the Red Cross and to ISAF and they should both be invited in to inspect the facility. I have acted immediately upon this recommendation and can advise the committee that we have offered an open invite to the ICRC and the Commander ISAF to inspect the facility.

This advice will allow third parties to conduct regular inspections of the screening facility and provide an even greater level of assurance that ADF detainee management practices in Afghanistan are in accordance with our international legal obligations. I welcome this increased level of oversight, as I have great confidence in the desire of our people to properly manage detainees.

Finally, on matters closer to home, the Senate committee has recently issued its fourth progress report into the ADF's military justice system. As I have said before, the ADF has always welcomed the interest of the Senate committee in military justice matters and has appreciated its many valuable suggestions and recommendations. While the government will provide a formal response to the fourth report in coming months, I wish to take this opportunity to make some brief observations in relation to this report that, at first sight, I found a little troubling.

I acknowledge that the Defence Force has had—and will continue to face—challenges with its military justice system. This is, in one sense, no real surprise because there is no justice system anywhere in the world, civilian or military, that does not face challenges. I reiterate the view I have previously expressed to the committee that the task of implementing these ambitious reforms to the military justice system has been a considerable undertaking, to which I remain deeply committed. Ensuring the system remains effective and fair will be an ongoing task even after all the recommendations in this current reform program are fully implemented.

Through Defence's reform program we have demonstrated both the will and the ability to confront these challenges and do the work necessary to overcome them. Overall, I believe progress of the reform program has been highly commendable and within realistic expectations given the magnitude of the task. I am confident that our military justice system now stacks up very well when benchmarked against comparable armed forces. In fact, I would say right now it is probably the best in the world, both in the vital task of maintaining the high standards of discipline that underpin our operational effectiveness and, especially, in providing the necessary mechanisms and checks and balances to ensure our people are dealt with fairly.

I am therefore somewhat disappointed at the overall negativity of the committee's fourth progress report, and particularly with what appears to be its disproportionate focus on perceived shortcomings in that system. I accept that there are some aspects of the reform program that still require further attention. This was to be expected. Some issues—recruitment and retention for service police, for example—are simply not amenable to short-term resolution. In other cases, the need for further work will depend on whether difficulties are identified after experience is gained with them in practice.

The point I wish to make here is simply that I would have hoped and expected that the committee's fourth and final progress report would have given more weight than it has to the very considerable progress in military justice reform that has been made. As it is, the report creates, in my view, an overall impression of the ADF's efforts in responding to its 2005 inquiry that is, in my view, unbalanced and, frankly, unfair.

That is all I intend to say about the report this morning. The government will respond in detail in due course. But, given my remarks, I feel it appropriate that the efforts of the many people, both uniformed and civilian in Defence, who have worked very hard over the past three years and more to get us to where we are in the reform process, should be acknowledged at this point.

Chair and members, I thank you for this opportunity to address you and now welcome your questions.

CHAIR—Thank you, CDF. Mr Warner, do you wish to make your opening statement now or wait until later?

Mr Warner—I think it is probably better to do it now. I have only a brief opening statement.

CHAIR—Thank you, Mr Warner.

Mr Warner—Senators, for the first time in seven years Defence has received an unqualified audit report for its financial statements. This is an issue that in the past has consumed a great deal of the time of this committee. I am particularly grateful to the Chief Finance Officer, Phillip Prior, who is sitting to my right, to Mark Jenkin and to Angela Diamond for providing the leadership to get us to this point. I would also like to thank the teams of people who worked with them over the years, particularly in remediating the pricing and general inventory issues. Most importantly, I would like to acknowledge and thank my predecessor, Ric Smith, for getting the remediation process started. The financial statements were Ric's top management priority, and we would not have been able to do so much in such a short period of time without his drive to get things done.

Now that Defence has received an unqualified audit report we can turn our attention to redefining Defence and rebuilding its reputation. Over the past seven years, the qualified financial statements have defined Defence. They have defined Defence as inefficient and its leadership as poor financial managers. They have impacted on Defence's reputation, particularly its reputation with government and taxpayers. They have also meant that many of Defence's achievements have been overlooked.

ANAO has told us that a number of control systems and inventory and asset management issues continue to pose risks to Defence's financial statements. So the work is not done yet. Still, now we have turned the corner on the financial statements Defence can finally focus on improving the way we manage our business, and we can do that from a solid base. Thank you.

CHAIR—Thank you, Mr Warner. CDF, before handing over to my colleagues to engage in questions, I will take this opportunity to respond to your opening remarks concerning the report of the Senate Standing Committee on Foreign Affairs, Defence and Trade titled *Fourth*

progress report: reforms to Australia's military justice system, so that there is a clear picture of what has driven the committee.

Firstly, the committee's fourth and final report on military justice contains numerous references to the significant reform undertaken to date, the important reform undertaken to date and the major reform undertaken to date by the ADF in its move forward in the area of military justice and to the fact that it has not resiled from that in any way. For the record, I make reference to pages roman 9 and 10 and to pages 3, 63, 64 and 65 of the report, which I found at short notice since you addressed your remarks to the committee.

Secondly, this is a bipartisan report, as indeed were all the others, and is unanimous across all the political parties. It was the subject of many drafts, which is somewhat unusual in Senate committees, and also the subject of lengthy consideration. In my view, the report is impartial and objective and has considerable integrity.

Thirdly, no member of the committee was interested in revisiting past mistakes or past errors. One of the guiding principles we adopted at the outset was to move forwards, to the future, and that is why we look forward to continuing institutional, cultural and organisational reform. That is also why we tried to erect for government consideration the four principles of transparency, accountability and the others mentioned in the report.

Fifthly, a large number of matters were drawn to our attention, which were properly characterised as technical or legal in nature. The committee was of the view that it would have been inappropriate to delve into technical and legal matters because we did not have the expertise to do so properly. Accordingly, there is a long list of matters that we have identified but not determined. We have referred them to Sir Laurence Street for his proper examination, because we did not feel it appropriate for us to engage in that level of detail.

Sixthly, as in past reports, in numerous public speeches I have made and in private remarks I have made to your colleagues and to other forums on this matter, there is no doubt in my mind—other committee members may speak for themselves but I am sure they share my view—that the serious and significant progress to date lies to a large degree at the steps of your office, CDF. There is no doubt in our mind that the progress and worthwhile success that we have identified to date is due in large part to the sustained leadership that you as a man have provided in what we acknowledge to be a difficult area.

Finally, I note your concluding remarks and you may be assured that I will give them proper consideration as we move forward in this area. I think that is probably sufficient at this stage, and I will now turn my colleagues to begin their questioning.

Senator PAYNE—CDF, I want to take up where you left off with some of the matters concerning the fourth progress report on military justice. Thank you very much for your comments in that regard. I think the chair, in his response, has made his views and those of many members of the committee reasonably clear. I want to take you to chapter 3 of the report, which you did not specifically refer to in your remarks, but which I and other members of the committee have regarded for some time as a very important aspect of the military justice reform process, and that is the ADF's investigative service.

Air Chief Marshal Houston—Yes.

Senator PAYNE—You said in evidence to the committee at the hearing in June this year that there were issues around recruitment and retention of personnel likely to be some time before ADFA would be able to achieve its full complement. I want to get an idea of the status of the service at the moment. I understand Colonel Grutzner is still the PM ADF. When was he appointed?

Air Chief Marshal Houston—Colonel Grutzner has been in the job for, I think, around 2½ years. He will move onto another appointment at the end of this year, which is in line with the normal approach. Colonel Reed will move in behind him.

Senator PAYNE—Colonel Reed?

Air Chief Marshal Houston—Colonel Reed, yes.

Senator PAYNE—I recall when Colonel Grutzner was appointed it was a matter for discussion with the ADF and the committee in the hearing processes for military justice review. I know that his appointment was, I suppose I would describe it as, much vaunted. He came to the position with a background in military policing. Is that correct?

Air Chief Marshal Houston—That is correct. He has done a great job. But I guess the point I was trying to make in my remarks, and I think I made similar remarks when I presented evidence to the committee back in the middle of the year, is that cultural change is something that takes a while. It is a little bit like trying to achieve our objectives in Afghanistan. You cannot turn it on with a switch. It requires hard and enduring work over many months and years to effect the necessary changes required. I made the point about recruiting new people. You then have to train them and bring them into the culture that you want. Establishing the new culture takes time. Having been involved in a number of these things over the years we just have to be patient about our investigative services. It is coming along well. I think Colonel Grutzner has done a great job but he is now after, I think, almost 2½ or three years—I will give you the precise time—moving on and we have a new, very effective, leader going in behind him. The major job will be in changing the culture of our investigative service so that it becomes what we want it to become. We have a new vision for it and that is where we are headed. If you look at all of the other areas in the military justice system, I think they are coming along very well. That is the one area that is probably taking more effort than you had anticipated at the start of the process.

Senator PAYNE—I am not sure that the last comment that you made is, in fact, true. I think we anticipated that it would take significant effort. The benefit of this process from this side of the table, and hopefully it means it will be of benefit to your side of the table, is that we have come to acquire a great degree of appreciation of the challenge of cultural change in an organisation like the Australian Defence Force. I do not say that with any criticism whatsoever. It is merely an acknowledgement that we have actually learnt a lot on this side of the table in that process. When Colonel Grutzner was appointed, one of the most important aspects it seemed to me at the time of the appointment, through reading both the press releases and reviewing the *Hansard*, was that he came to the position particularly in terms of bringing the triservice concepts together into a single investigative force with quite a significant police and investigative background of his own. That seems to me to have been

quite important in terms of the rigour that is being built into the process. Is that a reasonable observation?

Air Chief Marshal Houston—Certainly in the first instance I think that is what was required. But I think the main leadership challenge in the future is to get the right culture into the investigative service. At the end of the day any organisation will only succeed if it has the right culture. We want to establish world's best practice in the investigative service. We are getting a lot of assistance from the Australian Federal Police in bedding down the culture that we require. Colonel Grutzner has given strong leadership and that will continue with Colonel Reed. My main priority here is that culture—the culture has to be right. As I said earlier, it will take a while.

Senator PAYNE—When you talk about the right culture in the investigative service, what is it that you as the CDF think the investigative service should be aiming for culturally?

Air Chief Marshal Houston—I want the service to be highly respected, highly regarded by everybody in the ADF. I want them to be totally professional in everything that they do. I want them to act with great integrity, I want them to act with moral courage and I want them to be totally objective and professional in the investigations that they conduct. It is vitally important. They basically provide the enablement of the military justice system; that is where it all starts. If we have a totally professional approach at that level, we will be well on the way to having the best military justice system in the world.

Senator PAYNE—One of the issues that has been raised consistently with us and that is reported again in this progress report, and if memory serves me probably in each of the previous progress reports, is the quality of the investigative process. And consistently, unfortunately, to date there have been criticisms of the quality of the investigative process right up to the most recent tragic events that ADFIS has been required to work on, including in Afghanistan. It seems to me, and I do not speak on behalf of the rest of the committee in that regard at all, but it seems to me that the importance of having extensive policing experience and background is also a very important part of your efforts in regard to cultural change. That is why Colonel Grutzner has filled that role well. I say this by way of inquiry: when an officer of the background of Colonel Grutzner departs a role like that and is replaced, can the committee be confident that in the replacement process—this is no observation on individuals; I simply am seeking assurances—that that policing experience and capacity remains in the ADFIS at the most senior levels to ensure that those issues, those aspects of ADFIS capability, are being maintained and, one would hope, given where the reporting has gone, enhanced.

Air Chief Marshal Houston—One of the realities of our policing system, our investigative capability, is that we have only one Colonel Grutzner.

Senator PAYNE—Cloning is not an option!

Air Chief Marshal Houston—No, cloning is not an option. What we have done is selected a commander who has the right skills to effect the cultural change that is required.

Senator PAYNE—How do you ensure that ADFIS has the policing and investigative skills at the most senior levels as well?

Air Chief Marshal Houston—I have been getting very good support from the Australian Federal Police and it will be important that we continue to have the Federal Police providing the mentoring and assistance that they have been doing over the past couple of years.

Senator PAYNE—But they cannot do the job for your investigative offices.

Air Chief Marshal Houston—No, they can't, but we have a hierarchy there and we have the expertise in policing through the system. What I am most concerned about is getting the culture right, and what we need to do is put emphasis on the professionalisation of the service. The technical policing skills are important but far more important is getting the right culture: the way people behave when they are doing their job, the way they relate to the people that they are investigating, the way they conduct themselves as they go about their business. I agree 100 per cent with you that what we are after is a high-quality outcome, and that will require both investigative skills and also absolutely the right professional culture. That is probably as important as those technical skills that you are talking about. In fact, I would rate it more important.

Senator PAYNE—I hear what you say—you are rating it as more important. I suppose in an ideal world the committee is hoping we might be able to evenly match those two aims and endeavours in terms of cultural change and high-level investigative capability. CDF, on notice may I ask you to provide please—not by name, obviously, but by position—the policing experience of those members of the ADFIS up to the most senior member—up to Colonel Reed. That will give us some idea of the depth of that sort of experience and investigative capability. I know you said that government would be providing a response to the committee's recommendations and I hear what you said about your views. On a personal note I have always been extremely grateful for the very positive approach that you have taken to the committee's work in this regard. I know that it has not always been welcome in other parts of the ADF. Your members are not shy in telling us when they do not like the work we are doing in a Senate committee no matter where we meet them. I am always encouraged by their frankness and candour. But there are aspects of this investigative capability that I think bear monitoring, for want of a better turn of phrase, and that is why the committee has made those recommendations.

Air Chief Marshal Houston—Thank you very much for your interest. I will take that on notice. I have absolutely no difficulty with anything that is in the report about the Investigative Service. I welcome the oversight by and interest of this committee in this important part of the military justice system.

Senator JOHNSTON—I want to pause to acknowledge, as you have, the work that our SASR has done in its rotational duties through Afghanistan—an operational intensity that I do not think we have seen since Vietnam. As a matter of military justice—and I think this is a matter of military justice—I do not know whether you are aware that a very large number of those enlisted personnel have been informed, upon their return from a rotation in 2008, that because of a pay determination they are now indebted to the Commonwealth to the sum of \$30,000—\$8,000 on QNS allowance and up to \$20,000 on SAFR disability allowance. For the pleasure, courtesy and privilege of dodging bullets in Afghanistan, we bring them home and then, in one line in their pay, tell them that because of a backdated tribunal determination

that has taken away those allowances which were paid whilst they were away they are indebted to the Commonwealth to the sum of \$30,000.

Quite frankly, I am absolutely upset and outraged that we could bring them home in the state that they come home in—because I see them in Western Australia; washed out and exhausted but alive—and tell them in their first pay back that they are up for repaying \$30,000 because there is a backdated Remuneration Tribunal determination that says they were not qualified for those allowances. They were told that such changes would never mean that they would lose their qualifications. In many circumstances they have been paid these allowances since 1999. One squadron has 70 per cent of its members affected by this.

Another example, CDF, of how absolutely outrageous this is, is that a number of them have been repaying the debt with interest at 7.2 per cent whilst the allowances that incur the debt continue to be paid. It just gobsmacks me that some of our elite troops are now taking home \$250 per fortnight because of this. I do not know who talks to whom in this man's army but can you please fix this today?

Air Chief Marshal Houston—I have just looked across at Chief of Army and he is in exactly the same circumstance as me. This is the first we have heard of this issue. So thank you very much for bringing it to my attention. As I said during my opening remarks, the special forces, particularly the people in the commandos, the people in SAS and indeed all the other people who are in the special operations task group do a magnificent job. I will make it my business to look very closely at that.

Senator JOHNSTON—I want to give you a document now. I would like you to take it up and come back to me after lunch. I have got a whole lot of men sitting on the computers back in Swanbourne watching what is going on here now—their wives and partners cannot believe we are treating their men like this.

Air Chief Marshal Houston—I have not heard anything through the chain of command.

Senator JOHNSTON—That is because they do not tell the chain of command. There is a waiver application by the regiment going through. They should not even have a debt. My party got pilloried for Work Choices at the last federal election. There has been a unilateral change of terms and conditions without notice and they then have money without their consent deducted from their pay with interest at 7.2 per cent. I would like you, seriously, today—

Air Chief Marshal Houston—I am going to look at it.

Senator JOHNSTON—Sure. I am interested in finding out how on earth this has happened. I am embarrassed to have been part of a government that sent them over there to be now treating them like this. I would like you to confirm that the money that has been taken wrongly from them will be returned and that they can go home tonight knowing that they do not have to find \$30,000 to repay the Commonwealth for going to Afghanistan. It is the most serious of matters that I think I have ever confronted here. I just cannot believe that we treat them like that. Here is the piece of paper. It spells out in detail what the allowances are and how the ruling has been made and how it has been backdated. Can we come back after lunch and talk about it?

Air Chief Marshal Houston—I will certainly respond to that and we will have a look at it.

Senator JOHNSTON—I seek the leave of the chair to table the document.

CHAIR—Leave is granted.

Air Chief Marshal Houston—I will respond after lunch.

CHAIR—Thankyou, Senator Johnston. CDF has undertaken to investigate and respond. We will wait for that response.

Senator TROOD—As the deputy chair of the committee and from the opposition, I begin by associating the opposition with your remarks in relation to the military justice report and just make three particular comments. First, the opposition, as the chair has said and as the committee as a whole agrees, recognises that there has been an extraordinary amount of progress in the ADF with regard to military justice over a long period of time. The last thing we would want is not to be seen as recognising that very considerable progress. Secondly, we recognise the particular and personal commitment that you have made to driving that change. We are all in admiration of the determination that you have brought to this task. It has been a difficult task and you have shown qualities of leadership of which we are deeply impressed. The third point I would make just briefly is that as you have yourself acknowledged there remain things to be done in relation to military justice. The committee has confidence that progress will continue to be made in relation to those outstanding matters. We as a committee look forward to progress being made as we look at the various components of the justice system annual reports as they come forward. We intend to maintain a general monitoring brief in relation to those reports. I think the report is a fair assessment of the progress that has been made. You are of course more than entitled to your view on the matter but I want to acknowledge that we recognise very much the considerable progress that has been made.

Air Chief Marshal Houston—Thank you.

Senator FERGUSON—I would like to ask one general question. I do not wish to comment on the military justice report, because I only rejoined the committee last Thursday. Chief, you gave us a very comprehensive overview of the situation in Afghanistan. What surprised me was that, in all of your opening statement, the word ‘Iraq’ was not mentioned once. For the past five years it has been the focus of days of questioning in estimates committees. We know that there is a difference in the two theatres—there is bipartisan support in relation to Afghanistan but the current government opposed our intervention in Iraq—but I do think that the situation in Iraq, where we still have so many serving personnel, would have at least warranted some comment in your opening statement. Could you give us an overview of the current situation, because many commentators have suggested that the current situation in Iraq has improved greatly in recent times. I am not quite sure how you measure or assess success in these theatres—I am not quite sure how you measure success in Afghanistan either—but I do think that Iraq warranted at least some comment in your opening statement.

Air Chief Marshal Houston—Would you like me to comment on—

Senator FERGUSON—The current situation.

Air Chief Marshal Houston—The situation in Iraq has improved quite dramatically over the last couple of years. There are obviously a number of reasons for that. It is not just the

surge of American forces; it is a number of things that have all come together. I think one of the major contributors to the turnaround was the Sunni tribal groups, the Sons of Iraq, giving al-Qaeda an exit from al-Anbar and joining the government to fight against the terrorists. That has seen a complete turnaround in the west of the country. Al-Anbar is now a very much safer place. If you go back two years, it was a sanctuary for al-Qaeda. They mounted a lot of operations out of there. But al-Qaeda in al-Anbar have been thoroughly defeated and we are seeing good results in that part of the country.

I suppose the question would be: are al-Qaeda finally defeated? My answer to that would be: no, they are not. If you have a look around Mosul, in the north of the country, there is still some al-Qaeda activity. They are still able to mount an attack from time to time. But they are nowhere near the force that they were. Just the other day, one of their principal leaders in Iraq was killed by the coalition. That reduces their effectiveness even more.

I think another factor was Moqtada al-Sadr's truce. The Jaish al Mahdi have not been the force that they were, say two years ago, because there has been a truce. I think General David Petraeus has been very successful in his approach to the use of the American forces. He has had more forces available to him. He has worked very effectively with the Iraqi government to improve the circumstances. I think another factor has been the leadership of Prime Minister Maliki. He, together with the Iraqi security forces, has been able to succeed in a number of activities around the country. It started in Basra, it then went on to Baghdad and it has now progressed to other places. They have been very successful in achieving their objectives in those locations and we are now seeing a much improved delivery of services into areas that were previously held by the insurgents.

So the place has turned around substantially. Civilian deaths are down by about 70 per cent. We see the odd attack from time to time, but not nearly as many as were around a couple of years ago. All the numbers are trending in the right direction. And I think the Iraqi security forces are demonstrating a high level of professionalism and a high level of effectiveness in the work they are doing around the countryside. There has also been a shift in community attitude towards rejecting the attitude of the militias that were very prevalent two to three years ago. Fundamentally, the level of violence across the whole country by over 50 per cent in recent times.

I might leave it at that. There is quite a bit around on the situation in Iraq. If you want to question me on any particular aspect, I would be delighted to take your questions. I would say that the improvement has been good but the country remains fragile. There is still the potential for all of those gains to be reversed in certain circumstances, but at the moment things are looking good. I must say that the leadership of Prime Minister al-Maliki has been a key factor in all of this.

Senator FERGUSON—What is the current number of serving Defence personnel in Iraq?

Air Chief Marshal Houston—We currently have a security detachment which comprises 109 people. They are in the same location that they have been in for about three years now. We have about 40 embedded officers. We also have the command team on the oil platform in the North Arabian Gulf. There is a command barge that is tied up against one of those

platforms in the North Arabian Gulf. We are currently in command of Task Force 158. We also have a frigate, currently HMAS *Parramatta*, in the gulf at the moment.

Senator FERGUSON—But the total numbers actually in Iraq itself?

Air Chief Marshal Houston—All of the maritime assets are in Iraqi territorial waters. There is also obviously the headquarters in Baghdad. So I would say the total number in Baghdad is probably around 220. The total number in the maritime environment is probably about 220. So it would be something less than 500.

Senator FORSHAW—Is that 220 for the frigate and the command team?

Air Chief Marshal Houston—That is correct.

Senator FORSHAW—In total.

Air Chief Marshal Houston—In total, yes. So you have about the same number on land as you have on the water.

Senator FERGUSON—So there is about 500 in total, though.

Air Chief Marshal Houston—Boots on land we are talking about 220.

Senator JOHNSTON—CDF, can I take you to the current situation with GOPS and GORPS—the graded officer pay structure and the graded other ranks pay scale. Effectively, officers have recently had a 20 per cent increase, and in some circumstances for engineers and others, up to 25 per cent, yet the graded other ranks pay has been held up now for several months. We have a number of engineering companies and battle groups—whatever—in Iraq and in Afghanistan. There are people in uniform at the sharp end of the job and their pay is being held up for some reason. I cannot understand that. Can you help me with that, please?

Air Chief Marshal Houston—I will get the Deputy Secretary for Personnel Policy to come across a little later and he can get into the detail of this. Fundamentally, the current case for other ranks is before the Defence Force Remuneration Tribunal. A couple of issues have been discussed between Defence and the tribunal. They are working the case at the moment. I am hopeful that we will be able to move forward in the not too distant future. The consideration by the tribunal takes time. It is part of the process. We have to work through the tribunal.

Senator JOHNSTON—This is not like us. The officers never come first. The officers have their pay rise. The doctrine for generations, as I have understood it, has been that the men get looked after first and then we deal with the officers. The officers have got their 25 per cent, and the blokes are left hanging.

Air Chief Marshall Houston—If we can come back to this after lunch, I will take you through it. But it is not quite—

Senator JOHNSTON—It has a very unpleasant look to it, I must say.

Air Chief Marshall Houston—I take your point. But I will come back to that, because there were no suggestions that that would be one of the items that we would address.

Senator JOHNSTON—It is on that list. It is for later, but it is so important that I thought that I would bring it to your attention because of the faith that I have in your ability to fix these things.

Air Chief Marshall Houston—I am aware of it. In fact, I personally met with Mr Cartwright, the President of the DFRT to discuss this matter to resolve some of the outstanding issues.

Senator JOHNSTON—I will move on to another matter. Are you aware of the GAP year recruitment system? It is pretty important.

CHAIR—It is, but we might try and stick to the program. We are in the portfolio overview and the budget summary. The matters that have been identified—

Senator JOHNSTON—I will come back to that, then. I have something else to go on with. CDF, do you share the view with respect to our military operations in Afghanistan that they are neither feasible nor supportable?

Air Chief Marshall Houston—I do not know what you are talking about.

Senator JOHNSTON—The minister has said, in agreement with Brigadier Carlton-Smith, who was to some greater or lesser extent taken out of context, that he thinks that a military victory over the Taliban is neither feasible nor supportable. That is quoted in the *Australian* of 7 October. Do you support that contention?

Air Chief Marshall Houston—The minister and I have had a long chat about this. You mentioned—

Senator JOHNSTON—I am pleased to hear that.

Air Chief Marshall Houston—people being taken out of context. The minister has been taken out of context. We have spoken about this consistently over a long period of time. We have the same view, a view that I gave you in my opening remarks, which is that if you look at Afghanistan it is wrong to talk about winning and losing, because fundamentally insurgency wars are not like that. A counterinsurgency is all about achieving an outcome in which you eventually prevail in difficult circumstances and win the hearts and minds of the people who you are supporting.

Senator JOHNSTON—That is what we have done in every little theatre that we have been in in the last 10 years—the Solomons, East Timor and Iraq. It has been hearts and minds stuff, hasn't it?

Air Chief Marshall Houston—It has. If I can finish, fundamentally, though, it is not about winning by military means. There are three lines of operations in the ISAF strategy. They are security, governance and development. As I said in my opening remarks, we are doing very well in the security area. If you look at our own province, Oruzgan, we are winning at the tactical level in a military sense. But we are not winning strategically because the only way that we are going to win strategically is to bring together that tactical success at the military level and the appropriate level of development and improvements in governance across the country, right from the central government down through the provincial governments. There is a need for proper institutions, particularly out in the provinces, there is a need to raise an Afghan national army that can do the job across the whole country and there is a need for a

properly functioning police force. All of that is going to take time. As I said in my remarks, it is not about winning a military victory; it is all about bringing all of that together to achieve the desired effects. That is what I have been saying. It is also what my minister has been saying. I do not know if you were there the other night, but the Prime Minister spoke about this at the Bean Society at the War Memorial. That is what Carlton-Smith is saying. That is what McKiernan is saying. That is what everybody is saying.

Senator Faulkner—Perhaps I should intercede here in response to Senator Johnston's question, because it went to the views of the minister. What I might commend to Senator Johnston the minister's comments—and I do not know if Senator Johnston is aware of them; I understand that because of estimates he might not be—on this issue in question time in the House of Representatives and, noting that there had been a lot of media commentary on Brigadier Carlton-Smith's comments, made clear in that answer that he shared the brigadier's frustration. But he made very clear that he did not share his level of pessimism. The other thing that I can say to you—and I am sure that you would be aware of this—is that the minister and the government have consistently said in relation to the war that it would not be won by military means alone. The minister has been very clear and consistent in those statements.

Senator JOHNSTON—Thank you, Minister.

Senator TROOD—In the same theme, looking at your remarks, CDF, I was not entirely clear whether or not you had reached the conclusion that further military commitments to Afghanistan would not be necessary. You made the point in the early part of your statement that the Australian government and the ADF have the capacity to commit and deploy more military platforms. But you emphasised the three elements of the strategy. Do I take it from your remarks that you do not believe that further military commitments are going to be required there?

Air Chief Marshall Houston—Fundamentally, the level of military commitment to Afghanistan, Timor and the Solomon Islands is a matter for government. In terms of Afghanistan, if we look at Afghanistan in the broad and ask, 'Do we need more military forces in Afghanistan and do we need more helicopters in Afghanistan?' the answer is yes; absolutely. Where should they come from? I would submit that this is a NATO operation that is being conducted in Afghanistan. We are a non-NATO country. We are the largest contributor of troops outside of NATO. We have just under 1,100 people there. Our level of commitment is about right, particularly when you compare it to the level of commitment of various NATO countries.

So fundamentally there is a need for more forces. Our American friends will, I think, over the next three years to contribute more forces and I think you will start to see a much higher level of commitment from the Afghan national army as it grows over the months and years ahead. The original target for the Afghan national army was 80,000. That has now been increased to 122,000 and it will grow towards that target. The vital role that we are now embarking on is mentoring and training an Afghan battalion, an Afghan kandak, as it is called. That is where we have the highest priority at the moment. It is also important to do the work that engineers are doing, which is a lot of construction work that enables the Afghan national army to do their clearing, their holding and their building—a classical part of a

counterinsurgency strategy. We have built a lot of patrol bases for them, we have built forward operating bases for them in the province, and they will move into those facilities to hold the territory. As you know, that is something that has been lacking over the recent past.

So I think the key thing here is to train the Afghan national army 222,000 as soon as that can be accomplished. Clearly it will not be done overnight; it is something that will be done over the next three or four years.

Senator TROOD—Insofar as there is any comparison between Iraq and Afghanistan, this is one area where there is clearly a measure of complementarity and the need to advance and create a substantial Afghan army. That is the point you are making and that is a long-term task, as indeed it was in Iraq. But I think it is widely recognised that the development and the governance dimensions of the strategy cannot hope to succeed until such time as there is a measure of military security on the ground. The question then is, how many forces do you require to achieve that objective? All of the commentary seems to be that there are insufficient forces on the ground in Afghanistan to achieve that level of military security that is required before you can actually successfully start building governance and undertake the developmental activities that are required. Would you disagree with that assessment?

Air Chief Marshal Houston—As I said in my opening remarks, the security side of it is vitally important, and before you can deliver the clear, hold and build part of it you have to attain a certain level of security. Yes, I agree with that. Do we need more military forces to do that? Yes, we do. But at the end of the day the three lines of operations are linked. The linkages are very clear and it is important that it be a coordinated strategy, a whole of agency strategy, which brings those three lines of operations together. So, yes, the security is important and you certainly cannot have non-government agencies out there, aid agencies, sitting on their own. They need security, they need protection. So security is an important dimension to what is required, but it is not the only thing that is required.

Senator TROOD—As I understand your remarks during the morning, you take the view that if there is a need for further military forces in Afghanistan then that is the responsibility largely of NATO countries and not for Australia. Is that right?

Air Chief Marshal Houston—That is right, yes. If we go back to how we became involved in this, fundamentally NATO—well, let us start at the beginning. NATO decided to conduct an out of area operation in Afghanistan. NATO committed. NATO then started to need some forces beyond what they were deploying at the time and we were invited to contribute. That started back in 2005, and here we are today with a force level of just under 1,100. If you look at it in comparative terms, we are actually punching, I think, at an appropriate weight and I do not think there is a requirement for a great increase of forces. One of the things that the government has to consider, in my view, is if you commit all of our forces into Afghanistan and something happens in the region, we do not have an awful lot left. I would remind the committee that we do not have a very large defence force, and the Defence Force is quite heavily committed even now. Yes, we brought the battle group out of Iraq, but when you look around our region you can see potential for the use of the ADF in other scenarios. So I think, in terms of the level of ADF commitment, given all the other factors at play, our commitment is about right.

One of the areas where we have had concurrency pressures over recent times has been infantry. While we were in Iraq and Afghanistan, Timor and the Solomon Islands, we were perhaps at about maximum capacity for our infantry capability. I tell our American friends that until quite recently we were a six battalion army and they look at me aghast. 'Is that all you have got? Yet you do all these things around the world.' Our Defence Force does a very good job in the various theatres that it is involved in and there are certain capabilities that are close to the line in terms of being able to sustain the effort over a long period of time. I am very comfortable from a concurrency point of view, looking at it in a more strategic way, that, given all the factors at play, Australia's contribution is about right.

CHAIR—Thank you, CDF. This is a very interesting discussion and we will return to it.

Senator TROOD—Can I have the call when we return?

CHAIR—Indeed, Senator Trood. We will resume at 10.50.

Proceedings suspended from 10.32 am to 10.50 am

CHAIR—We will now resume questioning. Senator Trood.

Senator TROOD—Thank you, Chair. CDF, just before the break we were discussing the need for further forces in Afghanistan. During the course of our discussion you mentioned our good friends the Americans and the admiration they have for the Australian Defence Forces. That is reflected in various commentaries that have been published both in respect of Afghanistan and, of course, Iraq. In those same commentaries there has also been reference to the fact that the Americans would like us to make a greater contribution in Afghanistan. In particular General McKiernan has made this point, as I understand it. My question is: have the Americans asked for further forces in Afghanistan from Australia?

Air Chief Marshal Houston—There has been no formal request for any more forces at all. In fact when I speak to my American counterpart they are very, very happy with what we are doing.

Senator TROOD—I see.

Air Chief Marshal Houston—Regular four star visitors come to Australia and the consistent message I get is, 'We are really impressed with the way you are approaching the challenges of security in Rozi Khan province.'

Senator TROOD—They have made no formal request for any further Australian forces at all in Afghanistan?

Air Chief Marshal Houston—None whatsoever.

Senator TROOD—The Australian government has put in place, as you mentioned I think, an intention to review the strategic circumstances in Afghanistan in March-April of next year, as I understand it. Is that the point at which there may be a consideration for further Australian commitment?

Air Chief Marshal Houston—These matters of level of commitment are really above my level. The government makes decision on the level of commitment. I think you had best ask my minister about that in the parliament. Fundamentally there is nothing running at the moment along those lines.

Senator TROOD—So, between now and then there may be some rotation of Australian forces through Afghanistan, I assume. Is that correct?

Air Chief Marshal Houston—Absolutely. We are running at the moment just under 1,100 but as we go into the winter the level of activity drops quite dramatically because it is a very harsh climate there with a lot of snow and very cold conditions and the insurgents tend not to operate at the same rate of effort. We make some small adjustments through the winter period as well so that we can sustain the force levels that we need through what is called ‘the fighting season’ or ‘the campaign season’, which runs from about May through to about now. We will adjust our force levels so that we can sustain the effort into next year. It gives some of our special forces a bit of a break. We bring the Chinook helicopters out for three or four months so that we can reconstitute them and do maintenance, training and prepare for the next campaign season.

Senator TROOD—I have questions on a couple of other matters, CDF. In relation to this Rozi Khan incident that you referred to in your remarks, can you tell us whether or not there was any consideration to changing the rules of engagement in light of that incident?

Air Chief Marshal Houston—I have the report here, and of course it is available to you. In answer to your question, no, I think we have very robust rules of engagement. I think the issue here was that, as I described in my opening remarks, it was a very confused and complex situation. The Taliban had been active in the area immediately before our people passed through it. Threats were made by the Taliban to a person in one of the compounds nearby. We went through this area and, fundamentally, we were fired on. In the confusion, in that situation, we were fired on and our fellows basically took defensive action and our rules of engagement are quite explicit about that. I would never, ever remove the right of self-defence from our people who are on operations. It is just unfortunate the way it happened. Clearly Mr Khan and his fellows who were with him, and the other people who were on the compounds in the vicinity, thought our guys were probably Taliban, so they were going after our fellows and they defended themselves. Actually, our guys held off firing at another element in a very measured way, and I am completely happy that the response was proportionate and appropriate in the circumstances. It was just one of those very difficult things that might come up from time to time in this sort of war.

Senator TROOD—Insurgency wars are always very difficult, of course. The last thing that I would be advocating is the removal of the right of self-defence, but I wonder whether it points to the need for a higher level or a more intensified level of tactical intelligence, for example.

Air Chief Marshal Houston—I think what does come out in the report is the need for better coordination of activity right cross the board. There was a coordination conference and, as the report says, the police mentoring team attended that, but it did not prevent these circumstances. We will focus on improving our coordination of operations with the activities of others in the same space.

One of the difficulties in Afghanistan is there are a lot of militias. Each person like Mr Khan has his own small militia, which provides protection to him and so on. You are always dealing with a lot of informal groups that are out there as well. It is not as clear-cut—people

might think, 'The only people you've got out there are ISAF and the insurgents, the Taliban,' but it is not as clear-cut as that. There are other armed groups that are out there operating as well.

Senator TROOD—It is clearly a messy kind of operational environment.

Air Chief Marshal Houston—In fact, if you wish, I could read out what the report says if it helps.

Senator TROOD—I can get to that in due course. What I am anxious about is that there may be some issues here that require close attention in relation to rules of engagement or tactical intelligence, as I have mentioned. I have not had an opportunity to read the report as yet but you have persuaded me that there are some matters that need attention and you are looking at them.

Air Chief Marshal Houston—Yes.

Senator TROOD—I will follow those up in the report perhaps next time.

Air Chief Marshal Houston—Okay.

Senator TROOD—Unless there is something you particularly wanted to draw to my attention.

Air Chief Marshal Houston—I might draw your attention to just one paragraph that might assist in perhaps showing how complex it was. It is paragraph 46. It reads:

Afghan National Security Forces and coalition forces, including the ADF, operate in the same battlespace but through different chains of command. The Police Mentoring Team mentors the Afghan National Police and provides liaison to coalition forces; our task force operates through headquarters Task Force—Uruzgan—

which is Dutch—

and the commander ISAF Special Operations Forces; with local de-confliction through headquarters Task Force—Uruzgan. Our task force Special Operations Liaison Officer to Task Force—Uruzgan had verified that there would be no coalition force or Afghan National Security Force activity in that area; accordingly our force element had no reason to expect friendly forces in the area. The Police Mentoring Team attendance at the Task Force—Uruzgan's de-confliction meeting would have improved the exchange of tactical information. Recent Taliban activity in the area was not reported to our task force. Specifically, our force element would have selected a different route to avoid compromise during infiltration if information regarding the Taliban night letter had been available during mission planning. If residents had called the Afghan National Police (instead of Rozi Khan); the Afghan National Police would have then notified the Police Mentoring Team; and the Police Mentoring Team would have liaised with our task force; then our force element could have been notified and the contact may have been avoided.

I think that gives you a sense of just how complex the circumstances were.

Senator TROOD—Are you confident those breakdowns in communication can be rectified in the hope that this kind of circumstance can be avoided in the future.

Air Chief Marshal Houston—We have certainly taken necessary action to effect that. But as I said, there were other elements that were not even in the coordination group there.

Senator TROOD—The importance of this, apart from the risk that it places Australian personnel in, is of course the fact that this is of no assistance to the reputation of the Australian forces in Afghanistan, or indeed to the international forces, in the context of trying to give confidence to the Afghan people that we are there to assist in providing greater security.

Air Chief Marshal Houston—We are working on it and I am confident that there will be better coordination in the future. Whether it will be a completely failsafe solution I could not give you that assurance because it is a very difficult and very complex environment and as I said, Rozi Khan had his own little militia, and that is the group that responded. You asked about the rules of engagement. Perhaps if I just read you the next conclusion, because that does address the rules of engagement:

The force element's small arms fire was discriminating and effective. The force element fired in self-defence when fired upon from the qualas—

the compounds.

It is assessed that the first group that the force element fired upon was led by Rozi Khan. This assessment is based on the sequence of events (described by the force element, local residents and members of the group led by Rozi Khan); the strength of the group; its direction of movement; and the casualties sustained. The force element acted in accordance with their rules of engagement when firing upon the first group. They showed restraint in their use of force and sound judgement by not firing upon the second group due to doubt introduced by its association with a suspected Afghan national police vehicle. The force element showed restraint by not using the—

we have actually redacted the next part—

discipline and restraint minimised the number of Afghan casualties.

That is it in a nutshell.

Senator TROOD—The point is that these incidents are not helpful to our overall cause in Afghanistan, are they question

Air Chief Marshal Houston—No, they are not helpful but unfortunately in these complex and difficult circumstances—it was night time, it was an unfortunate set of circumstances and highly regrettable. We have obviously apologised to the family and the tribe. As I indicated earlier on, in accordance with Afghan custom we have paid an honour payment and hopefully that will be appreciated by the family. Obviously, we deeply regret what happened.

Senator TROOD—Returning to some of the remarks that you made to my colleague Senator Ferguson in relation to Iraq, I want to clarify your understanding of the status of the negotiations for the bases agreement between the Americans and the Iraqi government and in particular whether that agreement is likely to have any impact on the status of Australian forces, which may remain there into the future.

Air Chief Marshal Houston—The negotiations over the arrangements for the American forces to remain have been long and drawn out. There has been progress but it has not been finalised and there is still a way to go. The British announced over the weekend that they would proceed with separate negotiations. We and others will wait for the outcome of the American negotiations and then see if we can piggyback on the American arrangements. Obviously, we have to have some agreement in place before the UN Security Council

resolution 1780 expires on 31 December. We are working on that. We will see how it goes. Clearly there are issues of Iraqi sovereignty and we respect their sovereignty. We and primarily the Americans will have to work through those issues.

Senator TROOD—Are we conducting our own bilateral negotiations on this matter at the moment or are we waiting for the negotiations with the Americans to be concluded?

Air Chief Marshal Houston—We have been requested to wait for the outcome of the negotiations between the Americans and the Iraqis. I think that is a very sensible thing to do. Hopefully, we will be able to piggyback on that because I think our issues are a lot simpler than the issues that are on the table between Iraq and the United States.

Senator TROOD—You are anticipating that this will be concluded by the end of the year; is that right?

Air Chief Marshal Houston—Yes, I hope that that is the case. Once an agreement has been reached there is then a political process—much like our own. If it is a status of forces agreement it will have to go through the executive council of representatives. It will have to go through a political process as well. Like in our system, questions may be asked and there may be issues along the way. I am hoping that everything can be accomplished by the end of the year. I think we should just wait and see how it goes.

Senator TROOD—Would the legal basis of Australia's commitment and deployment in Iraq be under threat were there not to be in agreement?

Air Chief Marshal Houston—There are significant issues if we do not get an agreement but there are also potential other options. But essentially our number one option remains getting an agreement—the Americans and the Iraqis getting an agreement and us being able to leverage off that.

Senator TROOD—Thank you.

Senator JOHNSTON—Brigadier Carleton-Smith intimated that he perceived that in terms of the political side of the ledger it was feasible to reach some form of negotiated agreement with the Taliban in Afghanistan. Do you have a view on that? Am I misquoting the brigadier because I am not confident that what the media ran with from what he had said was in fact within context. That is the inference of a number of articles. I was concerned about that and I am interested to hear your comment.

Air Chief Marshal Houston—Fundamentally the British government has a view that it is important to support the government of Afghanistan in its efforts to bring disaffected members of their society into the fold. They and the Afghans have made it very clear that there are a number of red lines. The first thing is that before any negotiations with anybody can continue there is a need for that group to renounce violence, to have no operational links with al-Qaeda and to totally accept Afghanistan's Constitution. Fundamentally, what he was talking about was along those lines. As you know, Afghanistan is a complex society and there are groups that the Afghan government may negotiate with. Everybody has agreed that this is a matter for the sovereign government—the government of Afghanistan. But that is their line: they have these three fundamental red lines that the group has to sign up to before they will sit down and talk to them.

Senator JOHNSTON—Thank you. I appreciate those comments greatly. The other thing I want to take up with you very briefly is that I understand that it is the Ready Reserves that we have in the Solomons and in East Timor. I must say and confess that I did not realise this until someone told me recently. I also hear that they are doing a fantastic job away from their usual occupations. Can you give us a little insight into how that is going as a model for us in a sort of peacekeeping type regime?

Air Chief Marshal Houston—Reserve forces have done a magnificent job through this period of very high operational tempo that the ADF has been sustaining. We have had somewhere between 1,500 and 1,800 reservists on continuous full-time service over the last two or three years. Indeed, we would not have been able to make some of our deployments without the support of the Reserves—and I am talking about deployments to Afghanistan and the Middle East.

Senator JOHNSTON—Yes.

Air Chief Marshal Houston—As you know Navy has some issues with some critical categories and in a couple of cases the reserves have come up and said that they are prepared to deploy with the ship to the Middle East for the nine-month period that involves. They have really given us good service. We do not have any reserve subunits in Timor but we do have reservists right across the spectrum everywhere we are deployed. Indeed it may surprise you to know that we also deploy reserve special forces into Afghanistan. Thus far there is absolutely no problem. They fit seamlessly into the team and do a fantastic job for us. In terms of the Solomons, for the last two years or so, the deployment to the Solomon Islands has been a reserve commitment and we have deployed reserve subunits into the Solomons, and they have represented Australia and the ADF absolutely superbly. Again there is no difference between the way they perform and the way our regular forces perform.

I agree with you. I think this is a very good model for the future. I think this has also been very helpful in turning around rather difficult situations we had with reservists about three years ago when we seemed to be losing far too many of them. This has really enhanced our reserve forces and there is great enthusiasm out there. Everyone wants an operational deployment, it is all working wonderfully well and they deliver the results that we are looking for.

Senator JOHNSTON—I am told that they have even volunteered for Christmas duty in Butterworth so that personnel can come home for Christmas.

Air Chief Marshal Houston—I am not aware of the circumstances you refer to but that would not surprise me. They are basically stepping into the breach wherever we need them and it has been very, very pleasing to see how it is working in all three services.

Senator JOHNSTON—Thank you.

Senator LUDLAM—You may have mentioned this in your opening remarks so I apologise as I was delayed getting in. Could you give us the figure for the overall ADF deployments in Iraq in terms of your forward estimate?

Air Chief Marshal Houston—In Iraq?

Senator LUDLAM—That is right.

Air Chief Marshal Houston—There are two operations being run at the moment. One is Operation Catalyst and the other is Operation Slipper. Catalyst applies to Iraq and Slipper applies to Afghanistan. In terms of our deployments I will just run through it again. We have a headquarters in Baghdad with about 60 people, we have 109 people in the security detachment, we have about 40 embedded officers in the various coalition headquarters in Baghdad and we have a command team of about 30. We are providing the command team for CTF 158, which is the naval task force that sits in the north Arabian Gulf and provides protection to the two vital platforms there. I said earlier on that the command team was aboard a barge. They are actually now aboard one of the platforms because they have put a facility there. The commodore is sitting there on a platform and is not on a flagship. He controls the protection of those two vital installations from one of those platforms. We also have a frigate in Iraqi territorial waters. At the moment that is about 190-odd people.

Senator LUDLAM—That was Iraq?

Air Chief Marshal Houston—That is Iraq. Supporting our people in Iraq we also have C130s that are located in one of the gulf countries. That element supports not only Iraq but also Afghanistan.

Senator LUDLAM—So the vessel that you mentioned before was the *Parramatta*?

Air Chief Marshal Houston—Yes.

Senator LUDLAM—But the Australian command team is actually looking after a much larger deployment?

Air Chief Marshal Houston—There are up to 10 ships in the task force. There are American ships, a British ship, a Kuwaiti patrol boat, Iraqi patrol boats and ships from other nations—from time to time the Singaporeans have a ship there as well.

Senator LUDLAM—When you say ‘platform’ are you referring to an oil and gas installation?

Air Chief Marshal Houston—Yes. There are two big facilities out in the middle of the North Arabian Gulf and the oil from Iraq’s oilfields goes out to those platforms and is delivered to ships that then carry the oil to countries around the world. About 90 per cent of Iraq’s GDP comes from what is taken away from those platforms.

Senator LUDLAM—And so the role of those vessels, the Australians and the rest of the contingent, is the protection of those terminals and the shipping, essentially.

Air Chief Marshal Houston—That is the mission of the Task Force 158—the protection of those two facilities. It is a very demanding mission. It is very close to Iranian territorial waters; we are talking two or three kilometres away from Iranian waters. So it is a very demanding mission.

Senator LUDLAM—Can you just go back for a moment and explain how Australian personnel located in Iraq are supporting troops in Afghanistan.

Air Chief Marshal Houston—Perhaps if I could just add one other thing. I omitted to tell you that we also have two officers who are with the United Nations in Baghdad. They are part of the United Nations mission in Iraq.

Senator LUDLAM—Not diplomatic personnel but Defence personnel?

Air Chief Marshal Houston—These are seconded to the United Nations, so they wear blue berets.

Senator LUDLAM—I was not aware of that. You mentioned before that some of the Australian commitment in Iraq was actually serving Afghanistan operations.

Air Chief Marshal Houston—The Headquarters Joint Task Force 633 in Baghdad, commanded by General Michael Hindmarsh, fundamentally runs not only our activities in Iraq and the gulf states but also our activities in Afghanistan. So they handle both. The point I made about the C130s was that the C130s support both our operations in Afghanistan and our operations in Iraq.

Senator LUDLAM—Just to bring you back to what you were referencing before, the Australian command team essentially guiding the operations of what sounds like a multinational force in the gulf, is that a little bit unusual? What is the actual command structure? Is it not a little unusual for the Australian Defence Force to be in command of American military assets?

Air Chief Marshal Houston—It is absolutely a coalition organisation. At any one time there may only be one American ship in the task force. The ships in that task force come from all nations. Occasionally there could be an American navy ship and an American coastguard ship, but it varies from time to time. Fundamentally, nobody usually has more than one ship. So it is a truly international coalition effort that is conducted in the North Arabian Sea. It includes, obviously, patrol boats from Iraq, but they have a very nascent navy capability. Part of the mission is to assist them in gaining sufficient expertise to be able to do it on their own in the future. In terms of the command and control arrangements, Commodore Bruce Kafer, who is our commander there, reports to commander 5th fleet in Bahrain and commander 5th fleet reports to commander central command, who from Monday will be General David Petraeus.

Senator LUDLAM—Thank you. I should probably move on. I do not know whether you are aware of an army psychologist in the United States named Colonel Charles Hoge. He told the US Congress in March this year that up to 30 per cent of US troops returning from Iraq and Afghanistan were developing serious mental health problems. A study in 2007 found that that rate was about 40 per cent. A third of marines and half the national guard members were reporting symptoms of post-traumatic stress disorder. The US acknowledged that it was not equipped to deal with that scale of illness. Do you have any current statistics on Australians returning from Iraq or Afghanistan?

Air Chief Marshal Houston—I do. Fundamentally, we track these sorts of issues very carefully. There is nothing more important to me and the service chiefs than the health and welfare of our people. We do everything we can to properly prepare our people for the demands of the missions we send them on. We do a psychological screening of them before they go. We basically prepare them psychologically and in every other way for the sorts of challenges they will face. By doing this, we hope to pre-empt some of the problems that can arise when you go on an operational deployment and see things that ordinary people do not see.

Let us have a look at how we are going. Since the start of our operations in the Middle East in 2003 through to 31 August this year, we have had 37,370 individual deployments to the Middle East. This has involved 22,833 people. Some of these people have gone more than once, obviously. During that time, 340 people have been discharged medically because of some sort of health condition. That is a rate of 1.5 per cent.

Senator LUDLAM—If I could just hold you up there for a moment?

Air Chief Marshal Houston—If I could just finish the answer to your question. The number of people who have been discharged because of mental health problems is 133, and 86 of those 133 have been discharged on a basis that could be directly attributable to their service in the Middle East. That is a rate of 0.38 per cent. If you would like, I can now get General Alexander, who is our Commander Joint Health, to elaborate on some of those statistics.

Senator LUDLAM—I would appreciate that. I wanted to clarify two points: the deployments to the Middle East include Iraq and Afghanistan, or just Iraq?

Air Chief Marshal Houston—That is to Iraq and Afghanistan.

Senator LUDLAM—Are the medical discharges occurring while people are on active service or after they return from it?

Air Chief Marshal Houston—The ones that are directly attributable to the Middle East service are the 86 that I referred to. That is a rate of 0.38 per cent.

Senator LUDLAM—I understand that. I am trying to work out whether these people were discharged while on active service or were diagnosed post their return to Australia.

Air Chief Marshal Houston—Nobody is discharged on active service. They all come back. We then go through a process of return to Australia psychological screening in the first instance, and if anybody has any issues we do another survey later to see how they are all travelling. It is usually through that period, either the screening or through the work we do subsequently, that we pick up whether anybody has got a problem, unless they present individually before that. I will just get General Alexander to take you through that detail, because obviously my figures are very broad. He will take you into a lot more detail.

Major Gen. Alexander—The figures relate to the number of medical discharges and then the subsection of those are discharges related to mental health disorders—not only post-traumatic stress disorder but in addition to an anxiety or a depression diagnosis that is no longer compatible with service life. We are quoting here the reasons why they are being discharged from full-time service. If you look at the studies that have been conducted in the US and in other places, they are more longitudinal studies that occur over a longer period. They will therefore necessarily be of a higher percentage because post-traumatic stress and other mental health disorders that relate to service or to stress increase over time and increase over exposure. This is a snapshot of what we have currently in service. We have a number of programs to ensure that our rates are as minimal as they possibly can be.

Senator LUDLAM—Does Defence undertake the kind of longitudinal studies that you are referring to in the US?

Major Gen. Alexander—Yes, we have just commenced a longitudinal study. The Deployment Health Surveillance Program is being undertaken at the Centre for Military and Veterans' Health. In addition to that study, which is looking particularly at the Middle East area of operations, we have studies that are looking at the Solomon Islands, East Timor and Bougainville. They are looking at the entirety of health issues that relate to those particular areas of operation—not only mental health. In particular, we see the deployed health surveillance study as the beginning of a longitudinal study. This study will be looking at prospective as well as retrospective analysis. I think it is really important to get good accurate data on people.

Senator LUDLAM—Do we have accurate data? It sounds as though this study is only now being initiated?

Major Gen. Alexander—That is correct.

Senator LUDLAM—How long would you expect that to run for?

Major Gen. Alexander—The plan is for a minimum of five, possibly 10, years. We will compare the results of the DHSP or deployed health surveillance study with other areas of operation. If we get, and I suspect we will get, very useful data, the intent would be to continue these studies.

Senator LUDLAM—Does Defence employ mental health workers, or is that work outsourced?

Major Gen. Alexander—We have a full range of services in uniform. We also use contracted health professionals where we need to. It is a combination of a uniformed and contracted workforce. We use a significant number of the public service workforce as well within the regions.

Senator LUDLAM—I should probably move on. Could you take on notice to provide us with a breakdown of how those services are provided to personnel.

Major Gen. Alexander—I can provide that to you now.

Senator LUDLAM—I have a number of other questions in different areas, so if you could take that on notice I would appreciate it.

Major Gen. Alexander—Okay.

Senator LUDLAM—I would like to move to Afghanistan. According to the portfolio statements, the cost of the deployments to Afghanistan is around \$53.1 million. Is that correct?

Air Chief Marshal Houston—I will get the Chief Finance Officer to handle all money questions.

Mr Prior—Senator, your question was?

Senator LUDLAM—The overall appropriation for Afghanistan and what that covers.

Mr Prior—What it covers or the quantum?

Senator LUDLAM—The quantum. I have just put a figure of \$53.1 million to you. I am seeking confirmation of that and to get a sense of what it encompasses.

Mr Prior—If I refer you to the PBS. You have referred to the portfolio budget statements, have you? Page 29 refers to all the costings for the overseas operations. If that is what you are referring to, that will be the correct figure if you have drawn it from there. If you want me to quote the exact figure for the cost of operations—Operation Slipper—in Afghanistan, the budget estimates figure for 2008-09 is \$618.9 million; 2009-10 is \$81.1 million; and 2012-11 is \$2.9 million, as portrayed in that table on page 29.

Senator LUDLAM—Thanks.

Mr Prior—Your other question was about what it covered?

Senator LUDLAM—Yes.

Mr Prior—It covers the net additional costs of operations, as all of our funding for operations covers—additional costs such as supplies and materials required in theatre, the cost of transportation to and from theatre and the like. A net additional cost approach is taken in these tables.

Senator LUDLAM—I just want to draw the CDF's attention to criticisms raised by some actors in Afghanistan about the blurring of civilian and military approaches through the provisional reconstruction teams. In particular, Doctors Without Borders has actually left Afghanistan because of the way in which some military elements were attempting to win hearts and minds by, for example, linking aid supplies with cooperation in identifying insurgents. Of course, NGOs in that country rely on political neutrality to be able to do their work. Do you have any comments on that, with particular regard to the role that the ADF might be playing in the reconstruction teams?

Air Chief Marshal Houston—We do a lot of reconstruction ourselves. We are also doing a lot of training of the civilian population ourselves, and all of that aid support is given without any strings whatsoever. We deliver the services as required by the provincial authorities. For example, we work very closely with the chief engineer in Oruzgan Province and there are absolutely no conditions in terms of the provision of that support. If the engineer says, 'Repair of the school is our number one priority and we would like you to do that,' that is what we will go and do. It is as simple as that. I do not think that the issues you refer to apply in the Australian context. We have AusAID co-located with us and they are also involved in this same space. I think my remarks cover their activities as well. There are no conditions attached to the provision of aid.

Senator LUDLAM—I believe Australia does have the largest non-NATO contingent in Afghanistan. Is that the case?

Air Chief Marshal Houston—That is absolutely correct. We are the largest contributor from outside NATO and I think we are in the top 10 contributors overall. Our contribution is substantial and, as I indicated earlier on, we not only do a lot of security work, we actually do a lot of developmental work too. We have done a lot of construction around the town of Tarin Kowt and in other centres in the Tarin Kowt bowl, which really is the centre of gravity of Oruzgan province. We have also constructed a number of facilities, forward operating bases and patrol bases, for the Afghan National Army and the Afghan National Police so that the coalition and the Afghan government can extend their influence and presence out into areas that were formerly Taliban sanctuaries.

It is a very coordinated approach and I do not think anybody else does it quite the same way that we do it. We have this very excellent engineering capability that is able to work in very demanding circumstances, not just environmental circumstances but also circumstances where, from time to time, a lethal threat from the insurgents comes into play.

Senator LUDLAM—Okay. I understand that some of the other contingents, particularly those under NATO command, do place conditions on how their forces are deployed. The Germans come to mind. I understand that Australia actually does not place any restrictions on how Australian troops are used. Can you comment on that?

Air Chief Marshal Houston—I have got some material here which addresses it. What you are referring to is the issue of caveats, as they are called. In fact, a couple of days ago General Craddock, who is the Supreme Allied Commander Europe and actually runs the NATO operation in Afghanistan, referred to the number of caveats that apply. He said in his speech to the Royal United Services Institute for Defence Studies that there were more than 70 national operational restrictions or caveats. He mentioned that some of these meant that there was a continual inability to do things. That is what you refer to. In terms of Australia, we do not have any caveats. We are deployed for operations into Oruzgan Province and our forces operate in the province without restriction. From time to time we operate beyond the province. Basically, if there is a requirement to do so, we look at the circumstances and make a decision. Of course, our helicopters, the Chinooks, can operate anywhere in Afghanistan as required by the coalition. So the caveat restrictions do not apply to us in the context that General Craddock was talking about.

Senator LUDLAM—Could I go back to the Rozi Khan incident that Senator Trood was previously asking about. How much will Defence be paying out in act of grace payments as a result of that incident?

Air Chief Marshal Houston—I am not prepared to share with you the detail of that. Honour payments are a difficult area and it is important that we keep the terms of the honour payment confidential for a number of reasons. I think you can understand that if people find out what we paid, it almost sets a market. I would prefer that we do not go there.

Senator Faulkner—Senator Ludlum, this has come up from time to time in Senate estimates and I think there is a general understanding in relation to these sorts of things that the amount of a payment like this and the timing of such a payment are kept confidential, not in the least in the interests of protecting the family of the deceased.

Senator LUDLAM—Thanks, Minister. I understand those payments are made to the family of the deceased. You mentioned in your opening remarks under questioning that there were a number of people involved in that incident. Have we made payments to other families? Do we think we may have accidentally killed more people than just Rozi Khan in that incident?

Air Chief Marshal Houston—No. The people who were associated with Rozi Khan were part of his tribe, part of his militia. We have paid the honour payment to Rozi Khan. He was a principal in the tribe and he is the person we should pay the honour payment for.

Senator LUDLAM—Just to be clear, there were other fatalities in that incident?

Air Chief Marshal Houston—There were other fatalities, yes.

Senator LUDLAM—But they are not subject to these sorts of honour payments?

Air Chief Marshal Houston—As I indicated to you, it is not clear. There were a lot of groups out there that night. The Taliban were around as well. Initially we thought the Taliban might be involved as well.

Senator LUDLAM—Thank you. Chair, I have a couple of questions on the Defence white paper and missile defence. Is now the time?

CHAIR—No, not just yet. We might finish questions arising out of Mr Warner's opening statement and then go back to the budget papers. Senator Johnston, do you have some questions?

Senator JOHNSTON—I have some questions for the secretary.

CHAIR—As we have finished with Afghanistan and Iraq we will turn to the Secretary's opening statement.

Senator JOHNSTON—Secretary, whilst my question does relate to the MEAO it also relates to the administration of our headquarters there. The AN HQ is obviously currently in Baghdad and to an extent is redundant with respect to the operations in Iraq as they wind down. I know we want to relocate the C130 detachment, our logistics asset and the headquarters and we need to do that fairly quickly, I understand, because our UN Security Council Resolution 1790 expires on 31 December. We are spending \$15 million in doing something to provide some form of habitable accommodation as a precursor to \$100 million worth of expenditure for a MEAO headquarters. My first question is: this all seems to be a bit of mismanagement and how did it come to this? How are you going to go about moving the headquarters into something that is reasonable and logistically acceptable by 31 December?

Mr Warner—Senator, thank you for trying to bring me into the game but, sadly, I am going to handball this across to CDF.

Senator JOHNSTON—My apologies, CDF, I thought it might be an administrative matter.

Air Chief Marshal Houston—It is amazing. There are lots of overlaps in responsibility and functions and administration and operations come together. Fundamentally you wanted to know why this has come to pass.

Senator JOHNSTON—Why haven't we got the thing going before now? I notice that we have some urgency. We are spending \$15 million as a down payment on the \$80 million to \$100 million. We are taking these people out. It all seems to be, 'We should have been doing this last year.'

Air Chief Marshal Houston—Actually we have been working on it for a long time. One of the realities of moving headquarters from country to country is that you have to negotiate for headquarters to go to another country. Sometimes that takes an extended period of time. Without going into the detail of that, this applies in these circumstances and we have had some issues there. In terms of our move to a new location we will be able to do that quite well. It will not be a problem. We have been preparing for this for a long time and we will

move into appropriate facilities when we have the agreements with the host nation that will look after us. We are confident that we will get there eventually but there are still some issues to be resolved. In terms of costs, I think the costs are quite reasonable for the sort of facilities we are going to put in and I do not think they are of the order that you have just described. Indeed the costs are much less than what you have indicated. I am very comfortable with where we are at the moment. When you are on operations, it is a very dynamic environment. There are lots of issues that we have to deal with. It is quite complex and I think we will be in good shape to move our headquarters when required. We will not be caught short. That is the main thing. And we have been preparing for this for some considerable period of time.

Senator JOHNSTON—We will not have any headquarters or command structure in Iraq after the expiry of the resolution?

Air Chief Marshal Houston—The government has yet to make final decisions on this but, in line with what is happening right across the board, this is a demonstration of the fact that the Iraq is going well. A lot of contingents are coming out. Our American friends are drawing down their brigade combat teams. Our friends are very comfortable with the fact that we are going to move the headquarters that looks after both Afghanistan and Iraq out of Iraq. Our focus now is much more on Afghanistan, as I think was shown by my opening remarks. Certainly there are no issues with that.

Senator JOHNSTON—All I am concerned with is that, having obtained the UN resolution that I think we needed, it is expiring and I do not think it is a good look for us to be there without it—unless you can convince me otherwise.

Air Chief Marshal Houston—We are also working that issue. That is another issue. As I described in my answer to the question by Senator Trood, we have that under control. Let me give you an assurance: we will ensure that our people are deployed with the protections that they need to do business, wherever they might be. It is as simple as that. We have got to have the appropriate legal protections, and we will have them, wherever we are.

Senator JOHNSTON—Thank you for that answer.

CHAIR—Are there any further questions arising out of the CDF's opening statement? As there are not, we will continue with questions on the secretary's opening statement. Senator Ludlam, you have some questions for the secretary.

Senator LUDLAM—They go to the National Audit Office report. In your statement, Mr Warner, you mentioned that this was the first unqualified audit report since, I believe, 2001. I quote:

The ANAO has assessed the risk of material misstatement in the 2007–08 Defence financial statements as high.

I gather that is because of the extent of qualifications and so on in previous year's financial statements. Is that essentially correct?

Mr Warner—Yes, that is right.

Senator LUDLAM—So, while stopping short of qualifying their audit report, this year they have evidently got some pretty serious concerns that particularly reference the

inventories general budget line item for approximately \$1.9 billion. Can you outline for the committee what that line item encompasses, in laypersons' terms.

Mr Warner—Could I start more generally and I might then pass to the CFO. As I said in my opening statement, seven years is a very long time to have qualified financial statements. It was indicative of serious problems in the financial management of Defence and indeed of broader management issues in Defence. CDF and I are determined, as was Ric Smith, to resolve all those issues. In getting qualified financial statements, finally, we are on the road to a process of fundamental change and reform in Defence, not just in the financial area.

There are three key areas where we will continue to focus our efforts in the financial statements area—general improvements in our management processes, improved stocktaking and improvements in our pricings record. In that—and you will have seen this from the ANAO report—we took a statistical approach to determine what prices should have been. Our disposals program—and I am sure you are aware of the process that is underway in Moorebank and Bandiana—is a big part of this reform process, particularly in respect of that second element, improved stocktaking.

As I said, we are quite determined to get this right. We have finally got this right. ANAO is sensibly pointing out that we have a long way to go, we cannot be complacent. We are determined that we are not going to slip back. If we slip back on a qualification or the non-qualification of our financial statements, it will put into jeopardy the entire process of reform that defence is undergoing. But if you will agree, I will hand over to the CFO.

Mr Prior—I think your question was what sort of items in the inventory are we talking about. Is that essentially what you are asking?

Senator LUDLAM—Yes, they have expressed a couple of concerns, but in particular they have pulled out the inventory's general budget lines. I am wondering if you could describe for us what that encompasses.

Mr Prior—Yes. There are a number of different broad types of inventory in our inventory set. One type, which has been causing us difficulty but has now been resolved, is the general stores inventory. General stores inventory is a generic title. It refers to stores and inventory encompassing everything from nuts, bolts, tents, shoelaces et cetera.

CHAIR—I think the question is: what are the high-risk areas in the inventory, Mr Prior?

Senator LUDLAM—There is nearly \$2 billion worth of materiel in there, so that is lot of shoelaces.

Mr Prior—General Cavenagh, who manages our inventory warehousing and so on, may be able to tell you that. I do not talk on behalf of the Auditor-General of course, but in our discussions with the Auditor-General, there is a vast array of some—and the General will correct me—140 million or 150 million individual items in general stores inventory. The issues that the Auditor-General is referring to are across the entirety of how we manage that entire set of general stores inventory. Our approach has been comprehensive across all of it. It is not about whether the shoelaces or the nuts or the bolts individually are a problem; it has been a legacy of many years of managing that entire set of general stores inventory.

Senator LUDLAM—Okay. I suppose the Chair has put it better than I did: what are the high-risk items in there? I am presuming you are not worried about the shoelaces. What are the articles in there that might be giving the auditor concern?

Mr Prior—Perhaps your question would be better placed to the Auditor-General, but given the Auditor-General has now signed off an unqualified set of financial statements, my understanding is that it is more a generic, general commentary about high risk around the general management of all of our general stores inventory, which goes across the entire country.

CHAIR—Is that IT or systems or training or personnel?

Mr Prior—No: general stores inventory is general stores.

CHAIR—No. The ANAO has identified some high-risk areas that it is going to keep an eye on in the next financial year. The question is: is it relating to systems or deficient IT or lack of adequate training of personnel who are responsible? What is the nature of the problem that is high risk?

Mr Prior—It may also be helpful to be sure that we are all referring to the same document. I am not sure what document you are referring to, Senator.

Senator LUDLAM—Sorry, I probably should have been a little bit clearer at the outset. I am reading from a briefing that was provided to the Senate foreign affairs, defence and trade committee on 16 October this year by the Australian National Audit Office. Chair, is it appropriate that I table that?

Senator Faulkner—It is even possible that officials have not seen that, Senator.

CHAIR—Why don't we provide a copy of the relevant page.

Senator Faulkner—I suspect you have not seen it.

Mr Prior—No, I have not.

Senator Faulkner—In fact, the officials have not seen it.

Senator LUDLAM—I am happy to table that and then perhaps we can return to this line of questioning in a moment, once you have had time to review it.

Mr Prior—Senator, one of the things I am very, very careful of is that although I talk to the Auditor-General at different times, I do not like to talk on behalf of the Auditor-General. That is an important separation of duties and responsibilities.

Senator LUDLAM—I respect that. I am more interested in the response that you would be providing rather than trying to—I am not asking you to verbal the Auditor-General.

Mr Prior—As a general commentary about the risks that still remain in general stores inventory from our point of view: in broad terms, and General Cavenagh would be able to confirm this, our stocktaking procedures are now vastly improved, they are on track and they are not as high risk as they used to be. Essentially, records management would be the area I am still very worried about.

Senator LUDLAM—We will provide you with this and we can return to this in a moment, if you would prefer.

Senator JOHNSTON—Can I ask a follow-up question on that, which I think might assist? Mr Prior, what changed between the previous five years and this year with respect to the ANAO's satisfaction for your accounting of the general stores inventory? Let us take an example: 1955 manufactured hand grenades. The issue, as I understand it, was putting a value on those items. Have we finally determined the method that the ANAO was satisfied with? What has happened here such that we have the tick?

Mr Prior—Just a minor, technical point: hand grenades are not part of general stores inventory; they are part of explosive ordnance.

Senator JOHNSTON—Let us say a widget then.

Mr Prior—Indeed. Essentially, last financial year we undertook a very extensive and thorough exercise in determining what the individual values of items were. The issue of recent times with general stores inventory has been one of being able to confirm to the satisfaction of both management and auditors the price, value or cost of a particular item. As you could appreciate, and we have spoken on this at previous committee hearings, defence holds inventory that goes back many, many years, as it necessarily needs to in some cases. Many organisations do not keep records that are 10-plus years old because they are turning over their inventory so rapidly: it is in and out as they buy and sell it, but we necessarily have to hold years of inventory.

The most recent issue, the one that was really difficult for us to resolve, was to establish a robust and reliable price or value or cost for those inventory items. That is the work that we did last year. We developed a methodology to establish what those prices or costs might be, and then we were able to take the ANAO through that methodology, and they confirmed that it was an adequate approach to determine what the costs or prices of those inventory items would be. I think it is fair to say though that in previous years, I do not think the stocktaking and quantity management was as good as it could have been. The quantity issue was resolved some time ago, but what was left hanging was this pricing issue.

Senator JOHNSTON—So you are saying that in terms of the inventory, we have total asset visibility and we have total price visibility?

Mr Prior—Major General Grant Cavenagh may be better placed to talk about quantities, but from a CFO point of view, I have great comfort in looking into the systems and being comfortable that we know where the quantities are, we know where they move, we know what state they are in, we know when they are obsolete and when they are not to a materiel level, and materiel is important in this context. On the pricing aspect, I can tell you that there is not a unique record for every item in our general stores inventory that is available for me to go and look at today or tomorrow. It is the nature of these older items. I can tell you that we have used a robust statistical approach to review samples of stock items and to establish the extent to which they may or may not have been recorded in this system relative to what would be a reasonable price, and the variance between what was in the system and what was a reasonable cost price was statistically valid. I just want to make it clear: it is not that we have found a lot of records; it is that we have established statistically that the prices in our system are reasonable.

Senator JOHNSTON—How many varieties of software are you using to maintain an accurate definition of the inventory? What has been the total cost of getting to this point with respect to the inventory?

Mr Prior—I would have to take the latter question on notice because I do not have that answer off the top of my head.

Major Gen. Cavenagh—With regard to the number of systems, the main system we use is the Standard Defence Supply System. It is the prime accounting system across Defence for managing the general stores inventory. The general stores inventory has around 550,000 individual types of items as of October with roughly 141 million individual items that are being accounted.

To answer your previous question on levels of accuracy, levels of accuracy have been improving over this remediation period. As of the last financial year our error by volume has been in the order of 4.28 per cent and our error by value has been in the vicinity of 0.56 per cent.

As you point out, there are a number of different IT systems that are used. As you would appreciate, highly classified items would be recorded on our classified network. The system for recording, for instance, property—property being a different type of asset—has its own way of being registered. So there are a number of different systems that are used to record the different natures of assets that we have within Defence.

Senator JOHNSTON—Are they integrated?

Major Gen. Cavenagh—They are not integrated so that you can fuse one picture—if I put a computer in front of you, could you bring up all of those results into one picture? No, it would have to be manually collated from the different systems.

Senator JOHNSTON—Thank you.

CHAIR—Are there further questions on the secretary's statement?

Senator LUDLAM—I was just wondering whether you have had a moment to review the document that I was referring to.

Mr Prior—Yes, I now know what you are referring to. You were referring to the Auditor-General's interim audit report to the department, which we have copies of and which I have read. Those interim audit reports were produced prior to the close of the financial year. These were assessments of his view of the risks inherent in the audit as he led up to the end of this financial year. The risks are articulated fully in those documents. They go to a range of things, including the manual systems that we use, the number of IT systems and so on. So they are things that I am very well aware of.

Senator LUDLAM—Okay. I am sorry I did not identify it correctly at the outset. How long would you estimate it is before the issue is resolved? I suppose it is significant to you that it is an unqualified report for the first time since 2001, but obviously having stopped short of doing that there are still reservations being expressed as to the integrity of the accounts.

Mr Warner—We cannot tell how long it is going to take. I can only tell you that we are determined to ensure that our financial statements remain unqualified. There are a range of

issues, concerns and problems. ANAO has highlighted the most prominent ones. We cannot put a time frame on this; we can only say that we are going to keep getting it right.

Mr Prior—Again, while I am very careful not to talk for the Auditor-General—but I am a qualified ex-auditor—can I point out that auditors have to form an opinion as to the veracity of the financial statements that they review. The risk assessments that the Auditor-General is referring to in this document is about the risk inherent in his ability to form that view. He has now formed a view about the financial statements. There are risks associated with the way in which he formed that view, but ultimately he formed the view that the accounts were, in common language, ‘true and fair’. As all auditors—ask the auditors of HIH or Enron—face auditing risks with all organisations, they articulate those risks to management, as he has done in this document, so that it is quite clear to management the sorts of approaches he might take to his audit so that ultimately he can satisfy himself or herself as to the veracity of the financial statements. As the Auditor-General does with the Department of Defence, and all other agencies, having their own qualified audit opinion, of course there are matters that he will bring to our attention that he has seen, and he does that through these documents. And we will attend to those as speedily as we can in the fullness of time.

Senator LUDLAM—Thank you. I will leave it there.

CHAIR—Mr Warner, I know this has been a lengthy process for both you and your predecessor, and there have been a lot of hard times, particularly at this committee, over the last four or five years. So I think it is worth while to note that the job has been done and express our thanks—particularly to you, Mr Prior. I know you only came into this business two or three years ago, and I know it has been an intensive job for you. I want to place on the record our thanks for your work but also your patience in taking me, particularly, and others through a lot of difficult accountancy work in the last two or three years. I am pleased that the auditors have been able to acknowledge your work in the traditional way. It is important to say that on the record.

We are still on topics relating to outcomes 1, 2 and 3. Are there further questions on the matters identified?

Senator JOHNSTON—I have some questions for the secretary, and I am hope I am right in nominating the secretary. I am seldom right! Secretary, the white paper is out there being prepared. I would like to know what capabilities, predominantly important capabilities, are being held up pending the white paper. I know that probably submarines might be part of it. I know that JSF might be part of it. SMEs are very concerned that there seems to be a little bit of stalling with respect to these things. Can you assist me as to what we are waiting to get on with?

Mr Warner—This is a shared responsibility, so I am sure that CDF will want to comment as well. I would only say that nothing is being held up. You mentioned submarines. They are not being held up. You mentioned JSF. It is not being held up. We are concerned and interested in ensuring that SMEs continue to be busy, and there has been no decision made, no determination, to slow down the feeding of the machine.

Senator JOHNSTON—So is the minister likely to make a decision with respect to air combat capability—in other words, for us to participate in Joint Strike Fighter—prior to the release of the white paper?

Air Chief Marshal Houston—All matters to do with air combat are part of the Air Combat Capability Review, and that is being fed into the white paper process. Fundamentally, wait for the white paper.

Senator JOHNSTON—That is the point I make. If our partners in that aircraft are making decisions in March-April of next year and the white paper does not come down till June, is there any disadvantage we suffer by being late in adhering to the doctrines within the white paper and signing on? That is the problem I see.

Air Chief Marshal Houston—Essentially, I do not think there is anything out there that is a problem with the government's strategy. Indeed, if something were to pop up, I am sure the government would take it on its merits. I do not see anything like that out there at the moment.

Senator JOHNSTON—So we are definitely not going to sign on to the JSF until the white paper comes down?

Air Chief Marshal Houston—No, we are not going to sign up to the JSF before the white paper, at this stage. Having said that, obviously we are in extraordinary economic times, and we will just see how things roll along.

Mr Warner—If I could just add to that a small point: you talked about the white paper coming down in June. We are still working to a time frame that will allow the government to consider the white paper in this budget process.

Senator JOHNSTON—The only reason I mention June is that I have noted that the commentators are suggesting that 'March-April'—words that have been bandied around, I think, by those commentators for the timing of this—seems to be moving away, and further away, from that. Initially, of course, the minister said 'this year'. My only concern—and the JSF is one, with the Air Combat Capability Review bound up in the white paper as it is—is that we are all waiting for this, and everyone else is signing on in the first half of next year except us.

Mr Warner—All I can say is that we are not aware that the government has taken any decision to alter the white paper time frame.

Senator JOHNSTON—Which is?

Mr Warner—Within the budget process.

Senator JOHNSTON—So March-April.

CHAIR—Are there any further questions on the white paper?

Senator LUDLAM—Can you give us a rough idea, or perhaps even an exact idea, of how much the white paper community consultations are costing?

Mr Warner—Yes, I can help you there. We expected that the cost of that process would be about \$400,000. We now think it will come in under budget at about \$310,000.

Senator LUDLAM—That includes the ‘Key questions for Defence’—the little booklet—and the video that is shown at the hearings?

Mr Warner—My understanding is that that is the complete cost of that process. I will make sure that that is correct, and if it is not I will correct the record.

Senator LUDLAM—You will come back. Thanks. Is that amount separate, or does that include the cost of the dialogues that are being held between the panel, state and territory MPs, industry representatives, defence analysts and commentators? Is that all wrapped up under ‘community’?

Mr Warner—Again, my understanding is that that is the total cost of the community consultation process.

Senator LUDLAM—Okay, thanks. The Chair of the Community Consultation Panel is a former Labor MP, Mr Stephen Loosley, I think. Did the department know prior to his appointment that Mr Loosley was on the board of Thales, which I believe is the largest arms producer in Australia and the world’s 11th largest arms company?

Mr Warner—Yes, I would presume we were fully aware of Mr Loosley’s background.

Senator LUDLAM—And that was not seen to be an issue?

Mr Warner—Not an issue for Defence. The panel, as I understand it, was put together by the government, by the minister. I do not see an issue here, though, no.

Senator LUDLAM—I am not sure whether this would be a question to you or to the minister, but can you tell us the selection criteria that were used in the make-up of that board?

Senator Faulkner—This is, I think, a matter for the defence minister. I am not briefed to be able to tell you what selection criteria were applied by the minister. In this circumstance, I think the best response to you is to take your question on notice so that Mr Fitzgibbon can give you a considered and formal response.

Senator LUDLAM—Thank you. Can you tell us how much Mr Loosley and the other panel members are paid for the work that they are undertaking?

Mr Warner—I can tell you that remuneration costs for the panel will be about \$61,000. We had originally estimated a much higher cost, about \$102,000, so again it has come in under budget.

Senator LUDLAM—Can you explain the reason why that has come in so far under budget?

Mr Warner—Some members have not been able to attend all meetings.

Senator LUDLAM—Was it a requirement that all the persons on the ministerial advisory panel be former employees of the Department of Defence?

Mr Warner—You have now moved from the Community Consultation Panel to the ministerial advisory panel.

Senator LUDLAM—I have, somewhat rashly.

Mr Warner—The answer to your question is no.

Senator LUDLAM—It was not a requirement that they all have been employees? Because my understanding is that they were all former employees, as it happened.

Mr Warner—The answer to your question is no.

Senator LUDLAM—In early September, while the process was well underway, the Prime Minister announced a commitment to increase military spending by about three per cent a year until 2018, which is a reasonably long time frame. The Minister for Defence on 23 September stated that the government will shortly be spending more money on defence than at any time in the history of Federation. So there is a fairly clear funding commitment that has already been undertaken by the Prime Minister and the defence minister. I put it to you that this essentially has pre-empted one of the more important outcomes of the white paper, around defence spending.

Mr Warner—Could I put it to you, Senator, that the Prime Minister made a commitment to increase defence spending by three per cent real for one additional year, not for 10 years.

Senator LUDLAM—So where was the 2018 commitment—or is that just a misreporting of his remarks?

Mr Warner—I do not know what you have there, but previous governments have committed to increase defence spending by three per cent real for 10 years. The Prime Minister's announcement was for one additional year.

Senator LUDLAM—I will leave it there. Thanks.

Senator TROOD—When you say the white paper was completed in the budget timeframe, I assume that you are telling us that the white paper will be completed, the government will have considered and any funding commitments that are required as a consequence of it will be completed within this timeframe. Is that correct?

Mr Warner—Government decisions on the white paper are for the government to respond to, not for officials.

Senator TROOD—That may be true. But I am trying to clarify when you expect the white paper to be completed.

Mr Warner—As I said, we are still working on a timeframe that will allow the government to consider the white paper in the budget process.

Senator TROOD—'Consider the white paper.' That assumes that the paper will have been completed. I am trying to clarify with you whether or not it is intended that the original expectation, which I understood was that it would be completed by the end of this year, will be met.

Senator Faulkner—What the secretary is saying to you is that some of these issues are matters for the minister. While I am personally not able to help you now, I am happy to ask the Defence minister to respond, if that assists you.

Senator TROOD—He may assist me. But if he is going to be—

Senator Faulkner—In other words, officials can provide what is appropriate information for officials to provide, but any question that is appropriately directed to the Minister for

Defence, I am certainly happy to ask him to respond and give you any information that he can if he is able to assist you. I offer that.

Senator TROOD—If he is able to provide an answer to my question, that would be helpful. But the white paper process is being undertaken within the department. A special task force has been created for that purpose. It is consuming not an inconsiderable amount of resources, given the kind of exercise that we are engaged in. The secretary has previously informed the committee about the progress towards the completion of the white paper. All I am seeking is clarification from him as to whether or not the original timetable, which I understood to be towards the end of the year, is still being adhered to.

He has told me that there is a process here that will involve the completion of the paper as well as the consideration of it and as well as some consideration of funding that might be a consequence of it. I understand that process. But there is a threshold process, if I can put it that way, which is that the document needs to be completed. All I am asking is: are we still on track for that document to be completed by the end of the year?

Senator Faulkner—I am not aware of any changes to the commitments that have been made in relation to the timing of white paper. But if the officials are not able to answer this—and Mr Warner, as the secretary of the Department of Defence, feels that beyond the information that he has provided other elements of this are a matter for the minister—all I can do is to take your question on notice, having indicated to you that I cannot say to you that there have been any changes to the commitments that have been about the timetable.

Senator TROOD—Perhaps you can invite the Minister for Defence to provide an answer to my question.

Senator Faulkner—That is the appropriate course of action. I will take that element of your question on notice and the Minister for Defence will respond.

Senator TROOD—Thank you for doing that, but it strikes me as passing strange that the secretary is not able to provide me with an answer to what I think is a relatively straightforward question.

Senator Faulkner—I do not think that that is fair. The secretary and other officials at the table can answer questions on process issues. But decisions about the formal release and the like are matters for government.

Senator TROOD—I understand that, and I understand the secretary's response to that, but that is not the question I am asking. The question I am asking is not so much when the government will release the document; I want to know when it is going to be completed. We may be getting into semantics here, Minister, about what completion actually means.

Senator Faulkner—We are more getting into hypotheticals, I think, than semantics, with due respect, Senator. Officials can provide you with what assistance they can in terms of process. I am always reluctant, as you know, to answer hypothetical questions at these committees and I am not surprised that officials would be a little reluctant about these things too. I understand what you are asking. I will ask the Minister for Defence to provide as full a response as he can. That is the best approach for me to take it so you can be confident that you

get a direct response from the minister on these issues. I think that is a sensible way of dealing with it. Basically, the information we have been able to provide to you we have.

CHAIR—Are there further questions?

Mr Warner—Chair, I am sorry to butt in. I would just like to correct the record if I could on an important point. In response to Senator Ludlam's question I said that there had been a one-year three per cent increase. It was in fact two years. I apologise for the error.

Senator LUDLAM—Thanks. I was just about to come back to that, if it is an appropriate time to do that now.

CHAIR—It is.

Senator LUDLAM—We do actually have the speech from the Prime Minister that he addressed to the RSL when he was in Townsville earlier this year, which is where the figure of 2018 came from, and he did actually give a spending commitment of three per cent per annum out until 2018, which is a lot longer than two years.

Mr Warner—Which is two years—an addition of two years. It is an additional two years of three per cent increase.

Senator LUDLAM—Over the 10-year spending? That was the point I was putting to you earlier. We have 10 years worth of Defence spending increases of three per cent.

Mr Warner—Previous government decisions amount for—now I will say eight years!—eight years of those three per cent increases. The Prime Minister announced an extra two years at the end of that decade of three per cent.

Senator LUDLAM—Okay. That is fine.

CHAIR—Further questions?

Senator Faulkner—Chair, can I just say to Senator Trood that I have checked the briefing I have in front of me. It does not assist you in a precise sense in the question that you have asked.

Senator TROOD—Does it, Minister, assist me in an imprecise sense?

Senator Faulkner—I am happy to share some of this—

Senator TROOD—Any assistance.

Senator Faulkner—I am more than happy to share some of this with you, if you would like. It is general information indicating that, for example, completion of the new white paper is Defence's highest priority aside from operations. I can inform you that the development of the new white paper addresses the need to align Defence's strategic guidance, force structure, capabilities, priorities and resource strategies. It informs me, as I think we all know, that the last Defence white paper was produced in—it is information like this. I have just checked my briefing to see if I can give you a more precise answer to the specific issue you have raised. I cannot do this as result of the briefing I have available so, as I have indicated to you, I think the best course of action is for me to take that on notice. I will do so and I will also mention to Mr Fitzgibbon when I see him that you have asked these questions.

Senator TROOD—Thank you, Minister.

Senator Faulkner—I could go further, but I think you understand the nature of some of the material. Did you find that interesting, Senator?

Senator TROOD—Most interesting, and I am grateful to you. Thank you.

CHAIR—On that basis we will adjourn for lunch and return to questioning by Senator Fierravanti-Wells which I understand will be on financial matters.

Proceedings suspended from 12.29 pm to 1.31 pm

CHAIR—Thank you, ladies and gentlemen. The committee will come to order and we will continue this round of the budget supplementary estimates in the Defence portfolio. Does anyone at the table have any comments to make arising out of matters raised earlier today?

Air Chief Marshal Houston—Mr Chairman, the Chief of Army will be here shortly and we would like to address, first up, the issue raised by Senator Johnston this morning. He should arrive in the next 10 to 15 minutes.

CHAIR—We will come back to that when the Chief of Army arrives.

Air Chief Marshal Houston—That would be good, thank you.

CHAIR—In that case we will resume with Senator Fierravanti-Wells.

Senator FIERRAVANTI-WELLS—Thank you, Chair. I would like to ask some questions, if I may, of the chief financial officer about costs associated with the VIP aircraft. I am pleased to see Senator Faulkner at the table because in finance and public administration estimates the other day, Minister, you will recall that I was shuffled from PM&C to Defence and then went to PM&C and now I am back at Defence. So I thought that I could come here and ask my questions.

To give some context to the chief financial officer, back in May I asked questions in finance and public administration estimates regarding the provision of the second special purpose aircraft used for the Prime Minister's visit overseas. I think we are talking about the US, Belgium, Romania, UK and China trip. That was the object of the inquiry. I wanted to get the costs associated with that and also have the process of reimbursement explained and, if I understood the evidence on that occasion, the costs would be borne primarily by the Department of Defence, the media would contribute to those costs and there would be a process by which there would be reimbursement. I duly asked Defence for information in relation to that. I did not get an answer but I did subsequently find out on 17 October that my inquiry had been directed back to Prime Minister and Cabinet.

The other day in estimates I asked the question in Prime Minister and Cabinet and I was told that, no, this is information that needs to be supplied by Defence. So I would like it if somebody could explain to me how this operates and who can supply me with and answer the questions that I put on notice back in May. I am happy to read those back onto the record if somebody does not have them if that is more appropriate.

Mr Prior—Thank you, Senator. First of all, I am sorry that you have had to go around in circles getting an answer. I do not have the exact details on me right now in regards to the costs of what you are asking for. I will pass it across to the Chief of the Air Force.

Air Marshal Binskin—If I understand your question, it is on the costing in relation to, what, the three flights?

Senator FIERRAVANTI-WELLS—Perhaps I can ask my question, which was on notice:

(1) In relation to the Prime Minister's overseas trip from 27 March to 13 April 2008, please provide the following details:

- Any costs of the trip incurred
- Any Defence staff who travelled on the trip
- Accommodation details, including location and costs
- Costs associated with provision of the special purpose aircraft/s
- Costs incurred by the members of the press and subsequently reimbursed
- Other costs incurred and reimbursed to Defence from other government departments/s or agencies or non-government entities

(2) When was the Department of Defence first requested to provide or make available a second special purpose aircraft? Who made the request?

Air Chief Marshal Houston—In answer to your first question about the Prime Minister's overseas trip, the Department of Defence has advised that the additional cost of the flights will be published and tabled in the schedule of special-purpose flights. Defence calculates the average additional costs of operating the Defence special-purpose fleet in accordance with the practice established by Prime Minister Holt in 1967 and followed by successive governments. This is an average figure over 12 months covering the additional operating costs for both domestic tasks and international tasks. Defence advises that the current additional cost rate is \$3,355 per hour. You might recall that I covered that in the hearings on 4 June.

In answer to your second question, which was Defence staff who travelled on the Prime Minister's overseas trip, the Defence members who travelled on the trip include the normal complement of personnel involved in supporting a lengthy overseas task. This included 13 pilots, 16 crew attendants, one security coordinator, six aircraft maintenance engineers, eight aircraft guards and two VIP operations liaison officers.

Senator Faulkner—Senator, in response to the third part of your question, which went to who made the request, I believe, let me respond to you this way. You would recall, and I know everyone in this committee room would be aware of, events that followed the Garuda air tragedy in Indonesia, which of course resulted in the death and injury of Australian journalists, that a number of the major Australian media organisations requested the provision of special-purpose aircraft for journalists who were accompanying the Prime Minister on overseas visits. I think it is fair to say that that particular request was based not only on safety but also on logistical grounds. Given the complexity of the Prime Minister's travel itinerary in relation to his visit to the US, Belgium, Romania, the UK and China, which is the March-April trip that you refer to, Senator, the Prime Minister did agree to the provision of a second aircraft. My understanding in relation to that circumstance is that in fact without that aircraft it would not have been possible for the travelling media to cover all of the events on the Prime Minister's official program.

I also understand that similar provisions have been applied to other trips. If you would care for me to go into some detail on that I can for you, but I think that goes to the other part of the question that you raised.

Senator FIERRAVANTI-WELLS—Yes, I think that there were a number of trips that we have been canvassing over recent times.

Senator Faulkner—I hope that helps.

Senator FIERRAVANTI-WELLS—Yes. The trip to East Timor, Kuwait, Iraq, United Arab Emirates, East Timor, Papua New Guinea—the one that we have just mentioned—and Japan/Indonesia. The other key component—

Senator Faulkner—In relation to those, my understanding is that similar considerations did apply in relation to a second chartered aircraft for the Prime Minister's travel to Japan and Indonesia in June, and Japan and Malaysia in July.

Senator FIERRAVANTI-WELLS—Can I take you back. So the request for the use of the second aircraft came from the Prime Minister?

Senator Faulkner—I do not think that is a fair reflection of what I have said. Obviously the formal request does, but I tried to give some background in relation to how major media organisations had approached this issue and I did so because it is proper to give the full picture—to say that those major media proprietors in fact requested some consideration by the government, and requested specifically this sort of approach, and that was done. I am sure you understand in the light of the Garuda tragedy.

Senator FIERRAVANTI-WELLS—I appreciate the context of the request, and to that end the second part of my question has not been answered, which is: for the costs that were incurred by the members of the press and subsequently reimbursed—I think Senator Minchin raised this at Finance estimates, and I have the transcript in front of me—my understanding was that the cost of the media would be reimbursed. As a consequence, if the request was made by media organisations, do we have copies of those requests, what are the terms of those requests and, in particular, what are the terms for reimbursement? Also, if there was an agreement for reimbursement, have those funds been reimbursed or when will they be reimbursed?

Senator Faulkner—If you mean is there a paper trail, to use the vernacular, in relation to requests of the media proprietors that I mentioned? Is that what you are referring to?

Senator FIERRAVANTI-WELLS—There seems to have been a request by the media for use of a VIP aircraft and there are taxpayers' funds involved in using that aircraft.

Senator Faulkner—That is right.

Senator FIERRAVANTI-WELLS—I accept that, but the evidence that was given in estimates back in May is clear, and I am happy to read onto this record the evidence that was given then. Senator Minchin asked the question: the media do contribute to these costs. The answer provided by the PM&C official was, yes. Mr Leverett, I think it was, indicated that they pay a commercial airfare for those flights. That is what it was around. What I would like to get to the bottom of is this: yes, the media proprietors want a VIP aircraft put on for their media contingent and there is obviously some sort of term about reimbursement of the costs.

Evidence has been given that, yes, there will be some sort of payment. I would like to know what that payment is, what that figure amounts to and has it been paid, for each of the trips where media did travel on VIP aircraft. Also, whether the terms of any agreement or loose undertaking or whatever have been met.

Senator Faulkner—Chief of Air Force, I think, can respond to some of that detail for you. So I will ask Air Marshal Binskin if he can perhaps address some of those issues and you can come back if you need further information.

Senator FERGUSON—I asked those questions on Monday.

Senator FIERRAVANTI-WELLS—Yes.

Senator FERGUSON—Specifically, and I think you were there minister—

Senator Faulkner—I was at the F&PA committee on Monday. I noted your attendance too, Senator.

Senator FERGUSON—At that stage I was trying to find out how many people were on the VIP aircraft; and if they paid commercial rates, did they pay commercial rates at an economy or business class fare equivalent to what they would have been charged if they had flown commercially?

Senator Faulkner—I did talk about Defence's tabling processes in relation to manifests and the like. Instead of having me answer those questions, I am sure it would be appropriate, and would deal with these issues in a sensible way, to first go to those issues that Senator Fierravanti-Wells has asked and then come back to any other issues you would like to address. I will ask the Chief of Air Force to broadly address Senator Fierravanti-Wells questions.

Air Chief Marshal Houston—In answer to the first question about whether they were charged, yes, they are being invoiced at the moment. They are being invoiced for the June and July flights at economy class fare to go against the additional costs of the second aircraft.

Senator FERGUSON—Why economy? It is not an economy flight.

Air Chief Marshal Houston—Excuse me?

Senator FERGUSON—It is not economy class seating on a VIP flight. Why would you charge them at economy rates?

Air Chief Marshal Houston—No, this is not on the VIP flight, this is on the additional aircraft.

Senator FIERRAVANTI-WELLS—What sort of aircraft was the additional one used for each of those trips?

Air Chief Marshal Houston—What comes to us is a request for support for the visits. Again, I will not go into the details as to why—I think the reason we provide support to the media has been explained. The Prime Minister's office comes to Air Force, in this case 34 Squadron, and we look at the most efficient way of doing the task. In this particular case, because one of the BBJs was in scheduled maintenance over that period the most efficient way of doing the task was through a chartered aircraft. The decision was made to charge the journalists economy class fares against that chartered aircraft. That would be invoiced and we would invoice to get that money back to go against the cost of the aircraft.

Senator FIERRAVANTI-WELLS—What was the cost of the charter? Did the costs that have been reimbursed by the journalists fully cover the cost of the charter?

Air Chief Marshal Houston—I think it was explained on Monday that a part of this is to be tabled. We have already tabled the March and April flights as part of the tabling in June this year and, as per normal practice with parliament, the costs of these other aircraft and supportive tasks will be tabled in December.

Senator FERGUSON—What sort of plane was it? What did you charter?

Air Chief Marshal Houston—It was a 737 200.

Senator FIERRAVANTI-WELLS—I am not sure if this has been tabled or is part of the tabling conventions, but does the Prime Minister's office request the number of people that will travel with the Prime Minister for each of the trips? Presumably, that includes members his staff, family and journalists. Do you get a request from the Prime Minister's office that says, 'I want to go off to the US, Belgium, Romania, the UK and China and I need 60 spots on an aircraft.' Is that how it works, in simple terms?

Air Chief Marshal Houston—No, it does not. The way it normally works is the capacity of the aircraft is taken into account and that sets the size of the delegation. If I can just go back a while, international flights used to be conducted in Boeing 707s which have been withdrawn from service—the last one was withdrawn earlier this year. The practice back then was that if the Prime Minister were to travel overseas, his staff would travel and, of course, a media delegation would go along as well.

In the last few years governments of both political persuasions have usually taken large numbers of media overseas. With the withdrawal of the 707 and the arrival of the Boeing business jet, there is a capacity problem. There is only a limited number of people—something less than 30, in fact, 22—that you can carry on one of those aircraft. With the Garuda crash it came into sharp focus that there are places in the world where we need to provide better travel arrangements for our people. That includes journalists—they are very much part of a Prime Minister's travelling party and that is why we have got the circumstances that we have got at the moment. Frankly, I think I said six months ago that what is required here is really a larger aeroplane—

Senator FIERRAVANTI-WELLS—Yes, that is what prompted me—I was going to ask you about those comments.

Air Chief Marshal Houston—Given the circumstances we have got at the moment if the Prime Minister is visiting a country where the civil aviation standards are not as good as perhaps they should be, I think there is a moral obligation to put in place arrangements to look after our journalists because the journalists are going to have to go. It is part and parcel of our political process. It is the way things happen in our country.

Senator FIERRAVANTI-WELLS—In the past there was one aircraft that could carry how many people?

Air Chief Marshal Houston—A Boeing 707 could carry a couple of hundred people.

Senator FIERRAVANTI-WELLS—Configured in business class seating?

Air Chief Marshal Houston—When the Prime Minister travelled it had a prime ministerial suite and then there was a variety of seating in the back. There was sufficient seating to cover the Prime Minister staff and the media that travelled with him.

Senator FIERRAVANTI-WELLS—Just give me an idea.

Air Chief Marshal Houston—I could not. I will come back to you on notice and let you know precisely what it is.

Senator FIERRAVANTI-WELLS—I have not had the benefit of ever travelling on one of those aircraft.

Air Chief Marshal Houston—It would probably be about 150 because the VIP compartment up the front took a fair bit of space.

Senator FIERRAVANTI-WELLS—This agreement now with the media organisations has basically come about as a consequence of a request following the Garuda crash. They wrote to us and basically said, ‘Can we change the arrangements?’

Air Chief Marshal Houston—I do not know the ins and outs. The arrangements with the media and charging the media for flights are exactly the same as what used to happen when the Boeing 707 was in service. There is absolutely no difference in the approach. When the 707 was flying the media were charged for flying on the aircraft. The same process that is applied now with the second aircraft was applied back then except it was one aircraft and it was a 707.

Senator FIERRAVANTI-WELLS—The question becomes: what is the additional cost of the second aircraft compared to what it used to cost when we had one? That is really what it comes down to.

Air Marshal Binskin—That will be tabled in December as is normally the case. The previous costs that you asked for in the May time frame: the first trip was tabled in June—

Senator FIERRAVANTI-WELLS—The trip to East Timor was 8 to 15 December 2007. Then we had the trip to Kuwait, Iraq, United Arab Emirates and Afghanistan in December 2007. Then we had the trip to East Timor in February 2008. We had Papua New Guinea and the Solomon Islands in March. Then we had the US, Belgium, Romania, UK and China in March to April; then Japan and Indonesia in June. They have all been tabled. Is that what you are saying? Can you please take me through which ones have been tabled and which will be tabled?

Air Marshal Binskin—I will have to confirm the previous ones but in accordance with what would be the normal practice they would have been tabled in the June tabling. I am pretty confident that they are there. The ones that were 7 to 15 June and 8 to 11 July will be tabled in December.

Senator FIERRAVANTI-WELLS—They are tabled within the period that they are taken?

Air Marshal Binskin—Yes, it is a summary of the six months in that period.

Air Chief Marshal Houston—I travelled on a couple of those flights. It was just a single aircraft. There was no second aircraft. Fundamentally, the cost of each flying hour was as I

briefed earlier on—that flying rate that I gave you was applied to those flights and that would be \$3,355.

Senator FIERRAVANTI-WELLS—So the request—correct me—went from the various media entities to the Prime Minister’s office?

Senator Faulkner—What I am advised, as I have indicated, and I think I touched on this at a previous estimates round, is that after the Garuda crash approaches were made by major Australian media organisations in relation to the provision of a special purpose aircraft for journalists who were accompanying the Prime Minister. That is certainly my understanding. In fact, I think it is a matter of record. In answer to an earlier question you asked me in this estimates, the formal processes are matters for government. It is important in terms of understanding the full picture that all these things are contextual and that was obviously a major event. It was a very tragic event and that did focus minds on how these issues should be best dealt with. You quite properly ask about the financial implications of just such a decision and I accept those are important issues. But I would also say, and I am sure you would agree, that there are not just financial considerations here. There are safety considerations and also, being frank with you so that you can have the complete picture, there are logistical implications as well. What I am trying to do is very fairly put before the committee all the considerations.

Senator FIERRAVANTI-WELLS—I understand that, Minister. It is just that in the context of what Senator Ferguson was asking the other day, when we heard 60 potential travellers, it raised the issue. That is why we are here today. Compared to the past, how many journalists usually travelled on the 707? Did we have 20? 30? Do we have 50 to 60 travelling now? I am just interested in how many used to travel on the 707 and whether it is the same number of journalists.

Senator Faulkner—I am almost certain we will not have that information.

Senator FIERRAVANTI-WELLS—You would have manifests of people travelling. For Air Force aircraft you would have, just like normal aircraft, the number of people that travel.

Air Marshal Binskin—I am used to travelling in an aircraft of one so I will take that on notice and come back before the committee.

Senator Faulkner—At least if it is an aircraft of one there is no question of the seating capacity.

Air Marshal Binskin—And the conversation is good, too. I would like to clarify a couple of things for you. The schedule of special-purpose flights has been tabled from 1 July to 31 December 2007. That was tabled in June this year. And 1 January to 30 June 2008 will be the tabled in December this year. And then July to December this year will be tabled in June next year. That is the tabling schedule for the lot.

Senator FIERRAVANTI-WELLS—All you table are the flights and the costs.

Air Marshal Binskin—This document here contains everything: manifests, flights—

Senator FIERRAVANTI-WELLS—Well, there you go.

Senator Faulkner—That is what you were advised yesterday, I think.

Senator FERGUSON—There are a couple of issues at stake here, Minister. You talk about logistics. The logistics really are that you have two planes so the journalists can arrive before the Prime Minister and leave before the Prime Minister leaves. On how many occasions since Mr Rudd became Prime Minister has there been a request for a second aircraft to take journalists?

Senator Faulkner—Do you mean a request from the Prime Minister?

Senator FERGUSON—Yes, a request from the government or the Prime Minister.

Senator Faulkner—From the government?

Senator FERGUSON—Whoever makes it.

Air Chief Marshal Houston—Again, we will have to come back to you. I think it is twice but I would like to check.

Senator FERGUSON—How many requests were made in the previous 11½ years by the previous Prime Minister for a second aircraft to accompany him overseas?

Senator Faulkner—I do not know, but we can take that on notice for you.

Senator FERGUSON—I think the witnesses were just about to answer.

Senator Faulkner—That is fine, and I hope they can add to what I am going to say. I indicate to you that it is important for you to take account of the reasons I have outlined for what I think motivated these changes.

Senator FERGUSON—If the Prime Minister was travelling to Indonesia, I could understand it. But when you are travelling to the United States, to Great Britain and to countries where aviation safety is considered to be better than it is in some of our near neighbours—

Senator Faulkner—That of course depends on the nature of commercial aircraft that might be alternatives. I was very frank in my response. I have acknowledged Senator Fierravanti-Wells's interest in the costs of this; that is acknowledged and is a matter where, rightly, at the appropriate time, those costs, if they are not available now, will be made available, as will passenger manifests. But I have also said that there are safety and logistical considerations.

Senator FERGUSON—I understand that.

Senator Faulkner—I have said that very openly and very frankly. Just so that we are clear on this, my understanding is that the July to December 2007 period was tabled in June this year and that the January to June 2008 period will be tabled in December of this year. I think I gave that evidence on Monday in PM&C—

Senator FIERRAVANTI-WELLS—No, you did not, Minister. That is why I have come here—

Senator Faulkner—If I did not, Senator, I am at least able to give it to you now.

Senator FIERRAVANTI-WELLS—Thank you. I was directed to come here, which is why I am here today. Otherwise I would not—

Senator Faulkner—And it is lovely to see you, Senator, and we are trying to do our best in answering the questions.

Senator FIERRAVANTI-WELLS—I am sure it is. I am sure that you always enjoy sitting there.

Senator FERGUSON—I am wondering if I can get an answer to my question.

Senator FORSHAW—I was there at that committee and I recall you saying that, Minister.

Senator FIERRAVANTI-WELLS—Well, it is not in the transcript, Senator Forshaw, so perhaps you might go and read it.

Senator Faulkner—Whether it is or it is not, it is certainly in the transcript of this hearing, so it is clear—

Senator FIERRAVANTI-WELLS—I just wanted it to be clear, Minister. I have the transcript of Monday before me. You know I have been pursuing this matter.

Senator Faulkner—I do.

Senator FIERRAVANTI-WELLS—I have been shuttled aside, and then I was not even told by this committee that my question had been transferred to Prime Minister and Cabinet. I only found out because I inquired about it. So my question did not get answered and I made an inquiry—

Senator Faulkner—Senator, we on this side on the table would never interfere in the fair workings of the committee—

Senator FIERRAVANTI-WELLS—I appreciate that, but I just want it known that I have not come here today to ask these questions just on a frolic; I have come because I have been directed by officials and by you in Finance and Public Administration to come and ask the questions here.

Senator Faulkner—And, Senator, this is the right place to ask the questions you are asking, and I am sure you are pleased that you are receiving answers to them.

Senator FIERRAVANTI-WELLS—I am. Thank you.

CHAIR—Senator Ferguson has the call.

Senator FERGUSON—I have a question for the Chief of Air Force. Are you aware of any occasions when the previous government or the previous Prime Minister requested a second aircraft?

Air Marshal Binskin—I am not aware of any but I can look into it. But I would like to say that the environment has changed over the last couple of years. We did have 707 aircraft in service for a number of years. In the last two years we have slowly withdrawn them from service, so much so that the last aeroplane was withdrawn in June this year. So the environment has changed. We did not have the 707s available in the last year or two to be able to do any of this tasking, so that may have changed the way that we have had to look at all this.

Senator FERGUSON—Can I say, Chief, to the best of my knowledge, it is a long time since the previous Prime Minister ever took the 707 overseas. I think once we got the BBJs in

service, either the BBJs or commercial aircraft were used. The other point I wish to make is that I think you will find that a second aircraft was not required on any occasion and, on many occasions, the Prime Minister took the journalists with him on the BBJ that he was taking overseas. So I would like you to check that.

Air Marshal Binskin—I am sorry, check the statement or about the aircraft? What would you like me to check?

Senator FERGUSON—I want you to check and see, first of all, whether or not he ever took a second aircraft, regardless of what happened in Indonesia. I think you will find in many of these occasions he took a BBJ and the journalist with him on the BBJ because he did not require an entourage that is quite as large as the one that the Prime Minister currently takes. For the trip to the United States, England, China, Bulgaria et cetera, who did you charter the plane from—Qantas?

Air Marshal Binskin—I do not have the charter company; I can get that for you quite quickly. I do owe you an answer on where we mandate that it is an economy-class fare. The cost recovery is mandated by the revised principles for the use of special purpose aircraft issued by the Special Minister of State in September 2002. That is what mandates that cost recovery is based on the equivalent economy-class fare.

Senator FERGUSON—We did not have the BBJs in 2002, did we?

Air Marshal Binskin—Yes, you did.

Senator FERGUSON—When did they arrive?

Air Marshal Binskin—The BBJ would have come into service around about that time. I can confirm the exact date for you.

Air Chief Marshal Houston—I think the BBJ came into service in 2002. The first VIP taskings were 2002.

Senator FERGUSON—Was the BBJ used as the second aircraft on any of the Prime Minister's visits overseas?

Air Marshal Binskin—The current Prime Minister?

Senator FERGUSON—Yes.

Air Marshal Binskin—A second BBJ was used on the first one this year, from 27 March to 13 April.

Senator FERGUSON—The question I am really getting at is: why should the taxpayer pay for the balance from an economy class airfare on a BBJ, which is a very comfortable aircraft with what no-one would describe as economy-class seats? Why should the taxpayer foot the bill for journalists travelling overseas in those aircraft at an economy rate?

Air Marshal Binskin—I am not behind what the decision was by the Special Minister of State in September 2002 to make that determination, I am sorry.

Senator FERGUSON—Does the \$3,355 that is charged per hour for these aircraft fully cover the costs of running that aircraft, taking into account everything—the lease payments, the fuel, the personnel?

Air Chief Marshal Houston—It goes back to 1967, when the then Holt government made a decision that there would be a cost that would be averaged out. It covers the additional costs of operating the aircraft; it does not cover the full cost of operating the aircraft. That has been applied by successive governments from 1967 to the present day. That is how it is done.

Senator FERGUSON—But in the past, the costing arrangements having been determined that way, have those aircraft ever been used as specific charter flights to carry journalists?

Air Chief Marshal Houston—The second aircraft?

Senator FERGUSON—Yes.

Air Chief Marshal Houston—I think the whole context changed with the tragic accident at Jogjakarta. If you remember—

Senator FERGUSON—I remember it well.

Air Chief Marshal Houston—Minister Downer was going to a conference. Fundamentally, he flew in in one of our aircraft—I think it was a Challenger—and the journalists were then organised to fly from Jakarta into Jogjakarta, and that is when that tragic accident happened. Essentially, after that people started to realise—and I feel this very personally and passionately—that we have an obligation to look after our journalists when they are travelling in countries where the aviation standards are not to the same standard as ours. I think there is an obligation on us—we, the Defence Force, who operate these aircraft—to put arrangements in place to look after our journalists. I am sorry, I probably have a personal connection with this, but I feel very strongly about it.

Senator FERGUSON—I know where you are coming from, Chief, but the circumstances have also changed in the way our journalists travel. If I had a ride in the back of the 707 in an economy seat, I would not expect to pay more than an economy fare either. But if they are travelling in a BBJ, which is a very comfortable aircraft, I do not care what decisions previous governments have made, I can see no reason why the Australian taxpayer should foot the bill for a journalist employed by a major national newspaper; I do not see why the taxpayers should subsidise their flight to the tune of the difference between an economy and a business class fare. They are now travelling in much better comfort than they did years ago.

Air Marshal Binskin—I can clarify. Initially when we were discussing the cost we were discussing the cost of the additional aircraft. That was the economy class fare. For the flight where the BBJ was used, the journalists were charged about a business class fare, just over a business class fare, which more than covered the additional costs of that aircraft.

Senator FERGUSON—That is a different answer to the one I had before.

Air Marshal Binskin—Sorry, I thought you were talking about the additional aircraft, not the BBJ, initially.

Senator FERGUSON—I am talking about the additional BBJ. So they were charged a business class airfare.

Air Marshal Binskin—They were charged \$12,000 for the round the world trip, and that across the journalists covered the additional costs of that aircraft.

Senator FERGUSON—I feel much happier, Chief. If we had got that answer first, I would not have had to ask all those questions.

Senator Faulkner—And I am happy that you are happy, Senator.

Senator FERGUSON—The only other question I have in relation to this is, did you say in that tabling statement you had the manifests of people that were on the plane? I asked on Monday the numbers of people that went.

Air Marshal Binskin—No, that was only up to December 2007.

Senator FERGUSON—So we have not got the ones up to June yet.

Air Marshal Binskin—That will be December this year that we will table that.

Senator FERGUSON—Have they paid their fares yet? You just said you are in the process of doing paperwork. If you fly commercially, you pay first and fly later.

Air Marshal Binskin—I guess I am rounding everything up. The flight that was on the original BBJ back at the beginning of the year has been collected. The other two flights are in the process of being collected.

Senator FIERRAVANTI-WELLS—They are very favourable terms, aren't they?

Senator FERGUSON—Good terms.

Senator Faulkner—Are you suggesting for one moment that journalists would not pay for their tickets?

Senator FIERRAVANTI-WELLS—No, I am not suggesting that at all.

Senator Faulkner—I see.

Senator FERGUSON—But the question that I asked on Monday that I am more concerned about getting an answer to was the numbers of people who were actually on each plane.

Air Marshal Binskin—That will be tabled in December.

Senator FERGUSON—There is no way of finding out until it gets tabled? It is a long time.

Senator FIERRAVANTI-WELLS—They have got them there, Senator Ferguson, but we will have to go through the process of going to get the document and everything.

Senator FERGUSON—I would have thought that the numbers on planes would have been something that you could find without waiting for the tabling of a document.

Senator Faulkner—It is a transparent process; it is actually a fully transparent process. You can perhaps make a criticism that there is a delay in tabling, but in most circumstances where this sort of information is tabled there is a significant amount of time to ensure that agencies and those involved in the tabling process get it right. But it is an advantageous thing, I am sure you agree, in terms of openness and transparency, that it is available.

Senator FERGUSON—Minister, there is a manifest the day the plane takes off. It should not be hard to find those figures.

Senator Faulkner—That may be the case, but, as you know, it is not just that information that is contained in the material that is tabled.

Senator FERGUSON—No, it is not, but all I want to know is that section on how many were on each plane.

Senator Faulkner—I know, and as long as you can cool your heels now for literally a few weeks, you will have that information.

Senator FERGUSON—The next time I will be able to ask about it will be May next year.

Senator Faulkner—No, that is not right.

Senator FERGUSON—February briefly.

Senator Faulkner—I can assure you that you will be able to ask about it in February 2009.

Senator FERGUSON—In a very tight schedule in February.

Senator Faulkner—That will give you ample opportunity in the ensuing eight weeks or whatever it is after the tabling to examine it in minute detail and for a number of hours at estimates of the Department of Defence for you to examine it in minute detail.

Senator FERGUSON—I am just looking at the chief. Are you suggesting you may have the numbers, Chief?

Air Chief Marshal Houston—I do have the numbers as I provided to this committee on 4 June. The *Hansard* records that in answer to a question from Senator Minchin I gave you all of that detail about the trip around the world that the Prime Minister conducted—

Senator FERGUSON—And the numbers on each craft?

Air Chief Marshal Houston—There were 21 journalists on the second aircraft, and fundamentally it flew 55.6 hours at the additional cost rate of \$3,355. The 21 journalists were each charged \$12,000. We went through that chapter and verse at the last hearing.

Senator FERGUSON—Thank you. And how many on the PM's plane?

Air Chief Marshal Houston—We do not have that. But, when this comes out, every single person is listed—the number of hours flown and the additional cost of each leg on his itinerary. It will all be there.

Senator Faulkner—We might have to get more copies printed.

Senator FIERRAVANTI-WELLS—Air Marshal, where we chartered the aircraft, is the cost of that charter greater than if we had one of our own VIP aircraft?

Air Marshal Binskin—You would be paying the full cost of that charter. I would have to go and have a look at what the contract was for the normal cost for the lease of the BBJs, and then we would put the additional costs on that.

Senator FIERRAVANTI-WELLS—Could you take that on notice, please, because my concern is that, if trips are scheduled and we do not have a VIP aircraft and we have to have—if I understood—a capacity of about 22, if we are starting to take 40 or 50 journalists around the world on every trip then we are going to go into a third aircraft. That is my question and that is my concern and that is why I would like to know what the additional cost is where we

have to charter private aircraft to take journalists, and the taxpayer in effect has to pick up the difference, over and above whatever agreement has been reached with—

Air Marshal Binskin—I will take that, Senator, but if we do charter a second aircraft and it has got so many seats on it we are actually better off filling those seats and charging the journalists rather than just taking a small number of journalists and not filling the seats.

Senator FIERRAVANTI-WELLS—Sure. I am sure the Prime Minister will oblige and take even more journalists.

Senator Faulkner—I am sure you will be able to work out an appropriate conspiracy theory, Senator. I look forward to it.

Senator FERGUSON—Air Marshal, you were going to check who the aircraft was chartered from on that trip.

Air Marshal Binskin—I will take that on notice as well.

Senator FERGUSON—Could you also check what sort of configuration that plane had—whether it had economy, whether it was a standard plane or a special one.

Air Marshal Binskin—Yes.

Senator Faulkner—If it would assist the committee, I think CDF and officials are in a position to be able to respond to the SAS allowances issue that Senator Johnston raised earlier today.

CHAIR—That would be of assistance.

Lt Gen. Gillespie—I guess the short answer to the issue raised by Senator Johnston is: yes, there is a problem with the pay of some of our special forces at the present time. The issue affects 105 people, 30 from Perth and 75 from Special Operations Command in Sydney. The problem arose through a process whereby the special action forces allowance and the special operations allowance qualifications and skills payments that we used to have were rolled into special forces salaries with a determination by the DFRT late last year. That determination was backdated to August 2007 and the determination was implemented on the pay day 21 August 2008.

The issue arose because skills necessary to meet the DFRT determination are recorded in our personnel system called PMKeyS. When people attend courses, the qualifications that come from those courses are rolled into the system. Our pay system then interrogates the personnel system and pays people in accordance with the skills that they have. In the case of the 105 people, the skill sets that they had were not recorded from formal course attendance. That meant that we had to enter into a process then of looking at their skill sets to see whether or not we could recognise prior learning or recognise prior competencies gained through on-the-job training.

Of the 105 people affected, 101 will have their recognition recorded in PMKeyS and their pay anomaly resolved. In the case of four people, they do not appear to have the necessary competencies for the pay that they are looking at, and we will look further at that as an individual issue for resolution. The resolution of this problem rests within Special Operations Command itself. The Commander of the Special Operations Command and the CEO of the

Special Forces Training Centre are the skills authorities for those people, and they have been working through that issue.

A debt recovery issue started as a matter of automatic process through the way that our pay system works with PMKeyS. As of today, that recovery system has ceased and we will resolve the issue one way or another. But I am very confident that the net effect of what we are looking at will not resolve in people having lost pay in that process, with the exception of the four individuals that I have to investigate separately in this process. That is the summary of the situation as it stands.

Senator JOHNSTON—I am very thankful, General, for your effort and time in getting to the bottom of that. I know that there are 105 people poring over their computers now, of which 101 will be very happy. It is the four that I am concerned about now, given the lack of confidence I must have in the system to this point as a result of what we have been through. I would hope that we are not back here in February with the four of them emailing me and coming to see me about a problem that is obviously bureaucratic, involving backdated assessments of qualifications. I am very much obliged to the efforts you have taken. I thank you for that. I will write to you if there are any further issues so that we might resolve them privately from here on in. Thank you very much.

Lt Gen. Gillespie—Thank you.

CHAIR—We are still on matters arising out of secretary and CDF statements and outcomes 1 through to 3. Are there any further questions on outcomes 1 through to 3?

Senator LUDLAM—I need some guidance on when is the most appropriate time to raise some questions. I have one on defence cooperation, or collaboration on national missile defence, with the United States and one on the Belconnen army base. Where should they be placed?

CHAIR—CDF, do you want to do missile defence and Belconnen now, or do you want to wait for the appropriate place in the order?

Senator LUDLAM—Missile defence is more high level, I suppose.

Air Chief Marshal Houston—I think we should wait until that section. Could I just respond to Senator Ludlam, who wanted some information on ADF mental health service delivery.

Senator LUDLAM—Thank you.

Air Chief Marshal Houston—If I could run through some of the points with you. You would be aware that we have one of the largest mental health support systems in Australia, with a range of general, mental and counselling services available to our people. Joint Health Command delivers mental health services on bases right across Australia, and that is coordinated by the Joint Health Support Agency and the Defence Force Psychology Organisation. Those groups include reserve psychiatric officers, contract psychiatrists, medical officers, general practitioners, nursing officers, contract nurses and, in some cases, mental health case managers, as well as psychology officers. We have a number of APS and contract psychologists as well as uniform people. We also have psychological examiners. Some of them have a certificate IV in mental health and medical assistance.

Where necessary, Joint Health Command can access additional mental health services from the Vietnam and veteran families counselling services and other locally sourced civilian mental health professionals. The ADF has a 24-hour, all-hour support line that ADF members can access at any time from anywhere. All ADF health personnel can access support when dealing with mental health issues through a 24-hour support line manned by an ADF psychiatrist. The ADF has 22 regional mental health teams made up of local mental health providers within Australia, and two operational mental health teams. These teams coordinate regional mental training and monitor regional trends and health issues.

I turn now to the operational mental health service delivery, and that of course is where we are conducting operations. Mental health support in the operational environment is provided by uniformed medical support, including medical officers, nursing officers and medical assistants, deployed for large concentrations of people. A psychological support team consisting of a psychology officer and a psychological examiner can also be deployed. Currently, there are two teams deployed in the Middle East area of operations and one team deployed in Timor Leste. All areas of operation have a critical incident mental health support plan where there are no embedded assets. The first psychology unit and maritime headquarters can provide fly-in assets. All deployed ADF health personnel can access support when dealing with mental health issues through a 24-hour support line manned by an ADF psychiatric officer. In the Middle East, the ADF can access additional mental health support through deployed coalition health facilities. It is a comprehensive system, it works very well and it provides good support to our people.

Senator LUDLAM—Thank you very much for providing us with that information on fairly short notice. Are the services that you have just outlined available to former personnel or only to currently active serving personnel?

Air Chief Marshal Houston—The services for former personnel are provided by the Department of Veterans' Affairs. What we are doing at the moment—in fact, we have been embarked on it for quite a while—is creating a seamless approach to the provision of health support right through from cradle to grave. So veterans—people who have been on operational service who qualify as veterans—will have support all the way through, from when they are in uniform to after they leave the service. It is very important for us that we paper over that seam that has sometimes existed in the past. I think we are getting pretty close with a very good relationship with DVA to achieving that outcome.

Senator Faulkner—Chair, I am assured by officials that if there are questions on missile defence—and I believe Senator Ludlam may have questions on that—now is the appropriate time for them to be asked.

CHAIR—I think you are right, Senator. I was just looking at the program, and collaboration with the United States on missile defence systems is listed here. Before we go to that, are the questions on JHQ to be done now or under capital facilities and defence support?

Senator Faulkner—Let us seek some advice on that from officials. Can we deal with missile defence and then we will give you an answer to that. We will try and work it out.

Senator LUDLAM—In the hearings of the Senate Standing Committee on Economics held on 29 July, I asked representatives from Defence about how Australia is collaborating

with the United States on their missile defence system, specifically whether we are collaborating on space based laser and space based infra-red systems, which are part of missile defence. I was told that we are engaging in collaboration with the US in some fashion. The witness said:

... we have engagement with the US through some of our capability development and policy discussion on their missile defence capability development ...

Can you provide us with, firstly, an overview of Australia's financial commitment to this collaboration and, secondly, an outline of how we are cooperating with the US in that project?

Mr Jennings—In the missile defence area, our collaboration with the United States is fairly limited. At this stage, we have not committed any expenditure on the procurement of ballistic missile defence systems, and we have a fairly limited policy of engagement with the United States, which is really designed to ensure that we understand their policy settings and understand the extent of scientific research and development going on in that field. In the last 12 months, our expenditures have been limited to around \$850,000, most of which is to support travel to be observers at exercises and to attend conferences.

Senator LUDLAM—\$850,000 on travel? Can you give us an idea of how many personnel are involved in those sorts of visits?

Mr Jennings—There are really two parts to this. One is the policy side of the house, where something in the order of \$275,000 has been spent in attending conferences and being observers at ballistic missile defence exercises. In the defence science and technology area, there has been an expenditure of approximately \$575,000 over the same time period, which is really designed to ensure an understanding of the American science and research effort.

Senator LUDLAM—Okay, so that is \$850,000 for travel and conference fees and associated costs, and a further \$575,000, or is that—

Mr Jennings—No, I am giving you a breakdown of the \$850,000. So \$275,000 is for conferences and observing exercises, and about \$575,000 is in the science and technology area.

Senator LUDLAM—So Australia is not actually providing research support, technology development or any of that sort of thing to the US effort?

Mr Jennings—Only in a very limited way.

Senator LUDLAM—What sort of way is 'limited'?

Mr Jennings—At this point, I will hand over to Admiral Tripovich. He can talk to the more technical side.

Vice Adm. Tripovich—In answer to your question, we have a lot of what I would call trade goods. We in the Defence Science and Technology Organisation are very good in modelling and simulation work, for example, and we contribute our expertise alongside the Americans and a number of other countries that are in the family of countries that are examining science and technology in things about detecting and tracking missiles, missile performance and evaluation of capabilities in missiles. We contribute that. A lot of the work we contribute is work we do for ourselves anyway, for Australia, and we take that to the table.

It is largely, if I wanted to characterise it, in modelling and simulation, in technologies for detecting and tracking missiles—in those sorts of areas.

Senator LUDLAM—Thanks for providing that. Is any of that work being performed on the request of the United States Department of Defense or the United States government, or are we just doing our own research and then providing it?

Vice Adm. Tripovich—We are in a collaborative arrangement with the US and a number of other countries. There is a very large gathering of countries which are involved in the missile defence research and technology because of mutual interest in this area. There is an agreed work plan, if you like. There are tasks that need to be done, and those countries then contribute what they are able to. Between us, we contribute what we are able to and collectively we have it covered, if you see what I mean.

Senator LUDLAM—So it is fair to say then that there would have been, on occasion, probably requests from the United States government to pursue certain lines of inquiry or research in Australia?

Vice Adm. Tripovich—As I said, there is a whole raft of things that collectively all the nations need to do.

Senator LUDLAM—I am more concerned about Australia's contribution specifically.

Vice Adm. Tripovich—I do not know of any specific tasks that have been given to us where we would not normally have had some interest in doing that work anyway, if you see what I mean.

Senator LUDLAM—Australia is pursuing independent lines of inquiry as to being able to destroy missiles in orbit, or—

Vice Adm. Tripovich—No. For example, we do a lot of normal research into missile characteristics: how do missiles behave; how do you detect and track them? That is normal Defence Science and Technology Organisation business—to support Defence, for example. We are able to contribute that sort of information to the greater pool of knowledge being formed by the collaboration of the various countries.

Senator LUDLAM—I do not know whether it would qualify as a separate appropriation, but the \$575,000 has actually been set aside specifically for missile defence work, so this is not some sort of pooled or aggregate effort into missile behaviour generally?

Vice Adm. Tripovich—No, that would be the value of our contributions.

Senator LUDLAM—In total. I understand, thank you. I am just wondering—and this is perhaps more a policy question than a technical question—given the United States policy of pre-emptive nuclear strike, how we could qualify the US missile defence system as defensive, when essentially it is informing a first-strike nuclear capability of the United States. I suspect that is probably more a policy question than a technical one.

Mr Jennings—Senator, I do not think I would characterise the American policy as being one of supporting pre-emptive nuclear strikes.

Senator LUDLAM—There have been statements from the United States President that they would use nuclear weapons on a first-strike basis if the conditions were right, on a number of occasions.

Mr Jennings—I do not think that translates into a policy of pre-emptive strikes, but I am not really here to be accountable for American nuclear policy.

Senator LUDLAM—I understand—except to the degree that we appear to be supporting a fairly key part of United States nuclear-war-fighting policy, if you will, and that there is an Australian contribution, so it is in our interests to understand on what footing that policy is.

Mr Jennings—My sense is that they could manage without us. I think that our contribution is of a very limited nature. It is really designed to ensure that we have an understanding of progress within the American system, which is after all a multibillion-dollar effort. It is one which makes it possible for us to understand the nature of the technology and the trends in that technology development, but, in essence, we are doing little more than maintaining a watching brief in this area through a very limited provision of resources.

Vice Adm. Tripovich—Senator, if I could give you some reassurance: the work that I have referred to is about missile defence, and it is related to being able to detect a launch, track a missile and take appropriate defensive action.

Senator LUDLAM—Thanks for that clarification. The language gets a little bit muddled, because, strategically, one of the purposes of a missile defence shield is that you can launch a first nuclear strike and be less concerned about a retaliatory strike. That is the strategic direction on which national missile defence is being pursued in the United States, so I would suggest that the use of the word ‘defensive’ is actually potentially quite misleading in that sense. That was why I was pursuing that line before.

Vice Adm. Tripovich—I can only speak to the work that we are doing. It is contributing to the ability to detect a launch, track the missile and defend ourselves, and that is consistent, I think you will find, with the government’s policy about defending troops in theatre, for example. We are trying to do that work. That is the important bit about it.

Mr Jennings—It is also worth saying that the focus of America’s effort is against what they refer to as ‘strikes from rogue states’—that is to say, states which do not accept the deterrence paradigm. In this part of the world, principally North Korea is a focus. I think that that is a serious strategic concern which the United States has, and certainly one around which we need to remain informed as well.

Senator LUDLAM—I put to you that a strike from a rogue state would be more likely to occur in the back of a truck than a ballistic missile, but that is probably a conversation for another day. I have one final question. Are we in conversations with the United States about technology transfer and potential deployment of such technology on naval vessels, for example?

Mr Jennings—Australian naval vessels?

Senator LUDLAM—Yes.

Mr Jennings—No, at this stage there is no Australian government focus on procurement of those sorts of systems.

Senator LUDLAM—Are there any related testing activities at the Woomera Test Facility?

Mr Jennings—None that I am aware of.

Air Chief Marshal Houston—No, not at all.

Senator LUDLAM—I will leave it there.

Senator Faulkner—Chair, in answer to your earlier question about where Bungendore and Belconnen remediation might be dealt with: if it would suit you, officials recommend that that occur in the capital facilities and defence support area. Also, if it would suit the committee, Defence is able to provide some further information on the other area that Senator Johnston raised earlier today which went to pay scales. If it would suit the committee, we are happy to do that now.

CHAIR—Thank you, Senator Faulkner, we will address Bungendore and Belconnen at the appropriate time in the agenda under capital facilities and defence support and we will take that additional information now, I think, and be done with it.

Mr Minns—We understand that you would like to discuss the approach that has been taken for remuneration reform in the military over recent years. The process commenced in 2003. It is Defence's considered response worked out in consultation with the DFRT to the Nunn review inquiry that produced a report in 2001. My colleague, Steve Grzeskowiak, the acting head of people policy, actually had carriage of this military pay reform for a couple of years. I think he is probably the best placed person to explain the logic of the design of the reform program and the order that the reform was pursued.

Mr Grzeskowiak—Defence and DFRT agreed on a four-stage approach to implementation of the remuneration reform, which commenced in 2003, is ongoing and is due to come to a conclusion in December of this year. The first phase was to look at allowances that we term 'environmental allowances'. These are allowances that were in the nature of salary and the view was that given that that was the case they should be paid as part of base salary rather than separate allowances. The main allowances in question were flying allowance, submarine service allowance, special action forces allowance and special operations allowance.

A piece of work was done which essentially divided those allowances into their constituent parts in terms of recognising the qualification element, the skills element and the disability element. The qualification and skills elements were deemed to be parts of remuneration that should be paid through base salary. Therefore they would become superannuable and that occurred in August 2004. From then all of the people, officers, warrant officers and other ranks who were in receipt of those allowances received the allowance as superannuable but at that time not as part of their base by. The reason for that is the pay structures existing could not accommodate those extra amounts of money.

When we looked at those pay structures—and this now moving into phase 3 of the implementation strategy—it was quite clear that the officers' pay structure was the least able to absorb those changes. The officers' pay structure had not been reviewed since about the mid seventies. Whereas in the other ranks sense there had been a review in the mid-nineties that had improved the pay structure there and had improved the pay outcomes. The officers were paid at that time in what we call a common scale. A major got paid what a major got

paid regardless of whether they were a logistics major, a combat arms major or an RT specialist major. There was no recognition, if you like, for specialisation or skill. So the view was that there should be recognition and in part that is done by rolling in those allowances.

Also when we were looking at this there was clearly going to be a sea change in the way we were considering ADF remuneration. We were moving away from, if you like, the 'all of one company' approach, which is that someone at rank was just paid whatever you got for the rank and we were moving towards a situation where we were going to pay by specifically recognising rank as one issue, but also skill in terms of somebody's trade, competence or specialisation. As part of this we were moving away also from looking only at an internal relativity's debate. Within the ADF what was the relative value of one type of tradesperson compared to another or a non-tradesperson?

That brought with it the prospect of looking at external forces in terms of market forces in the economy. We knew that we had a big piece of work to do. It was essentially a once-in-a-generation change to the way we were planning on reforming our people and part of the rationale for doing officers first was because it was a more manageable problem and we were going to learn a lot from doing that in terms of flowing that into the other ranks. A lot of work was done and we put in place a new officers' structure that had gradations of pay within it for people at rank. So a major would be placed in one of several pay groups depending on their specialisation or skill.

That was implemented on 9 August 2007. On the same day, we also implemented the rolling into salary into a larger expanded pay structure for other ranks, the rolling into base pay of those qualifications skills allowances. Both of those events essentially gave about half of the officers and about half of the other ranks a pay increase, although the primary reason was not about pay increase, it really was about structural reform to enable a modern competitive salary structure that we could then use going forward. We immediately rolled into detailed work on the other ranks, which is ongoing now. The first submissions to the Defence Force Remuneration Tribunal were in May this year. The final submissions will be late November, early December, and we would anticipate a decision at that time—early December. We are looking at trainee pay as part of that in terms of improvements to how we remunerate our trainees. There is a significant amount of money set aside for that.

But as we embarked on that work a year or more ago, we were very conscious that we had completed the officers' work first, and so we sought and were granted an amount of money through the recruiting and retention submission to government that saw us enabled to provide bonuses to a whole range of people in the services recognising areas of pressure. For example, we had bonuses in the Army to encourage people to transfer, to retrain or to do a trade because we were struggling for tradespeople. We had the Navy capability allowance, which was recently introduced. We had instructors' bonuses, which went largely to NCO type instructors in the training pool. We had corporals and sergeants and captains and majors in the Army offered bonuses to stay longer because we were short of those people, and we were trying to encourage people to stay with us longer.

Clearly, in recognition of the fact that we went with officers first, we did not leave the other ranks behind. The majority of the \$226 million that we were given for those bonuses has gone into bonuses in the other ranks' structure in various places, and we could go into more detail

of those if necessary. While all of this has been going on, the workplace remuneration arrangement, which is the collective agreement, for want of a better phrase, for the ADF, has been paying across-the-board pay rises of 4.2 per cent for the past 18 months and will do for the next 18 months. There are various mechanisms that have been used to remunerate the ADF. We really are coming to the very end of what has been a significant transformation in both the philosophy of how we reward our ADF people and the mechanisms in terms of the pay structure. It has been a difficult journey, but hopefully on or about 5 December we should get the final answer, and then it is simply a question of implementing that decision through the other ranks' pay structure.

Senator JOHNSTON—Thank you for appearing at estimates on, I take it, very short notice, and thank you for very clearly, with a minimum use of acronyms, explaining to us what is a very complex system. I have two questions. If I was legitimately receiving SAFR disability and qualifications and skills allowance on 9 August 2007, should I still be receiving that notwithstanding subsequent determinations?

Mr Grzeskowiak—That gets us into a complex area. Fundamentally, if you were legitimately receiving it, then yes.

Senator JOHNSTON—The other question is: is there a capacity to adjust the non-specialists? It is all very well for the specialists, I think it is great we have looked after them with bonuses, but there is one hell of a lot of enlisted personnel out there who have not received the benefit of any bonuses or the benefit to equate to the officers who may or may not be specialists. Are we going to do anything to adjust that circumstance, given that we are 12 months late?

Mr Grzeskowiak—The submissions we are running through the Defence Force Remuneration Tribunal at present for the other ranks cover a placement consideration of every trade, every job category that exists within the other ranks—270-plus specialisations. Every one of them will be considered by the DFRT against evidence that is tabled for placement in the new structure. Clearly we are driven by the real need to ensure that we can retain and attract into the ADF the right balance or mix of people. It is widely known that our big problem at the moment is technical specialists. There are some lucrative offers out there in the employment market for people who have the sort of training and experience that some of our technicians have and, therefore, you could imagine that that is one area of the workforce that will be looked at and treated quite well under this arrangement.

That is not to say that all areas of the other ranks are not being looked at, they are, but there will not necessarily be positive outcomes for all segments of the ADF workforce out of this submission. That will be a matter for the Defence Force Remuneration Tribunal. It is also a matter for Army, Navy and Air Force, who have strong views of course on the value of various trades and specialisations, types of employees or members of the ADF for their particular service. All of those factors are being taken into account. We are seeking commonality, where possible, that brings logic and simplicity to the final outcome, but the service-specific issues are a key factor in the case that goes to the Defence Force Remuneration Tribunal.

Senator JOHNSTON—Thank you very much for those answers.

Air Chief Marshal Houston—Can I just add: the Navy capability allowance applies primarily to sailors. It applies to anybody who goes to sea and it applies to specialists and non-specialists across the board. It does not actually apply to offices. It is a very complex system, and I think you have had a good visibility of that today.

Senator JOHNSTON—I have, thank you, CDF. I do have a lot of questions for Chief of Navy with respect to that particular payment.

CHAIR—That concludes our questions on outputs 1, 2 and 3. I have had a request from Senator Johnston to shift in the next session to the remaining defence output groups, and I have agreed to that, if the officers are available. If those officers are available, and it is okay with CDF and the Secretary, we will go there.

Senator Faulkner—Yes, Senator.

[2.52 pm]

CHAIR—We will now move to the remaining defence output groups 1.2, 1.3, 1.4, 1.5 relating to Navy, Army, Air Force and Intelligence respectively before going back to the program as published.

Senator JOHNSTON—I would like to ask the Chief of Navy some questions. Vice Admiral, the naval capability allowance of \$60,000 paid to submariners over the course of 18 months and \$24,000 to surface sailors, how successful have they been in terms of retention, particularly in relation to submariners?

Vice Adm. Crane—The success is still developing, but particularly in relation to submariners we have had some early success. I can tell you that on the day that the Navy capability allowance was announced, that very morning a number of submariners in Western Australia withdrew their resignations. I will check the figures for you, and I can get them quite quickly, but we are seeing an increasing number of people who are accessing the Navy capability allowance. It is less successful at this stage in the technical area, and we probably need to do some more work there, but all of the signs are very positive and the Navy capability allowance initiative has had a very positive effect.

Senator JOHNSTON—Thank you for that answer. To be a little more specific, I would like to know precisely how many sailors have taken up the offer. I would also like to know how many did not resign because of the introduction of this allowance—if you have that visibility, I would be obliged for you to tell me that. How many chiefs turned promotion so that they would continue to get or would be able to access the NCA? As I understand it, if they became warrant officers they could not get it. What happens at the end of 18 months, and this is what I would like to discuss with you now?

Vice Adm. Crane—If I could take the third of your questions first—

Senator JOHNSTON—I actually intended the first couple to be on notice, but that is fine.

Vice Adm. Crane—I am not aware of anybody that has turned down promotion in order to remain on the Navy capability allowance.

Senator JOHNSTON—Good.

Vice Adm. Crane—I will correct that if it is incorrect but I am certainly not aware of anybody. I can also tell you that, by 31 August this year, 2,961 of 5,092 potentially eligible sailors had applied for the Navy capability allowance and 186 had revoked discharges previously lodged.

Senator JOHNSTON—Very good. Thank you for that.

Vice Adm. Crane—These were people that had already indicated they were going to go and who changed their view and withdrew their resignations. To go to the fourth part of your question—what happens in 18 months time—the intent of the Navy capability allowance was very much an opportunity to arrest a then increasing separation rate. It was, by its design, very much short term—18 months—and that was very deliberate.

The intent after that was to rely, to a significant extent on the GORPS program, which, as you have heard previously from the deputy secretary, PSP, is designed to get the relativities correct of the Navy workforce. We are working hard to make sure that those areas where we really value our workforce—and we value all of our workforce, but it is a fact of life that some are more critical to us than others—are in a correct arrangement so that we can use modern techniques in remunerating our workforce to manage it.

That is part of it. The other part of it is to work hard at dealing with some of the pressures that our people tell us about. That goes to time away from home and programs for our ships and is all part of a cultural shift that we are looking at very closely.

Senator JOHNSTON—Thank you very much for those answers, I was not expecting you to have those at your fingertips. I am very much obliged to you and I am impressed by the fact that you do. The problem I see with this scheme, whilst I think it has got a lot to be said for it, is that if we take some of the pay scales, we see that a petty officer, grade 4, with seagoing payments, is on \$231,000 for the 18-month period, with his \$60,000 NCA; whereas the navigator, a lieutenant, grade 6, is on \$158,000. Can I also throw into the mix the watch leader, a lieutenant, grade 4, who is on \$177,224, and an able seaman steward, who is on \$171,574. Whilst there is a differential, and the watch leader lieutenant's pay is higher, the navigator is getting less than the able seaman steward. I think this is a very significant blow to morale amongst officers, particularly in submarines. What can you tell us about that?

Vice Adm. Crane—I am aware that there is an issue around workload and, particularly, remuneration in the submarine space. I am aware of the particular issue you raise in relation to the navigator and the working hours of a navigator in one of our submarines.

Senator JOHNSTON—I have actually seen a navigator over three days, and he slept for an unbelievably short amount of time.

Vice Adm. Crane—Yes. I am aware of that issue. What I can tell you is that I do have a review happening as we speak, coming to a conclusion, that is looking at the employment of our submariners, the way in which they were employed at sea, as a ship's company, and the way in which we manage their career path in the submarine community, if you like. This was raised with me as part of that review, and I am expecting that review to come to me within the next few weeks. I will be looking closely at that particular issue.

I will say, however, that of course there are many factors that must be taken into account when we are looking at the remuneration levels, particularly when we are looking at our sailors and our officers. The career streams are very different. Often their conditions ashore—not so much at sea, because when you are in a ship you are one team and you are all living the same experience—and the career opportunities are different. But I do have this issue on my books at the moment and I am looking at it.

Senator JOHNSTON—Thank you very much for that.

Mr Minns—If I could just add slightly to what Russ has said, the DFRT had a view that it was important that the capability allowance did not enter the territory that might be considered a double dip with GOPS, the officers pay reform. So, to that extent, some of the issues that you have raised and the potential anomalies they present are the result of our working through the reform agenda with the tribunal, not just within the scope of Navy, to try and address—

Senator JOHNSTON—I thank you for that and I think that is a very interesting point. It underlines the fact that we have got salaries and packages and levels going in all sorts of directions as of right now. Given that we have got 18 months from April of this year, when we introduced the NCA, when do you expect this to stabilise so that GORPS, GOPS and retention payments are stable, quantifiable amounts such as anybody can get an answer if they ask, ‘What am I going to make if I go to sea in a submarine’?

Mr Minns—When we get the DFRT determination in GORPS, the other ranks pay framework, then that reform journey is sort of at an end as it was commenced in 2003. We do have a view—in the context of the workforce companion review within the thinking for the white paper—that we will always need to hold some contingency for occupational categories that move into high demand in the general economy. Whilst we could not tell you the sort of attraction or retention bonus that might be required for a particular trade group in seven years, we have an expectation that there will be one.

As we have tried to plan for the next decade, we have looked at retaining the capacity for what we call remuneration remediation, dealing with gaps that emerge in the structures that we largely hope to have finalised by the end of this year. But, as we confront the gaps driven by market forces, we will still have to look at strategies to address that. But certainly the major reform we have embarked on around pay scales and classification structures will be completed with the final DFRT determination.

There is room for us to do work in a reform space, and we are working on that around what we would call the total reward offer to our military workforce. That is a recognition that they have fixed and variable remuneration, they have benefits that are largely compensatory in nature, they have family benefits and they have the benefits that attach to their career in the service. So we do wish to do some strategic work in that space. It goes to the question of the future of the superannuation arrangements. It also goes to the issue of our looking at current compensatory benefits and maybe seeing them more as benefits that are designed to provide incentive. Once we finish the classification structure piece, which will largely be done this year, we will continue over the next six months to focus on a strategic approach to a modern, best practice, total reward framework.

Senator JOHNSTON—Thank you very much. Admiral, in terms of manning levels for our submarines, if we take away the reservists, how many submarines can we man?

Vice Adm. Crane—I can today routinely man three submarines. I say ‘routinely’ because that is something that can be sustained completely. Of course, if there is call for additional submarines then there is a capability available to me. But routinely I put three submarines to sea. Can I add, though, that as part of the review that we are currently conducting, there is a need to be careful about tying submarines to crews. Part of the work that we will want to proceed and look at more carefully is a concept of divorcing crews from submarine hulls and optimising our programs against the number of crews that we have available—of course all the time ensuring that I am able to deliver to the CDF for the operational commander the appropriate submarine capability.

Senator JOHNSTON—That brings me to the next question. *Rankin* is on the hard in South Australia. What is wrong with it?

Vice Adm. Crane—At this stage *Rankin* is going through a maintenance availability.

Senator JOHNSTON—I am told it is likely to be there for two years.

Vice Adm. Crane—Correct. I think *Rankin* is scheduled for a full-cycle docking, but I would need to check.

Senator JOHNSTON—It has a major battery problem, as I am—

Vice Adm. Crane—I would need to check that.

Senator JOHNSTON—It has a major battery problem, as I am told.

Vice Adm. Crane—I think you will find that *Rankin* is entering a scheduled significant maintenance availability. There will be a number of issues in the submarine where it will be tired and in need of maintenance.

Senator JOHNSTON—And Collins?

Vice Adm. Crane—Collins is going into a short-term maintenance availability and will be back at sea early next year.

Senator JOHNSTON—What aspects of the maintenance are required to be done on Collins?

Vice Adm. Crane—I do not have that detail available right now.

Senator JOHNSTON—Okay. This is my last question, because I can see the chair is looking at me. The towed array on *Wallah* is a topic of great discussion within the Navy. I am told that this has not worked for at least nine months and is not likely to work for a very long time—indeed, my information says:

... signals have gone out saying that this has no tactical advantage by the current configuration of that towed array ... the defect has been outstanding for over nine months with no defined repair plan to enable *Wallah* to actively participate in its commitments ... in these nine months several children have been born—

The person writing this envisages that this defect 'will be outstanding until those children seek to enlist.' Can you tell me what is happening here with this? *Wallah* has the combat system. It is our number one sub, I presume. It has no towed array.

Vice Adm. Crane—I can tell you that HMAS *Wallah* has had a spectacularly successful deployment—and, indeed, has done extremely well throughout a range of activities. I am not aware of the defect that is currently on the towed array. I can only imagine what it might be, but I do not wish to mislead you by guessing. I will need to go away and find out exactly what has occurred. But I would be surprised if those sorts of time frames were correct.

Senator JOHNSTON—I am told, reliably, I think, that this has been a constant running sore of a problem to the frustration of your best crew and your best boat. I can only raise these with you and hope that things get fixed.

Vice Adm. Crane—Thank you for raising it with me. I can assure you I will go away and find out exactly what the issue is. But we will be working it hard.

Senator JOHNSTON—Thank you, Admiral. I really appreciated your answers to those questions. Can I now talk to the Chief of Air Force?

CHAIR—Wait a minute. Senator Trood, do you have questions?

Senator TROOD—I have a question for the Chief of Navy, since he is here. Admiral, earlier in the year I was on *Success* as part of the Parliamentary Exchange Program. The crew, who were very hospitable and a very fine crew, were slightly frustrated about their air-conditioning equipment, which of course is not an unusual problem in some of the older ships of the Navy. But they were particularly frustrated about their air-conditioning equipment because apparently it was ready to be installed at a service and in the end it lay on the dock while the ship set to sea. Can you clarify whether or not this has been rectified or is planned to be rectified in the near future? If you need to take it on notice, I would be happy to get answer then, but there seemed to be a longstanding issue with this air-conditioning generator.

Vice Adm. Crane—As a previous CO of *Success* I am very aware of some of the frustrations in attempting to resolve one-off defects, and air-conditioning is unfortunately one of those. I am not aware of the detail of air-conditioning units sitting on berths while ships are away, but again I will go away and check that and find out. To my knowledge, today it is operating.

Senator TROOD—They, of course, being a fine crew, managed to get things operating but at something less than optimal operations, I think. These were, as I understood it, new pieces of equipment that were to be installed during some period of service which in the end did not happen, I think perhaps because the ship was required to be deployed. It seemed to me regrettable, if indeed my information is correct, that the ship went to sea without these new pieces of equipment.

Vice Adm. Crane—If I recall the time, it was during the RIMPAC deployment.

Senator TROOD—When I met the ship, yes.

Vice Adm. Crane—I think the ship sailed in a fully operational condition. It had a defect on transit, and then the ship's company—and, in particular, our technical people—did what they could to get the air-conditioning system back on line such that the ship could continue

with its particular mission. I will check, but my understanding is that that has now been fully rectified.

Senator TROOD—If you would not mind doing that for me, Admiral, I would appreciate it.

Vice Adm. Crane—Certainly.

CHAIR—Are there any further questions on Navy capabilities? There being none, we will now turn to output 1.3, Army capabilities.

Senator JOHNSTON—Chair, could we go to Army capabilities after Air Force, if you do not mind?

CHAIR—You want Air Force first, do you? Okay, we will go to Air Force.

Senator JOHNSTON—Sorry, Chair. Air Marshal, I only have a few questions for you, you will probably be pleased to know.

Air Marshal Binskin—In how many parts, Senator?

Senator JOHNSTON—Can you tell me what active electronically scanned array package we are getting with the new Super Hornets?

Air Marshal Binskin—We are getting the stock standard US Navy AESA radar with the Super Hornets.

Senator JOHNSTON—There are two types.

Air Marshal Binskin—Yes.

Senator JOHNSTON—There is the AN/APG-73 and there is the APG-79.

Air Marshal Binskin—The APG-73 is the new radar fitted to the classic hornets that we currently have in service. That is not an electronic scanned array. The APG-79 is the electronic scanned array and that is the one that we are getting with the Super Hornet Block II aircraft.

Senator JOHNSTON—Thank you very much. That makes me feel much better. Lastly, we have seen some interesting articles about the Super Hornet EA18G. Are we asking for ITAR's approval take 24 to 30 aircraft, or are we going to have six of the 24 as Growlers?

Air Marshal Binskin—To answer the first question, we are not asking for 24 to 36 Super Hornets. On the second question, the Growler capability is being considered in as part of the white paper process and the air combat capability review and it is part of the current deliberation by government.

Senator JOHNSTON—How many Super Hornets are we getting: 24?

Air Marshal Binskin—Yes, 24.

Senator JOHNSTON—So you cannot tell me if the white paper is considering these aircraft in addition to the 24, because I thought the 24 were stock standard.

Air Chief Marshal Houston—We are purchasing 24 aircraft, and one of the options that is available to government if they so desire would be to change some of those aircraft such that

they would have a Growler capability. But as the air marshal said, that is all part of the white paper process.

Senator JOHNSTON—That is fine. So from that, CDF, there will be 18 stock standard, missile equipped FA18Gs—

Air Marshal Binskin—No.

Senator JOHNSTON—If you get the Growlers, there will only be 18 standard aircraft.

Air Marshal Binskin—Growler is still an FA18F. You can get it with wiring in FA18-plus configuration, which means it is capable of taking the Growler equipment. You can use it in a Growler configuration, but you could deconfigure it to be an F-18F as well. It would take a number of days to take the equipment off and put the equipment back on. As an F-18F, it can still self-protect itself in an air to air environment with air to air missiles.

Senator JOHNSTON—But at this stage, from what I think you have said, we are not looking to buy 30 aircraft.

Air Marshal Binskin—No, 24 Australian Super Hornets.

Senator JOHNSTON—Okay. Who would be doing the maintenance of those new aircraft?

Air Marshal Binskin—I would have to hand that to the DMO, but the maintenance contract for Super Hornets I think is currently being determined.

Senator JOHNSTON—We will come to the DMO on that. I will be reminded to follow up on that. Lastly, very briefly, I want to talk to you about lift capability. Do we have adequate lift capability in Air Force as of today?

Air Marshal Binskin—Can you define ‘lift’, please? Is that lead-in fighter trainer or is that airlift?

Senator JOHNSTON—You have got the C130s, which are on the way out; you have got the Caribou, which is on the way out; and you have got four C17s, two of which are either training or being maintained. I am interested to know your view as to whether we have enough to do the job and whether there is any pressure with respect to the current tasks in terms of the jobs that need to be done.

Air Marshal Binskin—With the airlift capability we currently have, we can maintain our current operational commitments, although Air Lift Group is probably the most stretched of the flying FEGs that I have.

Senator JOHNSTON—That is the C17s.

Air Marshal Binskin—It is four C17s, it is 12 C130Js, it is C130Hs, it is CC08 Caribou aircraft, and we have a small King Air fleet in the training role that sometimes does some transport.

Senator JOHNSTON—The main pressure within that fleet, that capability, is where: the bigger aircraft?

Air Marshal Binskin—I would think the main pressure sits with our C130 force at the moment.

Senator JOHNSTON—What have we got on the table with respect to the Caribou? Can I ask that, or is that in and the white paper?

Air Marshal Binskin—As a part of the white paper process we are looking at Air 8000 phase 1 and phase 2. Phase 1 could be additional C130Js. Phase 2 is the Caribou replacement, C27-like aircraft. If I was to talk about where we are currently with the Caribou aircraft, if you look at the Caribou it is an old aircraft which is beyond its economic life at the moment. I have got 200-odd people at 38 Squadron doing a fantastic job trying to keep that aircraft airborne.

The problems we currently have with the aircraft are that they are not getting a return on the effort to get that number serviceable; it is a difficult aircraft to employ around the region nowadays because it runs on avgas, which is very difficult to get around the region and hard to support; and its niche capability, the STOL capability for very short strips, is becoming less and less important because many of the strips around the region now are C130 capable. That being said, it does provide a good capability for us from a force structure point of view, from an airlift point of view, and it also provides us with that small tactical airlift capability. Unfortunately, it is not preparing our crews, whether maintenance crew or aircrew, to be able to jump into the Air 8000 phase 2 selected aircraft, which will be gas turbine, glass cockpit, modern systems and flight management systems. So currently we are doing a proposal to put to government by the end of the year to retire the Caribou at the end of next year—

Senator JOHNSTON—The end of 2009?

Air Marshal Binskin—Yes—and lease some King Air aircraft, providing the capability that we need around the region with the King Air aircraft, supplemented by C130 when we need to.

Senator JOHNSTON—And the King Airs are pending a formal resolution in terms of the white paper?

Air Marshal Binskin—The King Airs are currently running in parallel with the white paper process. The advantage of this aircraft is it will still give us the light airlift that we need from a personnel perspective and, as I said, the slightly larger loads could be supplemented with C130. The important thing is it gives us the chance to reskill our workforce to be able to more seamlessly go into the Air 8000 phase 2 capability. From an aircrew perspective, it will allow them to fly with glass cockpits and modern flight management systems. From the maintenance side, they will be able to skill up to a more modern aircraft plus supplement the C17, C130, KC30 introduction to make sure that is a better introduction and build their skills on that, so that when we go into their Air 8000 phase 2 capability it will be a far quicker transition and we will get a better capability quicker.

Senator JOHNSTON—Thank you for that. I do not have any further questions in terms of Air Force.

Air Marshal Binskin—Chair, can I just clarify one statement from earlier. I would hate to go back to the VIP but I'll mention the war! In relation to the 27 March to 13 April 2008 flight, I previously said we had collected the money from the journalists for that. The invoices have been processed. We have not got the money in yet. I might have mentioned before that we had already collected it. We have not; we are in the process.

CHAIR—Thank you, Air Marshal. Any more questions on Air Force capability?

Senator IAN MACDONALD—This may not be something immediately at the top of your mind and this may not be the right area to ask it, but I will try you out and if it is not you could direct me to where I should go. I am interested in the Townsville airstrip operation, the airbase at Garbutt, which is shared jointly with the civilian owners of the civilian part of the airport. I am interested in the rescue and fire service at the Townsville airport which I understand was, until around 2005, operated by the Air Force, who then got out of this area and engaged Airservices Australia to do that. The civilian owner of the airport is now wanting to contract a group called Delta Firefighters, or something like that, to do their work but there seem to be some difficulties in the transition from Airservices Australia to Delta. One of the difficulties is that the Air Force still use Airservices Australia. I understand your usage of the actual strip is about 20 per cent and civilian use is about 80 per cent and that the money for the firefighting services is 20 per cent Defence and 80 per cent civilian. Does any of this ring a bell with you personally?

Air Marshal Binskin—Always, Senator; I can answer this one. You are correct, Townsville is a joint user airfield. It is owned by Defence, although the civilian manoeuvring area is owned by, I think, Queensland Airport Ltd.

Senator IAN MACDONALD—That is right.

Air Marshal Binskin—It is one of two joint user airfields in Australia, the other being Darwin. Townsville Defence provides air traffic control services in the tower and approach services. Airservices Australia provide air traffic control services outside the immediate area, navigation aids and, you are correct, the rescue and firefighting capability which is contacted to us for the whole of the airfield. Queensland Airport Ltd provides the airport terminal services, maintenance of all the lighting and also the maintenance of the manoeuvring surfaces for the civil aircraft.

Previous government direction was for the fire services at all airfields around Australia to be contestable. That gave the potential to open up to other companies to come in. As a part of that, Queensland Airports Ltd started to look, through a company called Delta, to come in and started to invest in providing its own RFF there, but that would be for the civil side and civil operations only. I think they are already in the part of tendering for that, for a contract in 2009, or tendering as one of the potentials in 2009. There was a revised direction from CASA that Airservices Australia would be the sole provider in most locations, but they permitted that contestability to remain at Townsville because Delta had started to do its bid.

We are working with Queensland Airports and in particular Delta to work around this and resolve the issue. The problem for us is that the Delta bid would only be for civil operations, so we would still have to contract Airservices to do military operations. That in itself is quite complex: who would respond to which particular incident, if there were an incident? There is the potential confusion there, which we would not want to see in emergency services, and the potential for additional costs to contract out for two companies to run a service. So there is an issue there that we are currently working on with both potential operators and trying to resolve.

Senator IAN MACDONALD—Thank you, Air Marshal. Did you say that the whole rescue and firefighting is contracted to you? You have contracted it to Airservices, but you are in charge of it, and then—

Air Marshal Binskin—Defence contracts that provision of service through Defence Support Group. Defence Support Group, in Defence, contract that to Airservices Australia, so they are the provider of RFF for us at that airport.

Senator IAN MACDONALD—But you do the deal with Airservices and then have a separate deal to sublease the service to the civilian people; is that right?

Air Marshal Binskin—No. To have Delta come in and provide the fire services, they could only do the civil side; they do not have the qualifications to do military. For example, some of the military implications are weapons, ejection seats—all those military-specific bits of equipment. So there might only be 20 per cent of movements that are military, but they have a distinct, different requirement than the civil side, which would be just airliner type operations. We are currently working on how we would get around having an operator that could do the whole RFF without having to have two contractors there, and I think that is where the issue currently is in working it.

Senator IAN MACDONALD—CASA said yesterday at estimates that they have to license any operator, and they are looking at licensing Delta, but there are certain technical requirements that go in there. One of the issues, I understand, is the transition plan for Delta to take over from Airservices Australia. Unless the plan is signed off by both Delta and Airservices, CASA will not be satisfied, which then leaves Airservices in the situation where, if they do not choose to sign off, nothing can happen, whereas it is the clear indication of the civilian operator that they would prefer Delta to do it. In fact, Delta is now a subsidiary company of theirs. But I guess you have answered the real question. Do you remember—or could you answer on notice, if you do not—receiving a letter from the Department of Infrastructure, Transport, Regional Development and Local Government requesting that Defence and Airservices try and sort this out? Do you recall that?

Air Marshal Binskin—I do not remember getting a letter. It may not have come to Air Force; it might have been Defence Support Group that it came to. But I do know it has been an issue that we have been trying to resolve.

Senator IAN MACDONALD—On notice, could you get someone perhaps in the Defence department to follow that through for me.

Air Marshal Binskin—We will take that on notice.

Senator IAN MACDONALD—Air Marshal, I think from what you say that the answer to this question is yes, but has anyone within Defence openly consulted with Queensland Airports? Are you in discussion with Queensland Airports? The suggestion to me by my constituent is that perhaps that has not been happening. I am just reading between the lines there.

Air Marshal Binskin—I think that would be Defence Support Group. I would have to take that for Martin Bowles to answer, but we should be able to get back, put it that way.

Senator IAN MACDONALD—Perhaps again on notice, could you just indicate what specific actions Defence Support has taken to try and resolve this issue, without too much detail.

Air Marshal Binskin—No problems. We can take that on notice, yes.

Senator IAN MACDONALD—Thanks very much, Air Marshal.

Senator Faulkner—Could I just remind committee members that CDF and the secretary will be with us until four o'clock, after the committee resumes, so, if there are any questions that committee members would have dedicated to either CDF or the secretary, they will have that period. Both are happy to assist the committee with any questions that committee members might have in that period.

Senator IAN MACDONALD—Just on that, I have another very important issue about the Royal Australian Regiment no longer having a pipes and drums unit. I wanted to ask some questions about that.

Senator Faulkner—Yes, but I do not think that would need to be directed to CDF.

Senator IAN MACDONALD—I just want to find out who it should be directed to.

Air Chief Marshal Houston—The Chief of Army would be delighted to field that question.

Senator IAN MACDONALD—I thought you might say that!

Senator Faulkner—CDF would be delighted if the Chief of Army dealt with that one! But it was a serious point, Chair, about questions for CDF and the secretary.

CHAIR—I will come to it now, Senator Faulkner. I have been advised by the opposition that they do not have any further questions for CDF or the secretary. If you wish to leave now, we thank you very much for your assistance today, and we will see you both sometime in the future. When we return, we will come back to Army capabilities and General Gillespie.

Proceedings suspended from 3.32 pm to 3.53 pm

CHAIR—We will now reconvene and consider output group 1.3, Army capabilities.

Senator IAN MACDONALD—In view of the gravity and urgency of my issues, Senator Johnston has kindly allowed me to go first. General, I understand from the Chief of Defence that you are well across this issue. My informants tell me that the pipes and drums of the battalions of the Royal Australian Regiment are to be disbanded, the reason being that they are run down. It is suggested to me that the difficulty with rebuilding pipes and drums units is that with such unprecedented operational deployments the people have not been around. I was suggested to me that the same situation applied during the Vietnam War, but they were successfully rebuilt. My constituents in Townsville have approached me on this matter, which is serious to them and, they say, to the morale of the regiment. I do of course declare an interest. With a name like Macdonald, pipes and drums are always of some interest to me. But perhaps you could give me the background and where we are at and whether there is a prospect of perhaps the government giving more money to allow the units to continue—or whatever the need might be.

Lt Gen. Gillespie—Your informants are correct in the sense that there was a decision taken by my predecessor, shortly before we changed appointments based, on the advice of his Chief of Army's advisory committee that after a number of years and 11 separate reviews into some of the issues to do with the band corps—and, despite several warnings to the Royal Australian Regiment that it needed to do something to help itself in relation to the pipes and drums organisation—based on the advice of his generals he accepted that the organisation ought to be disbanded. This is a particularly key issue with the ex-service community. I do know that there is a considerable amount of lobbying to have a look at that issue and to perhaps put some pressure on me to rescind the decision taken by my predecessor.

I would say that right now in our Army we have a degree of hollowness—manpower shortfalls—in our organisation, and we have a high operational tempo. With initiatives from Hardened and Networked Army, ELF et cetera we have our training force very well committed to doing its training tasks to keep the force going. With all of those things, that causes some of us to take some difficult decisions at times. In my view, with the priorities that I have on my plate at the present time I do not see that I can revisit General Leahy's decision in that process and redeploy manpower from other areas that I see as more of a priority at the present time. So, despite a key interest in that area I am not inclined to rescind the decision to disband the pipes and drums.

What I have done is make sure that I have issued a new directive to the Director of Music about the maintenance of a pipes capability to support the regiment when it needs ceremonial activities requiring pipes and drums. The drums are not particularly an issue but the pipes are. Our approach to that is that we will continue to develop and work hard at developing a pipes capability inside the Army Reserve structure. So going forward into the future our current plan is to provide Reserve pipers, train them efficiently and effectively through our School of Music process and hold the Director of Music Army accountable for making sure that that capability is developed and maintained.

But right now your informants are advising you correctly. There was a decision made to disband them and right now, with the priorities capability issues that I have on my plate, I am not inclined to rescind that direction.

Senator IAN MACDONALD—Thank you. I have a couple of issues. You said that there had been warnings or suggestions to the battalion that they should do something about it. I am not of the services so I do not quite understand the terminology. What could the battalion have done, or what were they being urged to do?

Lt Gen. Gillespie—They were actually being urged to provide some people out of their organisation to get pipe training, which is one of the more difficult musical instruments to learn to play. The resolution of their problems in many ways rested in their own hands and how they employed their own manpower. So with the jobs that we have got on, your opening gambit was correct—high operational tempo and infantry very busy. The COs of the battalions of the regiment also agreed with me that the priorities were for their manpower to be employed and trained in other areas.

Senator IAN MACDONALD—I have a comment that says, ‘All commanding officers are totally committed to rebuilding their pipes and drums.’ Again, that comes from one of the ex-servicemen associations as you know.

Lt Gen. Gillespie—That is a nice commitment post the event. It would have been good if they had made that commitment at the start of the 11 reviews into the whole sort of process over the last few years.

Senator IAN MACDONALD—I see. Finally, and, again, because I am not wholly familiar with the way the services operate, do you call it a pipes and drums corps or is it a pipes and drums unit?

Lt Gen. Gillespie—The pipes and drums—

Senator IAN MACDONALD—Sorry, just let me finish: what is the difference between having a pipes and drums unit and having pipers available to join in with the other bands of the regiment?

Lt Gen. Gillespie—The issue is that the pipers, apart from a few regular band corps personnel, were drawn from the battalion and they were dual trained—they were to provide a medical evacuation capability in their war role and, in their peace role, to learn to play the pipes and, consequently, keep the capability going. The reality of it is that, really, we only had the regular band corps people participating in that process and the others were not coming through. And with some of the pressures that I have on those bands, I can better employ those people inside the professional bands of the Army, rather than what is a regimental—in many cases, volunteer—capability.

Senator IAN MACDONALD—Okay, but if you indicated you were trying to encourage pipers, perhaps some from the reserve, to be integrated into the other band units—just to clarify this for me—is that not the same as having a pipes and drums unit?

Lt Gen. Gillespie—No, what I am saying is that I have tasked the Director of Music—Army to, inside the reserve organisations and the reserve battalions, which are not part of the Royal Australian Regiment, develop and maintain the piping school. Some reserve bands already have pipe bands. So, rather than see the capability disappear out of uniform altogether, I am looking to put the capability in reserve uniform, the same as I do with some other capabilities that we cannot afford to keep going with the manpower figures that we have. The reserve will take ownership of those capabilities and carry them forward.

Senator IAN MACDONALD—Just as a suggestion, though, there was a very famous pipes and drums unit of one of the English regiments that made a lot of money with the records that they sold, with *Highland Cathedral*—that might be a way to support more tanks or something!

Lt Gen. Gillespie—Thank you! We just had the Australian Army Band Corps win an ARIA award for their last endeavour.

Senator IAN MACDONALD—Indeed, and congratulations to them; that was fabulous. Thank you very much.

Senator JOHNSTON—Before I ask you about that reference you made to ‘hollow units’ or ‘hollowness’ and to discuss the battle groupings that we have, I want to ask you about a

small matter that I think might be important to some people. I received some correspondence from the wife of a former serving member of the Army who had had 21½ years service. He was in 3rd Battalion parachute, 4th Battalion commandos and 1st Signals Regiment. She was upset and disheartened, after her husband's distinguished career, that at the end he simply took his bag, packed it and went out the gate. Is that standard operational procedure after 21 years for members of the Army? He was a sergeant; I do not particularly want to get into the names. But that did disturb me—after 21 years. Is there some standard operational procedure or do we just do this with all of the men? I know it may be difficult to make a song and dance but, when someone retires, do we just let them go like that, or is there something that was missed in this instance?

Lt Gen. Gillespie—It would be nice if some of your correspondents actually corresponded with me so that I could exercise my command prerogative rather than to do it at third hand.

Senator JOHNSTON—I might seek permission to send this to you.

Lt Gen. Gillespie—No, that is not the standard. There is, specifically, Chief of Army's Directive No. 4 of 2001, signed by the then Lieutenant General Peter Cosgrove, which details, in quite reasonable detail, the procedures for promotion and discharge ceremonies to be had by all ranks in the Army. There is a formal process. It involves, at lower rank levels, the commanding officers of organisations performing duties as specified in that directive, and, at more senior levels, more senior officers, and then, for colonels and above in that organisation, actions by me to recognise their service. If we have had a case where that has not worked then I would like to know about it so that we can fix the issue. But it is not an Army-wide issue, and it is something that I think is working particularly well.

We have dressed these things up quite a bit, and I am happy to give you some examples of the sorts of things we do, if that is what you would like. They are formal, well-chartered certificates of appreciation and letters. I know also that the corps of the Army, particularly in the senior NCO area and in the officer area, make considerable efforts to dine people who have had long service in each of the corps out of their corps at the end of their time. So, no, it is not a standard thing, and there is a process which should be followed. If it has not been then maybe you could write to me and I could do something about it.

Senator JOHNSTON—I will do that, and I thank you for the directive. I am very impressed that you have that at your fingertips. I will correspond with the person who has written to me to see if I can on-forward that letter.

If we can come back to the issue of 'hollowness': I note that, in a recent speech to ASPI, you talked about people—people being the Army—and you stated that you intend to pursue the expansion of the Army, in line with your predecessor's direction, by adding another 5,000 or so troops to the Army order of battle. I would like you to tell me where we currently stand with respect to personnel in the Army, and how many new infantry battalions, for example, do you see comprising that 5,000?

Lt Gen. Gillespie—There should not be a misunderstanding. The numbers that I am talking about expanding to are those that have been agreed by government under the HNA and Enhanced Land Force initiatives in that area. What I was flagging is that we are not currently at that strength and we have to grow to it. So it is no grand scheme by the Chief of

Army to introduce to the government a new requirement for battalions. As you know, in the Enhanced Land Force arena, there was the agreement to grow two new battalions. We were to have those battalions by the end of 2010. The first of those battalions is the 7th Battalion, and we are well ahead of the game on raising that battalion ahead of 2010. In fact, a company of that battalion and their headquarters have currently deployed on operations. The headquarters of the 7th Battalion is actually the MRTF that has currently started in Afghanistan as the CO and the leadership of that organisation. And with the 8th/9th Battalion we are also slightly ahead of the game but on target to do what it was that we were tasked to do in that area.

The point that I think I was making when I talked of 'hollowness' is that, despite the growth that we have had approved and that we are seeing in terms of infantry battalions, some of our critical trades and others still remain unfulfilled. And so, despite the growth that we have in the organisation, there is still a degree of hollowness because we have not been making the outcomes that we seek in some of our more specialised trade areas.

Senator JOHNSTON—Is it also aviation units—and, for instance, Darwin's three tanks squadrons? How are we going with manning up there? I am hearing some stories that they are very light-on for personnel.

Lt Gen. Gillespie—Yes, they are. We are growing those capabilities in accordance with a detailed growth plan. As we get people in over a period of time, we move from capability to capability to make sure that we eventually arrive at the numbers that we have been tasked to do.

Senator JOHNSTON—Could I ask you what you think an infantry battalion would cost? I have heard figures of as much as \$700 million.

Lt Gen. Gillespie—I cannot provide you with that figure off the top of my head. But I can get you that figure, because we have certainly been working in the area of the white paper to understand what each of our capabilities costs us. And of course infantry battalions come in a few varieties in our organisation now—light infantry battalions, mechanised infantry battalions, parachute battalions and commando battalions. So the answer to each is different.

Senator JOHNSTON—Well, I am instructed that if there are between 600 and 750 soldiers—forgetting about rifles, trucks, fuel and equipment—at a recovery rate for each soldier of \$120,000, we have got about \$80 million to \$90 million per year for a battalion. Do you have any issue with those numbers?

Lt Gen. Gillespie—I do not know that they are accurate. As I said, I could find those out for you. But to say 'the cost of an infantry battalion without its trucks, weapons and all the rest of it'—that is not really the cost of an infantry battalion.

Senator JOHNSTON—Are you looking to fill any of these two new battalions with reservists?

Lt Gen. Gillespie—No, not at this time.

Senator JOHNSTON—How do you define the word 'hollow'? What do you mean when you say that there is a 'hollowness'? I find that a little bit alarming—can you explain what you mean when you say that? I think it is a service term that you are very familiar with but I am not sure that I am so familiar with what that actually means.

Lt Gen. Gillespie—In essence it means that in accordance with our authorised growth and plan we are not making the target. At the present time in Army there is an underlying hollowness of about 1,700 people.

Senator JOHNSTON—Spread across various specialities?

Lt Gen. Gillespie—Yes, absolutely.

Senator JOHNSTON—All right; thank you for that. Now, I note that while we have some engineers and recovery people deployed in Afghanistan, we have not deployed any infantry soldiers—am I right in that?

Lt Gen. Gillespie—No.

Senator JOHNSTON—Or relatively few?

Lt Gen. Gillespie—Each of the reconstruction task forces that we have deployed have had an infantry company as an integral part of that structure.

Senator JOHNSTON—How many infantry companies are there?

Lt Gen. Gillespie—In round figures, about 120 people.

Senator JOHNSTON—So there are 240 infantry soldiers in Afghanistan now?

Lt Gen. Gillespie—No, each reconstruction task force we have had has been a combination of engineers and logistics for reconstruction and sustainment in that area, and the close personal protection for their task site and the execution of their tasks has been provided by an infantry combat team of about company strength.

Senator JOHNSTON—That makes a total of how many infantry?

Lt Gen. Gillespie—Over four MRTFs, so getting on towards 500 people.

Senator JOHNSTON—There are 500 infantry people deployed at any one time?

Lt Gen. Gillespie—No, in succession, so about 120 at a time.

Senator JOHNSTON—Rotating, so about 120 at a time?

Lt Gen. Gillespie—Yes.

Senator JOHNSTON—That is what I thought. Have we got six full-time battalions?

Lt Gen. Gillespie—Yes, we have.

Senator JOHNSTON—They are in various roles: three in Townsville, two in Darwin and one in Brisbane?

Lt Gen. Gillespie—We have six battalions, one of which is a commando battalion at the present time. The commando battalion, of course, has been fully engaged in the special operations task group operations in Oruzgan Province for as long as we have had that group deployed.

Senator JOHNSTON—We have five, other than commandos?

Lt Gen. Gillespie—That is right.

Senator JOHNSTON—Each of those battalions has three infantry companies, a total of 15 infantry battle groups—is that right?

Lt Gen. Gillespie—I am not sure where you are heading with this, but Afghanistan is not the only operational deployment we have had.

Senator JOHNSTON—No.

Lt Gen. Gillespie—We do have an infantry company providing the security detachment support in Iraq.

Senator JOHNSTON—Yes.

Lt Gen. Gillespie—Currently, we have three infantry companies in Timor.

Senator JOHNSTON—Yes.

Lt Gen. Gillespie—And so the infantry contribution to operations over the last few years has been quite considerable.

Senator JOHNSTON—Yes, all right. It strikes me that with 15 infantry companies, 120 men in Afghanistan and a constant rotation of special forces through there, there is an opportunity for relief of those rotations of special forces by more infantry. I hear from a lot of infantry soldiers that they would like to go. Is there a policy that we are not aware of here, or is there simply an assessment that you have arrived at that disperses those companies to the current formation such that there is only ever 120 infantry in Afghanistan?

Lt Gen. Gillespie—We do not pick military missions to give different parts of the Army a run in the battlefield. We tailor our missions for the job that is at hand, and right now the job that the Special Operations Task Group is doing in Afghanistan employs the skills that reside with those people. We have been employing infantry companies in Afghanistan with the skills that they have, and they have been doing a fabulous job. Talking to young infantrymen about whether or not they are happy that they have not been involved more often in face-to-face contact with the Taliban is a different issue. But we are not about employing young Australians in these missions to meet that sort of expectation.

In the Reconstruction Task Force 4 the combined arms operation that we have had over the last six months to do the work that we have done outside the wire in Tarin Kowt has been an absolutely outstanding example of combined arms effort. One of the reasons they have not been more heavily employed in what they see as their standard infantry role is that by and large our group is pretty potent and the bad guys have not seen the need to attack them front on to test that capability. We gave a young infantry command a really difficult job of getting a bunch of rag tag engineers—and I use that term in a loving sense because I am an engineer myself—to move from Tarin Kowt to Kandahar and enter Zabul province to build two bridges. It was an area into which we have never been. It happened quickly; it was a challenging task. The Taliban clashed with them once from a distance and found that it was not worth the effort. So I challenge this view that our infantry have not been employed in key infantry roles.

You might also see from the ASPI presentation that I did that I talk about our adaptive campaign in a war amongst the people. We, including our infantry, have done a really powerful job there. You have not got to have close combat to prove the worth of our infantry. They are fabulous young people. Now, if the operational circumstance change in Afghanistan

and we have additional issues to look at we can provide advice to government that says right now we have some infantry capability available to support in that area.

Do not forget that we also have a readiness and preparedness regime here in Australia where for the unexpected we maintain our battalion at short notice to move. So when you have a look at these tasks—Timor, Afghanistan, Iraq—and readiness in that sense, we are doing okay and we do have some capacity. But right now the task is not apparent for that to be executed.

Senator JOHNSTON—I thank you for that discussion because I think that is a most useful and frank explanation of where we are at. The reason I raised that with you is that I was very disturbed to read in May of this year in the *Sydney Morning Herald* an article that I thought required an answer. I guess this is an opportunity to discuss it and answer it. The paper said that there seemed to be an under-utilisation of infantry. The paper said:

... the infantry has not been assigned offensive actions since the Vietnam War despite steady overseas deployments since 2001, and disillusionment has caused some soldiers to leave the military.

The paper then went on to quote Major Jim Hammett. I think you might remember this article. He is apparently a serving officer, according to the report. His comments were:

The restrictions placed on deployed elements as a result of force protection and national policies have, at times, made infantrymen ashamed of wearing their Australian uniform and regimental badge ... [They] have resulted in the widespread perception that our army is plagued by institutional cowardice.

I was very concerned to read that. I would like you to comment on that. I think you have gone some way towards doing that. Do you think Major Hammett's views are shared through middle and senior ranking officers in infantry?

Lt Gen. Gillespie—I think his views are probably shared by some. I do not think they are shared by people who are more informed in this process. He is a junior officer in the big scheme of things. I think he is quite entitled to have that view. I am a senior officer in the big scheme of things and I look at the broad scope of the operations that we have done through a slightly different lens and the lens that I look through is providing the right sort of advice to government on the missions that become potentially apparent and to be able to look the mums and dads of Australia in the eye and say our people are being appropriately deployed. They are the criteria that I use. I would challenge anybody to say that the missions that the ADF has undertaken in the past decade or more have not been appropriate, have not been within our national interest to do and have not been conducted in an exceptional manner.

Senator JOHNSTON—Thank you for that answer. I have no further questions for the Chief of Army.

Senator TROOD—I have a question along the lines of the theme raised by Senator Macdonald and it is in relation to the policy that applies with regard to serving soldiers participating in Reserve day activities. I have received representations about this in Queensland. As I understand it, there are some concerns about the fact that there seems to be a policy which restricts the participation of serving officers in Reserve days. Can you just clarify this for me, please?

Lt Gen. Gillespie—I think—I will have to get back to you to confirm the facts because this is not one of the issues that I have looked at in the last three months since I have taken

command. My view is that what we have done is not actually make it compulsory for people to participate but make it voluntary. In a Reserve environment the number of training days that we have available to us is limited and we want to use those in the best possible way because the Reserve actually does provide real capability to us and we use those days to the best of our ability. My view is that the disquiet is that I do not dictate that people should do that but rather they can participate on a voluntary basis.

Senator TROOD—If you need to refresh your mind on that matter I would be happy to get your response. I was going to write to you on the subject but you are, as it were, a target of opportunity here today so I took advantage of that. But perhaps you could clarify the policy on that matter and get back to me.

Lt Gen. Gillespie—Okay.

Lt Gen. Hurley—Chair, before you go off the three services, Chief of Navy has some answers to Senator Trood's questions on HMAS *Waller* and *Success*. Do you want to take those before we finish with the services?

CHAIR—Yes.

Vice Adm. Crane—There were a couple of issues outstanding, firstly on Senator Johnston's question in relation to HMAS *Waller*. Senator, I am sure you will be conscious of the need for me to be careful in relation to capability issues. I can tell you that there are some challenges with *Waller's* towed array. It is unique to the *Waller* and we have an understanding of the challenge and we will be proceeding with that when *Waller* arrives back in Australia. On your second issue in relation to *Rankin*. She is indeed an ASC waiting the start of her full cycle docking. That is an extended maintenance activity, normally in the order of 75 weeks. In this case she will also undergo upgrades which will extend that availability. So she is in for a long maintenance period at ASC. That is part of the plan, part of the upgrade program.

In relation to her batteries—the batteries in *Rankin* were actually extended after a safety case was conducted, which allowed her to extend her battery life through to her becoming available at ASC for the maintenance activities. Yes, the batteries were tired but they were extended appropriately and safely for her to make the current availability.

Senator Trood, in relation to HMAS *Success* I can confirm that *Success's* air-conditioning is today 100 per cent serviceable. She has seen some major improvements since the refurbishment and again since her alongside period in RIMPAC. There is a plan for a full upgrade early next year. The hardware for that has been purchased and is standing by to be fitted during her maintenance availability early next year, but it is currently working at 100 per cent.

[4.24 pm]

CHAIR—Thank you. We will now turn to output group 1.5 Intelligence capabilities.

Senator LUDLAM—I think this will probably be fairly brief. In the past, Australia has provided training to the militaries of various countries in the region, including the Indonesian and PNG defence forces. Does the ADF currently provide or has it in the past provided training or advice of any sort to the military regime in Burma?

Mr Merchant—We have no bilateral defence relationship with Burma, so we have not provided any military training or advice.

Senator LUDLAM—That is the current situation. Has Australia done so in the recent past?

Mr Merchant—No.

Senator LUDLAM—Fantastic answer. Thank you. That was it, Chair.

[4.25 pm]

CHAIR—That concludes our questions on outcome 1. We now turn to output group 1.11, Capability development—unapproved major capital equipment program and the DCP, Defence Capability Plan. Senator Johnston has questions about air combat capability, current and future naval capability, current and future land capability and network centre warfare.

Senator JOHNSTON—Admiral Tripovich, I note that the Prime Minister is keen that we have a significant increase in the number of submarines into the future. I want to know what has happened with respect to capability development as a response to that intention, which I think is a very good one.

Vice Adm. Tripovich—We are continuing to prepare advice to government, as part of the white paper, on the future submarine requirement for Australia.

Senator JOHNSTON—So, although that Saturday issue of, I think, the *Australian* was talking about submarine capability and how good it is, it is not going to be with us until March or April and we are not going to do anything about developing this until we hear all about it in the white paper?

Vice Adm. Tripovich—No. As I said last time I spoke, there has been work going on on the future submarine project, to be called Sea 1000, since 2005 or 2006, I believe. We have been doing a lot of studies and examining our requirements. Recently the minister has approved us to expend about \$4.7 million on scoping studies. I have recently signed letters to five industries in Australia and overseas seeking their agreement to get involved in these to some detail, to prepare the advice that we will provide back to government in the context of the white paper. So it is very much active, ongoing work about preparing the ground and getting all the information required for government to make the right decision.

Senator JOHNSTON—When was that \$4 million made available?

Vice Adm. Tripovich—We received approval from the minister in the last month. I think I signed the letters about two weeks ago.

Senator JOHNSTON—I am very pleased with that.

Vice Adm. Tripovich—Before that, as I mentioned last time we met, I have been using project development funds, which are funds are available for me to do these studies all the way back to 2006.

Senator JOHNSTON—How big is the team we are using?

Vice Adm. Tripovich—As I indicated last time, there is a small cadre team formed that would be called the project team for Sea 1000, but altogether at any one time there are

probably at least a dozen people who are doing some form of work, in the DSTO or in other parts of the defence organisation, on strategy, tactical development and the like, including in Navy, to pull together all of the business case for what we will need in the future.

Senator JOHNSTON—Do you anticipate that the white paper is going to spell out what we are going to need in the future in the nature of propulsion?

Vice Adm. Tripovich—Last time, you or someone asked a question about nuclear, and I think it was—

Senator JOHNSTON—No. I am not interested in nuclear.

Vice Adm. Tripovich—Part of the work we are doing is to examine technologies that are available, including air independent propulsion, which is an emerging technology.

Senator JOHNSTON—That level of detail and that level of planning are going to emerge from the white paper. I am just trying to get a context of what we are waiting on.

Vice Adm. Tripovich—The white paper will go into things like numbers—or the white paper will set the scene for things like decisions that will then have to be made on things like numbers and size and the like.

Senator JOHNSTON—I do not want to tie you down to anything you do not want to commit to.

Vice Adm. Tripovich—No, no.

Senator JOHNSTON—That is good. So we are going to broadly talk about the capability requirements in terms of numbers and the environment through to probably 2030. Are we going to talk about any of the technical attributes of the boats?

Vice Adm. Tripovich—What is in the white paper is for the government, but generally that technical level is at a much lower, more detailed level—in the business case for a particular project rather than in a strategic document like the white paper.

Senator JOHNSTON—Let us say that the white paper is very broad and does not get into the technical detail. After the white paper, where do you expect us to find the technical detail of what is to be proposed?

Vice Adm. Tripovich—In the business cases that we will provide to government.

Senator JOHNSTON—So we will see it in a capability plan?

Vice Adm. Tripovich—If the government agrees to put it in the DCP that would follow the white paper, yes, that would be the case.

Senator JOHNSTON—And the costs involved are going to dwarf even those of the Joint Strike Fighter, I anticipate.

Vice Adm. Tripovich—I imagine. It is a very expensive project.

Senator JOHNSTON—So we would like a bit of transparency on the subject matter.

Vice Adm. Tripovich—Correct.

Senator JOHNSTON—I am not sure that I have anything else. I do not know whether the development of our network centric warfare command systems is your area.

Vice Adm. Tripovich—Yes, all the projects in the DCP belong to me. I can just confirm for you that I have been advised that we have 17 positions now, if you want to put a bracket around the submarine project. There are 17 positions allocated to the project.

Senator JOHNSTON—Okay, thank you. It is obviously growing quite quickly now—

Vice Adm. Tripovich—Yes, it is.

Senator JOHNSTON—with \$4 million. That is good. And it was last week that we got the \$4 million?

Vice Adm. Tripovich—No, in the last month.

Senator JOHNSTON—Beautiful. The thing I want to talk to you about is our joint command systems across Army, Navy and Air Force—the systems that are command and control, like *Vigilaire*—and ask you how they are going, because it strikes to me, when I read the ASPI paper on this subject matter, that we have a lot of problems for those systems other than what we have worked out whilst away in Iraq or Afghanistan or at the head of the gulf. Can you tell me how this is all coming along—for instance, the Battlefield Command Support System, which has been successfully deployed since 1999; the Special Operations Command system; the theatre battle system for RAAF; the global command and control system for the Royal Australian Navy; and the joint command system which coordinates the command and control systems as used in *Manoora* and *Kanimbla*? The editorial on all of this is that none of these are interoperable.

Vice Adm. Tripovich—Over the course of the last 15 or so years, Defence has introduced a number of forms of communications between platforms—Link 11, Link 16; various systems. The DCP has a number of projects in it which gradually draw those disparate systems together. Some of them are already interoperable; other projects which are in the DCP are to bring those interoperabilities closer together. I guess the road map for that would be the network centric warfare road map—the *NCW roadmap 2007*—which is a public document that we have produced which explains how gradually they will contribute to an overall effect by certain milestones.

Senator JOHNSTON—When do you expect that we will have an interoperable system such that we can pass—and I am pinching the terminology, because it has been very interesting to read this from ASPI—the ‘Hartzog test’. You know what the Hartzog test is. When will we be in a position to meet that test?

Vice Adm. Tripovich—It is a term that is not familiar to me.

Senator JOHNSTON—This is the Hartzog test:

... General William Hartzog conducted combined arms training with his division, he would persist until he could get one rifle bullet, one artillery shell, and one Hellfire missile to all hit the same moving target simultaneously—

that is, the integration of those three individual platforms. That is apparently a measure of electronic warfare interoperability through command and control systems.

Vice Adm. Tripovich—There are many ways to achieve that level of interoperability. In the ultimate, you would be able to do it automatically, where the soldier automatically transmitted information to the artillery and to the aircraft so that, without anyone speaking to

each other, ones and zeros flew backwards and forwards and it all happened automatically. We are able to do that sort of coordination today. It is often done with a mixture of voice transmissions, voice coordination and messages that we pass electronically. So it is not as though we cannot do coordinated support to each other. It is not as though the services cannot talk to each other or people on the battlefield cannot talk to people in ships or cannot talk to aircraft. There are various ways of doing it.

Some of the projects in the Defence Capability Plan and described in the *NCW roadmap 2007* describe how we will move more to getting away from manual systems and voice systems to automatic data exchange. But that does not mean we cannot do it now. It is something we practise very, very frequently in the ADF in exercises and in operations.

Senator JOHNSTON—But ASPI says that you can have Army, Joint and SOC talking to each other—you understand what I mean by those acronyms?

Vice Adm. Tripovich—Yes.

Senator JOHNSTON—And it says that RAN and RAAF can talk to each other interoperably and that, in the global command and control system, Joint and RAN can talk to each other, but that, in terms of across-the-board interoperability as envisaged in your speech on network centric warfare some time ago, we are a long way from achieving that and *Vigilaire*, for instance, which is a vital ingredient in that, is light years away from being serviceable.

Vice Adm. Tripovich—It is one element of it, but Army and Navy, for example, routinely practise coordinated gunfire support with each other. As I said, there are many ways of doing it now and a number of projects are designed to improve it. *Vigilaire* is a project that has been delayed and that will delay the introduction of that little element of the network centric warfare, but we have a great degree of networking—if you use that as a generic term—already in the ADF.

Senator JOHNSTON—Okay. I think we will come back to this in the future.

Vice Adm. Tripovich—Sure.

CHAIR—There being no further questions on capability development, we will move to our friends in the DMO. We will discuss all three outputs together—outputs 1.1, 1.2 and 1.3.

[4.36 pm]

Defence Materiel Organisation

CHAIR—Welcome, Mr Gillis.

Senator JOHNSTON—Mr Gillis, welcome.

Mr Gillis—I would first like to pass on Dr Gumley's apologies for not being here today. He had a very important family matter to deal with, and he has charged me to respond in behalf of the DMO.

Senator JOHNSTON—I am sure he is disappointed not to be here to answer questions!

Mr Gillis—He is very disappointed.

Senator Faulkner—I would not be so sure myself!

Senator JOHNSTON—The tradition as long as I have known it is that I start off by asking Mr Gumley, and in this instance you, Mr Gillis: what are the five worst projects on your books, by risk, that give you the most concern?

Mr Gillis—On 4 June you asked a very similar question, and Dr Gumley gave the response of Wedgetail, HF Mod, Vigilair, Tiger and Super Seasprites, in addition to the M113s. What we have done since 4 June is that the General Manager, Programs, Warren King, has taken carriage of managing that list of programs. I think it is best to call Mr King to answer the appropriate questions.

Senator JOHNSTON—I always enjoy talking to Mr King.

Mr King—Likewise, Senator. I would say that our No. 1 priority is AEW&C—that is, the airborne early-warning aircraft. It has been the subject, obviously, of a number of questions at these committee hearings and in the public domain. I have Air Vice Marshal Deeble, who is the program manager, here with me. Would you like an update on these five programs?

Senator JOHNSTON—I would very much like an update.

Mr King—This program will deliver the military a very highly capable aircraft, one that we have not had before. It is not a replacement capability; it is a new capability. With that comes a range of technical challenges, as you are aware. I will ask the Air Vice Marshal to give you a quick update on the program and the latest actions we are taking to keep that on track for the future.

Air Vice Marshal Deeble—The Wedgetail program remains a very complex technical program. My primary concern at the moment is the performance of the MESA radar. It is a multirole, electronically scanned array. We are in the middle of trying to baseline the current performance of the radar with Boeing and Northrop Grumman prior to entry into formal acceptance testing of that particular system.

Over recent months we have started discrete testing in an acceptance testing context for parts of the aircraft, but radar, of course, is the primary sensor and is the one that is causing us concern at the moment with respect to its current performance. That baselining activity will take some time. It will require us to test the radar in a number of different domains, predominantly in the Canadian and continental US arenas, to confirm that baseline performance and then be able to determine whether we are at a sufficient level of maturity. Maturity for the radar is going to be made up of performance, whether it meets its performance specification, and stability, whether it meets a normal mission requirement. We are conducting operational assessments as we go through that baselining activity. As we determine a level of performance, we then look at what that means in the operational context. That activity is ongoing: by the end of this year I envisage I will have a very good handle on exactly what the radar will do, what shortfalls it may have, what the operational implications are and, hopefully, a path forward agreed with Boeing at that point in time.

I have recently written to Boeing about our ongoing concerns with the technical performance of the radar and we are working through those issues with Boeing as we speak. I will be in Seattle next week to work through those issues quite specifically with them. The questions I have asked of them are about what they believe the current baseline performance to be; what action they will take to remediate any shortfalls in performance and, if there are

residual shortfalls, how we will work together to understand what those shortfalls are and how we would go about resolving them. At this point in time the radar is at a critical juncture. It is the primary sensor.

Senator JOHNSTON—This MESA radar is manufactured by whom?

Air Vice Marshal Deeble—Northrop Grumman Corporation.

Senator JOHNSTON—Northrop Grumman. Who else is using this radar in the same sensing role that we anticipate using it?

Air Vice Marshal Deeble—We are the first customer of this particular radar. The AEWAC capability is the first of type.

Senator JOHNSTON—Yes.

Air Vice Marshal Deeble—The same radar is also going to be installed on the Turkish aircraft currently undergoing flight test in the US. I think there may be an aircraft flying in Turkey as we speak. That is the same radar.

Senator JOHNSTON—Is their radar operational?

Air Vice Marshal Deeble—Their radar is very much reliant on us resolving those issues. We are the first customer. A lot of the testing that we are conducting will confirm baseline performance for those other nations. Korea is also on contract for this capability, and it is the same radar that is inherent in the Korean aircraft—what they term their EX program.

Senator JOHNSTON—But we are at the head of the queue?

Air Vice Marshal Deeble—We are at the head of the queue.

Senator JOHNSTON—Very good. I am sorry I interrupted; please continue.

Air Vice Marshal Deeble—That is okay. The ESM—electronic support measures, the ability to passively determine what is occurring in the electromagnetic arena around the aircraft—is also another system that we are working on closely. BAE Systems Australia is currently responsible as a subcontractor to Boeing for the provision of that system. We have been working closely with Boeing to understand exactly where we are. I did discuss that particular system last time I was at Senate estimates. That is one of the reasons we are looking at an incremental delivery—that has been offered by Boeing. That system has lagged in its development. I think we are at the cusp of being able to resolve those issues. We will have to conduct further developmental tests and evaluation to determine what those system issues are and what the integrated system performance will be.

Senator JOHNSTON—That BAE ESM system is called what?

Air Vice Marshal Deeble—It is the ALR 2001, a variant of the 2001. That system was developed by an Israeli company, Elta Systems. BAE Systems Australia has them on subcontract to provide that system.

Senator JOHNSTON—Where else is that system deployed in the configuration where we would wish to deploy it?

Air Vice Marshal Deeble—There is no other system out there that is deployed in the same configuration. We are a very significant modification of the ALR 2001. That system is

currently resident in the AP3C but we have expanded those capabilities in the AEWAC context.

Senator JOHNSTON—Very good.

Air Vice Marshal Deeble—In terms of communications, at this point in time I am pretty confident that the communications aspects are squared away. We have worked closely with Boeing to resolve issues that we had in that domain.

Data links, which are critical to our network-centric warfare capability, are still evolving. We have come a long way with Link 16. We have, potentially, one of the most complex Link 16 implementations of any aircraft in the world. It is the nature of the capability we are going to have in being able to form its command and control battle space management functions. We are at the point of being able to do what they call JITC certification. That is a process of confirming interoperability to a US standard. We are at the cusp of starting that and we have also done some significant work in mission computing to understand how that needs to be integrated. Link 11 is another area where we are in the middle of DT&E and will be evolving as well.

Senator JOHNSTON—Link 11 is more personal to us, isn't it?

Air Vice Marshal Deeble—Link 11 is predominately used specifically for interoperability with ships. It has been used in that domain. In the longer term, Link 16, Link 11 and those communications will be fundamental for interoperability with capabilities like the air warfare destroyer, and we envisage interoperations with those capabilities.

The other challenges that we face relate to schedule. We have over 10,000 requirements on my program. The testing program is complex. We have adopted an incremental approach to be able to work with Boeing and to assist them to get through the schedule. It is complex and concurrent. So that processing in its own right—to go through and test this system to be able to verify that we have met those requirements on a highly technical, highly integrated and complex system—is going to take some time. The follow-up to that then is the airworthiness, the Australian military type certification process that we have to go through where we take all of the artefacts that flow from testing test reports and adding those together. Ultimately, that is the basis I would go to the Chief of Air Force saying that we had a capability that met the requirement and met his airworthiness requirements. That process in its own right is a complex process, so we are working closely again with Boeing, looking at the implications of the radar, which will bound my technical problems, working closely on the other individual issues of ESM, communications and data links and undertaking testing when we believe those systems are mature enough to support that. Then we will be looking at operational utility demonstrations here in Australia and in the US as well as operational test and evaluation to confirm the overall integrity of the aircraft.

Senator JOHNSTON—The obvious question is: when do you expect that we will accept this capability into service?

Air Vice Marshal Deeble—I believe we have schedule risk associated with the program. Next week will help me confirm exactly where I sit with the radar, which will bound my overall problem space. What I have told Chief of Air Force and CDF is that I believe that we could, if we worked through some of these significant issues, look at initial operational

capability at around the end of 2011 and a full operational capability around 2012—assuming that there is some risk that will be realised in the not-too-distant future. That is what my current planning base is. I do not want to set expectations that I cannot achieve. I have significant technical risks in the case of the MESA radar, which will really bound that problem for me.

Senator JOHNSTON—I thank you for your frankness, Air Vice Marshal. That is the first time we have heard those numbers in terms of the horizon. I guess there is nothing else for it, is there?

Mr King—There are a couple of other things we have done recently that add to the program picture. The first thing we have done is we have written to Boeing to indicate under what circumstances we would enter into acceptance testing. I think it is important to establish that. The second thing we are doing is engaging the pre-eminent independent radar house in the US. It is called Lincoln Laboratory. We have engaged them, through the US, to have a look at the radar issues with us to give us a third opinion, if you like—as well as one from the company and one from ourselves—particularly about how to complete the radar development to an effective level.

Senator JOHNSTON—And the contractors agreed to that adjudication?

Mr King—Yes.

Senator JOHNSTON—Very good.

Mr King—It is not so much an adjudication; it is an evaluation.

Senator JOHNSTON—So it is not dependent upon a successful evaluation by Lincoln?

Mr King—No.

Air Vice Marshal Deeble—I want to further clarify this: the important thing is that we have written to Boeing seeking their understanding that we would be undertaking an independent review. It is my aim that that independent review be effectively run by DSTO, which has significant expertise in this particular area. DSTO worked closely in the program prior to contract signature, at the point in time that the requirements were developed, and has been engaged in the program sets. MIT Lincoln Lab is a pre-eminent research organisation in the US. It supports the US government and we will be seeking its services through the US government agencies to support that independent assessment. That will be important for us to understand the baseline performance and any path forward for remediation of any shortfalls of the radar.

Senator JOHNSTON—This capability is vital and, component wise, essential to network centric warfare. Am I right?

Air Vice Marshal Deeble—I will give you a personal perspective. I think Chief of Air Force would be better placed to make the operational assessment. I remain confident that this aircraft will be able to get there. The issue for me at this point in time as the program manager is the time that we take to get there. Given the systems on board and some of the utility that we have seen demonstrated, I think this will be a fantastic outcome. The MESA radar, when it performs to specification, offers utility that is not inherent under any other airborne early warning and control—or AEW—equivalent aircraft. The communications, the data links

that we have, will make it a key and significant node within any networked ADF. Again, I think the Chief of Air Force would agree with that assessment. The issues I am confronting relate to the fact that we are talking about a highly developmental system in terms of the MESA radar. We are a first of type and we have to look at those issues and work with Boeing through those issues.

The commitment of Boeing, Northrop Grumman and BAE is still there. Clearly they have made significant losses on this program. The Boeing company, in their own right, has declared in the order of US\$1.5 billion forward losses. Similarly, I think Northrop Grumman, currently in the public domain, has lost about \$84 million and, more recently, BAE Systems Australia has lost in the order of \$100 million. This has cost those companies; we are a fixed-price contract in that regard. Our aim is to continue to work closely with Boeing, Northrop Grumman and BAE and to ensure their ongoing commitment to deliver this capability.

CHAIR—Did you say \$1.5 billion in forward losses for Boeing on this project?

Air Vice Marshal Deeble—Effectively that is their AEWK program. There is an element of that which would be attributed to the Turkish program and potentially, to a much lesser extent, the Korean program. We have estimated that on the Wedgetail program alone, of that \$1.5 billion, we would probably be about \$900 million to \$1 billion of that declared in the most recent two years.

Senator TROOD—Those dates you mentioned in relation to the expectation of this capability, where does that put us in relation to the original expectation?

Air Vice Marshal Deeble—The initial operational capability—and again it is very much definitional and we have changed those definitions as we have tried to work through this process and understanding of what we will get—the incremental delivery does change that. Originally IOC was to be declared around the end of 2007. More recently, full operational capability, as Boeing have stated, was to be delivered in January 2010. That equated to some 38 months, so we trying to work with them to understand that. From the point at which we start training on the aircraft, it is some 15 months to initial operational capability and a further year to full operational capability. And we have a capability establishment plan working closely with Air Force that coordinates the alignment of training, of personnel, of infrastructure to ensure that we can achieve those aims.

Senator JOHNSTON—Mr King, the next one!

Mr King—Senator, that keeps me awake for the first hour. The second hour is FFG upgrade, and I think you and I have spoken about that previously. I will also ask Rear Admiral Boyd Robinson to come up and join me for this.

Senator JOHNSTON—This is the C-Pearl problem, isn't it?

Mr King—Yes, essentially. What we said last time, what I committed to you last time, was that we would set a plan in place. I could not predict the answer to that plan, but that we would execute it. The first set of trials we undertook in May were encouraging. There had been a significant improvement to the system—about six or seven major improvements. Ongoing improvements are still taking place. The contractors Thales and Rafael are working very hard to close down the remaining issues on the C-Pearl. We are also enjoying excellent

support from Navy, who are developing the libraries and so on that this C-Pearl ESM system requires, and will be conducting further trials over the next four or five weeks. I am moderately confident that we will meet the contracted requirements and will be able to then pass it into the Navy domain, where they can do operational testing, but Admiral Robinson may want to add something to that.

Rear Adm. Robinson—As we have been briefed before, the contracted date for acceptance of the first three ships is 18 November. That date is approaching quickly. The two key issues that we need to resolve are the electronic support and part of the underwater system. With the electronic system, an awful amount of effort has gone into that and it has been done very cooperatively with the contractor and subcontractor. There is one particular issue left to resolve and that is going to rely on testing and that will not occur until early November. That involves extra software being delivered by the company Rafael from Israel.

Senator JOHNSTON—This C-Pearl system is in use across Europe and quite commonly, I am advised. What is the problem with our C-Pearl? Someone says to me that we have no accurate threat history to in-feed into this data. Is that the problem? What is unique about our situation that we cannot get this working to our satisfaction when several other users are using it?

Mr King—I can start this and perhaps the admiral might want to finish it off. First of all, some of the early problems when we first talked about this when I was involved related to deficiencies in our equipment. For example, there were leaks in the antenna system. There were matters about vibration in the cabinets and cards coming loose. There were matters like that. I think I tried to describe last time the complexity of these systems when you fit them in a ship. The ship is a very electronically noisy environment; it has got a lot of other things. In fact often you are trying to detect very weak signals and you are getting reflections around the ship's superstructure. At the same time you possibly have very powerful radars and communications systems transmitting, so you are looking for this dim light in this bright environment, as I described it. In addition to core problems, which the contractors have fixed, you have got this problem of what I call more or less 'tuning the system' for the ship: how do you make this system take out all those anomalies and reflect how it works in the ship? So you get that element as well, which makes it different from any other installation.

Secondly, I think that we are testing—and we obviously cannot describe it in this environment, but there is a name for the system—but we look for more and in particular we are looking for a very low band performance, which other users do not necessarily have and we have certain requirements on the system which other users may not necessarily have.

Senator JOHNSTON—But it sounds like things are coming together and we are optimistic that by Christmas time we will have put this put to bed?

Mr King—Yes, it then has to go to the chief. Yes, in the terms of Thales and Rafael, they will have met their contractual requirements. The Chief of Navy and the Navy will then have to take that system and are planning to go to Hawaii to do further extensive testing—

Senator JOHNSTON—How many vertical launchers do we have on these vessels now—16, 18?

Mr King—I think that it is an eight-pack.

Rear Adm. Robinson—That is for the ESSM.

Senator JOHNSTON—Yes, the evolved Sea Sparrow.

Rear Adm. Robinson—Yes, and unrelated to our FFG upgrade but in the same time frame, we are installing the SM-2 area defence missile.

Mr King—Without detracting from the issue, I would like to re-emphasise that the commander control system is working, the missile system is working, the major radars systems are working and the ships are being generally used. It is rounding out these final smaller but very important factors that are yet to be done to return them to full operations.

Senator JOHNSTON—So next time we come back, hopefully, this will not be on the list.

Mr King—That would be very nice.

Rear Adm. Robinson—Back to the original point about other navies, I am aware of two other navies that use it. But the issue, as Mr King—

Senator JOHNSTON—Which navies are those?

Rear Adm. Robinson—I understand that they are Singapore and India.

Senator JOHNSTON—The Singaporeans are usually pretty particular.

Rear Adm. Robinson—I am not aware of their level of satisfaction. But with all these things, the issue is taking a system that can work in the country that it was designed for and the ship it was designed for perhaps and adapting it to our ships. This is an upgrade and we have the same issue with a number of our platforms. We start and we do upgrades of in-service platforms. It can actually be quite complex because you are a fitting something to an existing ship and that is why we have to go through a lot of testing and you keep finding obstructions, as Mr King said.

Senator JOHNSTON—This ship is a 1950s design, is it not?

Rear Adm. Robinson—No. The oldest one we have now was built in 1984 or thereabouts. It is a seventies design.

Mr King—I worked on delivering the first three FFGs from America—and it is very cruel to think that I am that old!

Senator JOHNSTON—It is a picket ship, as I understand it. I am happy with that. Next one?

Mr King—Maybe not in this order, Senator, but because the admiral is here I would go to Anzac ASMD and where we are with that.

Senator JOHNSTON—Yes.

Rear Adm. Robinson—ASMD, as we briefed, is an exciting project. It is going to deliver an unprecedented capability—that is, one that is not anywhere else in the world—into a frigate size ship.

Senator JOHNSTON—Could you briefly explain it for the benefit of all of us?

Rear Adm. Robinson—It is going to use an Australian designed and built phased array radar.

Senator JOHNSTON—CEA system?

Rear Adm. Robinson—Yes, a CEA system here in Canberra. It is going to allow the ship to employ multiple channels of fire for its air defence weapons, essentially.

Senator JOHNSTON—It is an Australian indigenous aegis system.

Rear Adm. Robinson—It essentially is. It is a fourth generation system. The issue with all these things, once again, is that it is taking the developmental aspect of it—stepping it through with the company, with DSTO support—and then it is also fitting it into the ship. Therein, again, lies one of the issues. That is going to involve constructing a new mast cupola fairly high in the ship to get the right level above the waterline for this radar. The various gates we have put in place for design reviews have passed. The next test will be early next month, where we will test here in Canberra in early November the ability—as this radar is going to have six faces—to pass a target contact from one face to the other. We will then take that to sea in mid-November and test it in a sea environment again. Both of those are strong confidence demonstrators.

Senator JOHNSTON—Which vessel are we using for the testing?

Rear Adm. Robinson—I think it is HMAS *Perth*.

Senator JOHNSTON—Most recent?

Rear Adm. Robinson—That is correct. HMAS *Perth* is the ship that we are going to install the first ship fit in because it is the latest version. We will baseline it so that, when it comes out, we will know what it did before it went in and what it does when it comes out. Subject to successful completion in that ship, we will go back to government and say: 'We have proven it at sea. We'd now like to go ahead with the other seven.' It is doing well within those constraints.

Senator JOHNSTON—But it is a high-risk developmental project?

Rear Adm. Robinson—It is interesting. When we say 'high risk', it is high risk because we have not done it but it is risk that we are managing and are aware of. But it is a great success story for Australia.

Senator JOHNSTON—Good. I am rather more worried about the ones that are not going quite so well. Can we go to the next one? I will come back to that next time we are here.

Mr King—In fact, we should see the next phase of the demonstration here at Fyshwick before the end of the year, which should be quite exciting. One that has kept us awake—but we are now sleeping again, which is nice—and may be illuminating to you is a project called JP129 UAV. We had gone out for a UAV and let a contract with Boeing. Our work showed that that was not coming along as quickly as we had wished. There were significant technical challenges for that project.

Senator JOHNSTON—How big was this aircraft? We are not talking global hawk or anything like that, are we?

Mr King—No.

Air Vice Marshal Rossiter—It is about the size of a small light aircraft. We got into contract with Boeing back in December 2006 for the acquisition of JP129. They

subcontracted about 70 per cent of that contract to Israel Aerospace Industries. Most of the development work and production work was being done by IAI.

Since awarding the contract, Boeing and their subcontractors have had some difficulty developing the solution, if you like. It was intended to largely be built with off-the-shelf level technology with a moderate level of integration work and be relatively low risk. That did not prove to be the case. Despite a number of attempts by Boeing to replan and rescope the activity and look at different ways of solving the technical problems, in the end none of them provided acceptable capability outcomes or an acceptable schedule to Defence. So in August this year we issued a notice of default against the company. Subsequent to that, we had a number of meetings to examine whether it was recoverable and concluded that there was not a sensible solution. On that basis, on about 4 September we terminated the contract.

Senator JOHNSTON—What was the capability we were seeking—what altitude were we looking for, what were we looking to detect and what sort of systems were on board?

Air Vice Marshal Rossiter—It was what they describe as a tier III tactical UAV, so it was not the Global Hawk high-altitude, long-endurance—

Senator JOHNSTON—And it had a 150-kilometre range or something like that?

Air Vice Marshal Rossiter—I think it was more like 100, off the top of my head—that sort of order of magnitude—with two systems, each consisting of four air vehicles and each with a couple of ground control systems, largely intended to be deployable to theatre and operated from a non-runway-dependent environment.

Senator JOHNSTON—How was it launched?

Air Vice Marshal Rossiter—Catapult launched. The design that was offered was recovered through a parafoil parachute type landing.

Senator JOHNSTON—Did we have something in mind when we let this contract? Do the Israelis have one of these working?

Air Vice Marshal Rossiter—They had a prototype working at the time we tendered the contract.

Senator JOHNSTON—That was not the Heron type thing that Customs were looking at, was it?

Air Vice Marshal Rossiter—No, it was a different one. The model they based it on was called the I-View 250.

Senator JOHNSTON—Where do we go from here on that project?

Air Vice Marshal Rossiter—Effectively we have terminated the contract, but the project is still alive; the capability is still required. It has gone back into capability development so we can look at available alternative options that might offer a solution in a reasonable time frame.

Senator JOHNSTON—What has it cost us?

Air Vice Marshal Rossiter—One of the conditions of the settlement was that every cent that we had paid Boeing up until that point be returned to the Commonwealth. So we got all

the money back that we had paid Boeing, which was only about \$6 million at that stage because we were withholding payments for failure to deliver against the contract.

Senator JOHNSTON—What had we paid the \$6 million for?

Air Vice Marshal Rossiter—That was paid against milestones for progressive development of the design, so you typically attach—

Senator JOHNSTON—And we actually have the cheque?

Air Vice Marshal Rossiter—It has been banked, yes.

Senator JOHNSTON—Beautiful.

Mr Gillis—Senator, I would also like to add that Boeing behaved very professionally in this response. The settlement deal was negotiated extremely quickly and Boeing, as I said, behaved very professionally. Sometimes we have been critical of their performance; in this situation it was very good.

Senator JOHNSTON—It sounds like a subcontract issue.

Mr Gillis—Yes.

Senator JOHNSTON—So that is just life. Admiral Tripovich, would you like to tell us about the capability?

Vice Adm. Tripovich—Just to close out your question, it is now back in my shop. We are doing a quick review of the requirements to make sure they are still valid and there are no requirements that are impossible to meet, if you like, with the technology that is around so we can return to government with advice about the options available for government to quickly fill the gap left by the cancellation of JP129. I think the important thing is to make sure our requirements match what is on the market, within reason, to try to shorten the time frame. There will be a delay, obviously, as we have to go back to the market in some form, but we will do that as quickly as we can.

Senator JOHNSTON—But the main loss to us is loss of capability?

Air Vice Marshal Rossiter—That is correct—we have lost time.

Senator JOHNSTON—Mr King, the next one?

Mr King—The fifth one, and it getting late in the morning by now, is HFMod, which we have talked about a little bit. I will ask Ms McKinnie to come up and address this. If I am giving you some encouragement that we are stabilising these programs, that is good, because I think we are. We are working very hard. You can almost never recover these programs, but we are working very hard to have stable plans, which we are now committing to and delivering on. If I could just emphasise, with respect to JP129, that that really highlighted a lot of our internal controls, with our independent program office identifying issues and then Defence as a whole reacting to that—doing something about it and changing to a more profitable direction for everybody.

Senator JOHNSTON—Very good. Ms McKinnie, you wanted to tell me about something?

Ms McKinnie—HFMod?

Senator JOHNSTON—HFMod.

Ms McKinnie—The HF modernisation project has been essentially structured into two main phases. The first was the delivery of a core system. That was delivered in November 2004 and has been working in support of the ADF ever since. The core system is stable and working extremely well and is meeting the requirements that we have set for it. The phase that we are in at the moment is to deliver the final system. The final system is intended to build additional automation over and above what we had before, improve the quality of data transmission over HF and introduce a number of other enhancements that will reduce the number of operators and make it easier to establish calls over HF and keep the calls up on HF. That part of the project is now running late. We have been in negotiations with Boeing to try and resolve schedule issues, to receive compensation for any schedule relief and to also try and resolve a number of issues that have arisen through the contract since it was signed in 1997.

Senator JOHNSTON—How late?

Ms McKinnie—The schedule that we have reviewed just recently would indicate that to reach equivalent of the final system it would be three years late. In August this year we conducted a technical non-advocate review to determine whether or not there were any fundamental technical issues that would be causing the system to be delayed. The main reason for that is that Boeing has had the system in integration and test for an extremely long period of time and it was not achieving the necessary integration and test parameters. We established an independent review team including people from the Commonwealth. We brought in Australian experts, US experts and UK experts and Boeing brought in their experts. They looked at the technical design and agreed that the design of the system was probably one of the most advanced HF systems in the world and that, while there was a risk in delivering the final system, it was nonetheless achievable. With that feedback we then moved to do a schedule review to ensure that the schedule that Boeing was putting to us for the completion of the system was in fact a schedule that would work and that made sense. That review was completed last week and Boeing, based on the advice that we have given them from our assessment of the schedule, is now updating the schedule. They are due to provide that at the end of October. Today and tomorrow we are in negotiations on a range of issues associated with the contract, mainly those issues that are not schedule-dependent, with the view to try to get a settlement whereby we provide them schedule relief, and a number of other relief issues, and they provide us with compensation and the like. We are hoping to resolve that by the end of November.

Senator JOHNSTON—Very good. How much has that cost us?

Ms McKinnie—To date we have committed around \$460 million in total. I think the contract with Boeing is worth \$460 million and there is around \$260 million left in the project.

Senator JOHNSTON—And what is the upside for us in our complaint to Boeing about the three years? Where are we at?

Ms McKinnie—Where are we at in terms of compensation? We are negotiating that at the moment. We have based our compensation amounts that we would be seeking to achieve on

the cost to the Commonwealth of the delay. So we have done our estimates of the delay costs, we have presented those to Boeing and we have been negotiating with Boeing those delay costs.

Senator JOHNSTON—Okay. Just as an aside, I think this might be to Mr Gillis, which contractor is responsible for the through-life support of our 24 Super Hornets when they arrive?

Mr Gillis—It is currently under negotiation.

Senator JOHNSTON—It is not Boeing?

Mr King—The discussions are with Boeing.

Senator JOHNSTON—It seems Boeing is doing a lot for us and we have got a few issues.

Air Vice Marshal Rossiter—There is no contract in existence at the moment. We have been discussing arrangements with the US Navy and Boeing for the past 12 months, at the same time analysing reliability and maintainability data that we have recently got out of the Navy to more accurately scope the volume of work that we could do in Australia that a business case would support. It looks like we are going to set up an intermediate level maintenance capability for repairable items, mainly avionics and some hydraulics equipment, in Australia. The exact volume of work it is a bit hard to say but it is in the order of about \$10 million a year, that sort of line, and we are currently considering the final acquisition strategy for that. But that work will be done in Australia.

Senator JOHNSTON—You have been in discussions with them for 12 months, you are haggling over the apportionment of risk on that contract, no doubt.

Air Vice Marshal Rossiter—No, the delay has fundamentally been an inability for either party to be comfortable that we understood the volume of work that we were trying to contract to. We are only just starting to get enough data to support that.

Senator JOHNSTON—Thank you very much for that. Mr King, is there any other project you want to mention to me? I have got some projects want to discuss with you.

Mr King—They are the five that are most important in keeping us awake, I think. The other one that keeps me awake, but for good reasons, is AWD, of course.

Senator JOHNSTON—That is the one I want to talk to you about. When is the option for number four going to evaporate?

Mr King—The initial option was for one year and that has expired by about a week. We have, however, prior to the expiry of that option, asked industry to extend that option to coincide with the white paper schedule. I have their offer, which we are negotiating over at the moment, down to some fine detail. I have asked for that to be extended to April.

Senator JOHNSTON—And have they agreed to that extension?

Mr King—Yes, they have made me an offer for that extension. I have not necessarily agreed with all parts of the offer.

Senator JOHNSTON—So you gave them an invitation to treat and they have made you an offer.

Mr King—That is correct.

Senator JOHNSTON—With respect to the joint strike fighter, who do I speak to about the acquisition of that?

Mr King—Air Vice Marshal Harvey is not here but I can maybe answer. He is currently overseas.

Senator JOHNSTON—The test and evaluation phase, I see some of the partners have put in for that. I think the UK and maybe Singapore; I am not sure. We are obviously not contributing to test and evaluation of the JSF.

Mr King—I think I will have to take that one on notice. I do not want to say the wrong thing.

Senator JOHNSTON—Do you know when we need to commit to the next phase? Can you refresh my memory on that?

Mr King—You mean to the purchase phase?

Senator JOHNSTON—Yes.

Mr King—We are still in the process of getting to that position. We are currently looking at second pass for mid next year. The reason Air Vice Marshal Harvey is overseas at the moment is looking at what we are calling the consortium buy. The issue with JSF is that the unit cost will be highly dependent upon the volume of aircraft sold. That brings into play this whole commercial issue of making sure all the partners in the JSF program can make the commitments at the right time to keep the volumes correct. That is a very complicated series of discussions. I do not think we can predict yet exactly when that is, but the point we are certainly aiming for is to be able to go back to government for second pass in the middle of next year.

Senator JOHNSTON—So nothing is going to happen until the white paper comes down. There is no obligation on us to put our hand up until, say, April.

Mr King—No.

Senator JOHNSTON—Thank you.

Mr King—Could I go back to the Air Warfare Destroyer for one minute and put on record something that I feel duty-bound to do?

Senator JOHNSTON—Absolutely.

Mr King—My deputy for the last five years has been a Commodore Cawley. He retires next week. I have been able to sit here in front of you folk for five years and report good news. He has been very instrumental in that and I would like to put that on record.

Senator JOHNSTON—And I thank him for his all of his hard work because I think the project is looking really good, and let's hope it stays that way. Who wants to tell me why you think DMO should be an executive agency?

Mr Merchant—As you are probably aware, that is a recommendation in the Mortimer review and that is under government consideration.

Senator JOHNSTON—So you do not think it is appropriate for us to discuss that. From a taxpayer viewpoint government will make the decision, but I am not sure there will be any great debate. I am interested to know what advantages there would be, as perceived by the officers, in their more independent commercial operation to the so-called business of capability acquisition and through-life support. Does anyone want to give me any answers to that?

Senator Faulkner—It is probably not the sort of issue that it is necessarily appropriate to ask officials, as you would appreciate. I can try and deal with issues relating to the Mortimer review if you like. I may be able to assist you as Minister representing the Minister for Defence on some of those issues. I will do my best. Some of them I suspect I will not be able to assist you with, but I am happy to pass them on to Mr Fitzgibbon for a response if I cannot.

Senator JOHNSTON—I think we will move on. If everyone is sensitive about that, I do not think we will waste the valuable time—

Senator Faulkner—It is not a question of being sensitive, but they are matters of policy for government and that is why officials—

CHAIR—It is a policy matter for government.

Senator Faulkner—That is why officials are reluctant. I am obviously happy to try and deal with any of the issues you would like to address. I will do my best if you wish to ask any questions, but understand that some I will probably need to take on notice and ask Mr Fitzgibbon for a more detailed response. It is a matter for you, Senator Johnston.

Senator JOHNSTON—Let's move on. The situation at Williamstown with Boeing is that we have just terminated—or is it 'not renewed'? What is the correct nomenclature for that contract? Have we not renewed or have we terminated that contract?

Air Vice Marshal Rossiter—We have run a competition for a body of work that goes over the next four years. Boeing were one of the competitors that bid for that. They were not the preferred tenderer this far in the evaluation. We are just about to commence negotiations on that contract with the preferred tenderer. Boeing's offer has not been rejected, but they are not the preferred tenderer.

Senator JOHNSTON—And they have been doing it for four years.

Air Vice Marshal Rossiter—Boeing have been supporting the aircraft since we received the aircraft 20-odd years ago.

Senator JOHNSTON—It is a pretty major change. I take it that it is no secret that BAE are the preferred tenderer?

Air Vice Marshal Rossiter—That is correct.

Senator JOHNSTON—How many do you say are going to move from Boeing across to BAE in the continued support of this aircraft?

Air Vice Marshal Rossiter—I do not know the answer to that question. I could only guess at it. Certainly I know, because I have discussed it with both the companies, that they are working very closely together to try and manage the workforce issues at the Williamstown site

as best they can. I know that BAE intend to take up a number of the Boeing employees, but exactly what those numbers are I do not know. You would have to ask the companies.

Senator JOHNSTON—And the basis for the preference is contractual?

Air Vice Marshal Rossiter—The basis for the preference at the bottom line is value for money, and contract terms and conditions were a significant element of that.

Senator JOHNSTON—What safeguards will you put in place, or will you have, to ensure that the new contractor is availed of all of the appropriate equipment, test equipment, facilities, infrastructure and skills to replace the existing contractor?

Air Vice Marshal Rossiter—Over the last 12 months both companies have been given an opportunity to do the type of work that is under this contract and both have the technical capabilities and competence to do the work. So that is not really an issue—never has been. There is some GSE and intellectual property that Boeing has, given its previous history. We are in discussions with Boeing at the moment to arrange the transfer of that across to BAE, should we conclude negotiations on that basis. Facilities are not a restriction either way in terms of who won the contract.

Mr Gillis—I have had discussions with the head of Boeing Australia. On this particular issue the head of Boeing Australia, Mr Jeff Worley, has given me an absolute undertaking that Boeing will ensure that the transition is seamless and that he will provide all resources that are required to ensure that the war fighter receives this capability. It is a credit to Boeing in the way they have responded to not being the successful tenderer.

Senator JOHNSTON—Very good. Air Vice Marshal Rossiter, are we down to doing 10 FA18 centre barrel replacements?

Air Vice Marshal Rossiter—Yes. The original project was scoped to perform up to 49 centre barrels over several years. Fortunately, we have had some excellent results out of some DSTO fatigue testing on some centre barrels that we got from the US navy and our original prototype centre barrel from the first aircraft that we replaced the centre barrel in. As a result of the analysis that they have done of the test data, they were able to extend the safe life of the centre barrel by up to two years. When you factor that into the program plan, holding the plan withdrawal date at 2018, that moved the bulk—with the exception of the first 10 that we already have under contract—outside the planned withdrawal date and therefore the number has been reduced to 10.

Senator JOHNSTON—So we are doing 10 at what cost?

Air Vice Marshal Rossiter—The marginal cost of each centre barrel is in the order of \$10 million. I cannot recall off the top of my head the cost of the non-recurring engineering, the design cost, establishing the jigs and all that sort of stuff.

Senator JOHNSTON—But we have had a budgetary win here, haven't we?

Air Vice Marshal Rossiter—If you do the sums based on about \$10 million a head and savings in the order of about 39, you are up around \$400 million in savings.

Senator JOHNSTON—The last question I have for DMO, unless something else arises, is on Land 121. It is a very interesting uniform you are wearing, Brigadier O'Brien.

Brig. O'Brien—Thank you, Senator.

Senator JOHNSTON—Could I have an update on Land 121, please?

Brig. O'Brien—Certainly. Senator, you may be aware that Overlander is replacing the field vehicle and trailer fleet for the whole of the Australian Defence Force. It consists of three phases, phases 3, 4 and 5. Phases 4 and 5 are not approved at this stage; they are still prior to second pass. Phase 3 received government second pass approval last August. As far as the actual segments of phase 3 are concerned, there is good news in the sense of the light lightweight segment in that we are just about to sign a contract for that. The light lightweight segment is replacing the Landrovers for the ADF. It is a contract that we are just about to sign with Mercedes Benz, and that is for the G Wagon. It has been the result of a rigorous negotiation process and testing phase since second pass that we have arrived at the signing of the contract. Other aspects of phase 3 are the trailers. We have a seed contract in place with Haulmark Trailers, which is a trailer manufacturer in South-East Queensland. The seed contract allows them to build up their capability in preparation for a main contract that will actually lock them into provision of the trailers. One other element of Overlander is the provision of Bushmasters. It is mainly funding that is coming from phase 3, and a contract change proposal has been signed with Thales for an extra 290 Bushmasters to fulfil that component.

Senator JOHNSTON—And they are all manufactured at Bendigo?

Brig. O'Brien—Correct.

Senator JOHNSTON—Fantastic.

Brig. O'Brien—And obviously in addition to an earlier contract that provided the other Bushmasters. The fourth element of phase 3 is the medium-heavy component. I mentioned that we had a rigorous negotiation and risk mitigation activity by the way of testing. We applied that to the light lightweight vehicles. We applied a similar process to the medium-heavy segment. As we got into this process it became apparent that, instead of reducing the risks that we had identified in the medium-heavy segment as part of the desktop evaluation, the risks were starting to increase. As a result, the decision was made to remove the preferred tenderer status of the company, BAE Systems, and to invite the other tenderers back into the process. We are now at the stage where we will refresh the medium-heavy tender. In the next couple of weeks I will be releasing a refreshed tender to again open up the competition, only to the companies that tendered in the first instance, so that we can deliver the best capability to the ADF. We are obviously determined to get this right, and by going through this refresh process we will do so.

Senator JOHNSTON—Do you anticipate any problems arising from the retendering?

Brig. O'Brien—Obviously, by going through the negotiation and the compliance testing—to date, in the medium-heavy—we are aware of a number of issues. Our preferred approach this time is to down select those companies that decide to participate in the refresh on the technical performance of the vehicles. We will do that by conducting a thorough independent comparative evaluation of the vehicles. That will enable us to identify the best, if you like, technically performing vehicles and then go into the negotiation phase as far as the support aspects, modules and terms and conditions—those sorts of things.

Senator JOHNSTON—Very good. I suppose we will follow up on that because that is the aspect of that particular project that I think is the most important, shall we say. What is the time frame for this project?

Brig. O'Brien—As I mentioned, for the light lightweight, we will sign a contract in a couple of weeks and we will be delivering vehicles in 2011. In the case of the medium-heavy—

Senator JOHNSTON—That is it.

Brig. O'Brien—we will conduct the testing. The thing about getting the vehicles here—they will all come from overseas—is that we expect to commence the testing in April of next year and the testing is likely to go for four to six months. Then we have the down selection and, by the time we conduct negotiations, we anticipate signing a contract towards the end of 2010. We anticipate vehicles being delivered to the ADF in 2013.

Senator JOHNSTON—Very good.

Lt Gen. Hurley—I would like to add that much of the public comment that has appeared on this has come from the mistaken point of view that this was already an approved project and we were in contract. This was pre contract as part of a carefully planned derisking process for the project.

Senator JOHNSTON—And I was very careful to not make any allegations that I have picked up from misrepresentations around the place.

Lt Gen. Hurley—I appreciate that.

Mr Gillis—I have one amendment to make. In respect to the HFMod evidence, Ms McKinnie gave an indication that the project has expended \$462 million to date. The actual expenditure is \$437 million to date.

CHAIR—Thank you, Mr Gillis.

Lt Gen. Hurley—Chair, Chief of Army has responses to Senator Johnston's question about the cost of infantry battalions. I would like to respond to that.

Lt Gen. Gillespie—Because it depends very specifically on what you include or do not include, the rough order of magnitude of people-only costs are: for a motorised infantry battalion of a battalion strength of around 615 plus its training force, about \$107 million annually; for a light infantry battalion of about 730 people plus its training force, about \$116 million a year; and, for a mechanised infantry battalion of about 757 plus its training force, about \$132 million a year. These are the rough order of magnitude costs associated with the people part of those capabilities.

Senator JOHNSTON—Thank you very much, General.

Lt Gen. Gillespie—I would also like to answer Senator Trood's question about Reserve Forces Day.

Senator TROOD—Yes, General.

Lt Gen. Gillespie—Reserve Forces Day recognises and promotes all reserve service for the Navy, Army and Air Force. The specific objective is to promote the benefits of reserve

service within the community. Emphasis is to be given to the significant contributions made by employers and their families in the achievement of the roles of the reserves. It is coordinated nationally. It is not a funded activity; it is supported by each of the services through their own operating costs. It has been agreed by the Chief of the Defence Force in correspondence with the Reserve Force Council that formal support will be limited to volunteer marches and appropriate musical and band support. The Chief of the Defence Force has directed that volunteer participation will not be paid service, so if people want to march they can but it will not be paid as reserve service for the day. Of course, the conduct of Reserve Forces Day activities remains dependent on the ADF's operational tempo. Broadly, that covers the issues that you were asking of me earlier.

Senator TROOD—Thank you, General.

Senator LUDLAM—I have a couple of questions. First of all, on procurement, in general Australia's military manufacturing sector used to form part of the government's policy of self-reliance. It was largely state owned as such and geared towards providing domestic needs with a small amount of export. Now ADI is owned by a French-based corporation. Can you tell us in round numbers or as a magnitude what percentage of Australia's defence procurements are sourced from Australian companies today.

Mr Gillis—I think you are talking about Thales not ADI. Thales purchased ADI a number of years ago.

Senator LUDLAM—Okay.

Mr Gillis—I will have to take on notice the specific details and the exact percentage of Australian industry involvement.

Senator LUDLAM—I would appreciate that, but do not spend months on it. I am not trying to waste the department's time. The rough numbers of the proportion of procurements that are from Australian companies would be helpful.

Mr Gillis—I think it is approximately 70 per cent, but I will have to get back to you with the details.

Senator LUDLAM—Is it 70 per cent from Australia?

Mr Gillis—Seventy per cent of all of our acquisition and sustainability expenditure is made here in Australia.

Senator LUDLAM—Okay. That is helpful; thank you. But if you could provide a breakdown for us at some stage that would be helpful.

Mr Gillis—We will do.

Senator LUDLAM—There is a land war conference coming up that will feature a presentation by two fellows called Peter Shelley and Shawn Miller. It is about a device called Silent Guardian, which in their jargon, which you will understand better than I, is described as 'an extended range area denial less lethal' gadget, a directed energy weapon that causes intense burning pain. I am wondering whether Defence procures such devices.

Senator Faulkner—I am not sure this is a DMO issue. Vice Admiral Tripovich may be able to assist you. He has certainly come to the table with a keen look in his eye.

Vice Adm. Tripovich—The Land Warfare Conference is a mix of presentations from a variety of companies, the same as the maritime conference and exhibition that we have every now and again in Sydney. Many companies come along and show their wares. It is an opportunity for them to demonstrate and to show us what they do.

I imagine, without being familiar with the system, that it is just one of those systems that a number of companies are thinking about developing and that militaries might consider as a way of having non-lethal means at their disposal. There are others, such as glues that you can spray on crowds to glue them to the ground and sound waves that can stun people senseless. One half of the Land Warfare Conference is a trade show, and I guess this particular company are coming along to demonstrate what they have.

Senator LUDLAM—Okay, but you would be able to tell me whether Defence is currently deploying devices like that.

Vice Adm. Tripovich—In capability development, I have no plan to buy that. The DMO—I am looking at Mr Gillis here—

Senator LUDLAM—Everyone is looking very dubious.

Vice Adm. Tripovich—is not buying any.

Lt Gen. Hurley—I would like to mention that we do not own any directed energy weapons in the Defence Force.

Senator LUDLAM—Thanks; that is what I was after. Regarding the other kinds of weaponry you were describing before—sonic weapons, tasers and so forth—are non-lethal weapons of that kind in common use in the Defence Force?

Vice Adm. Tripovich—I would have to defer to the operational area.

Lt Gen. Hurley—No, I do not think we have any sonic weapons systems or systems of that nature. Our non-lethal weapons revolve around non-penetrating riot control rounds or bean bag type things—that sort of stuff. We do not have any of the more sophisticated technologies in that area.

Senator LUDLAM—Thanks. Can you just set our minds at rest as to whether the ADF currently procures or intends to procure depleted uranium munitions or armour.

Lt Gen. Hurley—No, we do not use it and we do not intend to.

Senator LUDLAM—That is beautiful. Thank you.

CHAIR—That concludes our questions on DMO. We now turn to Capital Facilities and Output Group 1.6, Defence Support. Does anyone have questions in this area?

Senator TROOD—My questions relate to the Defence family health care clinics program. These clinics originally began, as I understand it, as a \$33.1 million election promise on the part of the now government for the development of 12 defence family health care clinics to provide free health care at major base locations in regional centres around the country. In my local newspaper in Brisbane there was a report on 18 October from the Minister for Defence Science and Personnel, Mr Snowdon, reporting that this plan had been abandoned and that there was to be a trial run in relation to some of these clinics. I would be grateful if someone

could please explain precisely why the original election promise has been abandoned and the nature of the trial that is now intended to take place.

Senator Faulkner—Given the nature of your question, I think it is probably an appropriate one for me to deal with and not VCDF or officials at the table, at least in the first instance, because of the more political nature of it. There might be some elements relating to details or process that you might care to chase up with VCDF or officials, which, of course, is fine. So let me respond, as I say, to the more political elements of this, which I think is appropriate in the circumstances.

It is true that the government, prior to the election, made an election commitment to extend free basic and medical and dental care to spouses and children of Australian Defence Force personnel. You might recall that I answered some questions on this in the previous estimates round. In my view, it is an election commitment on which the government is delivering. It is, I think, important to ensure that ADF families receive not only free medical care but also easy access to and choice of doctor. To that end, in the budget there is a trial of the use of a defence healthcare card in eight locations. As I mentioned, when I did answer some questions about this in the budget estimates round, an initial pilot of the healthcare card was announced in the regional and remote centres of Singleton, in the state of New South Wales; Cairns; Katherine, in the Northern Territory; East Sale, in Victoria; and in the Karratha-Pilbara regions.

It is also true—and I think you touched on it in your question—that on, I think, Friday of last week the Minister for Defence Science and Personnel, Mr Snowdon, announced an expansion of the trial to also include Townsville, Darwin and Puckapunyal. That is my understanding at the moment of the status of this issue. The plan is for the trial to test the delivery of healthcare services on the ground to what will be, I think, approximately 16,000 ADF dependants. I think the initial commitment, which was the subject of some interchange at the budget estimates round, would have provided similar health care to around 12,000 dependants.

Senator TROOD—I am grateful for your advice on this matter. It is helpful to have that information. The original election undertaking, however, did not mention a trial. By its nature, it suggests that, if it were not successful, then the whole program might be abandoned. Is that a fair inference from your remarks?

Senator Faulkner—I would suggest to you that it is your inference. In my view, it is not a fair inference. The plan is, I can assure you, for the trial to properly inform the rollout to remaining service families. The plan is, under the trial, for Defence dependants to be able to visit general practitioners of their choice, close to where they live, at no cost for standard consultations. They will also receive, I believe, a benefit of \$300 per dependant per annum for basic dental services. So it is a trial in the proper sense of the word. I would describe it as informing the rollout for remaining service families. That is certainly as I am advised.

Senator TROOD—This will proceed on the basis of families being in possession of the gold card. That will provide their access to entitlements. Is that a correct understanding of how this will operate?

Senator Faulkner—Please say that again.

Senator TROOD—The families entitled in these areas will have a gold card, and that will be the basis upon which they have their entitlement. Is that right? I am just trying to get a sense of how this scheme is intending to operate.

Senator Faulkner—I will try and check with officials as to whether the terminology ‘gold card’ is correct in this sense, but certainly it is to ascertain the best model to deliver on the intent of the commitment that has been made. I will check with officials about whether that terminology is appropriate to use. I am uncertain of that and I want to make sure that the answers you have are accurate. Can any of the officials assist me with that?

Mr Bowles—While I do not look after this area, I did for quite a while. The concept is not around a gold card. It is similar to the DVA gold card, but is about developing a card for defence families and dependants to use with their choice of GP and dental practitioner.

Senator TROOD—Are the entitlements restricted to GP services, or do they cover all healthcare services?

Mr Bowles—It is for basic medical services, so it is predominantly GP-type services.

Senator TROOD—Does ‘basic medical services’ mean going to a GP for a malady that one might have and then being prescribed some kind of medication, perhaps?

Mr Bowles—That is correct.

Senator TROOD—But, if there were anything more serious that afflicted a defence dependant, that would not be covered by the program—is that right?

Mr Bowles—That is correct.

Senator TROOD—I see. Is that intended to be the restriction that will apply all the time, or is it intended to be an expansion of the program? Free health services seem to be rather limited on this basis.

Mr Bowles—The original concept is around basic medical and dental care. As far as the medical side goes, it is for those basic GP services. With regard to the dental services, there is a \$300 per dependant per annum issue there, and it is for whatever services you need to have but, obviously, it is to that cap of \$300 per dependant.

Senator TROOD—That is for dental?

Mr Bowles—For dental, yes.

Senator TROOD—That is about one filling a year.

Mr Bowles—For medical, you have access to normal basic medical care through GPs throughout the year.

Senator TROOD—I see. We, at least those of us who are in representative politics, are familiar with the challenges of finding dentists in remote and regional areas. If it were not possible to find a dentist or to get into a dentist in their local area, would a person be able to use that entitlement elsewhere, or is it restricted to where they live?

Mr Bowles—I cannot really answer that. I think we need to take that on notice. I moved away from this area a couple of months ago now, so I am not up with the latest.

Lt Gen. Hurley—I believe it is transportable, but we will come back and answer that for you.

Senator TROOD—Can you explain how this trial is going to unfold? Will these centres the minister has mentioned be brought into line simultaneously or are they going to be rolled out on some kind of successive basis?

Lt Gen. Hurley—We are negotiating with health providers in the regions in which the trial will occur to arrange for defence family dependents to be able to use their card to get GP services and dental services. We commence in May next year and, as Senator Faulkner has mentioned, we then roll on for about a four-year period to conduct that trial to see the utility of the system and to develop the most effective and efficient way to make a recommendation on how we deliver health care for ADF families.

Senator TROOD—Does that mean that each of the centres will be online, as it were, for four years? Even though Puckapunyal and Darwin seem to be coming on later, will they still have a four-year entitlement, or will the program be four years from 2009?

Lt Gen. Hurley—The funding for the second stage, which is Townsville-Darwin and Puckapunyal, commences in the 2009-10 financial year. The trials there are scheduled to start in October 2009.

Senator TROOD—And that is contingent upon negotiations and access—is that right?

Lt Gen. Hurley—I would not say contingent. We are in the process of going out and putting the arrangements in place.

Senator TROOD—I see. Do you have a number as to what percentage of Defence Force dependants will be covered on the basis of these centres as the trial proceeds?

Lt Gen. Hurley—A percentage of the total number of Defence families?

Senator TROOD—Yes.

Lt Gen. Hurley—No, I cannot do that off the top of my head. There are 15,700 dependants who would be covered by the trial, but as a percentage of the total—I would have to come back to you on that.

Senator Faulkner—I used the figure 16,000. I have rounded it to 16,000, but I think VCDF said 15,700.

Senator TROOD—As you said, Minister, the officials and the CDF are able to provide more detail, as he has done on this occasion. I would be grateful, General Hurley, if you could provide me with a figure as to what percentage of the dependants of Defence Force personnel will be covered by these trials.

Lt Gen. Hurley—Will do.

Senator Faulkner—I will need to take that on notice.

Senator FERGUSON—Just following on from Senator Trood's question, Minister, when at the time of the last election campaign the now Prime Minister was trumpeting this great new benefit for the defence forces of free health care, or free basic health care, for them and

their families, how many of them do you think would have expected that they would have to wait four years before they even got a chance to have a look in?

Senator Faulkner—I think the government has demonstrated, through what I have said, its commitment to delivering in relation to this matter.

Senator FERGUSON—It was not a qualified commitment.

Senator Faulkner—No, Senator. I would be the first to acknowledge that, in delivering on any election promise, it is obviously sensible to do that in a way that best serves the Defence Force spouses and dependants. I would also acknowledge that I know there has been a lot of consultation on this. It is the view of the government that the centres alone would fail to meet the needs of the modern defence community, and that is why the plans have evolved, I think, in the way that they have.

Senator FERGUSON—Why didn't the consultation take place before the promise was made, not afterwards?

Senator Faulkner—I think that is a little ungenerous. The key thing here is that—

Senator FERGUSON—The government is being ungenerous.

Senator Faulkner—No, I do not think that is right at all. I was saying that your comments were a little ungenerous. In my view, it is not a thing to be sneezed at if the government is willing to take advice and, if necessary, change or amend initial plans it might have to ensure that ADF families get the free health care that they can actually use. I personally would not see this as a negative thing; I would see it perhaps as a little more positive than the way you are suggesting. But perhaps you and I might just have a slight—

Senator FERGUSON—We may have a difference of opinion.

Senator Faulkner—We might have a difference of opinion on that.

Senator FERGUSON—But some Defence Force families—the lucky ones—are now going to get free health care, basic healthcare benefits. We have been told that 15,700 are going to be covered in this trial. How many are not going to be covered in the trial? That is the real point. You are going to have 15,700 lucky people who will be part of the trial; the rest will miss out. How many are going to miss out for the next four years?

Senator Faulkner—The figures I have available to me as a result of the announcement made last week by the Minister for Defence Science and Personnel are that the original numbers of some 12,000 have been extended to nearly 16,000. That is the information that I am able to assist you with. Obviously, that is an enhancement as a result of the minister's announcement of last week.

Senator FERGUSON—It is if you are one of the 16,000. It is not much of an enhancement if you are not.

Senator Faulkner—I have indicated the broad approach. I have said to you that the trial is being conducted to inform further policy development. I see the increase as something positive, and I know the minister does as well.

Senator FERGUSON—I have one last question. In the light of the fact that you are trumpeting the fact that now an increase from 12,000 to 16,000 is going to be covered under

these trials, could you supply to the committee the number of personnel who will not be covered under this trial period? How many members of the defence forces are going to have to wait until they receive any benefit at all from the proposal that it was suggested during the election campaign would be for all Defence Force families, not just a few?

Senator Faulkner—The latter part of the question you have asked is, I think, closer to the intention in relation to ADF dependants, as you know, but I am happy of course to take that element of your question on notice and ask the minister for a response.

Senator FERGUSON—Perhaps he could make an announcement as to how many will be missing out, now that we know how many are actually getting it—not that I expect him to, of course.

Senator Faulkner—Judging by your question, you want to make your own announcements—

Senator FERGUSON—I certainly will.

Senator Faulkner—but I hope you would at least acknowledge that the pre-election commitment that was made related to 12 clinics. I think you should acknowledge that.

Senator FERGUSON—12 clinics.

Senator Faulkner—That is right. It was not all sites. Let us be clear: if we are going to compare apples with apples here, I think it is important that you understand what original commitment was made. You know and we all know that there are obviously limited resources, and I think the government has demonstrated its approach with the announcement that was made by the Minister for Defence Science and Personnel on 15 October, with the extension. But please keep in mind, Senator, that the election commitment as it was originally framed went to 12 clinics.

Senator FERGUSON—I understand that. Now it is three.

Senator Faulkner—I was not sure that you did understand that—

Senator FERGUSON—Yes, I do.

Senator Faulkner—given the nature of your questioning. If the minister has anything to add to the extensive answers I have provided to your questions, I am sure he will do so.

Senator FERGUSON—You are very generous.

CHAIR—Thank you, Minister. General Hurley, do you have something you wish to advise the committee?

Lt Gen. Hurley—If I could just clarify an answer I gave to Senator Ludlam on non-lethal weapons—

Senator LUDLAM—Yes.

Lt Gen. Hurley—I think I said that to my knowledge we do not use any sonic weapons. The Chief of Navy has advised me that at sea, on the Armidale patrol boats, for use during Operation Resolute, which is the patrolling we do in the northern waters fishery and on illegal immigration, and in Operation Catalyst, which is our frigate in the North Arabian Gulf, we do have a system called ELRAD, which is a non-lethal directed sound aimed to cause discomfort

and influence behaviour. In Operation Resolute it is part of the suite of systems available to the commander, short of firing on the vessel, to influence the vessels to stop for boarding. It was subject to considerable testing and evaluation by the Defence Science and Technology Organisation before being made available for use.

CHAIR—We have one item left under capital facilities and Defence Support Group. I am going to give Senator Ludlam five or 10 minutes to open up there, and then I will go to Senator Johnston. We have to do Defence Housing prior to the dinner break.

Senator LUDLAM—I want to have a fairly brief discussion about the former Belconnen Naval Transmission Station on the outskirts of Canberra. Who would be the most appropriate people to talk about the current status of that base?

Mr Bowles—That is me. As you have indicated, the Belconnen Naval Transmission Station was decommissioned in 2005. We are currently doing a whole range of assessments about site remediation that should be completed shortly. We are hoping by the end of the year to start remediation processes. They are likely to take approximately six months to undertake. It will all be done keeping in mind both the heritage and the environmental nature of the site. That is pretty much where we are at this stage.

Senator LUDLAM—Thank you. Who is currently administering the site, and has management been outsourced?

Mr Bowles—We still own the site. Defence Support Group is managing the process of moving to ultimate sale at some future point.

Senator LUDLAM—So there is no commercial entity managing the site on behalf of Defence?

Mr Bowles—Not to my knowledge. My group, through the infrastructure area, is managing the site remediation issues and preparing it for future sale.

Senator LUDLAM—That is fine; presumably you would know. With an awareness that we are fairly short of time, can you identify the key areas and the types of contamination on that site?

Mr Bowles—I can give you some idea. Not only is there a large portion of contamination but there are heritage issues that relate to what the site has been used for over the years. The site is a former landfill. It has underground fuel storage tanks and some surface soil and has also been contaminated with lead paint and asbestos from demolition waste.

Senator LUDLAM—How long has Defence known about the contamination on the site, in particular with regard to the lead contamination?

Mr Bowles—I would have to take that on notice.

Senator LUDLAM—That is okay. Could you also take on notice when Defence became aware of the groundwater contamination and the uncovered asbestos?

Mr Bowles—I can take that on notice. Once the site was decommissioned in 2005 basically what we did then was a due diligence process. So it would have come up in the context of the due diligence over the last little while that we have been undertaking that exercise. I do not have specific dates but we can get that for you.

Senator LUDLAM—That is all right. I understand the lead contamination is essentially widespread paint that chipped from the masts when they were demolished.

Mr Bowles—My understanding is it is lead paint, yes.

Senator LUDLAM—Can you characterise the asbestos contamination for us?

Mr Bowles—It is asbestos contained in demolition waste.

Senator LUDLAM—Where is it now?

Mr Bowles—On the site.

Senator LUDLAM—In piles?

Mr Bowles—I cannot tell you exactly how it is actually placed on the site.

Senator LUDLAM—That is reasonably important. It is not the sort of stuff you want blowing around. Is it contained?

Mr Bowles—Again, I would have to take on notice the specifics of the asbestos, but basically it was used as a landfill and there is demolition waste on-site.

Senator LUDLAM—I would appreciate you taking that on notice, particularly as to whether the asbestos sources there are covered or uncovered.

Mr Bowles—Yes.

Senator LUDLAM—Can you characterise the groundwater contamination for us?

Mr Bowles—I would have to take that on notice.

Senator LUDLAM—I would appreciate that. What actions has Defence taken thus far to remediate the site?

Mr Bowles—As I said, we have been undertaking due diligence and obviously that has identified some areas of contamination. We are in the process of identifying a contractor to undertake the remediation work. We hope to have that toward the end of this year, hopefully by some time in November. We think it will take around six months to remediate at this point.

Senator LUDLAM—I take it—although this is from media reports so you might like to confirm this—that Defence has received contamination assessment reports for the site.

Mr Bowles—Again through the due diligence process we would have understood what the contaminants are, and that is part of what we would go to tender for to get someone to remediate the site.

Senator LUDLAM—So Defence has in its possession a contamination assessment document.

Mr Bowles—I do not know specifically what we have in our hands. However, we have done a due diligence report so I presume we have that in order to go to tender. I just cannot confirm it because I have not seen it personally.

Senator LUDLAM—That is okay. It is probably a little unfair to quote media reports at you anyway—

Mr Bowles—Thank you.

Senator LUDLAM—I am sure it happens a fair bit—but it has been reported that there is a contamination assessment report and there is also a remediation plan that has been drawn up for that site.

Mr Bowles—That is correct; we do have a site remediation action plan in place.

Senator LUDLAM—Could you table those two documents for the committee? I do not mean right now, but if you could provide them to the committee.

Mr Bowles—Yes, we will take that on notice.

Senator LUDLAM—You will be able to provide those?

Mr Bowles—Yes.

Senator LUDLAM—That would be greatly appreciated. Can you give us an idea, without prejudicing your tendering on this at the moment, what the remediation plan recommended?

Mr Bowles—In what way?

Senator LUDLAM—What are the recommendations of the remediation plans that you have?

Mr Bowles—Broadly speaking, to mediate the site of the contaminants that have been identified.

Senator LUDLAM—What does that mean? What does that look like?

Mr Bowles—Removal of contaminants.

Senator LUDLAM—In what sort of quantities?

Mr Bowles—I would have to take that on notice.

Senator LUDLAM—Okay. I suppose we would have access to that information when the documents are tabled.

Mr Bowles—Yes.

Senator LUDLAM—My understanding is that there is quite a large volume of contaminated landfill that would be moved off site.

Mr Bowles—I will ask my colleague to give you some answers on that.

Mr Healy—There are two main contaminants. One is lead paint, which is chipped and on the ground, around 900 square metres below where the three towers were. The plan is to remove 10 centimetres of soil from each of those 900 square metre areas, to replace the soil and to revegetate with seeds that we have collected from the grasslands on site. The dirty soil will be removed from the site and go to an accredited disposal place, which could be in the ACT or in New South Wales.

CHAIR—What do you do with it at the accredited disposal place?

Mr Healy—It typically goes into a hole. It is a collection point for various types of contaminated soils.

CHAIR—So it goes from one hold in the ground to another hole in the ground.

Mr Healy—It goes to a certified point where we collect these sorts of contaminated materials from various projects.

Senator Faulkner—It goes to a certified hole.

CHAIR—So it goes from an unauthorised hole to a certified hole.

Senator LUDLAM—This is less funny that we are making it out to be.

Senator Faulkner—By 6.13 pm, Senator, we are entitled to try and demonstrate we still maintain a slight sense of humour.

Mr Healy—The second main area of contamination on the site is around 6,000 cubic metres of soil that has been mixed with domestic waste, essentially, and buried over the years. The plan is to excavate that 6,000 cubic metres, separate the material into soil and other rubbish, and the rubbish will be removed from site, once again to an appropriate location.

Senator Faulkner—I do hope that the *Hansard* will record that even Senator Ludlam was smiling about this.

Senator LUDLAM—It is all being videotaped, Senator. I am just as implicated as everybody else. Can I return to some of the other sources of contamination. I understand there is groundwater contamination with PCBs.

Mr Healy—We have done some groundwater assessment and have not identified any groundwater contamination. There has been a series of electrical transformers on the site because electricity needed to be distributed to make the transmissions services work in the past. At one only of those transformer sites there is some PCB contamination on the ground. It is quite a small area—several square metres. Once again, that area would be excavated and the PCB contaminated soil removed.

Senator LUDLAM—So we have a couple of different categories of contaminants which are slated to be removed from the site eventually— asbestos from former construction materials, PCBs, contaminated groundwater, lead and former landfill materials?

Mr Healy—That is right.

Senator LUDLAM—All of those are slated to be removed from the site?

Mr Healy—There is no groundwater contamination, to our knowledge.

Senator LUDLAM—Okay; we might come back to that in a little bit. What are the estimated costs of the site remediation?

Mr Healy—The estimated cost of remediation is something under \$2 million.

Senator LUDLAM—How many different quotations did you get? Is that from one source or have you shopped that around a little?

Mr Healy—No; we will put the project to tender.

Senator LUDLAM—So that is your estimated cost and you are putting that out to contractors to identify.

Mr Healy—That is correct.

Senator LUDLAM—How many qualified environmental officers does the department have and what role, if any, are they playing in the proposed remediation of the site?

Mr Healy—I do not know the answer to your first question; maybe somebody else can answer that. The certification process, though, will be by an independent site auditor accredited under the ACT legislation. It will be an independent auditor.

Mr Bowles—Senator, I do not have the exact number of environmental officers. We have quite a comprehensive environmental section. I can take that on notice and provide that if you wish.

Senator LUDLAM—I would appreciate that. I do not have to go into that now. It was more about getting a sense of how those officers will be involved in the assessment and remediation when they occur. Will the department be accepting all liability for the contaminants and any future contamination that may occur? I understand—again from the media, so correct me if I am wrong—that the land is seen as a potential site for housing.

Mr Healy—Only a small portion of the site is potentially suitable for housing. I think the site is some 140 hectares, of which about 24 hectares may be suitable for housing. The site will be remediated. There are various standards for remediation that the auditor will sign off on, and we will be looking for a site that is remediated to the standard suitable for housing.

Senator LUDLAM—Was Defence aware that the kangaroos which were recently culled on that site were grazing on land which we have just established was contaminated with lead, other heavy metals, PCBs and so on?

Mr Bowles—Obviously if kangaroos were on the site and were grazing they must have come across that land. We did not know specifically what was happening as far as kangaroos grazing.

Senator LUDLAM—You were not monitoring individual kangaroos or anything; I understand that. Were autopsies on any of these kangaroos carried out subsequent to their mass culling?

Mr Bowles—I believe they were, but I could not tell you the answer to that off the top of my head.

Senator LUDLAM—Is that something that you would be able to establish for us?

Mr Bowles—The only thing I do recall about that was that they were in poor condition because of the extended dry spells and things like that. If there are other issues that we have any knowledge of, I can definitely provide that information.

Senator LUDLAM—I would greatly appreciate that. Whether the autopsies were carried out by Defence or by other agencies, I would just appreciate knowing—

Mr Bowles—We would not do that ourselves; we would have an agency do that through a contract.

Senator LUDLAM—Okay. I understand the site has some quite significant environmental and heritage value—there are federally listed species particularly in the grassland areas. I am wondering how it is proposed to remove such an extensive area of topsoil from that site without damaging the health of the grasslands.

Mr Healy—We are actually only removing a small amount of topsoil: 900 square metres under each tower. That is about the size of a typical house block. So, in a 140-hectare site, we are actually removing quite a small amount of topsoil, and we have collected seed from across the site to revegetate those areas.

Senator LUDLAM—So that has been undertaken already?

Mr Healy—It has.

Senator LUDLAM—Can you briefly sketch—and I recognise we are nearly out of time on this one—the known Aboriginal heritage value of the grassland areas on the site?

Mr Healy—I am unable to answer that. I will have to take that on notice.

Senator LUDLAM—I would appreciate that; thank you. How long is it anticipated to take, after the remediation of the land, for it to be considered safe for human habitation? Could you spell out the intentions for us?

Mr Healy—When the remediation is completed and certified, it will be suitable for habitation.

Senator LUDLAM—Certified by whom?

Mr Healy—The independent site auditor.

Senator LUDLAM—Who is that likely to be?

Mr Healy—The independent site auditor will be Sinclair Knight Merz, SKM.

Senator LUDLAM—That is an audit that is then submitted to whom?

Mr Healy—The independent site auditor is the sign-off for the authority. The ACT EPA, the NSW EPA et cetera have accredited auditors, and they accept the assessment of those auditors.

Senator LUDLAM—Site unseen? Forgive me; I am not familiar with the way the process works in the ACT. Presumably the health department, the environment department, planning authorities and so on would be evaluating the audit report from SKM.

Mr Healy—The auditor will provide a report to the ACT.

Senator LUDLAM—And that is the last we would hear of it?

Mr Healy—I am unsure of how the ACT would assess that audit report. That is not my area of expertise.

Senator LUDLAM—I am loading you up with an awful lot of work, but will you be able to take on notice what becomes of the audit report once it is delivered to the ACT government? I do not want great detail. Presumably it would be in your interest to know.

Senator Faulkner—That is a tough one, Senator. At the end of the day I am reluctant to take that question on notice. We could undertake to try and establish what happens in another jurisdiction but you appreciate that it is very difficult for officials the follow that one through. We generally do take things on notice, but what happens to an audit report in another jurisdiction, with respect, is a really tough thing for us to follow through.

Senator LUDLAM—Perhaps I will follow that up with my new colleagues in the ACT assembly.

Senator Faulkner—Senator, that is a much better idea.

Senator LUDLAM—Finally—and the chair touched on this before; and we are almost out of time—can you just give us, if it is within your remit, an idea of what protocols are in place at the site where all this material is eventually going to find its final resting place?

Mr Healy—I am not able to answer that either.

Senator LUDLAM—Okay. I have one last question. I referred before to groundwater contamination, and I believe the source of that is petroleum hydrocarbons that are leaking from the fuel tanks that are still there. Can you give us a sense of the scale of that contamination?

Mr Healy—There is a fuel tank on site, which will be excavated and removed, but I do not believe there is any groundwater contamination moving off the site from that fuel tank.

Senator LUDLAM—Thanks very much for your responses.

CHAIR—Mr Merchant, I think you had something to advise us.

Mr Merchant—Yes. We have some additional information about the percentage of procurement from companies in Australia.

CHAIR—Proceed, Mr Merchant.

Mr Merchant—Thank you. I would ask Mr Gillis to provide that information.

CHAIR—I do not think Mr Gillis is here.

Mr Merchant—Okay.

CHAIR—We can do it later.

Mr Merchant—The information in relation to DMO, I am advised, is 65 per cent.

CHAIR—Thank you. That concludes capital facilities and defence support. It concludes the agenda for Defence. We will now turn to Defence Housing Australia and proceed through until 6.45.

[6.23 pm]

Defence Housing Australia

CHAIR—Welcome.

Senator JOHNSTON—Mr Del Gigante, this is your first estimates, I think.

Mr Del Gigante—It is, thank you.

Senator JOHNSTON—Welcome aboard.

Mr Del Gigante—Thank you.

Senator JOHNSTON—If you at any time want to take some of these questions on notice, feel free to do so. What proportion of service personnel are currently accommodated in service residence and what proportion are receiving rental assistance outside service residence?

Mr Del Gigante—Of the married servicemen—that is, servicemen with dependants—about 85 per cent live in a DHA residence and the other 15 per cent, approximately, live in private rental with rent allowances.

Senator JOHNSTON—My next question was: of the total number of married members, what percentage were receiving rental assistance? I think you have just answered that question.

Mr Del Gigante—Fifteen per cent of all members with dependants.

Senator JOHNSTON—Very good. Of the total number of single members, what percentage are receiving rent assistance?

Mr Del Gigante—That is a slightly different answer. Defence have a different policy for single members. The general policy is rent allowance for all single members other than those who live on base—the younger ones. We have a small number in Darwin—about 100—who live in apartments that are owned and managed by DHA.

Senator JOHNSTON—So ‘a very high percentage’ is the answer.

Mr Del Gigante—That is a very small percentage; I guess that is the answer.

Senator JOHNSTON—Can you provide the percentage of rent assistance or service residence occupation managed by the Defence Housing management centre area?

Mr Del Gigante—Sure, I think so. If you just give me a second, I will look for it. We do have all that data. It averages about 15 per cent, as I said, but it will vary from area to area. Shall I start with Perth?

Senator JOHNSTON—Please. I love Perth.

Mr Del Gigante—Perth is currently about 19 per cent, but it will vary from a low two per cent in Tindal—obviously, because most of them live on base; there is nowhere else to live—to a very high percentage, about 24.6, in Brisbane currently. But on average—and it will vary during the year—on an annual basis it is about 14 or 15 per cent, and that is the plan that we have agreed with Defence so that a percentage of them overflow into the private market. That works because forecast demand is not always accurate, and also some members need or prefer to live in a certain location where we do not have residences, so they get rent allowance.

Senator JOHNSTON—Very good. Do you have a cost analysis of whether it is more expensive to accommodate members in service residence or to provide rent assistance?

Mr Del Gigante—No, I do not, but I can talk generally. Because DHA charges market rent, for an equivalent accommodation in the same area it would be the same in terms of rent. However, it depends on how long it takes for a member to find private rental. If it takes them a month, for example, to find private rental then there is the added cost of temporary accommodation or temporary storage.

Senator JOHNSTON—Is that delay the big cost driver in that circumstance? There are no other costs associated with finding the private accommodation?

Mr Del Gigante—Not unless you measure the time taken by a member to look for a rental property—although today a lot of people use electronic means.

Senator JOHNSTON—Yes, so it should not be too long.

Mr Del Gigante—It should not be too difficult to find places, but in the current rental market, for example, in some areas there are not a lot of properties available, so to find a suitable residence would take longer than, perhaps, it would have a couple of years ago.

Senator JOHNSTON—Just help me if you can. With respect to the current annual expenditure on rent assistance, does Defence pay this allowance over and above what it pays to DHA in subsidies for service residents?

Mr Del Gigante—My understanding is that it is the same. The proportion that Defence pays and the proportion that the member pays are the same whether they live in a DHA residence or whether they live private rental accommodation. There is no difference in that part of the policy.

Senator JOHNSTON—Do you have figures that indicate the current rate of growth over the past five years of rent assistance? If you want to take that on notice, I think that—

Mr Del Gigante—It has not grown that much. I can take it on notice, but the proportion, the so-called 14 to 15 per cent of married members with dependants, has remained pretty much in that range of 13 or 14 per cent nationality.

Senator JOHNSTON—But I am interested in the dollars. The dollars might be totally different from the percentages, if you follow me.

Mr Del Gigante—The dollars I do not know. That is a question for Defence Support that pays for rent allowance. DHA does the administration—

Senator JOHNSTON—So you do not have the numbers?

Mr Del Gigante—Not off the top of my head. I can take that on notice and provide it.

Senator JOHNSTON—Please. Do you have a growth model or a series of indicators and data that indicate through recruitment and increased retention rates how many more houses and units you will need to provide this financial year and into the future by financial year?

Mr Del Gigante—Sure, that is our business. I do not actually have the numbers but Defence provides DHA every year with a forecast of the requirements. The forecast is quite detailed and it is by region. Off the top of my head, I think there are 28 or 29 specific regions around Australia. They give us a forecast of their requirements for each of those regions and also for the different ranks. There are four or five categories—category 1 for privates, for example, category 2 or 3 for sergeants, and so on. So we get quite a detailed forecast. The forecast normally covers the current year plus four years and it is rolled over every year. Every year that forecast is updated. We then compare that forecast with our current stock in each of the regions. We estimate how many of those we will lose because we do not own a lot of stock. About 63 or 64 per cent of all the properties that we manage are leased; they are owned by investors. Some of those leases end. We forecast how many leases will end and then we develop a delta, the difference that we need to provide, and on the basis of that we then develop a capital program in order to meet those requirements.

Senator JOHNSTON—Are you on schedule for this year to meet those requirements?

Mr Del Gigante—No, and currently for a couple of reasons. One is operational—

Senator JOHNSTON—What do you mean by ‘operational’?

Mr Del Gigante—Timing. We have a number of projects that need local council approvals. In some councils there are delays in getting those approvals. In the current plan I guess the crux of the matter is that there are probably about 1,000 units short. We are looking at various options for how to do that.

Senator JOHNSTON—What are you going to do in respect of that?

Mr Del Gigante—We have been talking to our shareholder minister about a range of options for them to consider. DHA has a strong balance sheet. We are profitable as a government business. One option we are talking to the government on is increasing our borrowings. DHA is not highly leveraged at this stage, so we could, with ministerial approval, increase our borrowing capacity. Another alternative that we are discussing with our owners, which is the government, is reinvesting dividends back into DHA. We are also looking at joint ventures, in other words the use of private capital such as joint ventures and public-private partnerships. We have not done any of those so we will look at that. Also we are talking to pension funds, institutions, for bulk sizeable sale and leaseback, which is what we do for individuals. So we are looking at all those options to bridge the gap.

Senator JOHNSTON—Time is of the essence.

Mr Del Gigante—It is, and the gap has got bigger, because the most recent Defence forecast increases the requirements by another 800 units. So the potential gap that we need to fund is in the order of 2,000 accommodation units or something in the order of about \$800 or \$850 million worth of real estate. We have to look at all of these options to do that. If in the end we are not able to provide those units then we have the rental assistance, if you like; we have to rely on the private market.

Senator JOHNSTON—Of those 2,000 anticipated make-up units that you are going to be required to find, can you give me analysis—not necessarily now, although you might be able to—state by state?

Mr Del Gigante—Yes, but not now. I can take it on notice.

Senator JOHNSTON—I would love you to. Thank you.

Mr Del Gigante—As you know, Defence has operational activities in areas such as Townsville, Brisbane, Ipswich, Canberra for headquarters, JOC, Adelaide in the future. So we do have it by area.

Senator JOHNSTON—With respect to the 50-50 rental contribution policy between service members and Defence, when was that instituted as a policy and what is the current actual ratio?

Mr Del Gigante—I do not have that information. That is probably a question better for Defence support or Defence policy. The DHA is a GBE owned by the government. We are part of the Defence portfolio but we provide these services under an agreement with Defence. They develop the policies and we obviously deliver on those policies.

Senator JOHNSTON—I am told that a construction program of about \$1 billion is necessary each year to keep up with the shortfall that we have talked about, without really

adding to the inventory, because of departures and comings and goings, just to tread water. Is that correct?

Mr Del Gigante—That is not quite correct. We do have a sizeable capital program every year. That figure is approximately correct but it is for a three-year period. For a three-year period about \$1.3 billion is the total capital program. In a given year it is about \$300 million.

Senator JOHNSTON—Right. So there are some 500 houses in Darwin that need to be replaced, I am told.

Mr Del Gigante—Defence probably should answer this one. Most of the housing in Darwin is on base. Larrakia has about 150, the RAAF base another 400 and Berrima another 200. That is where the majority of the housing is. Defence have been talking about a program to replace all of those ageing houses over a number of years. That is one of the options we are looking at where perhaps a PPP could work. It is a sizeable investment. If you consider \$400,000 or \$500,000 per unit, it is a lot of money. The DHA has land in Darwin and is in the process of building houses, probably at the rate of about a hundred a year.

Senator JOHNSTON—Does the project have a name, the Darwin houses? Has Defence tagged it with some sort of description we can all relate to?

Mr Del Gigante—The project that we have in place now is a suburb we are developing called Lyons, which when finished will have about 700 properties. DHA will keep about half—about 350 or so—for defence housing. The rest will be sold off for private housing.

Senator JOHNSTON—You are the administrator of the Lyons project, I take it.

Mr Del Gigante—It is a joint venture between DHA and another organisation.

Senator JOHNSTON—A private organisation.

Mr Del Gigante—Yes.

Senator JOHNSTON—In terms of the administration of that, how do we keep tabs on how that is coming along? We ask you here and over the estimates coming ahead of us and we also ask Defence Support.

Mr Del Gigante—It is a joint venture. We are 50 per cent of the management and we own the joint venture 50 per cent, so we participate in the management of the joint venture. All decisions are joint. That is how we manage the joint venture. Is that the nature of your question?

Senator JOHNSTON—I just wanted to know how we go as to output in terms of the houses—

Mr Del Gigante—We are doing very well. It is a good joint venture. The development of 700 lots was in various stages over a three- or four-year period. We are already into stage 6, which is more than halfway. We have already started building houses in Darwin. I think in some cases families have started to move into the Lyons joint venture. It has been a successful joint venture because we have worked very closely with the community, particularly the Larakia nation, the Larakia people. It is quite a successful and attractive project.

Senator JOHNSTON—Do you do individual or separate balance sheets and financial statements for the joint venture?

Mr Del Gigante—It is separate. It has separate financials and then our share gets consolidated into our accounts.

Senator JOHNSTON—Do you specify those in your annual report?

Mr Del Gigante—We do, and the joint venture's financial statements are audited. They are treated like any other separate entity. Our 50 per cent share—and it is quite profitable—gets consolidated with the DHA financial—

Senator JOHNSTON—Where are you based ordinarily?

Mr Del Gigante—All over the country. The headquarters is right here in Canberra.

Senator JOHNSTON—So you are based in Canberra?

Mr Del Gigante—I am, but we have probably 30 regional offices, most of them very close to defence sites, to help us deliver services to defence families.

Senator JOHNSTON—I just wanted to know that because I did not want you to have to travel so far for about 20 minutes worth. I am finished, thank you very much.

Senator Faulkner—Chair, just before you conclude, can I just answer one question we took on notice. I was asked a little earlier this evening what the total ADF dependant population is. I understand it is 65,775 persons. The trial will cover now some 15,783 dependants, which, the way my maths works it out, is a little over 25 per cent of ADF dependants.

CHAIR—Thank you. That concludes our questioning of the Department of Defence and Defence Housing Australia. I thank the officers from DHA for coming along at the end of the day. The committee has concluded its deliberations with Defence. The committee will resume after dinner to examine the Department of Veterans' Affairs.

Proceedings suspended from 6.43 pm to 7.50 pm

VETERANS' AFFAIRS PORTFOLIO

In Attendance

Senator the Hon. John Faulkner, Special Minister of State

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 lump sums for injuries resulting in permanent impairment and payments to dependants of the 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 Ed Killesteyn, PSM, Deputy President

Mr Ken Douglas, General Manager, Service Delivery

Mr Barry Telford, General Manager, Policy and Development

Dr Graeme Killer, AO, Principal Medical Adviser

Ms Trina McConnell, Principal Registrar, VRB

Mr Sean Farrelly, National Manager, Compensation and Income Support Policy

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

Mr Ian Campbell, PSM, Secretary

Mr Ed Killesteyn, PSM, Deputy President

Mr Ken Douglas, General Manager, Service Delivery

Mr Barry Telford, General Manager, Policy and Development

Dr Graeme Killer, AO, Principal Medical Adviser

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 post war commemorations

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

Mr Ian Campbell, PSM, 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

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 Ian Campbell, PSM, Secretary

Mr Ed Killesteyn, PSM, Deputy President

Ms Jo Schumann, General Manager, Corporate

Ms Carolyn Spiers, Acting General Manager, Business Integrity

Mr Ken Douglas, General Manager, Service Delivery

Mr Barry Telford, General Manager, Policy and Development

Ms Kim Loveday, National Manager, Parliamentary and Communication

Ms Carolyn Spiers, Principal Legal Adviser

Ms Marina Belmonte, Acting Chief Finance Officer

Ms Kerry Blackburn, General Manager, Commemorations and War Graves

Department of Veterans' Affairs

CHAIR—I welcome Senator Stephens. I hope you have a very enjoyable evening here with us, Senator Stephens. I also note the attendance, as the senior officer for the first time, of Mr Ian Campbell, who has recently been appointed the secretary of the department. We wish you well in your time as the chief officer of DVA, Mr Campbell. We will begin with outcome 1, Portfolio overview, corporate and general matters. Senator Johnston will open the questioning.

Senator JOHNSTON—Welcome to your first estimates, Mr Campbell—for this committee anyway.

Mr Campbell—Actually, not even for this committee. It is the first one for several years for this committee.

Senator JOHNSTON—Excuse me! The golden rule is never presume anything in this business. I hope this is the right time to raise these issues. I am sure that you know what I am going to raise: the separation of partners, with respect to the spouse of a veteran, generally the wife, who has been in receipt of a veteran's partner's entitlement. This is probably the hot topic for your department at the moment. How many people are affected through the termination of the partner service pension 12 months after separation where there is no divorce and no new relationships?

Mr Campbell—580.

Senator JOHNSTON—580?

Mr Killesteyn—You are aware that the measure of the separated partners is currently before a Senate committee. The actual bill has not yet passed, but in anticipation of that bill—we are not being presumptive in any way; we are just getting ready—we have done some work, and there are potentially some 580 people that we have identified as separated partners who, I stress, may be affected.

Senator JOHNSTON—I think that is perfectly acceptable.

Mr Killesteyn—The work that we are doing, particularly at the minister's insistence, involves examining very carefully these individuals to determine what the impact will be on them. We have made contact with those 580 individuals. We have sent them a letter and we have established a hotline for those people to call the department and to make themselves and their circumstances known to us. We are going through the contacts that have been made to determine whether they may be affected or not.

It is early days, but to give you some indication of the types of responses that we are getting, against the background of the purpose of the legislation, I think there have been about 135 individual contacts made as a consequence of the letters. Of those 135, I think, 60 have indicated to us that the cause of the separation is illness. That is an important consideration because, if the separation is due to some illness on the part of the veteran, the provisions would not apply to them. Illness separation is one of the long-standing principles that is applied for the benefit of individuals in the Veterans' Entitlement Act, so it would not apply to them.

The balance of the 135 have indicated various circumstances, which might be that they already have some entitlement to Centrelink income support benefits. So it is early days. We will continue to make contact with those individuals as the matter progresses. We will perhaps write them a letter again if there has been no contact. Certainly, we would make contact with them before any decisions are taken against individuals in relation to the pension.

To ensure that we treat all of the individuals in the most sympathetic and compassionate way, we have established a special processing team in Melbourne to look at all of these applications. They will not be spread around the country. Of course when you spread work, you have the danger of inconsistency. We will be concentrating the decisions around this particular matter in our Melbourne office. We also have special arrangements for those who do need to transfer to some sort of Centrelink arrangement; we have special arrangements with Centrelink in place as well so the whole matter can be dealt with as sensitively and compassionately as possible.

Senator JOHNSTON—I am very gratified for your answers; you have answered many of my questions. Probably the only question I have left after that, given there is a Senate inquiry, is: in the 135 that I think you mentioned you have been in touch with, is there a common thread in the profile on those people that you could broadly identify such as age, gender et cetera? Is there anything emerging that you could say, 'It appears broadly that these are women over 60'?

Mr Farrelly—At this stage we have not done a formal analysis of that, but it is true to say that there are a number that, before they separated, were the partners of TPIs, hence the

'illness separated' being an issue, so we are treating that seriously. But otherwise, they are pretty much a mixed bag—but mainly women.

Senator JOHNSTON—Mainly women?

Mr Farrelly—All women in fact.

Senator JOHNSTON—I think that answers my questions with respect to that. I am not sure whether anybody else has questions on this topic, which has received some—

CHAIR—Senator Kroger does.

Senator JOHNSTON—I will defer to Senator Kroger.

Senator KROGER—Following up on that, I am sure I would be exaggerating to suggest that I feel like I have had the 580 correspond with me. I am a senator from Victoria. I have had a significant number of letters and other forms of correspondence—emails—in relation to this. As a senator, obviously I get a lot of communications, but the very heart-wrenching nature of these letters literally demands you read them: they are very lengthy and deeply distressing. If I ask them, are you happy if I forward their communications on to you because they really need to be dealt with in an incredibly sensitive way, and I have been mindful of that in responding to them as well.

Mr Killesteyn—Absolutely.

Senator KROGER—I will seek their permission because some of them are two- or three-page documents outlining their extraordinarily difficult circumstances. This brings me to one point: you have indicated that of the 580, 135 responded to the letter, of which 60 have indicated separation due to illness. How do you define 'separation due to illness'? It is such a subjective area, particularly with vets. How do you define that?

Mr Killesteyn—We are obviously very conscious of the sensitivity of this issue, and we are trying our hardest to ensure that each case is dealt with as an individual. To the extent that people need further assistance, need further help, need further information about the issue, then that is what the team in Melbourne is set up for, that is what the hotline is set up for. We can certainly provide you with the hotline number or a contact point to help you in dealing with these people. It is important to us, it is obviously important to you and it is important to the individuals.

In terms of illness separation, in some cases it is quite obvious, particularly if there are physical issues where the person can no longer provide the necessary support for the individual and they may have to go into some sort of care facility. That is a fairly obvious circumstance. In other cases where it is a little bit harder is where that illness may be as a consequence of some sort of mental health issue on the part of the veteran. They are issues that we have confronted in the past. We are experienced in dealing with those sorts of issues and making the very fine distinctions about illness that is caused by mental health. I am sure Mr Farrelly has a more technical answer to that, but they are issues we are dealing with all of the time.

Mr Farrelly—We do deal with these issues already. Without wanting to say that these decisions are easy to make, the Veterans Entitlement Act does help us. Section 11A sets out the series of things to look for. So you would look at the financial aspects of the relationship,

the nature of the household, the social aspects of the relationship and the nature of the people's commitment to each other. Those tend to be quite subjective, but we have a questionnaire that we send to people who would like to say they believe they are separated due to illness and they can tell the story. Then it is a matter of evaluating that story compassionately, taking all of those things into account.

Senator KROGER—The reason I ask that is one of these particular cases, the wife was living in a caravan in the backyard because her husband was so violent through mental health issues, but she could not leave him or did not wish to leave him. She then moved to a neighbour's residence, and it was just this dreadfully tragic, compelling series of circumstances. But interestingly, and I may be wrong, so I will go back and check them myself, I cannot recall any of them saying that when they had contacted someone they were unhappy with the advice they had received—presumably then, they would write to me if they had. I will bring them out because there are certainly ones that should be directed to you.

Mr Campbell—Of course, some of the letters you received may have been before we have contacted them.

Senator KROGER—That may well be.

Mr Campbell—If you give us the letters, we will then—

Senator KROGER—Which leads to another question: when did you communicate to them all?

Mr Killesteyn—16 September was the date we posted the letters.

Senator KROGER—Some of them would have been, then, in that case, but some afterwards as well. Thanks.

Mr Farrelly—I should add there about 11 people who have been assessed as special needs cases or especially vulnerable. Those people are receiving one-on-one case management assistance. Any person whose circumstances are really tough and difficult and who is struggling will get that sort of help.

CHAIR—Are there further questions on outcome 1?

Senator JOHNSTON—I have some further questions, Chair.

CHAIR—All right, but before we go there, I have a question. This issue of separated partners goes to the issue of which partner is going to receive the benefit or not receive the benefit once their marriage has broken down. I remember, years ago, there was a provision in the act where spouses or partners of veterans where there were successive marriages or successive de facto relationships, that each of the successive wives or partners were entitled to receive a benefit. I have a very vague memory of this. Mr Farrelly, are you the man to ask?

Mr Farrelly—As the situation stands now, an individual veteran might have a separated spouse receiving a payment and the other person in the new relationship receiving it at a married rate. Our estimate is that there are some 40 people at the moment in that type of situation.

CHAIR—It was minimal. I remember having a discussion at one stage that there could be a number of wives or partners all receiving the benefit.

Mr Farrelly—No more than one other.

CHAIR—I should not pursue that.

Senator JOHNSTON—Mr Campbell, I have some general questions. I am at a bit of a loss to work out where they fit in, but I will ask them. If we have got to put them back until later, I trust we will get to them eventually. This question is about the minister's veterans' advisory council providing advice to the Prime Minister on veteran and ex-service issues. Has the council been stood up or has it been formed? Is it operating at the moment?

Mr Campbell—It is actually the Prime Minister's advisory council. It is a 14-member council, chaired by Dr Allan Hawke, who, years ago, was head of the Department of Veterans' Affairs and the Department of Defence and other agencies. It had its first meeting on 9 and 10 October.

Senator JOHNSTON—Are you on the council?

Mr Campbell—No. It is made up of 14 people. Dr Allan Hawke is one and the others are considered to be representative of the veteran community.

Senator JOHNSTON—Do you attend the meetings?

Mr Campbell—The first meeting was held on 9 and 10 October. It went for a day and a half and I was there for a fair bit of Thursday and for most of Friday morning.

Senator JOHNSTON—Do you anticipate that you will be attending meetings of the council?

Mr Campbell—Yes. I do not anticipate that I will be there all the time. I anticipate that they might wish to have discussions when I am not there and perhaps even when the minister is not there, but I envisage being there for part of the meetings.

Senator JOHNSTON—That is by way of assistance and to engage with them on matters that they might require of you?

Mr Campbell—Yes, that is right.

Senator JOHNSTON—Very good. Does the committee have a formal term of reference?

Mr Campbell—Yes, the committee agreed on a term of reference at its meeting on 9 and 10 October and I can take it on notice to provide that to the committee.

Senator JOHNSTON—Yes, please. Does it have any formal duties and tasks, apart from advising, pursuant to its terms of reference?

Mr Campbell—No.

Senator JOHNSTON—How many people are on the council?

Mr Campbell—There are 14. I do not have the full details here but I can provide both the names and their backgrounds to the committee.

Senator JOHNSTON—I would appreciate that. Has there been any budget allocation for travel et cetera with respect to the council?

Mr Campbell—No. One of the conditions of the creation of the advisory council is that it is to be cost neutral, because the department and the Repatriation Commission have a number

of consultative forums with the veteran community. The creation of PMAC—the Prime Minister’s advisory council—is that it is to be cost neutral within the portfolio.

Senator JOHNSTON—You have got to find the money as if it were another forum providing you with feedback?

Mr Campbell—I think there is a question there of whether it is actually another forum. One of the other things that we are doing and one of the things that the council looked at on its first day, but with no resolution, is what it means for our consultative processes across the board. We have a number of forums, committees, working groups and parties that have been created over a number of years and we are looking at the best mix of those.

Senator JOHNSTON—Do you anticipate what outcomes there will be from the council?

Mr Campbell—No, that would be very presumptuous of me, Senator.

Senator JOHNSTON—Let me rephrase that question because you are quite right; it is a very nebulous question. Do you perceive there will be particular advantages with respect to the council providing advice to the Prime Minister on these matters directly?

Mr Campbell—On veterans matters—I think that is how you are defining ‘these matters’.

Senator JOHNSTON—Yes, sorry, on matters that concern your department.

Mr Campbell—The veteran community—veterans and their families and members of the defence forces—is a very important group and when you are doing anything or considering changes or amendments it is always good to have wide consultation and wide communication. To my mind that can only be a plus.

Senator JOHNSTON—All right; I accept that. If I can move on from that, I have got a bit of a brief here on—this is not something that I am necessarily across, I have to confess, but I am told there are concerns about—a number of instances where claims are lodged for entitlements and they fit under a number of heads of power in terms of legislative power. For instance, I am given the example of a claim under the Veterans’ Entitlements Act 1986 which also qualifies under another act, the Safety, Rehabilitation and Compensation Act 1988. Apparently, from feedback that I am led to believe exists, there is no automatic exchange of information, and the claim remains unresolved beyond the standard of 75 days for regular claims and 140 days for complicated claims. What is the standard response completion time for processing claims in such circumstances? I hope you understand that question, because I am not sure that I do!

Mr Killesteyn—I understand the point. Essentially, there is a historical issue here which I will speak on very briefly. There are three acts that we are responsible for administering that determine entitlements to veterans. You have mentioned two, the Veterans’ Entitlements Act and the Safety, Rehabilitation and Compensation Act. There is also a new act that was introduced on 1 July 2004 called the Military Rehabilitation and Compensation Act 2004.

Senator JOHNSTON—Just to clarify the situation, yes.

Mr Killesteyn—And you are quite right that any individual service member may have entitlements under one or more of the acts. The historical element to this is that the department was always responsible for the Veterans’ Entitlements Act processing. The Safety,

Rehabilitation and Compensation Act elements were, up until several years ago—1999—the responsibility of the Department of Defence, and a decision was made to transfer that responsibility to the Department of Veterans' Affairs. Then the Military Rehabilitation and Compensation Act was introduced on 1 July 2004.

Essentially, what has happened is that they have been introduced into the department as separate processing streams, and they each have their own separate applications, if you like, for the entitlements. So we have had a situation where you can have several applications for an individual under those acts. What the department has been trying to do over the last 12 months is to bring those processing streams together so that we can ensure that there is alignment, if you like, between the steps of processing for any individual and show that, when all of the matters are completed, they are completed at the same time. That is quite a difficult task, particularly in the absence of information technology support—because bear in mind that all of the three acts were introduced with their own separate information technology systems, and we have had to deal with those separate systems, to date. The investments are currently being made to try and bring those together.

Senator JOHNSTON—And how many veterans, roughly, are there under each of the three heads? Just roughly, what sort of numbers are we talking about? You talk about information systems and it makes me imagine that you have a bulky bit of data for each one to deal with.

Mr Killesteyn—By far the largest majority will always be under the Veterans' Entitlements Act. Most of the Second World War veterans and war widows obviously are under the Veterans' Entitlements Act.

Senator JOHNSTON—So we have to be talking several hundred thousand?

Mr Killesteyn—Yes. The Safety, Rehabilitation and Compensation Act—I do not know whether Mr Douglas has got any answer to that? Ah, very good. Thank you, Secretary! We have this little card which gives us all these statistics—

Senator JOHNSTON—That you yourself probably inaugurated!

Mr Killesteyn—Yes! I do not know whether it precisely gives you the answer about whether there are common claims, but this gives you some relativities between the people who have entitlements under the various acts. Under the VEA, there are some 414,968 clients—that is both veterans and war widows. Under the SRCA, the number of active clients is 12,546. Then under the MRCA, which is the relatively new legislation, there are 1,904 clients. That is all as at June 2008. So it gives you a very good sense of the relativities, but also illustrates that—in terms of those applicants who have entitlements across various acts—the numbers are relatively small, but are also, because of the separate processing streams, difficult to process.

Senator JOHNSTON—They have their own defined administrative processes?

Mr Killesteyn—They have separate processing streams. That is the best way I would describe it.

Senator JOHNSTON—I understand what you mean.

Mr Douglas—Senator, of the three pieces of legislation, it is fair to say there are two distinct streams. The Military Rehabilitation and Compensation Act was designed to pick up the best elements of the two former pieces of legislation but it is based on a similar premise of process that underpins the Safety Rehabilitation and Compensation Act—that is, a first claim establishes whether initial liability is accepted; after stabilisation of the condition, there is assessment of permanent impairment of that injury; in the intervening period, if there is any incapacity, incapacity payments will be made; then there is assessment of entitlement to rehabilitation and offer of rehabilitation services. Under the Veterans' Entitlements Act it is a single-stage assessment which determines the extent and severity of the condition, then a disability pension offer is made, and there is an option to take up rehabilitation if the pensioner elects to at a later stage. So there are two streams, really.

Senator JOHNSTON—Thank you very much for that. What are we doing to resolve longstanding cases with respect to the multiple claim type problem that we have canvassed?

Mr Douglas—That is the information technology improvement that Mr Killesteyn referred to. We are progressively building that as we speak. We expect that most of the functionality will become available in probably calendar 2009, towards the later stages. To support that, at some stage prior to the introduction of that system we are also introducing a single claim form, which will take the determination of the piece of legislation that it refers to inside the department and thereafter it will be dealt with on a client basis with discussion about the particular pieces of eligibility. So it is progressively occurring over time.

Senator JOHNSTON—Very good.

Mr Killesteyn—Mr Douglas has described the medium- to long-term issues for us, but in the short term we are very conscious of the processing times for applications under all of the acts. The minister has also been very conscious of that. A special claims unit, as we have described it, was established earlier this calendar year. The role of the special claims unit is to focus on those applications which are outside our standards of service. While I do not have the figures with me I am certainly happy to take them on notice, but Mr Douglas may have those. I think across the board, whether it is VEA, SRCA or MRCA, you will see very considerable progress in bringing down the processing times.

Mr Douglas—I have the current processing times against our service charter. For the Veterans' Entitlements Act the service charter says an average of 75 days and currently, as at the end of August, I believe it is at 69 days. For initial liability under the Safety Rehabilitation and Compensation Act it is 157 days, against a target of 120 days, but the number of cases older than 12 months is significantly lower than the number of cases younger than 12 months. Indeed, the average age of cases on hand is 101 days, so we expect to get to that 120 days very soon.

Senator JOHNSTON—Are you satisfied that 75 and 120 is timely?

Mr Douglas—They are the commitments that the government has agreed to in its service charter, so that is what we are working towards.

Senator JOHNSTON—When was that agreed?

Mr Douglas—I would have to take that on notice, but some years ago—many years ago. You have to bear in mind that there is no time limit on the lodgement of claims and that each claim must establish that there was a link to service from the condition being claimed, and then of course there is a specialist diagnosis as to the extent of limitation or the extent to which the claim affects a person's functionality. Getting access to suitable specialists and getting the reports back from them is a time-consuming process. We engage in a number of techniques, as you might expect, that are designed to improve the timeliness of the provision of those reports. But given the age of the conditions, the length of time since they originally occurred, and then the determination of the extent of disability it can be quite a complex process.

Mr Campbell—Under the VEA, we assess claims from World War II veterans, Korean veterans, Vietnam veterans and people who had service in East Timor up to 2004, for example. As Mr Douglas is saying, we might have the medical records of a person from 2003 or 2004, but going back to the claim relating to World War II or Korea is a little bit more problematic and potentially takes a lot longer.

Senator JOHNSTON—I thank you for those answers. I want to go on to ask about reviews and inquiries and the engagement of ex-service organisations with respect to those. I am led to believe we have approximately 10 reviews and inquiries in the department on a range of matters due to report by December 2008. Is that roughly right?

Mr Campbell—Are you talking about such things as the proposed review of the Military Rehabilitation and Compensation Act?

Senator JOHNSTON—I think I am talking about anything that would require input from a veterans organisation.

Mr Campbell—We can run down them, but certainly not all of them are scheduled to report by the end of 2008. Indeed, several of them have not yet commenced.

Senator JOHNSTON—But I am told several are reporting in 2008, and that is the issue that I would like to take up with you. How do you go about advising ex-service organisations of each inquiry or review and the closing date for submissions for that inquiry or review?

Mr Killesteyn—I would like to ask if you could nominate which particular inquiry you are referring to because, as Mr Campbell has indicated, the government has made a number of announcements in relation to various reviews that it will conduct over its term in government. We have proceeded with some and others are still going through the formation process, so it is really a question of each individual review. If you nominate the review, I can hopefully provide you with an answer about what the process is.

Senator JOHNSTON—I do not have the particular reviews that are of concern at the moment. Maybe in the meantime I can round up what the reviews are so we can take this a bit further. But the issue at hand is this: some ex-service organisations are very large, well organised and well resourced, whereas others are very much smaller and focus on niche matters to be considered by the review or inquiry. They are saying that they have not had sufficient time to lodge a response of sufficient standard that they would be satisfied with or to arrange sufficient feedback from their members to accurately represent their views to those inquiries. The question really is: what safeguards have you got when you are conducting these

inquiries to make sure that the rep bodies are representative of the ex-service and veterans community that they purport to represent and have fairly and reasonably had sufficient time to engage with their members?

Mr Killesteyn—The December date seems to suggest that your question may be associated with the mental health reviews that the minister has announced.

Senator JOHNSTON—Thank you. That probably could be right!

Mr Killesteyn—There are two reviews in relation to mental health. One is a general review of mental health in the ADF and the Department of Veterans' Affairs and the programs that both agencies offer. The second is a review of suicide in serving and ex-serving members. Both of those reviews are due to report some time in the December-January time frame. Both of those reviews have had public invitations for submissions.

In answer to your question, I think there are a number of areas in which you can be satisfied that ex-service organisations are having an opportunity to have their say. One is the submission process. The reviews being conducted into mental health and suicide are both being conducted by Professor David Dunt from Melbourne University, and I know—because I am on the governance board for both of those reviews—that he is going through a very deliberate and structured process.

Senator JOHNSTON—And a sensitive process.

Mr Killesteyn—Yes, and a sensitive process, to ensure that the ex-service organisations that have a particular interest in mental health are having an opportunity to talk to him personally.

Senator JOHNSTON—Is it likely that he would accept late submissions?

Mr Killesteyn—I am on the governance—

Senator JOHNSTON—I don't want to put you on the spot, but if you can answer that I would be obliged. If you do not think it is appropriate for you to say that, because we do not want to have everybody turning up late—

Mr Killesteyn—That is correct.

Senator JOHNSTON—because you have said so, but—

Mr Killesteyn—I am on the governance board, and I think we are being as flexible as possible to ensure that people have an opportunity to have their say, but equally we have to be mindful that this is a very important review, there are some very important outcomes hanging off it, and we cannot continue to wait for late submissions. But we are going to be flexible.

Senator JOHNSTON—I thank you for that. I think that is a very fair answer and I accept that.

Mr Campbell—If I could add to that, I suspect that the concerns you are getting may be in addition to another review to those that Mr Killesteyn has just mentioned, and that is a reconsideration of the recommendations of the Clarke review. That was a report that went to the previous government. The minister called for submissions on 9 September, with a closing date of 1 December. In that he gave an indication that priority would be given to recommendations relating to the Australian participants in the nuclear testing in the 1950s and

the Australian members of BCOF—the British Commonwealth Occupying Forces in Japan at the end of World War II. People may be referring to that as well. As you can see, a three-month period was given and, indeed, they are not new issues. They were issues that were considered by the government back in—

Senator JOHNSTON—They are certainly not new issues.

Mr Campbell—They were considered quite at length back in 2004-05.

Senator JOHNSTON—I think they have been considered quite at length on several occasions.

Mr Campbell—But I am talking about when the Clarke report first came out.

Senator JOHNSTON—Yes.

Mr Campbell—So that might be the one. A three-month period was given, but the minister was pointing out that there were two issues there. I am sure that most of the organisations involved have a very clear view, and will be putting that very clear view forward quite clearly and forcefully.

Senator JOHNSTON—Is Mr Killesteyn on the governance board of those inquiries that are reporting on 1 December?

Mr Killesteyn—No, there is no formal governance board for those particular reviews, and indeed the arrangements for considering those submissions have not yet been finalised. But, for example, the minister has been quite clear that the Prime Minister's advisory council will have a role in looking at those issues around, for instance, the outstanding MRCA recommendations.

Senator JOHNSTON—Very good. But do you think that your broad flexibility comments might apply to that date also?

Mr Killesteyn—Well, speaking on behalf of the department, I think we will be flexible for all of these issues. Again, it is a matter of the balance between having a review completed without necessarily chopping it off so that people do not have an opportunity to have their say.

Senator JOHNSTON—Very good. I do not have a working knowledge of the various outcome headings—as to what fits underneath each umbrella—and I think we may be jumping around a bit, but I would like to ask you about the delivery of services to various veterans' groupings. What are the numbers of veterans waiting for aged care services treatment or hospitalisation? Do you need to take that on notice?

Mr Campbell—Well, while Mr Douglas comes to the table—

Senator JOHNSTON—Mr Douglas seems, quite remarkably, to have all of these figures at his fingertips.

Mr Campbell—At the earlier hearing in June a similar question was asked by one of your colleagues of the then secretary, Mr Sullivan. He pointed out two things. One is that we do not know the numbers for aged-care places. That is a responsibility of the Department of Health and Ageing. Secondly, there is no waiting list for hospitalisation as far as we are concerned. Of course, a veteran or war widow with a gold card is eligible for private hospital as well as public hospital treatment, so any wait that they may have in that context would particularly

relate to the availability of doctors. So as to the thought that we have a waiting list for veterans or war widows who are there waiting for hospital services in a long queue, that just does not exist.

Senator JOHNSTON—Okay.

Senator KROGER—Can I just follow up on that?

Senator JOHNSTON—Absolutely.

Senator KROGER—What sort of numbers are you talking about?

Mr Campbell—Numbers who are eligible or numbers who actually have—

Senator KROGER—Eligible.

Mr Campbell—This is what we would call our treatment population. These are people who hold a gold card, white card or orange card. Our treatment population at the moment is 230,000 who have a gold card and 51,000 who have a white card.

Mr Douglas—On top of that, there would be the—

Senator KROGER—Excuse my ignorance. I understand the gold card but what is the white card?

Mr Campbell—A gold card is for any health treatment, whereas a white card is a card that provides medical treatment for an accepted disability.

Mr Douglas—On top of that, the roughly 17,000 additional people receiving assistance under the Safety, Rehabilitation and Compensation Act and the Military Rehabilitation and Compensation Act would also be likely to be accessing some form of treatment.

CHAIR—Senator Johnston, it has emerged that—

Senator JOHNSTON—Senator Kroger is happy with that?

Senator KROGER—Yes, thank you.

CHAIR—We are doing outcome 1 and 2 together, so we will have further questions from Senator Johnston before we go to outcome 3 with overseas developments.

Senator JOHNSTON—We provide veterans with a level of home care, I believe. How are we going with that given the nursing shortage? I know there is one chronic nursing shortage in Western Australia. How do we deal with the timely availability of nursing care at home in these circumstances? What is happening there?

Mr Douglas—I think it would be best to talk about this under two separate issues. The first is the Veterans Home Care program, which offers domestic assistance-type services.

Senator JOHNSTON—I think my father has that. I am familiar with that. That is very good.

Mr Douglas—Both of those services would not be provided by nurses per se but by care workers—

Senator JOHNSTON—Yes, that is right.

Mr Douglas—someone who may have a nursing background. The second type of initiative you may be referring to is our Community Nursing Service.

Senator JOHNSTON—That is the one I think I am referring to.

Mr Douglas—We have a range of contracts in place with a fairly large number of organisations that are a mixture of very small organisations and quite large services, such as Blue Cross, Stanhope Home Nursing Services et cetera. I would say, by and large, there are probably more contracted agencies available at any point of time that might be actually providing services. I am happy to take it on notice to canvass it, but I am not aware of any particular difficulties in accessing community nursing services as a broad issue. No doubt, at any particular point in time a discharge planner, a discharge nurse or a general practitioner may have some particular difficulty in arranging nursing services for a patient and might need to call several services, but, as I said, I am not aware of any systemic issue.

Senator JOHNSTON—I accept that. Thank you very much. I am moving fairly quickly here, you will be pleased to know. I turn now to the Military Compensation and Rehabilitation Scheme's offices in the Australian Capital Territory and in Tasmania—and I am sure you thought that we might have got to that. I am told that these people are now referred through to Melbourne. My first question is: in the closure of those offices—I think we have closed Tasmania; we have closed the ACT.

Mr Killesteyn—Can I make clarification? Nothing has been closed. There is just considerable misinformation about what the department has done in this respect.

Senator JOHNSTON—I am happy for you to correct me.

Mr Killesteyn—The actual offices, the VANs, the Veterans' Affairs Network offices, in the ACT and in Hobart remain open. Essentially, we have transferred work which would normally be done at a desk, simply processing a claim for some form of eligibility, from the ACT and from Hobart to Melbourne. Why have we done that? Essentially because the workload in those two offices is getting so small that for us to leave people in place becomes highly inefficient. By transferring the work—which, as I say again, is simply a question of processing and application—to Melbourne, we get those efficiencies. I will just be very clear about this, because I think there is a lot of misinformation about what we have done.

Senator JOHNSTON—Certainly I have got misinformation.

Mr Killesteyn—Before July, which was the time that we took the decision, clients would lodge a paper claim form either by posting it or dropping it into the VAN office. That has not changed. Before July, discussion of their claim and referral to medical experts would happen by telephone or letter. That has not changed. Before July, medical and rehabilitation treatment was provided locally. That has not changed. Before July, particularly sensitive or complex cases may have been handled by a senior officer on a face-to-face basis, and that is still available where required. This is simply a question of processing a paper form in a different location.

Senator JOHNSTON—All right. Can I tell you that contact was made with the MCRS office on 31 July of this year, and the staffer—I do have the staffer's name, but I do not want to use it—

Mr Killesteyn—That is fine.

Senator JOHNSTON—advised that DVA were having difficulties retaining staff and the office was considered unsustainable, that MCRS staff were to be redistributed within DVA, that current clients would be directed via the toll-free number to the Melbourne office and that the office would be closed at 5 pm on 31 July. That is obviously, I think, to some degree at odds with what you have just told me. Correct me if I am wrong.

Mr Killesteyn—It is at odds simply because it is a misunderstanding of what has actually happened. Nothing has closed. There is this notion that all of a sudden the doors are closed and that is it, but that is not the case. As I said before, you can still walk into the ACT office and lodge an MCRS claim.

Senator JOHNSTON—Have you had this misnomer, misunderstanding and indeed misrepresentation, if you like, put to you before tonight?

Mr Killesteyn—Indeed. Why I am particularly concerned about it is that what the department is doing has been misrepresented in the media. The department is not about withdrawing services from any location, and I think that is quite clear from what I have described. For those particular individuals who have expressed concern, I would suggest that there are other issues that are of concern to them rather than simply the question of where their work is done. It is more a question of the eligibility for a particular claim that they are making. That is what is being tested here, not the question of the service and where it is provided.

Senator JOHNSTON—I think we have just cleaned up that misperception. Can you tell me how many claims you administer under the Military Rehabilitation and Compensation Act?

Mr Killesteyn—The number of active clients under the Military Rehabilitation and Compensation Act is currently 1,904, and that is the number of clients who received benefits or services in the last two years. Obviously people drop on and off.

Senator JOHNSTON—Yes. How many offices do you have around Australia?

Mr Killesteyn—I should know that. If I take account of all of our state offices, where most of the processing is done, and if I add to that the Veterans' Affairs Network offices, which are much smaller and located throughout Australia in regional centres, I think the number is 26 or 27.

Mr Douglas—26.

Mr Killesteyn—26. Thank you.

Senator JOHNSTON—I do not know what we would do without Mr Douglas for this information.

Mr Douglas—That would include some of our VVCS offices as well—counselling services.

Senator JOHNSTON—Very good, thank you. The last thing that I want to ask you about is, I think, in outcome 3.

CHAIR—Let us finish off outcome 1 and outcome 2 before we go there. There being no further questions on outcome 1 or outcome 2, we will move to 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. It is essentially overseas business, so, if you are dealing with stuff in New Guinea, that is the place to go.

[8.41 pm]

Senator JOHNSTON—Mr Campbell, a cabinet decision was taken at the end of 2006 or the beginning of 2007 to recognise the ‘fuzzy wuzzy angels’. This was tasked to the commemorations branch of your department, headed, I think, by Kerry Blackburn, who conducted a very thorough project to determine an appropriate award. Where are we at with that?

Mr Campbell—I will ask Ms Blackburn to answer that question.

Senator JOHNSTON—Ms Blackburn, how timely!

Ms Blackburn—As a result of a Senate decision, the matter has been referred to a Defence committee to look at the most appropriate form of recognition for the fuzzy wuzzy angels.

Senator JOHNSTON—Is the department making any recommendations or advice—is it a Senate committee?

Ms Blackburn—No, it is not a Senate committee; it is a Defence committee. That is my understanding. I just cannot recall the exact title.

Senator JOHNSTON—Is it the Defence Subcommittee of the Joint Standing Committee on Foreign Affairs Defence and Trade?

Ms Blackburn—No, it is the Defence Honours and Awards Tribunal.

Senator JOHNSTON—The department does not have a view, has not made a submission and is not minded to?

Ms Blackburn—We have not made a submission to that group.

Senator JOHNSTON—When will that report, do you think?

Ms Blackburn—We are awaiting it. I cannot give you the timing.

Senator JOHNSTON—How long has it been there?

Ms Blackburn—The decision was taken or the motion was passed in the Senate in September.

Senator JOHNSTON—Given that that has happened, are you still the responsible person for this?

Ms Blackburn—If they decide to proceed with it, the Commemorations Group within the department would handle it.

Senator JOHNSTON—But effectively you do not have any administrative oversight at the moment?

Ms Blackburn—We are awaiting a decision.

Senator IAN MACDONALD—I have a question for General Stevens to very quickly get an update on the state of play with the commemorative-interpretive centre on the Western Front. It is not long ago that we spoke about this, but I am very interested in what progress the government is making towards that end.

Major Gen. Stevens—You will recall that the previous government gave us some money in last year's budget to conduct a preliminary design study which was really to explore the concept a bit further and remove some of the uncertainties around building approvals and that sort of thing. We did some work on that and presented a report to the incoming government. The minister looked at that report and looked at the concept when he went to Anzac Day in France this year. The concept of having a single centre close to the national memorial carries with it issues of changing the memorial site and issues of visitation, whether the visitation is large enough to justify such a memorial. He has asked us to have a look at alternatives to a single site, and that is what we are doing at the moment.

Senator IAN MACDONALD—Okay. I do not want to inquire into matters in the minister's mind or to ask you questions which you are simply unable to answer, but are you looking at the possible siting of an interpretive centre in an area that has a greater pass-by traffic flow than Villiers-Bretonneux?

Maj Gen. Stevens—We have been asked to look at whether there is some way, for example, that we could take the smaller interpretive centres and the smaller museums that there are already and somehow support those and strengthen those so that in effect we partner with the communities where Australians fought to present the interpretation. That is the sort of issue we are looking at. Visitation is one of the issues that was in the minister's mind when he looked at Villiers-Bretonneux, for example. Visitation to Villiers-Bretonneux is growing, but it has to be said that it is much less at the moment than some other parts of the front, such as Ypres or the northern part of the Somme. So he has in mind that we should take that into account as we are doing this work.

Senator IAN MACDONALD—Since the decision has been made to have an annual Anzac Day service in Villiers-Bretonneux, I would think visitation there will grow from Australians, but for an interpretive centre to be a success it really has to attract non-Australians to it. Is that correct?

Maj Gen. Stevens—Yes, we have had the discussion here before that you build these centres, I think, for the people from your own nation who visit the front but obviously to be viable—that is probably the wrong word—you are hoping to attract other visitors from other nations to understand what your nation did in the conflict.

Senator IAN MACDONALD—It is quite a unique thing that many Europeans wonder why Australia, a country all that far away from the other side of the globe—not Austria but actually Australia—has such a connection with that northern part of France. One would imagine many Europeans would have forgotten, if they ever knew, that Australia played a major part in protecting what the French and the English held dear back 90 years ago. You mentioned other smaller local interpretive centres. Could you name and perhaps describe very briefly some of those that you were talking about?

Maj Gen. Stevens—In the budget of a couple of years ago we were given some money to assist the community of Zonnebeke, which is the administrative district that covers Passchendale, which we have all heard of. They, for example, have a local museum and they were putting a visitors' centre next to the Tyne Cot Commonwealth War Graves Commission cemetery. That gets more than 200,000 visitors a year, and so we were able to partner with them to put a touchscreen CD display about the Australian involvement into their interpretive centre. We were able to partner with them to mark a walking trail as the Australia Walk between the village and the cemetery which was the axis of advance of Australian troops. In that way we were able to assist them with what they were doing but also assist for the interpretation of visitors the Australian participation.

There is a museum at Fromelle. There is a museum at Bullecourt. There is a museum at Villiers-Bretonneux. There is no museum at Pozieres, but the community of Poziers holds events annually. So I think what we are looking at is what we could do to strengthen that and create a presence along the whole front, if you like. That is the sort of thinking that we have at the moment.

Senator IAN MACDONALD—As I recall, you mentioned that Tyne Cot has cemeteries of three or four different nations in very close proximity. Is that correct?

Major Gen. Stevens—It is a very big Commonwealth War Graves Commission cemetery that contains members of all nations of the Commonwealth who fought there. There is a smattering of German graves in it as well. Essentially, it is probably the biggest Commonwealth War Graves Commission cemetery in at least Belgium, if not in Belgium and France—in number.

Senator IAN MACDONALD—But the fact that so many people come there highlights the fact that it is not just an Australian commemoration. There might well be a reason for something of greater recognition of Australia in that area. Perhaps what you are talking about is sensible.

Major Gen. Stevens—We thought it was the sensible way to go, because a facility was already going to be built. There is another very splendid museum at Ypres itself, and a few years ago we put a similar touch screen into that museum as well. What you get is the recognition of the Australian contribution in partnership with the community.

Senator IAN MACDONALD—For example, is the place at Tyne Cot—and I am not familiar with it myself—a grand building with lots of exhibits or is it just a smaller local establishment?

Major Gen. Stevens—The visitor centre at Tyne Cot is a relatively small, austere establishment. I think the most sophisticated display in it would be the touch screens that Australia and New Zealand have put in, but they were able to take advantage of the tour groups that were passing through. Their museum in the village itself is much more sophisticated.

Senator IAN MACDONALD—What sort of time lines have been suggested? When are you supposed to report back to the minister or to the government?

Major Gen. Stevens—We are all conscious of the fact that the centenary of the war is in 2014 and the Australian involvement is in 2016. We are conscious that we have to work back from that if anything is going to come into play. At the moment we have just been asked to do some exploratory work and report to the minister. We have not been given a specific time line. Mr Campbell, excuse my ignorance but I assume you are the new secretary?

Mr Campbell—I am, Senator.

Senator IAN MACDONALD—Congratulations. A constituent of mine wanted some material for an event they are holding in a church hall on 9 November. My staff did the work, but I was very pleased that they came back with an envelope full of material. Would you pass on my thanks to your staff? I raise that publicly because your staff do have a very good reputation for the way in which they serve veterans and others.

Mr Campbell—Thank you, Senator. I will make sure the staff involved know.

Senator FORSHAW—I saw on TV or read in a newspaper recently that there are some significant problems with the lettering coming off the memorial in Hyde Park in London. I remember seeing that memorial for the first time in 2006 and noticing some of the lettering coming off, although it did not look that significant at that time. Can you tell us what is happening with that? What is the cause and what is it going to cost to fix it? Can it be permanently fixed?

Major Gen. Stevens—We first noticed a couple of years ago that the paint was coming off. We always understood that this would happen to some degree and that some annual touch-ups would be required, but the problem was more than we expected. What we have done subsequent to that is investigate why this is happening. It has been hard to get the experts to agree on a particular cause. It seems to be a combination of things. The paint itself: was it the right selection? The application of it: was it put on properly? And some of the samples we have taken indicate that under the lettering itself there is a level of dust that probably should not be there or you would think should not be there. All of these things are contributing. We have gone through a process of trying to isolate the cause, but those three causes still stand out. We have had a paint expert in the UK doing some trials for us of the original paint versus other paints that could be acceptable in the circumstances. We are now at the point where we have cleaned off parts of one of the big panels on the memorial to create a test panel and, as we speak, that is being repainted with the three short-listed paints from this trial. That will sit on the memorial for the next six months or so to see how it goes in the open, and that will then tell us which is the preferred paint and which is the best method of application of the paint.

Senator FORSHAW—When did you commence undertaking some studies on this? You said you have known about it for a couple of years. As I said, I recall seeing a little bit in 2006.

Major Gen. Stevens—When I came into the job in 2006 they were at the stage where the first reason they thought the paint was coming out was that the etching was not deep enough, so they thought it therefore only affected a few letters and they had started a program of finding those letters, making them a bit deeper and repainting them. That process showed us that in fact the depth of etching was not the cause, and that has been confirmed by subsequent

inspections of the memorial as well. So that work was going on, but shortly after that we turned to working with the original contractors for the memorial to get our heads together to see what the causes could be and how to fix it. In that process we engaged so-called coatings experts or paint experts to look at the memorial and give us that advice.

Senator FORSHAW—When the memorial was constructed, would you have had some type of guarantee or expectation of how long it would last? I am making the assumption that over many, many years it might have needed redoing.

Major Gen. Stevens—There was no guarantee given, but when they were looking at the process they were going to use to etch the memorial and then paint it they thought the paint with annual touch-ups should last about 15 years.

Senator FORSHAW—When was it finished?

Major Gen. Stevens—Late 2003.

Senator FORSHAW—I am looking at the chair too because he attended the opening.

Major Gen. Stevens—August 2003, I think.

Senator FORSHAW—Okay. Thank you.

Senator McEWEN—I am not sure exactly who I should direct to but I am interested in two areas where there are memorials to Australian forces. One is in Borneo, in Sabah in Malaysia, where recently near Ranau at the end of the Sandakan death march some buttons from Australian uniforms and other artefacts were found in a field. I understand that the local people there are attempting to establish a memorial on that site. I wondered whether there had been any approaches to the Australian government to assist in that or whether we have any official view on what should be done there.

Major Gen. Stevens—I remember reading about the artefacts being found. We have not been approached to the best of my knowledge about establishing a museum there. Australia has a memorial at Sandakan and there is already another, but a privately erected, POW memorial at Kundasang just down the road. We are responsible for the memorial at Sandakan.

There is a program that we have whereby existing museums—museums that commemorate the Australian contribution—can ask for a grant to assist with restoration of the memorial. We have recently given some money to Kundasang for that purpose, but I have not been approached for a new memorial near Ranau, no.

Senator McEWEN—I do not think that they were looking for anything as grandiose as a museum but just an acknowledgement of the site, because clearly that is where those soldiers had their last camp. But you have not been approached?

Major Gen. Stevens—Not to my knowledge, no.

Senator McEWEN—If somebody did approach you, what could we offer?

Major Gen. Stevens—I think it would depend on what the approach is. If they would ask for a grant, say, to build a new memorial, we actually do not have money for that. We do not have appropriation for that purpose so it is very difficult for us to give it. We have appropriation to restore something that is already there but we do not have appropriation to help privately built new memorials.

Senator McEWEN—What about in acknowledging the site? People have alleged that this was probably the soldiers' last camp before they were all massacred. Do we go through some sort of process? Maybe somebody else can help me here in establishing whether that is correct and perhaps from that would come some kind of acknowledgement of the site.

Major Gen. Stevens—I think we would have to turn to our colleagues in the Army in this case, because it is the Army's responsibility—these are all soldiers and that is why I am being particular about saying the Army. It would be the Army's case. It is always the Army's responsibility for the location and recovery of soldiers and their artefacts. So if, indeed, they went there and said, 'Yes, this is where soldiers were originally buried,' then it would depend on what the community asked us for as to what help we could give. For example, we could give help in kind but, as I said, we do not have an appropriation to cover this.

Senator McEWEN—That's fine. The other area that I am interested in is in Papua New Guinea. After Cyclone Guba I understand that a number of the small memorials in Gona, Buna, Sanananda and probably Milne Bay were destroyed by the floods. They are just the little cairns that you find around the place, and I just wondered whether there has been any assessment of the damage done and whether we are doing anything to assist re-establish those memorials.

Major Gen. Stevens—Again, I have not heard of any damage to the memorials in Milne Bay. We have a memorial at Milne Bay, that we built recently, and there are also some dating from the war. So we are down there quite often. I do know that there are privately built memorials in Buna, Gona and Sanananda and we have an arrangement whereby we assist in their maintenance. But we have been prevented recently from fulfilling that by some local politics. Some local disagreements have stopped our contractors getting there. But as soon as they are resolved we will go back and start to fulfil our obligation.

Senator McEWEN—Okay, that is fine. Thank you very much.

CHAIR—Are there further questions on outcome 3? Are there questions on output group 6: 'Provision of services to the Parliament, Ministerial services and the development of policy and internal operating regulations'? There being none, that concludes our deliberations on estimates for the Department of Veterans' Affairs. I thank Mr Campbell and the officers from the department for attending. The committee will reconvene tomorrow morning for Foreign Affairs and Trade.

Committee adjourned at 9.05 pm