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SENATE

FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION
COMMITTEE

ESTIMATES

(Budget Estimates)

WEDNESDAY, 3 JUNE 2009

CANBERRA

BY AUTHORITY OF THE SENATE

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SENATE FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION**COMMITTEE****Wednesday, 3 June 2009**

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

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

Senators in attendance: Senators Adams, Back, Barnett, Birmingham, Mark Bishop, Farrell, Ferguson, Forshaw, Hutchins, Johnston, Kroger, Ludlam, McEwen, Parry, Payne, Sterle, Trood and Xenophon

Committee met at 9.04 am

DEFENCE PORTFOLIO**In Attendance**

Senator John Faulkner, Special Minister of State, and Senator Ludwig, Minister for Human Services

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

Mr Michael Pezzullo, Deputy Secretary Strategy

Dr Margot McCarthy, Deputy Secretary, Strategic Reform and Governance

Air Commodore John Meier, Joint Combined Exercises

Outcome 1: The protection and advancement of Australia's national interests through the provision of military capabilities and promotion of security and stability**Program 1.1: Office of the Secretary and Chief of the Defence Force****Program 1.9: Vice-Chief of the Defence Force**

Major General Greg Melick AM, Head Reserve and Employer Support Division

Program 1.10: Joint Operations Command**Program 1.12: Chief Finance Officer****Outcome 2: Advancement of Australia's strategic interests through the conduct of military operations and other tasks directed by Government****Program 2.1: Operations contributing to the security of the immediate neighbourhood****Program 2.2: Operations supporting wider interests****Outcome 3: Support to the Australian community and civilian authorities as requested by Government****Program 3.1: Defence contribution to national support tasks in Australia****Capability development**

Vice Admiral Matt Tripovich AM, CSC, Chief Capability Development

Outcome 1**Program 1.11: Capability development****Defence Materiel Organisation****DMO Outcome 1: Contributing to the preparedness of the Australian Defence Force organisation through acquisition and through-life support of military equipment and supplies.**

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

Rear Admiral Boyd Robinson AM RAN, Head, Maritime Systems Division

Air Vice Marshal John Harvey, Project Manager, New Air Combat Capability

Mr Colin Sharp AM CSC, Head, Land Systems

Mr Warren King, General Manager, Programs

Major General Tony Fraser, Head, Helicopter Systems Division

Mr Kim Gillis, General Manager, Systems

Brigadier Bill Horrocks, Director General Land Combat Systems, Defence Materiel Organisation

Ms Michelle Kelly, Director General Guided Weapons, Defence Materiel Organisation

Mr Mark Devlin, Director, General Electronic Warfare, Defence Materiel Organisation

DMO program 1.1: Management of capability acquisition**DMO program 1.2: Management of capability sustainment****DMO program 1.3: Provision of policy advice and management services**

Dr Steve Gumley, Chief Executive Officer, Defence Materiel Organisation

Mr Harry Dunstall, Special Counsel to CEO, Department of Defence

Capital facilities and Defence support

Mr Martin Bowles, Deputy Secretary Defence Support

Major General Paul Alexander, Commander, Joint Health

Outcome 1**Program 1.6: Defence support****Program 1.14: Defence Force superannuation benefits.****Program 1.15: Defence Force superannuation-nominal interest****People**

Mr Phil Minns, Deputy Secretary People Strategies and Policy

Outcome 1**Program 1.13: People strategies and policy**

Major General Craig Orme AM CSC, Head, People Capability

Remaining Defence programs**Outcome 1****Program 1.2: Navy capabilities**

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

Program 1.3: Army capabilities

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

Major General Paul Symon AO, Deputy Chief of Army

Brigadier Gerard Fogarty AM, Director General Personnel – Army

Program 1.4: Air Force capabilities

Air Marshal Mark Binskin AM, Chief of Air Force

Program 1.5: Intelligence capabilities

Mr Stephen Merchant, Deputy Secretary Intelligence & Security

Mr Frank Roberts, Chief Security Officer

Program 1.7: Defence science and technology

Professor Robert Clark, Chief Defence Scientist

Program 1.8: Chief Information Officer

Mr Greg Farr, Chief Information Officer

Defence Housing Australia

Mr Michael Del Gigante, Managing Director

Mr Robert Groom, Chief Financial Officer.

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

Outcome 1: Compensation and support Maintain and enhance the financial wellbeing and self-sufficiency of eligible persons and their dependants through access to income support, compensation, and other support services, including advice and information about entitlements.

Program 1.1: Veterans' income support and allowances**Program 1.2: Veterans' disability support****Program 1.3: Assistance to Defence widow(er)s and dependants****Program 1.4: Assistance and other compensation for veterans and dependants****Program 1.5: Veterans' children education scheme****Program 1.6: Rehabilitation compensation acts payments—income support and compensation****Program 1.7: Adjustments to the rehabilitation compensation acts liability provisions—
income support and compensation**

Mr Ian Campbell, PSM, Secretary

Mr Gary Collins, Acting Deputy President

Mr Ken Douglas, General Manager, Service Delivery

Mr Barry Telford, General Manager, Policy and Development

Ms Carolyn Spiers, Principal Legal Adviser

Mr Roger Winzenberg, Acting General Manager, Corporate

Mr Graeme Rochow, Chief Finance Officer

Mr Michael Griffin, Principal Member, Veterans' Review Board

Outcome 2: Health Maintain and enhance the physical wellbeing and quality of the life of eligible persons and their dependents through health and other care services that promote early intervention, prevention and treatment, including advice and information about health service entitlements.

Program 2.1: General medical consultations and services

Program 2.2: Veterans' hospital services

Program 2.3: Veterans' pharmaceutical benefits

Program 2.4: Veterans' community care and support

Program 2.5: Veterans' counselling and other health services.

Program 2.6: Rehabilitation compensation acts—health and counselling and other health services.

Program 2.7: Adjustment to the rehabilitation compensation acts liability provisions—health and counselling and other health services.

Mr Ian Campbell, PSM, Secretary

Mr Gary Collins, Acting 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 Carolyn Spiers, Principal Legal Adviser

Mr Roger Winzenberg, Acting General Manager, Corporate

Mr Graeme Rochow, Chief Finance Officer

Mr Sean Farrelly, National Manager, Compensation and Income Support, Policy and Development Division

Outcome 3: Commemorations Acknowledgement and commemoration of those who served Australia and its allies in wars, conflicts and peace operations through promoting recognition of service and sacrifice, preservation of Australia's wartime heritage, and official commemorations.

Program 3.1: War graves and commemorations

Program 3.2: Gallipoli related activities

Mr Ian Campbell, PSM, Secretary

Mr Gary Collins, Acting Deputy President

Ms Kerry Blackburn, General Manager, Commemorations and War Graves

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

Australian War Memorial

Outcome 1: Australians remembering, interpreting and understanding the Australian experience of war and its enduring impact through maintaining and developing the national memorial, its collection exhibition of historical material, commemorative ceremonies and research.

Program 1.1: Commemorative ceremonies

Program 1.2: National memorial and grounds

Program 1.3: National collection

Program 1.4: Exhibitions

Program 1.5: Interpretive services

Program 1.6: Promotion and community services

Program 1.7: Research and information dissemination

Program 1.8: Visitor services.

Major General Steve Gower AO, AO (Mil) (Rtd), Director

Ms Rhonda Adler, Assistant Director, Branch Head, Corporate Services

Ms Katherine McMahon, Acting Assistant Director, Branch Head, Public

Ms Nola Anderson, Assistant Director, Branch Head National Collection

Ms Leanne Patterson, Chief Finance Officer

CHAIR (Senator Mark Bishop)—Good morning. I declare open this meeting of the Senate Foreign Affairs, Defence and Trade Legislation Committee. I welcome Senator Faulkner, representing the Minister for Defence; Air Chief Marshal Angus Houston, Chief of the Defence Force; Mr Nick Warner, Secretary of the Department of Defence; and officers of the defence organisation. The committee must report to the Senate on 23 June 2009. The date which has been set by which answers to questions on notice on notice are to be returned is 30 July 2009. Senators should provide their written questions on notice to the secretariat by close of business Thursday, 11 June.

Under standing order 26 the committee must take all evidence in public session. This includes answers to questions on notice. Officers and senators are familiar with the rules of the Senate governing estimates hearings. If you need assistance, the secretariat has copies of the rules. I particularly draw the attention of witnesses to an order of the Senate of 13 May 2009 specifying the process by which a claim of public interest immunity should be raised, and which I now incorporate into Hansard.

The document read as follows—

That the Senate—

- (a) notes that ministers and officers have continued to refuse to provide information to Senate committees without properly raising claims of public interest immunity as required by past resolutions of the Senate;
- (b) reaffirms the principles of past resolutions of the Senate by this order, to provide ministers and officers with guidance as to the proper process for raising public interest immunity claims and to consolidate those past resolutions of the Senate;
- (c) orders that the following operate as an order of continuing effect:

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- (1) If:
- (a) a Senate committee, or a senator in the course of proceedings of a committee, requests information or a document from a Commonwealth department or agency; and
 - (b) an officer of the department or agency to whom the request is directed believes that it may not be in the public interest to disclose the information or document to the committee, the officer shall state to the committee the ground on which the officer believes that it may not be in the public interest to disclose the information or document to the committee, and specify the harm to the public interest that could result from the disclosure of the information or document.
- (2) If, after receiving the officer's statement under paragraph (1), the committee or the senator requests the officer to refer the question of the disclosure of the information or document to a responsible minister, the officer shall refer that question to the minister.
- (3) If a minister, on a reference by an officer under paragraph (2), concludes that it would not be in the public interest to disclose the information or document to the committee, the minister shall provide to the committee a statement of the ground for that conclusion, specifying the harm to the public interest that could result from the disclosure of the information or document.
- (4) A minister, in a statement under paragraph (3), shall indicate whether the harm to the public interest that could result from the disclosure of the information or document to the committee could result only from the publication of the information or document by the committee, or could result, equally or in part, from the disclosure of the information or document to the committee as in camera evidence.
- (5) If, after considering a statement by a minister provided under paragraph (3), the committee concludes that the statement does not sufficiently justify the withholding of the information or document from the committee, the committee shall report the matter to the Senate.
- (6) A decision by a committee not to report a matter to the Senate under paragraph (5) does not prevent a senator from raising the matter in the Senate in accordance with other procedures of the Senate.
- (7) A statement that information or a document is not published, or is confidential, or consists of advice to, or internal deliberations of, government, in the absence of specification of the harm to the public interest that could result from the disclosure of the information or document, is not a statement that meets the requirements of paragraph (1) or (4).
- (8) If a minister concludes that a statement under paragraph (3) should more appropriately be made by the head of an agency, by reason of the independence of that agency from ministerial direction or control, the minister shall inform the committee of that conclusion and the reason for that conclusion, and shall refer the matter to the head of the agency, who shall then be required to provide a statement in accordance with paragraph (3).

CHAIR—Minister, do you or an officer wish to make an opening statement.

Senator Faulkner—Thank you. In accordance with the normal procedures at this committee both CDF and the Secretary will be making opening statements. I will not.

Mr Warner—I will cover three issues in my opening statement: Defence's Strategic Reform Program; the special forces' pay issue; and allegations that Defence personnel improperly accessed the Minister for Defence's IT systems.

Let me start with the Strategic Reform Program. When I spoke to the committee in February I said Defence was eagerly awaiting the release of the first white paper in a decade—not just because it would provide the strategic assessment to 2030 and advice on the

ADF needed to protect Australia in the future; and not just because it would consolidate 12 months of comprehensive internal and external reviews, audits and scrutiny and thousands of hours of research and analysis by hundreds of people at every level across the organisation. We were eagerly awaiting the release of the white paper because it would signal the start of long overdue and significant, deep, strategic, holistic reform to every part of Defence—and through it drive savings that would be reinvested into current and future capability.

As I have said in previous statements to this committee and in public speeches, Defence has many strengths. But it also has a significant weakness: its broken backbone—which has hampered so much of Defence's work in recent years due to antiquated and duplicated processes, policies and systems, and inefficiencies and ineffectiveness. The white paper's Strategic Reform Program will fix the broken backbone, and it will fix much more. This morning I would like to give the committee a better understanding of the process that led to the development of the reform program, the program itself and how we in Defence will go about delivering it.

We started the development of the white paper by examining the foundations of our defence policy and our strategic outlook to 2030. This involved the review and analysis of a comprehensive suite of intelligence assessments, and a re-evaluation of the threats and risks that matter most for defence planning purposes. It also involved an examination of our strategic interests, as well as the role played by our alliances and international defence relationships in enhancing our security.

A comprehensive Force Structure Review took the framework of strategic interests and defence policy settings and identified the principal tasks required of the ADF. The Force Structure Review then evaluated the ADF's ability to achieve the principal tasks, determined the joint capabilities needed to undertake these tasks and developed an appropriate force structure to deliver these joint capabilities.

The critical support functions required by this force were also carefully examined through a detailed set of reviews and studies, including eight internal 'companion reviews', a review of the intelligence capability, and the procurement and sustainment review undertaken by David Mortimer. These reviews delivered two critical outcomes: firstly, they identified the requirement for significant remediation to much of our support infrastructure 'backbone'. This was incorporated into the white paper as a number of Defence business and budget priorities. Secondly, they identified significant reform opportunities related to shortfalls in our business processes and practices and in our cost estimation and budget provisioning. These reforms have been incorporated into the Strategic Reform Program, and appropriate budget provisions have been made.

The defence budget audit also played a significant role in informing the Strategic Reform Program. The audit reinforced the fact that the reform activities in which Defence has been engaged over many years needed to be continued, consolidated and intensified. The Strategic Reform Program brings together the work of the audit and all these reviews and has been subsumed into a comprehensive whole-of-defence plan. This plan is described in the Strategic Reform Program *Defending Australia in the Asia Pacific Century: Force 2030*. This is a detailed 30-page booklet that we plan to print in the near future and which, with permission, Chair, I would like to table.

CHAIR—There being no objection, leave is granted.

Mr Warner—The Strategic Reform Program will focus on 15 key areas or reform streams, some of which will deliver savings through sustainable reform. While other reforms will not deliver quantifiable savings, they will increase the efficiency and effectiveness of Defence. The reform will generate savings of \$20 billion over the next 10 years, which has been earmarked for reinvestment in current and future military capabilities and the remediation of the ‘broken backbone’ of Defence.

The savings will be delivered through a number of reform streams. I will go through those in some detail. First of all, the workforce and shared services reform stream, which will civilianise some military positions in support services, convert contractors to APS positions and introduce a leaner and more effective business model for back-office functions such as human resources and finance. The reform in this stream will deliver about \$3.3 billion in savings over the decade.

The logistics reform stream will rationalise Defence’s storage and distribution network and deliver about \$320 million worth of savings. The reform to non-equipment procurement will target 23 categories of support service expenditure, such as travel, training and catering; and introduce better buying and contracting practices and changes in demand and usage practices. The reform in this stream will deliver \$4.5 billion in savings.

The smart maintenance reform stream will increase the productivity and availability of 100 capability platforms, impose commercial discipline on procurement and sustainment processes, and increase the efficiency of the maintenance and management of military equipment; and it will deliver \$4.4 billion of savings in the process. The reform of our inventory management will reduce the size of inventory holdings, introduce smarter buying, increase productivity and eliminate waste. It will deliver \$700 million worth of savings.

The reserves reform stream will involve the development of a plan to ensure we make the most effective use of part-time members. We will also assess how part-time members can support prolonged operations, and whether capability elements can transition from the full-time force. This reform stream will see \$380 million in savings. And, finally, ICT reform will consolidate 200 data centres into less than 10, create a single enterprise architecture and standardise Defence’s ICT environment. The reform to this area will deliver \$1.9 billion in savings.

In addition, savings from other categories previously identified under the minister’s savings program will free up \$5.1 billion over the next decade. Most of the \$5.1 billion will come from a general belt-tightening exercise, much of which has already occurred through our zero based budgeting exercise that identified the funding required to meet existing business needs and allocated any remaining funds for white paper initiatives. Additional savings were also achieved by reprioritising equipment and facilities investment programs and forgoing lower priority administrative activities.

We also allowed for ongoing productivity flowing from the initial implementation of the Strategic Reform Program. The Strategic Reform Program is about much more than just finding savings. It is about improving the way we in Defence work. It is about making our processes more efficient and our governance more effective. It is about more robust costing

methods and responsive systems. The reform program will also improve the efficiency and effectiveness of the Defence organisation through the following further eight reform streams. Firstly, an output focused budget management model will provide the services and groups with greater authority to manage their budgets and non-financial inputs. This model will improve accountability and allow for better management of resources.

Internal governance and business process reforms in the management of the defence estate will ensure facility requirements to support new capability are integrated into our capability development processes, and better value for money is achieved. The government has agreed to five key principles that will guide further consolidation of the defence estate over time. At this point the government has made no decisions about specific base rationalisations.

A number of governance and business process improvements, including the formation of an external advisory board and the development of technology roadmaps, will enable the delivery of a more cost-effective science and technology capability. Reform of the intelligence capability will bring the ICT capabilities of the three defence intelligence agencies under single management and consolidate the separate two HR areas into one.

The strategic planning reform stream will implement a strategy-led force planning process that includes better alignment between the Defence corporate and budget management frameworks. The reforms will ensure the translation of strategic requirements into military capability specifications and procurement priorities. Reforms to capability development will increase the rigour in requirement setting, ensuring that capability requirements are not greater than required through a strengthened link between strategic guidance and capability development. These reforms will also improve processes across capability decision making, provide better quality long-term cost forecasts and improve the risk management of projects.

Procurement and sustainment reforms that flow from the response to the Mortimer review cover the complete life-cycle of capability systems. These reforms follow two themes: firstly, imposing commercial discipline on Defence procurement and sustainment processes; and, secondly, making the DMO more business like.

The preparedness and personnel and operating cost reforms are designed to provide government with greater transparency of preparedness and operating costs, as well as provide better estimates of the net personnel and operating costs for major projects. The reforms will deliver greater confidence in adjusting preparedness and budgets to suit changing geostrategic and economic circumstances.

The reform program as a whole will lead to increased job opportunities in some areas, and will eliminate some roles in others. But the additional people needed to meet the capability goals of the white paper will more than offset any decrease in jobs associated with reform. The net result will be about 3,000 more military jobs and 300 more civilian jobs over the next 10 years. Wherever possible, defence will redeploy and retrain our people whose roles will be restructured because of reform.

In agreeing to this complex and far-reaching program of reform in late April this year, the government recognised that these are long-term reforms that will take three to five years to implement and has agreed to allow some flexibility in the way Defence achieves the savings target. It is worth explaining, for those that have not been involved in the development of such

reform programs, that the target is underpinned in the main by high-level benchmarking and extrapolation analysis undertaken by the audit.

As the detailed planning and implementation of the program proceeds over the next six months, more savings will be found in some areas and less in others. What will not change is Defence's commitment to meeting the overall savings target of \$20 billion over the next decade. In fact, we are striving to overachieve on that wherever we can.

A Defence strategic reform advisory board will provide external scrutiny and governance of the Strategic Reform Program and will be chaired by an independent, private sector professional who has introduced large and complex reform in other organisations. The secretaries of the departments of PM&C, Treasury, and Finance and Deregulation will also sit on the board, along with CDF, the CEO of DMO and I. The board will report to the minister each quarter, who will in turn will advise the NSC of cabinet on an annual basis.

At the portfolio level, the CDF and I will lead the reform program. But accountability for implementation will be devolved to line leaders, who will be guided by clear performance measures and milestones. Individual accountabilities will also be clearly laid out in joint directives issued by the CDF and by me. The Deputy Secretary of Strategic Reform and Governance will be responsible and accountable for high-level integration, coordination and oversight of the program. And the Defence committee will monitor overall progress on reform; while the Defence Audit and Risk Committee, with its independent chair, will be an important source of advice on risk mitigation.

The government committed to sustainable funding arrangements for the Defence budget in future years, which will provide greater certainty for planning and real funding growth to meet the ever-increasing costs of the military equipment needed to defend Australia. Defence's leaders realise that our current and future strategic and capability needs will only be achieved from the Strategic Reform Program savings coupled with sustainable funding arrangements. They also realise that the future of the ADF and of Defence depends on the successful and complete implementation of the reform program.

Let me now turn to the special forces pay issue, which earlier this year shone a spotlight on Defence's outdated systems and our poor processes, and reminded us in Defence, in a very public way, of the need for reform. I will leave it to the Acting Chief of Army to discuss the details of Army's actions to remediate soldiers' pay, but I want to reinforce that a great deal of work has been done in the department over the past few months.

At the heart of this matter is a broad challenge concerning Defence's management of pay, highlighted by the KPMG report commissioned by the minister. The report made five recommendations. Defence should: firstly, monitor and manage the special forces debt cases until specific fixes are in place; secondly, initiate a 'comprehensive, centralised control framework' to ensure clear accountabilities and a single point of responsibility for pay; thirdly, implement a more complete testing environment for ADF pay; fourthly, ensure no person is adversely impacted by Defence Force Remuneration Tribunal determinations that have retrospective effect; and, finally, develop a pay strategy that simplifies allowance structures and pay systems within three to five years—and that these be supported by IT systems reform and simplified administration.

So what went wrong? Let me emphasise here that I am speaking also for my diarchy partner and indeed for the whole of defence. It was a failure of both systems and process. Accountabilities were jumbled, although CDF and I have, of course, ultimate accountability. The Special Forces commanders should have had a more precise grasp of the formal skill and competency attainments of their people, Army should have factored this into their calculation of the shift from allowances to pay, the People Strategies and Policy Group should have held and exercised a clear mandate to oversee the case for the Defence Force Remuneration Tribunal, the Chief Information Officer Group's systems did not allow for information to be flexibly shared and the Defence Support Group's processes required intensive manual intervention because the pay system automatically commenced debt recovery action.

The KPMG report found that there was not enough communication between different areas in defence to ensure that, at each point of the pay process, assumptions were tested, handovers of responsibilities were clear and problems identified were fixed. And here I would like to provide some example. In developing the case to go before the Defence Force Remuneration Tribunal in March 2007, as the Chief of Army made clear at the last hearing, we did not seek an assurance that there would be no adverse pay outcomes for our people. Because the case rolled into salary amounts of money previously paid as allowances, Army assumed no person would be worse off from the tribunal's decision. At that time PSP did not have a formal quality assurance role regarding decisions on pay cases made in the services. In future it is intended that that will be introduced.

In line with KPMG's recommendation, defence will now take care to ensure that future cases presented to the tribunal will always seek its agreement to include non-reduction provisions in pay determination decisions affecting any category of ADF member. You will recall that Army also assumed that the vast majority of affected individuals would have formally attained the proficiencies needed to satisfy requirements for the higher salaries, but that was not the case. This situation was further complicated by defence's complex ICT systems and the failure of these different systems to allow the easy aggregation of data from different sources. These same systems then automatically triggered debt recovery actions—which is what the systems are actually designed to do. But this happened in the absence of adequate communications across the breadth of defence to build a shared understanding about the pay problem, so there was no active intervention to prevent the debt recovery.

The CDF and I have accepted each of the five recommendations from the KPMG report. Defence is implementing them and we are providing progress reports to our ministers. We have already replaced the mainframe computer that supports ADFPAY, and this will enable us to introduce a more complete testing environment for the ADF pay system. We also have plans to replace key human resource and payroll systems. We want to get this right, and we will devote nine months upfront to diagnostic work, shared services design and an integrated IT design to support shared services.

In the interim, defence will improve the performance of our existing human resource and payroll systems at a cost of \$11 million to ensure efficient processing times and availability. This will happen in July. We are also reforming and simplifying the ADF allowance structures and building a controls framework for payroll responsibilities across the organisation. We are doing this by articulating a remuneration strategy that will clearly set out the future state of

the ADF and APS benefits packages, stabilising our human resources and payroll systems so they remain effective and maintainable, introducing business process reform into human resource and payroll administration before introducing new capability, and simplifying and modernising ADF remuneration. These are complex tasks and they will take up to three years to fix.

CDF and I are confident that we have the right approach, but we cannot guarantee there will not be more problems as we proceed to reform our systems and our processes and despite all our efforts. For example, implementing the plan for the graded other ranks pay structure, known as GORPS, within Navy and Air Force has been very successful, with around 18,000 members placed into the 10-grade pay structure. The planning process, together with implementation under a project methodology, has worked very well. Navy members were paid on 16 April and Air Force members were paid on 14 May.

The Army plan for GORPS is twice as big and is currently two weeks away from implementation. Anomalies are expected at this point in the process and we are in the final stages of using our assurance system to deal with them. Part of the assurance system required all soldiers to print their salary variation authority, known as an SVA, for pay periods 14 or 28 May. These SVAs were compared with the soldier's GORPS SVA available from 1 June for the pay day of 11 June. Any identifiable changes that could not be explained were to be reported through the soldiers' chain of command. Two expert teams are in place to fix any problems. Our goal is to identify and fix pay anomalies early so people get their correct pay on 11 June. Issues that cannot be manually fixed by 11 June will be fixed by pay day on 25 June. If any anomalies are identified, I can say that members will not be financially disadvantaged. Extensive communications have been developed and issued to ensure all soldiers understand the situation and the route to corrective action if the assurance process highlights an anomaly.

Finally I would like to turn to the allegation of the defence investigation of the minister. The report of the Inspector-General of Intelligence and Security, IGIS, Mr Ian Carnell, was released this morning. The report looked into allegations that an individual or individuals employed by the DSD may have improperly accessed information technology equipment used by the Minister for Defence. I have copies of that report if it would be of any use to the committee.

CHAIR—Are you seeking leave to table that?

Senator Faulkner—The secretary is concerned that it may not be appropriate for him to table it in the sense that it is not a report that has been provided directly to him. Of course, it has been provided to the Minister for Defence. I do not think there is a problem with me as the Minister representing the Minister for Defence at the table doing so. I understand the secretary's concerns but let me do that formally.

CHAIR—There being no opposition, leave is granted to table the document.

Mr Warner—Mr Carnell's investigation also covered the potential roles of the other defence intelligence agencies. Under the Inspector-General of Intelligence and Security Act 1986 Mr Carnell has substantial powers which are akin to those that would be available to a royal commission. Mr Carnell has undertaken this task in his customary thorough and detailed

way. I am, of course, very pleased that his report has found no basis to any allegations about DSD.

Given the public interest in this issue, I think it is important to report Mr Carnell's four findings to this committee. Firstly, Mr Carnell found there is no evidence or indication which might raise suspicion that there has been an official or legally sanctioned investigation by DSD of the Minister for Defence. Secondly, there is no evidence or indication which might raise suspicion that any defence officer or officers attempted or were part of an unofficial investigation. Thirdly, the DSD has not accessed any of the personal information which has been disclosed in the media, as part of its information security role or other legitimate activities. And IGIS's fourth finding is that nothing was seen in the course of this inquiry which suggests that the conclusions drawn in the general Defence inquiry are incorrect in respect of those other parts of defence which fall within his legislative jurisdiction—namely DIO or DIGO.

Significantly, Mr Carnell concluded that, and I will quote:

... the allegations against the Minister could have been formulated without there having been unauthorised access to the Minister's computing facilities.

In short, the IGIS report supports the findings of the Defence investigation that I released last week. With regard to Defence's own review of this matter I want to formally state to the committee that: firstly, Defence, including DSD, did not undertake any investigation of the Minister for Defence; secondly, Defence, including DSD, did not undertake any investigation of Ms Helen Liu; thirdly, Defence, including DSD, did not infiltrate the information technology systems or personal communications of the Minister for Defence, his staff or Ms Helen Liu; fourthly, in the course of undertaking its information security function DSD did not access any information relating to the Minister for Defence's relationship with Ms Liu; fifthly, no official from Defence's security and intelligence areas raised any concerns, either with senior officers in Defence or with other parts of government, about the Minister for Defence's relationship with Ms Liu.

The Defence investigation was complete and thorough and involved 1,721 people from across Defence. Some 1,368 statutory declarations were signed by Defence officers, including senior officers in the Defence intelligence and security areas, which state that no officer undertook the activities alleged in the media articles or had any knowledge of anyone else doing so. The investigation also found no information to support speculation in the media that an investigation of the Minister for Defence, or of Ms Liu, may have been carried out by 'rogue individuals' in the department, including in DSD.

In fact the investigation confirmed that no defence investigative authority or intelligence agency was aware of Ms Liu or her relationship with the minister before the media articles on 26 March. None of the people involved in the investigation indicated any awareness of Ms Liu, and searches of the defence intelligence and security databases revealed no reference to the Ms Liu who was the subject of the media articles. As I said at the time these allegations were first raised, I have complete confidence in Defence's intelligence and security community. They are professionally, personally and morally committed to Australia's security and they work tirelessly to preserve and protect our national interests.

Air Chief Marshal Houston—Good Morning. Right at the outset I want to reiterate my support for the remarks made by the secretary about the special forces pay issue. A great deal of work has been done since we were last here in February. I am confident that Defence has a firm grasp of the issue and the right way forward to improve our pay systems. I assure the committee that the secretary and I will be paying very close attention to the implementation of the five recommendations from the KPMG Report. This morning I intend to speak for about 10 minutes. I will begin with the white paper, then provide a brief update on operations and conclude with some comments about Defence's upcoming response to the Street and Fisher Report.

Firstly, I begin with the release of the 2009 defence white paper *Defending Australia in the Asia Pacific Century: Force 2030*. This white paper is a very good outcome for the Australian Defence Force. It is exactly what we need to ensure we have the long-term guidance, planning and force structure to provide Australia with a military that has the capacity to protect Australia and our interests. I am delighted with the capability decisions that have been made and the balance between the three services. The service chiefs are equally delighted with the white paper and indeed with the decisions as they apply to the other services. We are all very focused on the joint effect that we gain from this important document.

Force 2030 will provide Australia with a formidable set of integrated military capabilities that will keep our country secure against the backdrop of a changing strategic environment. Importantly, our three services are ready to begin this significant transition period. Indeed, they are already well underway, making the necessary cultural and structural reforms that we need to help transform defence. Navy, under the leadership of Vice Admiral Russ Crane, has been undergoing a cultural shift toward a more positive, progressive, people focused and innovative service underpinned by their 'New Generation Navy' initiative. Army, under the leadership of Lieutenant General Ken Gillespie, has undertaken a detailed self-examination called 'Adaptive Army' to ensure that their command and control, force generation and force preparation are appropriate for the contemporary and future security environments. And Air Force, under the leadership of Air Marshal Mark Binskin, continue with their 'Air Force: One Team' cultural approach in order to reaffirm themselves as a values based Air Force with an inclusive workforce focused on professional mastery.

This white paper has been a lengthy, consultative and complex task. I stress that every facet of our organisation has had the opportunity to contribute to the development of this comprehensive document. The future security of our nation has been strengthened with the release of this white paper. However, this commitment from the government requires a return commitment from defence to improve the way we do business. I fully endorse the comments made by the secretary today about the Strategic Reform Program. I have made a number of visits to our people since the release of the white paper in order to communicate the importance of the white paper and the Strategic Reform Program to defence people. I have made it clear to them that the SRP is essential to delivering *Force 2030*. And I have made it clear the SRP is different to other reform programs from the past—in that it is built on sound analysis from the companion reviews and the Pappas budget audit; it is Defence driven for our own benefit; it has senior leadership buy-in and accountability; and it is not only focused

on delivering savings. I have already spoken to somewhere in the order of 7,000 people, and I intend to keep making these visits until I am confident the message is out loud and clear.

I will just take five minutes to make some points about: Afghanistan, counter-piracy, East Timor, the Solomon Islands and border protection. Firstly, our efforts in Afghanistan continue to progress well. Our immediate focus is on the pending Afghanistan troop increase that will bring additional training capacity to the Mentoring and Reconstruction Task Force and extra security forces to support the August Afghan elections. Over the past six months the Special Operations Task Group have conducted nine major operations, which have successfully disrupted Taliban activity in Oruzgan, putting the terrorists at a significant disadvantage and helping to extend stability and security in the province. In fact, on May 24 a key Taliban insurgent commander, Mullah Qasim, was killed during a short battle between insurgents and the Special Operations Task Group supported Afghanistan National Security Forces. Additionally, separate Special Operations Task Group and Mentoring and Reconstruction Task Force patrols, in cooperation with their Afghan National Security Force partners, have discovered 20 caches of weapons.

Last week I released the findings of an inquiry into alleged civilian casualty claims against ADF personnel operating in the Baluchi Pass area of southern Afghanistan in early January. The inquiry found that there was no evidence to support a finding that the ADF had caused civilian casualties on 5 January. I also announced the findings of two other civilian casualty allegations. Firstly, we have completed an assessment of accusations contained in recent media reporting of possible ADF involvement in an incident which resulted in the death or injury of members of Mr Abdul Khaliq's family on July 5 2006. The assessment found that there is no evidence, nor any suggestion or indication that such evidence may exist, to support allegations that Australian Special Forces were involved in the incident.

The second report concerned use of deadly force against an Afghan man approaching a checkpoint by the MRTF last December. The Afghan had a visible suspicious wire on his body and did not comply with the clear directions of our soldiers to stop. He was then considered a threat and was fired upon. The review officer found that the MRTF patrol had acted appropriately and within their rules of engagement. I emphasise that we will investigate credible allegations of civilian casualties in an open and transparent way. We report on these matters to the government and the Australian people, and we put an absolute priority on ensuring our forces operate within their rules of engagement and according to international legal norms.

You should also note that our frigate and AP3C maritime patrol aircraft that are currently based in the Middle East will be flexibly tasked between counter-piracy operations around the Gulf and the Horn of Africa and their current counterterrorism and maritime security patrol duties. The efforts of our reservists in the Solomon Islands also warrant special mention today, as many of the soldiers that are currently deployed also supported the Victorian bushfire effort earlier this year. It has been a busy year for them, but they are performing wonderfully well. Our Defence Cooperation Program is complementing the efforts of the Regional Assistance Mission to the Solomon Islands. Examples are the recent refurbishment of the Honiara wharf, explosive ordnance disposal training and airport airside driver training. Finally, our people continue to provide extensive support to border protection operations and have been involved

in a number of recent apprehensions. In particular, I remain extremely proud of the actions of the ADF members involved with the SIEV36 incident. I look forward to your questions on operations later in the day.

Finally I turn now to some recent developments with the ongoing reform of the military justice system. I was very pleased to receive the report of the independent review on the health of the reformed military justice system, otherwise known as the Street and Fisher report, at the end of January this year. This report provided the first independent external review assessing the effectiveness of our reformed military justice system and the progress of the enhancements we have made since 2005. The Street and Fisher report makes 49 recommendations aimed at consolidating the last decade of reform and ensuring the ADF military justice system is properly positioned, both in terms of structure and resourcing, for the Strategic Reform Program enhancements that lie ahead of us.

We will soon brief the minister on a comprehensive implementation plan we have devised for the progression of further military justice reforms. And I intend to make public our detailed response to the Street and Fisher report when the government's response to this committee's fourth progress report is tabled in the next session of parliament. A great deal of work has been done over the last four years to improve the military justice system. A great deal of work remains to be done over the next three years. I remain totally committed to ensuring that the momentum continues in military justice reform. That concludes my opening statement. I look forward to interacting with you during the next two days.

CHAIR—Thank you. We will now turn to the portfolio overview and budget summary section of the estimates agenda. Senator Johnston will lead off.

Senator JOHNSTON—Thank you, CDF, for those remarks. How are we going with respect to the position of the Dutch in Oruzgan province? What is the broad perspective into the future as to how we are going to manage, I think, their now affirmed decision to withdraw? Although there has been some discussion, I think they have affirmed that they are leaving. What have we got on the table in terms of what we are going to have to carry?

Air Chief Marshal Houston—Senator, I do not think it is quite as clear-cut as that. Fundamentally, we are engaging the Dutch and our other partners and we are talking about the possibilities of the Dutch leaving in 2010. As you know, the Dutch parliament indicated previously that they would leave by August 2010, but I do not think it is quite as clear-cut as that. I think there is a possibility that they might remain. If they do not remain at the force levels that they currently maintain, I would anticipate that they might consider leaving some elements behind. No firm decisions have been made by the Dutch government at this stage. We are engaging with all of our partners and we will keep you informed as to how those negotiations fall out in the longer term. But it is not clear-cut at this stage, and we will see how it goes. One thing I can tell you, though, is that the government has the firm position that we would not take leadership in Oruzgan ourselves.

Senator JOHNSTON—I want to come back to this issue; but, Chair, I am informed that some of the other members want to make some commentary with respect to the opening statements and the format that we have enjoyed so far this morning. Can I defer to Senator Ferguson?

CHAIR—Senator Ferguson.

Senator FERGUSON—In my experience on estimates committees, it is very rare for an opening statement to take more than half an hour. While I appreciate the department coming forward with this information, I do not know how you expect us as an estimates committee to consider a document that has 146 dot points, with a whole range of expenditure items, provisional savings and costs. We have come to estimates prepared on the budget papers, which provides other information, yet you have come up with information in an opening statement which we have not had a chance to see before. I am quite sure that, with the other questions that we have in mind, we simply cannot ask you questions about this paper without having time to digest it because it covers an enormous area.

My question is: why did you have to wait until the morning of an estimates committee to present us with a paper on a strategic reform program? If we had had it a few days prior to estimates rather than have it dumped on us in the form of an opening statement at the commencement of estimates proceedings, we would have had a chance to go through the paper and been able to ask considered questions about it. I would like to know when that paper was prepared. Why couldn't it have been given to members of this committee or even made public prior to estimates so as to give us a chance to adequately digest it and ask questions?

Mr Warner—Chair, if I could respond to that.

CHAIR—Yes, you may, Mr Warner.

Mr Warner—We are trying to be helpful here and not be a hindrance to you. This committee is the first group of people who have seen this report. It has not yet been published by Defence. I hope to do that over the next day or two. It is a report that was not prepared for this committee. It is a report that was prepared by us to inform not only our workforce about the details of the reform program but also, if you like, the broader commentariat about what the reform program is and what the savings are. We have been working on this document for at least several weeks. You will remember that it is less than a month since the white paper was launched and the strategic reform program was announced.

During that period of time, we have been working hard on getting our governance and accountability arrangements in place to govern the reform program. We have been working hard on joint directives. We have been working hard on an internal communications plan. As the CDF said, he and I have been travelling around the country talking to our staff—military and civilian members—of the defence department, as have all members of the defence committee, to ensure that defence personnel understand what this reform program is about. This document is primarily for them and, as I said, more broadly for the commentariat. In the three or four weeks since the reform program was announced, we have worked to establish the Defence Strategic Reform Advisory Board, and we have worked very hard on implementation planning. Quite simply, we cannot do the whole lot all at the one time and produce documents for this committee specifically. We have done our best and are just trying to be helpful in giving you that document. We could have not given you that document and just answered your questions, but we are trying to give you a chance to understand, as we do

and as our staff will when they get this document, what is involved in the Strategic Reform Program. As I said, we are actually trying to be helpful, not trying to be a hindrance to you.

Senator FERGUSON—I am not suggesting that you are trying to be a hindrance, Mr Warner. I am saying: how can it be helpful to this committee to receive all this information once estimates has started? We are talking about I do not know how many billions of dollars worth of savings, and we just cannot absorb it if we hear it read out at this stage of the morning. It may have been better if this document had come out after estimates, because some of the questions that we have prepared might be affected by it. And I am—

Senator FORSHAW—I think they might have been answered by the document.

Senator FERGUSON—Senator Forshaw, if you want to get the call, get the call directly. Do not interrupt. Minister, in the interests of transparency and open government and all of the things that your government talks about, I do not think coming up with a comprehensive document that has so much information in it on the morning of estimates is appropriate. You do not have to be a Rhodes scholar to understand the information. There are a couple of items under ‘procurement and sustainment reforms’. We have not had a chance to read them. Chair, may I respectfully suggest that the items that have been raised in this paper or in the opening statement from the secretary be a subject for discussion tomorrow morning when we will have had a chance to digest the document.

Senator Faulkner—If I can respond, Senator. I think the CDF and the secretary have pointed out that they will be here at the table for a considerable period of time. I want to give you this assurance, Senator Ferguson, that I would not want you to think for a moment that as the Minister representing the Minister for Defence at this table that I would ever look at either constraining the opening statements made by the CDF or the secretary at this committee or trying to impact in any way the content or the nature of the statements. I say to you—and I know that you will appreciate this, Senator Ferguson—that at this committee, unlike most estimates committees, when it examines defence, there has been a tradition of both the CDF and the secretary of the department making substantive opening statements.

This is unusual; that is true. It is, in a sense, unique to the examination of this department at this committee. As you appreciate, there are often matters in the opening statements that quite regularly are not the subject of examination by senators at the table—which is not a criticism at all. I think Defence has for many years now seen this as a valuable opportunity to ensure the accountability of Defence to the Australian parliament. Both sides of the table—and I think you know this, Senator—very much respect that process. I would not want you to think for a moment that any constraints apply. In fact, I certainly heard the opening statement of both the CDF and the secretary for the first time as they delivered them at the table, which I do not think is inappropriate at all, as it often is.

I hope you understand that that is the spirit and the way in which this committee has evolved in dealing with this. It is unique to the committee. Whether on that side of the table or on this side of the table, I think it is a very useful accountability mechanism. It is one that I think senators across the parliament—government, opposition and minor parties—have respected as a useful accountability mechanism. I take the point you have made in relation to the document that the secretary tabled, and in relation to that I say only this: if the document

had not been tabled by the secretary, I am almost certain there would have been criticism—well, I cannot say I am almost certain. I think there is always a pretty reasonable chance that there would be criticism that such a document was not provided to the committee. So, perhaps in this particular circumstance, the secretary finds himself in a no-win position.

I think that, if officials or ministers are presented with a choice to either table something or not, it is always best to err on the side of transparency. That is my personal view, and you know that I have been consistent on that whichever side of the table I have sat. I understand the point that you make, Senator Ferguson, but I also put this in the context of the traditions, if you like, of this committee. They are different, they are unique and I know that you appreciate that that is the case.

Senator FERGUSON—I do, Minister, and I do appreciate and accept that the CDF has always given us an update on the current situation operationally. We appreciate that. What I am concerned about, and what I object to this morning, is the fact that we have had a strategic document presented to us which we will be unable to ask questions on unless we have time to absorb what is in it. I am saying to you, through the chair, that I would like to make this document the subject of discussion for tomorrow morning, after we have had a chance to look at the document.

Senator Faulkner—Senator, I think we all certainly understand that we will be at this table for a couple of days. I have no problem with that approach at all, and I am sure that officials have no problem. I think there would be an expectation that any matter is open for consideration by the committee. I was just respectfully making a suggestion to you that there would inevitably be criticism if this sort of material were not provided. I think you must acknowledge that.

Senator FORSHAW—I want to indicate that I appreciate the opening statement that the Secretary to Defence and the CDF provided this morning. I do not have any difficulty if there is to be some delay, agreed by the committee, and to come back to the opening statement. But it seems to me that what is contained in this statement is very much related to the white paper in the first instance, which I would have thought all senators present and who intend to ask questions would have read and absorbed, because it has been out for a few weeks now. I take the point made and support it. The information and statements that are contained herein, I would have thought, very much reflect much of the questioning that might have been undertaken in these estimates. You are getting some of that information upfront at the start. It is not beyond the wit of any of us, especially experienced senators such as my good friend Senator Ferguson, to quickly absorb what is in this opening statement and relate it back to the areas of questioning we intend to pursue and to get on with the business of the committee. I do not regard this statement as something that is totally new or unexpected and that would not have been in contemplation with regard to the issues we would have been examining today, therefore needing to put it off until tomorrow morning to pursue. For instance, the IGIS inquiry has been in the news. It is not a surprise that the issue was addressed by the Secretary to Defence this morning.

Senator Faulkner—Senator, I would like to respond. I am reluctant to do this, and I will ask Mr Warner whether he wishes to provide any further information. It goes to your question, Senator Forshaw, but also to follow on what Senator Ferguson raised with me a moment ago.

What I have been advised is that the document is still effectively in the process of being finalised; I think there might need to be a final editorial check. It is basically either in those final stages or—

Senator FORSHAW—I am sorry to interrupt, Minister. Are you talking about the strategic reform document?

Senator Faulkner—Yes.

Senator FORSHAW—My comments were directed to the opening statement.

Senator Faulkner—I understand that, Senator, and I was going to come back to that. My understanding is, and I will ask the secretary to confirm it, that the plan for that document provided by the secretary is that it go to the printers tomorrow. So I would say to the committee that the spirit in which this has been provided—I believe that a department that finds itself in this position, the stage of development of a document, would be very likely to be subject to criticism if it did not make best endeavours to provide what information it had available to the committee. I say to Senator Forshaw, particularly, that that is the spirit, if you like, of the secretary's opening statement. The secretary may wish to give more detail to that—obviously, as the Minister representing the Minister for Defence I can only give the best advice I have available to me on any matters. But I would not want any committee member to believe that this is anything other than a spirit of openness to provide this information.

I think the committee members might well criticise the government or officials if it were not done in this way. Having said that, I understand because it happened on so many occasions when I was on that side of the table; documents are tabled on which committee members have to do a bit of fancy footwork at times. Hell, I was there for 11½ years and I had to do some of that too, so I appreciate the point that has been made. But if this document had not been provided, Senator, given its state of development, I think you would have had more questions to ask.

Mr Warner—Chair, I would just confirm what Senator Faulkner has said. This is not a final document. It has not yet been released. We have not yet put it on our intranet or the internet. We have not got printed copies. We have been working on this for a number of weeks as an internal communication document but also a document that will inform public debate. We simply thought it would be useful to the committee not a hindrance, as I said before, if we provided as much detail as we could at the beginning of this two days of hearings.

CHAIR—Thank you, Mr Warner. Minister, as you pointed out in response to Senator Ferguson, it is not unusual for documents, even lengthy documents, to be tabled at short notice and for all senators to have to get on top of them. That is part of our job. I do note that, at this stage, we are in overview. We are discussing the white paper, and I would have thought it a reasonable anticipation that both opposition and government senators would logically be asking a range of implementation questions deriving from the white paper. To that extent, a lengthy discussion was anticipated by me and we are at the beginning of that process.

Senator Faulkner—I understand the point that Senator Ferguson makes. When on that side of the table and there are substantive opening statements, often committees have asked for written copies of these things. I appreciate the general point that is made, but I am making very clear to the committee that the approach of Defence has been to provide as much

information to the committee as it could. Is it perfect? No it is not perfect, but that is the spirit in which this is approached and that is what I want to make clear to Senator Ferguson, who I hope appreciates that.

CHAIR—Thank you, Minister. I was going to finish off by saying: Senator Ferguson, I note your request at this stage to adjourn discussion on the Strategic Reform Program document tabled by the secretary until tomorrow morning. I certainly do not have a problem in principle with that. I note that the minister and CDF and secretary have indicated that they are happy to help. I suggest that perhaps later on today interested parties have a discussion on that and if it is your desire to proceed with that process tomorrow morning, I am happy to accommodate that.

Senator FERGUSON—I do not necessarily want to adjourn discussion. Some of the issues will be raised, I am sure, during the day. But I want the capacity to be able to come back to the paper tomorrow morning.

Senator Faulkner—I think Senator Ferguson makes a perfectly reasonable point. Of course, my approach at the table will be to try to facilitate whatever questioning the committee has in whatever areas. Of course we will facilitate that, Senator.

CHAIR—I think we are all in screaming agreement on that. So I will turn back to Senator Johnston.

Senator JOHNSTON—Thank you, Chair. CDF, I go back to our situation in Afghanistan. When do you understand the Dutch will be withdrawing, if in fact they do? According to their statements—let us take them as gospel—when are they going to leave?

Air Chief Marshal Houston—They have authorisation through until August of 2010, so I guess what we were interested in was getting a bit of certainty into the situation. What would be very helpful from our point of view is if the Dutch were to remain. We enjoy working with them. They have been very good partners. I guess we would be encouraging them to remain in Oruzgan, because I think they have done a fabulous job, particularly with their provincial reconstruction team and the Task Force Oruzgan, which we work with so closely. I guess that is what we are looking for.

Senator JOHNSTON—When was the decision made for us not to lead in Oruzgan?

Air Chief Marshal Houston—Ever since we went into Oruzgan there has never been an intent by the last government or the current government to lead in Oruzgan. One of the things about leadership is that it brings with it many additional requirements. A lot of those additional requirements would basically be hard for us to provide and, probably more importantly, hard to sustain given our other responsibilities in this part of the world. I think it is very important that we have sufficient capability in the ADF to go and deal with circumstances that might arise in our neighbourhood. As the white paper makes plain, there are circumstances that could arise at relatively short notice that might require an evacuation operation, a stabilisation operation or a response to a natural disaster in our region. So it is very important that we have the wherewithal to do that and to have a huge force in Oruzgan a long way away would not be in our best interests in those circumstances. The government has taken a position that we will not lead. So that is how it is.

Senator JOHNSTON—I accept that. I think we have never aspired to leadership. But I note a rather more distinct affirmation today in your comments that we will definitely not lead. I simply ask: when did we firmly decide, notwithstanding any of the events in Afghanistan, that we would not take a leadership role? Has that decision been communicated to our allies—ISAF et cetera—and when was that done?

Air Chief Marshal Houston—In terms of whether it has been communicated to our allies, other members of the coalition—absolutely yes. It has been a continuing feature of our involvement in Oruzgan province right from the outset.

Senator JOHNSTON—So we are just firming up on a previous understanding?

Air Chief Marshal Houston—I think it is more than an understanding. I think the government has made that clear on a number of occasions.

Senator JOHNSTON—This government or both governments—the previous government?

Air Chief Marshal Houston—Certainly this government has. If I went back and checked the record, I would take that on notice.

Senator JOHNSTON—I would be obliged if you would as to whether we have firmly committed, prior to November 2007, that we would not assume a leadership role in Oruzgan province. I take it we are quite interoperable with the Dutch?

Air Chief Marshal Houston—Yes, we are interoperable with the Dutch.

Senator JOHNSTON—And they speak English?

Air Chief Marshal Houston—They speak good English, and we do not have any problems with the Dutch. They are a very good partner. I think together we have done a very good job in Oruzgan. I think the metrics demonstrate that quite clearly.

Senator JOHNSTON—What capability do they lend to us in our operations in Oruzgan?

Air Chief Marshal Houston—I think it is probably the other way around. They lead and they lead very effectively. They have their own battle group. They provide the provincial reconstruction team that works very closely with the provincial government of Tarin Kowt and, importantly, they provide all the enabling capability in such areas as logistics, communications, fire support and so on. You would be aware that they have artillery—

Senator JOHNSTON—Self-propelled armoured artillery?

Air Chief Marshal Houston—Yes. They have 155mm howitzers.

Senator JOHNSTON—Attack helicopters?

Air Chief Marshal Houston—Attack helicopters, and those helicopters have provided us with support on many occasions. From time to time, if we get into difficult circumstances, they will come in to reinforce our efforts. But we work very closely with them and we have absolutely no difficulty with what they do for us.

Senator JOHNSTON—Where are their helicopters and artillery based?

Air Chief Marshal Houston—They are at Tarin Kowt.

Senator JOHNSTON—Are we considering the deployment of our own attack helicopters were those helicopters not to be available?

Air Chief Marshal Houston—Again, we are part of a coalition force here. There are a large number of nations contributing to the coalition. We already have our Chinook capability—effectively the whole Chinook capability—deployed in Afghanistan. In terms of attack helicopters, what we have got coming into theatre at the moment is a huge brigade of aviation from the United States. That includes Chinooks, Black Hawks and Apache attack helicopters. An element of that, one battalion of that, will be based at Tarin Kowt alongside our forces. So, to a large extent, we are going to see a reinforcement in the helicopters that will be available to our forces. That is right across the board. I might add that there is also going to be effectively a doubling of the aero-medical evacuation capability in theatre. With the additional field health centres or field hospitals that have been set up by the Americans, the AME will be very responsive and very effective.

Senator JOHNSTON—Will they be based in Tarin Kowt?

Air Chief Marshal Houston—We have always had an American AME helicopter based in Tarin Kowt. What we will probably see is a doubling of that capability on the ground in Tarin Kowt.

Senator JOHNSTON—Is there any matter that you are aware of in terms of functionality that would prohibit the deployment were we to require to deploy our attack helicopters into theatre?

Air Chief Marshal Houston—Our attack helicopters are still in the process of being delivered to the ADF. We do not have an initial operational capability at this stage, but in the fullness of time, when we get through the achievement of the operational gates—the first one being initial operational capability—if the government were of a mind to deploy attack helicopters there would be no reason why we could not deploy attack helicopters. Having said that, I do not see that in prospect at this stage given the huge reinforcement of attack helicopters by the US into RC-South and also into Oruzgan province, with the aviation battalion being based at Tarin Kowt.

Senator JOHNSTON—Very good. Can I talk to you about the situation in Tarin Kowt with respect to the food. A number of complaints have been received from personnel as to the quality of the food until very recently. Firstly, I note we have deployed a number of personnel to improve that situation. Would you tell me how many we have deployed and why it took so long for us to respond when both the Prime Minister and the minister were informed that the food was, to put it politely, lousy when they visited?

Air Chief Marshal Houston—Again, I would not accept your characterisation of the food. We have had somebody there the whole time who has checked on the quality of the food. Our soldiers all the way through have had the required amount of calories and the food has been of a very high standard. I think the issue is that it is not Aussie food; it is European food and it is pre-prepared. That was part of the contract arrangements that we took on board when we went there in the first instance. When you are in coalition, as has been the case with most of our operations in recent years, the catering is most normally provided by somebody else. If you go back to when we were in Iraq or where we co-located with our American friends around

the region, we ate American food. I have heard people say about that American food that it is not Aussie food—we would actually prefer Aussie food. I think part of the problem at Tarin Kowt is that our Special Forces went back there after the MRTF went in and separate catering arrangements were made for them. Those catering arrangements required the deployment of ADF Aussie cooks and, essentially, the Special Forces have been eating Aussie food.

What we have done to, if you like, balance the ledger is that we have already deployed three additional cooks that will go out and work with the people who are deployed on the operational mentoring liaison teams. They have been on, if you like, hard rations since they deployed. With the deployment of those three cooks, which has already happened, they will get fresh rations from time to time in their deployed locations. That is a huge step forward. We are also going to deploy another seven cooks, which will make a total of 10, so that we can vary the diet and provide some Aussie food in the meantime. One of the issues is that, in order to put an Australian kitchen in there, we have to actually construct it and so on, so in the meantime we are working with our Dutch friends to provide a bit of a balance in the food that is provided. There will be more barbecues; there will be more access to typical Aussie food.

So I would like to assure you that the situation is under control. We are addressing the issues. I would like to assure you also that right from the outset there has been absolutely nothing wrong with the European food; it is just different from Aussie food and we are working that preference for an Aussie diet right now. We have been very responsive to the needs of our people. I have eaten that food myself and I have had no problems with it. Indeed, if you ask anybody in the room who has been there and eaten that European food, it is actually very good food—it is just European.

Senator JOHNSTON—How long have we been in Tarin Kowt eating other people's food?

Air Chief Marshal Houston—Initially, if we take the deployment of the reconstruction task force, as it was then, back in August-September 2006, one thing we took on board was the contract for the European food. So we have had people eating that food for the best part of three years.

Senator JOHNSTON—Why is it that now we have suddenly decided to deploy seven personnel and build a kitchen?

Air Chief Marshal Houston—Because fundamentally—

Senator JOHNSTON—It is because we have had enough. The complaints are overwhelming, I am putting to you.

Air Chief Marshal Houston—No, no. Senator, have you been there?

Senator JOHNSTON—I have not been there because I have not been allowed to go.

Air Chief Marshal Houston—I would invite you to come along and eat the food.

Senator JOHNSTON—I will. I am sure the food will be Aussie food, because you will have changed it.

Air Chief Marshal Houston—Yes. We are responding. As I indicated to you, I think part of the issue is the fact that we have one part of our deployment who are catered for with Australian food and the others, who have been there longer, are catered for under the

European contract. It is an issue that we will address. But I want you to be absolutely clear about this: there is nothing wrong with the Dutch food. Our people have been getting sufficient calories. We have had somebody looking at that on a regular basis. Why are we responding the way we are? We listen to our people. Our people have indicated that they would like some Aussie food, so that is why we are doing what we are doing.

Senator JOHNSTON—The deployment in Tarin Kowt is a combat deployment, is it not?

Air Chief Marshal Houston—Yes. I would characterise it as such, yes.

Senator JOHNSTON—How many personnel do we have in Tarin Kowt?

Air Chief Marshal Houston—We have probably in the order of just under 800 in Tarin Kowt.

Senator JOHNSTON—It is our only combat deployment. Am I right?

Air Chief Marshal Houston—I would say there are other people who are deployed who are subject to indirect fire. No, I would not characterise them as the only combat deployment. It is our major combat deployment.

Senator JOHNSTON—Yes, it is our major combat deployment. There is no other combat deployment of anything like 800 personnel. We have special forces, task groups and command personnel deployed. But this is our troops, our reconstruction task force, some special forces personnel and commandos in the camp in Tarin Kowt, which is our principal combat deployment. For getting on towards three years, they have endured food that they do not like. That is the point, isn't it?

Air Chief Marshal Houston—No. That is not the point. I have spoken to some people who say the food is just fine. They quite enjoy the European food.

Senator JOHNSTON—I am sure you could find some people, but the reports and the complaints I am getting indicate that for one of our principal activities for the ADF in a combat deployment—for our principal combat deployment—we have given our personnel food that they are very unhappy about.

Air Chief Marshal Houston—The point is that when we are in coalition, as I have indicated to you, we have arrangements where we work with other nations. You have been to the Middle East, I know. You have obviously been and eaten the American food. I do not particularly like the American fare that is on offer, but it is very—

Senator JOHNSTON—No. At Camp Smitty I enjoyed Australian cuisine.

Air Chief Marshal Houston—Sorry. Where?

Senator JOHNSTON—At Camp Smitty I enjoyed Australian cuisine.

Air Chief Marshal Houston—But elsewhere our people have been eating the food that is provided by usually the lead nation. In most of our other experiences, that has been the United States. The food there is often quite different from Australian food, but our people eat it because those are the arrangements.

Senator JOHNSTON—The American food did not yield the level of complaint and dissatisfaction as this plan, this operation and this insult to them. I think it was an insult. The

least they could expect when they were deployed for six months is that they would eat proper food that they enjoyed. I do not think that is too much to ask.

Air Chief Marshal Houston—I go into the operational theatre on a very regular basis. So do my senior subordinate commanders. We actually get a lot of feedback on food. Fundamentally the view of a lot of our people about the food that they get in places like Iraq and other places in Afghanistan, where they eat perhaps American food, is that they would actually prefer to eat Australian food but they are happy to eat this for the period of their deployment. That is generally the comment that I have had when I have gone to Tarin Kowt. It is true that people have been quite strong in their views about the European food. What we did in the first instance when it became clear that people had a concern about the food was that we started to put in more barbecues. There have been regular Australian barbecues there over a period of time. That was our initial response. I have been time and time again. I have had complaints recently and I had complaints at the beginning, but I did not have any complaints through the intervening period. So your characterisation of the problem, I think, is perhaps an overstatement of the reality that is on the ground in Tarin Kowt. Again, I would invite you to come to Tarin Kowt and have a look at the situation yourself.

Senator JOHNSTON—Thank you for the invitation. I would like to be able to accept it.

Proceedings suspended from 10.31 am to 10.47 am

CHAIR—The committee will come to order. We continue the examination of budget estimates. Senator Johnston has the floor.

Senator JOHNSTON—Thank you, Chair. CDF, if we can go back to the food situation in Tarin Kowt for our 800 personnel, what is the cost of the measures you have now implemented with respect to the cooks and the kitchen? What exactly are we getting out of that? What have we deployed?

Air Chief Marshal Houston—I probably should take that on notice, but in order to put in the kitchen facilities and do all of that we are talking a substantial amount of money. I would like to come back to you and give you the detail of that, but it is a substantial amount of money. By the way, in the break I talked to two former commanders. Their view was they liked going to Tarin Kowt because the food was preferable to what they were eating elsewhere in theatre. I just wanted to make the point that your characterisation of the food was probably not the reality of the situation on the ground.

Senator JOHNSTON—You see I get a story from personnel who contact me in confidence, on the net or by mail, are completely free and uninhibited and have no possibility of any problems in expressing their opinions. So what I get is a very unfiltered raw impression from people on the ground. That does not suggest to me that you are getting a tailored view, but if I want to rely upon which version is more sanitised I think I would accept the version that I receive into my office and which I guard very confidentially. I then bring these questions to you because I think that is the way the system is supposed to work.

Air Chief Marshal Houston—That is fine. I have no difficulty with the fact that you actually get some communication, but I am just telling you the reality.

Senator JOHNSTON—What your subordinates are telling you?

Air Chief Marshal Houston—Frankly, regarding the food in Tarin Kowt, I would submit the same point of view because I like that sort of food. It is healthier, it is better for you and they are the circumstances. I think to some extent this sort of problem resurfaced with the re-arrival back in theatre of our Special Operations Task Group and the smoke and the smell of the barbecue came wafting across into the European restaurant. That probably caused some of it.

Senator JOHNSTON—And I think that is perfectly understandable. I have a lot of empathy for the people who are smelling the barbecue. I think we need to do something about that. I am pleased that you have done something about that.

Air Chief Marshal Houston—We are doing something about it, yes.

Senator JOHNSTON—Can you tell me the level of complaints, if any, that you have received with respect to the food in Tarin Kowt?

Air Chief Marshal Houston—First of all, when I have been there I have had individuals point out to me that, in their view, the food was not the sort of food that they enjoy. This has been onesies and twosies. Now that happened right at the beginning. I remember one individual questioned me about the food. What we did after that was put in supplementary rationing so that there were regular barbecues. Up until then there were no barbecues. That seemed to allay most of the concerns. In fact, General Hurley was the Chief of Joint Operations for nine months. He did not get a single indication of any disquiet or any concern about the food through that period.

More recently, the last time I went there—and this was just after Christmas—there were a couple of questions, a couple of concerns, about the food. I came back and talked to the Chief of Joint Operations. We talked about what we might be able to do to, if you like, improve the situation. What we have come up with is the fact of where the cooks came from. The other side of this is that it is not just about the concerns being expressed by the people who are back at the camp. The concern was that our people who were out on the OMLTs were going out for extended periods of time and were not on any sort of fresh rationing at all. That is when we decided that it was important to put some Australian cooks into theatre, so that they could get fresh food. In terms of this latest initiative, I guess that came about as the Chief of Joint Operations and I were talking about that a couple of months ago and essentially that is where it has come from.

Senator JOHNSTON—The visit just after Christmas was with the Prime Minister.

Air Chief Marshal Houston—No.

Senator JOHNSTON—On your own?

Air Chief Marshal Houston—I went with the Prime Minister for a brief visit just before Christmas. That was around the 19th or 18th; I think it was 18 December we visited. Then I went in again around 10 or 11 January. I went in a couple of times.

Senator JOHNSTON—Has there been any directive, instruction or even discussion with the Prime Minister or the minister with respect to the quality of the food at Tarin Kowt?

Air Chief Marshal Houston—I have not had a discussion with the Prime Minister about the quality of the food. I have talked about the food with the minister, yes. Essentially when

he went there on his most recent visit, he indicated to the troops that we would be taking some steps to meet their concerns.

Senator JOHNSTON—So he was informed by the personnel at Tarin Kowt that the food was, in their view, unsatisfactory.

Air Chief Marshal Houston—No. I would not characterise it that way. I think the issue of the food was already out there. I guess we had had a couple of complaints. I received concerns from one individual when I went to Tarin Kowt back in January and fundamentally we were responding to those concerns from about that time.

Senator JOHNSTON—We are not spending a considerable amount of money because of one or two concerns, are we?

Air Chief Marshal Houston—I think what we are doing is we are responding to a preference for some Aussie food. I am very happy to do that. If the government is happy to sign up to it, I am happy to put it forward. Let me just run through the sorts of things that we are going to do just so that you are fully in the picture. I told you about the deployment of the cooks to the forward patrol bases, and then we are going to put in an additional 10 cooks in the near future; we have authorised more additional funds to purchase supplementary rations; we are installing deep freezers, fridges and barbecues in all forward patrol bases to facilitate an increase in the number of fresh meals a week; we are purchasing bread for the forward patrol base people; we are conducting weekly fresh ration runs to each of the forward patrol bases; we are working with our Dutch colleagues to change the menu to some extent; we are examining the establishment of a separate contract for the provision of catering support. In terms of the transfer of the Netherlands catering facility to Australian management, there is the refit of the kitchen to support preparation and implementation of a contract. There are some issues there. We need to work with our Netherlands friends and we will do that. We have a team going to Europe in June and this is one of the issues that we will talk to our Dutch friends about.

Senator TROOD—CDF, I just want to clarify this: does the consequence of all this action mean that there will be a point at which the ADF forces there will be receiving only Australian food, or will they continue to receive European food?

Air Chief Marshal Houston—The point is that it is a major operation, if you want to go to an Australian approach. It is a major operation because a lot of the food is prepared elsewhere. As a consequence, there are no cooking facilities in the location. What needs to happen is that we need to build proper cooking facilities. That will cost a fair bit of money.

Senator TROOD—I understand you to be saying that. These are, after all, Australian Defence Force personnel who are putting their lives at risk in the field, and they deserve nothing less than the best we can provide them with, I would have thought.

Air Chief Marshal Houston—That is exactly—

Senator TROOD—I would have thought that was your view as well.

Air Chief Marshal Houston—That is my view, and that is exactly what we are doing, Senator. That is why we are taking the steps that we are.

Senator TROOD—Can you clarify for me how much of the food that is going to be served in the future, when these proposals are in place, will be Australian food? Is it possible to say that?

Air Chief Marshal Houston—It is not possible to say at this stage because, fundamentally, you cannot just go down the road in a place like Tarin Kowt and buy food. We have to plug into logistic arrangements. We are not leading in that province so we have to work out, for example, how we will provide the different sorts of rations and then how we are going to prepare the food. In order to prepare the food we need to put the right facilities in on the ground in Tarin Kowt. They will have to be built, so that is what we are going to do.

Senator TROOD—What is your expectation about when these facilities will be completed?

Air Chief Marshal Houston—It will take a little while because we have to work them out. In the meantime, we are increasing the number of barbecue meals, I guess. That is something we can do, and we can do that fairly quickly.

Senator TROOD—Is ‘a little while’ weeks or months, though? What are we talking about?

Air Chief Marshal Houston—Months.

Senator TROOD—Months?

Air Chief Marshal Houston—Yes.

Senator TROOD—By the middle of September, or something of that kind, or is that—

Air Chief Marshal Houston—I will come back to you with that decision.

Senator TROOD—Perhaps you could do that.

Air Chief Marshal Houston—Fundamentally, I probably cannot give you that certainty because we have to negotiate it with our coalition partner, and our partner is leading. I suppose the contract is worked on the basis of a certain number of people, and we are part of that contract. That is what was put in place when we went in there in the first instance.

Senator TROOD—If you could use your best endeavours to try to identify a date when this matter might be resolved, I would be grateful.

Air Chief Marshal Houston—We have already taken some of the steps. It is work in progress. We have done some of it already but there is more to do. For example, the stuff that is happening out on the forward bases is very much in train. I will give you a time when that will be completed and then I will come back to you in terms of the larger issue, which is the arrangements for the people who are on the base back at Tarin Kowt.

Senator TROOD—Thank you for that. I do not have anything further on this.

CHAIR—CDF, I have a couple of questions on this issue. Does the outline you have given us apply to people back on the base, or is it also applicable to all of the forward bases that we establish as we move in to establish authority in areas?

Air Chief Marshal Houston—Essentially, when we establish a forward operating base, you would anticipate as an ADF member that you are probably going to be on fairly hard

rations initially. When we moved in, that is how it was. But what we are doing, now that we have established ourselves there, is bringing in freezers and facilities so that the people at the forward operating bases get fresh food every now and then—a couple of times a week.

CHAIR—And are these forward operating bases what their name suggests? Are they places out in the distance, which we use as a staging point to engage in operations, or are they bases of a more permanent nature?

Air Chief Marshal Houston—These forward operating bases are where our Afghan National Army colleagues are based. We are out there mentoring them. Essentially, those locations are where we are holding ground. It is not as if you go forward and come back; you stay there. That is the essence of it now.

CHAIR—You move forward and you stay there.

Air Chief Marshal Houston—You stay there. Now, our people will get a break after a period of time of being forward deployed. For a very short period of time, they come back to Tarin Kowt and then they go forward again to be with their Afghan unit because it is very important that we have the continuity of mentoring and training in the development of the military skills that are required by our Afghan friends.

CHAIR—Fine. Thank you, CDF.

Senator KROGER—I understand the temporary measures with the fridges and so on that you are implementing to accommodate greater diversity in the food. How advanced is the discussion with the Dutch regarding the construction of an Australian facility, an Australian kitchen if you like? Do they support that now? Are they happy? You mentioned you were still in the discussion phase. To what extent has that actually advanced?

Air Chief Marshal Houston—The Dutch know that we have some matters that we need to talk to them about. I guess they have been interested in: ‘What’s the problem? It’s fine for the Slovaks, the Czechs, the Singaporeans and all the other people. What’s the problem with Australia?’ So we are talking to them about that. This team that goes forward in June, which is this month, essentially will discuss how we can change the arrangements to accommodate alternative arrangements. In order to put the necessary arrangements in place, we are talking in terms of probably a cost of \$2 million. It is a substantial change to what we are doing at the moment.

Senator KROGER—Given that those negotiations have to be nipped out and an agreement made with the Dutch, and then there will be the actual construction of the kitchen facilities, it would be reasonable to think that it might be very much later in the year before something is established on a permanent basis.

Air Chief Marshal Houston—As I said, we already have taken a number of steps. Included in those is additional supplementary rations and so on. But to put the final arrangements in place will take some time yet. I will come back to you, as I indicated, and give you a precise time as to when that is likely to be done.

Senator KROGER—Have you had any communications from families of troops who are serving in Tarin Kowt?

Air Chief Marshal Houston—I have not personally, no, but I am aware that one family member was on talkback radio some weeks ago. So I have heard that a family member has expressed some views on talkback radio.

Senator KROGER—Certainly there was in Victoria. There was a Neil Mitchell program. He was taking calls from families of troops that are on the ground. They were expressing grave concern and giving quite detailed analysis of what they believed the situation was. I just thought in the interests of communications, and given the opening statement by Mr Warner in terms of there always being room to improve your communications, it might be something that you could consider—actually communicating with the families concerned as well so that they are comforted. I know that they are on the phone to their husbands or sons or wives, but it would be good to get that direct confirmation from yourselves.

Air Chief Marshal Houston—We do keep in touch with our families through a number of different avenues. But we will take that on board.

Senator TROOD—CDF, just in relation to Afghanistan, I think since we last met the Americans have completed their review of strategic policy in Afghanistan. Obviously they have made some significant new commitments to their forces there. I wonder if you can just explain to the committee, please, what you expect the implications of that to be for our own deployment there?

Air Chief Marshal Houston—In broad terms, what we have seen over 2008 is an increase of 9,000 in the size of the coalition force, which is the ISAF force. In January the ISAF coalition numbered 56,420. We anticipate that by August that number will increase by a further 21,000 American troops. All of this follows the Riedel review in the United States. What we are seeing is a substantial number of additional forces going into Regional Command South and Regional Command East.

Broadly, I think the situation on the ground is that Afghanistan remains a dangerous place. Over the coming months it will become even more challenging. The fighting season is really just getting underway. The poppy harvest is just complete. Usually the tempo of Taliban operations increases about now through until the end of the summer. We also are anticipating that with the national election on 20 August there will be probably an increase in violence in and around that period. That is why there has been a substantial increase in force levels for the election. One of the objectives of our American friends was to bolster the force for the election. Of course we also are putting in a combat team of 120 to enhance the force protection for the election process. I think with the increase in US troops, what we will see is also an increase in the amount of violence across the south. That is a function of more soldiers and more potential for clashes with the insurgents.

In terms of our own operations, I think they have been very successful in recent times. We have been very successful in disrupting the Taliban operations in our own province. We have kept them on the back foot. We have been successful in targeting key leadership members and we have disrupted a lot of the activities that they have been conducting, which makes the province much safer and more secure not only for our own people but also for the people of Oruzgan.

In terms of where it all ends this year, I think it is going to be very important that the international community commit to the comprehensive strategy that has been developed—the comprehensive strategy that was endorsed at Bucharest last year—and that we have a proper balance between the military and the civil elements of power so that we are not just working a military solution, we are actually working a comprehensive civil-military solution. It is vitally important that we get that. Of course the lines of operations will remain security, governance and development. The most challenging of those is probably the governance because there is no tradition of governance in Afghanistan the way we would understand it.

Senator TROOD—You mentioned earlier the arrival of a new American aviation brigade and other forces into Oruzgan. Is this factor likely to be a significant one increasing the tempo of Australian operations in the area? I realise the seasonal thing is an important dimension here, but is there likely to be an increase in Australian operations as a result of the larger force that is now going to be deployed there?

Air Chief Marshal Houston—No, I do not anticipate that. Our tempo is already very high. Our people are kept working very hard with the existing tempo of operations, so I do not see any increase per se. What we might see is a greater availability of helicopters available to our people for certain types of operations.

Senator TROOD—You have made the point about the importance of civilian reconstruction et cetera. As I understand it, that was an emphasis on the Riedel analysis and of course the whole new American strategy to place more emphasis on the reconstruction dimension of the activity and not just focus on the military side of it, which has been one of the criticisms of the effort so far, or had been one of the criticisms. In relation to the Australian forces and the extent to which we are involved in this reconstruction activity and the like, is there now an opportunity for us to increase the tempo of the work we are doing or the support that the ADF is providing to our own reconstruction efforts in the province in which we are deployed?

Air Chief Marshal Houston—As you know, we actually have a large program. Over the last few years we have done a lot of work. What I might do is, just for your benefit, table some before and after photographs of some of the work that we have done over the past few years. Some of this was finished quite recently, but what it does is it gives you a very clear view of the sort of work that we have been doing in terms of hospitals, health centres, schools, bazaars, causeways, bridges and so on. What I might do is just table that for the committee's use. We have a bunch of these, so we can pass them to you. That work continues.

With the Mentoring and Reconstruction Task Force, we have one construction team provided by our engineers. They are continuing to do this sort of work. In terms of whether there is scope for other elements to come into the province, I think the answer to that would be yes. One of the realities of the environment is, though, that in order for an NGO, a non-government organisation, to come into the province, we would need to provide security for them. That is a reality of the current environment.

Senator TROOD—I understand that need. That need, as you have emphasised in previous evidence before the committee, always has been there. There is now going to be a larger force in the area. Naturally I am interested to know whether or not the opportunities for greater

activity are being presented, and whether the ability is there to provide that security, which, as you have pointed out, is so necessary. Have you done any forward planning to advance that kind of civil reconstruction activity?

Air Chief Marshal Houston—Again, you have to bear in mind the arrangements here. We are not in the lead in the province. The lead is provided by our Dutch friends. They run the provincial reconstruction team that works with the provincial government. We work closely with our Dutch friends. Projects are identified and we provide resources to basically assist with those identified projects. Is there scope for more work? Yes, there is, but it is really up to the Dutch to run the overall plan for the province with the Afghan provincial government. That is a major part of the function of the PRT, which is manned by a large number of Dutch civilians.

Senator TROOD—If additional projects or opportunities were identified, we would have the capacity to be able to respond to those opportunities, in your view?

Air Chief Marshal Houston—When I say ‘we’, within Oruzgan we have that engineering capability. We also have some Australian Federal Police there and we also have AusAID represented. But if I could just talk about our military capability: we have a project management capability contained within our deployment. We also have engineers who can do things. One of the things that will be done in the near future is the construction of a proper hard runway at Tarin Kowt airfield. Obviously that will be very useful from the military point of view but it also will be useful from the civil point of view. So there will be some work on that and we will be involved in that along with other coalition partners.

In terms of the immediate availability of our people, you have to remember that we have only one construction team at this stage and there is only so much that they can do. They are always fully committed. But we do a lot of good work. We are involved in managing a lot of projects which perhaps are performed by other contractors, Afghan contractors who we contract to do the work.

Senator TROOD—Have you given any consideration to the possibility of a deployment of further construction teams?

Air Chief Marshal Houston—No. We have a construction team. You may remember that when we first went in there we had two construction teams, but with the emphasis on training and mentoring the Afghan National Army and the Afghan National Police within Oruzgan, our priority is in that particular area. We have the one operational mentoring and liaison team at the moment. There is another one going in very shortly and there will be another one going in next year. The focus at the moment is on training the Afghan National Army and police to take over the security function. That will take a considerable period of time and we are seized with the need to do that. But already most of our operations are being done in close partnership with our Afghan friends.

Senator TROOD—I was going to raise this question, and since you have raised the subject, perhaps this is an opportune moment. Can you provide the committee with any metrics that might testify to the progress we are making with regard to the training of the Afghan army and police in so far as we are involved in that exercise?

Air Chief Marshal Houston—I can tell you in the first instance that essentially the work that we are doing with the battalion that we are training is going very well. The concept is to start with the walking first and do the running later. What we have done in the first instance is train them in platoon level operations. We are now moving into company level operations and then further downstream we move into battalion level operations. In terms of metrics, we could indicate to you how we are going through that process, but it takes time.

Senator TROOD—Clearly it does. I do not have any more questions on Afghanistan.

CHAIR—Further questions on Afghanistan?

Senator JOHNSTON—Broadly on Afghanistan, CDF, deployed personnel from Townsville, as I understand it, have received letters suggesting that they increase their life insurance. Are you aware of the letter and are you aware of the content of the letter? Could you give me some background as to whether the minister has signed off on that letter and whether you agree with the general tenor of it?

Air Chief Marshal Houston—I think you are referring to the letter that was sent to people in Townsville some time ago. Is that the one? The one that was reported in the newspaper?

Senator JOHNSTON—Correct.

Air Chief Marshal Houston—Well, I think the tone of the letter was unfortunate.

Senator JOHNSTON—Why do you say that?

Air Chief Marshal Houston—The issue here is that first of all I think the intent of the letter was absolutely in the right direction. I just think the way some of it was expressed was unfortunate. There is absolutely no doubt that the intent was to ensure that everybody who deployed to Afghanistan had looked at their affairs and put in place suitable arrangements while they were away, and obviously also to consider such aspects as how you organise your finances and how you organise your life insurance and so on. The way the letter was expressed basically suggested, as I recall it, that—it just was not a well-constructed letter. I accept that. But the intent was right.

Now in terms of our people deploying to Afghanistan, we have very good conditions of service in the ADF. We have a very good compensation scheme, so if anybody is unlucky enough to die in service—and that is a real possibility in a dangerous place like Afghanistan—they are well covered by the arrangements that the government has put in place. In fact, I think the arrangements were put in place initially by your government and they continue under the current government. What is also important for the people to consider is, if the worst happens, are the arrangements sufficient to basically cover you in the circumstances that your family might find themselves in, if you were to go.

The letter was designed to get people to get their arrangements in place and to consider such aspects as how much compensation would be available to the family in the event of the principal on operations overseas, and whether there was a need to look at additional requirements beyond that.

Senator JOHNSTON—Isn't the reason we wrote the letter because the provisions that we have made with respect to the service person's family are inadequate? We actually ask them to incur a cost to deploy on our behalf: that is, get your insurance premiums up to standard; it is

your own matter; we are not going to help you with it; you have to do it because you are going to a combat zone. That is the tenor of what I understand the letter to be saying.

Air Chief Marshal Houston—We have had circumstances where we have lost people. If you purchase a very expensive house, you have a very large mortgage, you have children in private schools and you have all of those other arrangements, it might be that the package that is provided by a very good government scheme, which has been in existence for a number of years now, is not quite sufficient to cover all of the requirements of your next of kin who are left behind. You say: is this inadequate? I think the scheme is a good scheme, but people need to look at their individual circumstances. This is what the letter said.

I might add that through my whole career when I was flying aeroplanes, I and every other single crew member in the Defence Force looked at the circumstances, and all of us, without exception, took out additional insurance against the risks involved with military flying. To some extent, this is exactly what is happening here. We just ask people to look at their circumstances to ensure that they are well catered for should they be a casualty and that their family, their next of kin, basically is well catered for, should that happen.

Senator JOHNSTON—CDF, this is nothing more nor less than a classic cost-shift from the Commonwealth and its responsibilities to its serving personnel in a combat zone to those individuals.

Air Chief Marshal Houston—That is your characterisation. This scheme was developed back when I was Chief of Air Force. That is going back 2002-03, I think, the RMCA.

Senator JOHNSTON—Surely if you are telling the personnel that they are going to a combat zone, ‘You had better get your life insurance up to speed because what we provide is inadequate’, suggests that we have dropped the ball in terms of protection of those persons, or the level of information we have provided them throughout their service life has been deficient in confronting what they are likely to confront in Afghanistan.

Air Chief Marshal Houston—Ultimately the size of the package is a matter for government. The last government made a determination that this package was a suitable package. If you remember, the package was subject to extensive consultation with the ADF, with the veterans’ community and with all the stakeholders across the broader defence community. Fundamentally, when it came in, it was well received.

The point we want to make here is that, it does not matter who you are, if you commit to a particular set of circumstances—a very large mortgage, you want your children to go to private schools and you have other things that you decide to do—it could be, if you are killed on operations, you could leave your family with a substantial issue. Sure they will get the compensation to which they are entitled, which I think is a generous amount of compensation, but it could be, by virtue of your personal circumstances, inadequate.

Perhaps the issue that we have to have a look at is the fact that previously we were recruiting almost exclusively young people into the Defence Force. I will put it this way, if we looked at the demographics of the Defence Force 20 years ago or even 10 years ago, most of the junior ranks would be young people. That does not happen any more, because we do not have any restrictions in terms of age. We are starting to recruit a larger number of older people. If you have an older person who arrives married, with a mortgage and with children at

a private school, and they then happen to be a casualty after four or five years, the actual compensation package is probably going to be inadequate for that particular individual.

Given that reality, what the brigade was trying to do here was just highlight to people that every individual's circumstances are different. Each individual should have a look at their personal circumstances and then put in place arrangements that will ensure that the family is not caught short, should they be a casualty.

Senator JOHNSTON—Did we not suggest some insurance companies in the letter?

Air Chief Marshal Houston—To my knowledge, there is only one insurance company that is prepared to provide full coverage for people who go off to a war zone. That is one of the issues. That is another thing that we will need to look at. If they have insurance, they need to check with the insurance company whether their insurance will be sufficient to cover the circumstances.

Senator JOHNSTON—Correct.

Air Chief Marshal Houston—Again, it comes back to my original point. Everybody's circumstances are different, and it is just a good practice to get into that each of our people, before they deploy, have a look at their personal circumstances and make sure that they are squared away. This was the intent of that letter.

Senator JOHNSTON—I accept the intent of the letter. I think it was very poorly executed, if I may say so.

Air Chief Marshal Houston—I accept that. I agree with you. But the point is the individual who wrote it was trying to do the right thing. It was just a poorly written letter.

Senator JOHNSTON—Are we aware of the premium with respect to increasing life insurance cover for a war zone?

Air Chief Marshal Houston—This is a very complex subject.

Senator JOHNSTON—Yes. I do not think the letter covers it, actually.

Air Chief Marshal Houston—Essentially, we have had experts look at this. It is an extremely complex area. If you like, I can get somebody to the table who can address it in detail, but I suspect there is nobody in the room at the moment who can address the sort of issues that you might raise.

Senator JOHNSTON—I do see someone rising behind you, CDF, and I am interested to discuss with him.

Air Chief Marshal Houston—I will get Phil Minns up, but go ahead.

Senator JOHNSTON—Sir, I am obliged to you.

Air Chief Marshal Houston—Could I have your question?

Senator JOHNSTON—I simply want to know whether we informed them of the likely premium and whether that premium would be tax deductible. If we are going to give them life advice, I think we should have gone the next step and personally, either in a group or individually, not by letter, taken them through these issues such that we had a record of what

we have said to them. The business of then advising the next of kin as to whether the insurance had been accepted or not I think was very poorly managed.

Air Chief Marshal Houston—Yes. You are focusing on the letter, but our people are briefed by their chain of command. I am aware that that happens almost all of the time. Each group of individuals that deploy are fully briefed on what they need to do to prepare themselves and their families before they deploy. It is part and parcel of our preparation process. The letter reflects good intent, but was poorly executed. In terms of what we do in preparation, we ensure that everybody knows what the realities are as to what they entitlements are and what they need to do as concerns other preparations that need to be made to ensure that their family is well catered for.

Mr Minns—I will go to that question of the cost of the premium. We have two products. One is the SSP, and it alludes me at the moment what that acronym stands for, but someone behind me will remind me. The second one is On Guard, which is offered by Defence Health. They are both underwritten by the AIG Insurance Group. To attain a level of optional death benefit cover, there are three levels: superior, premier and budget level. Superior is \$17.35 per month, premier is \$8.65 and the budget level is \$3.45 per month.

There are also three levels of accidental injury cover that are available: for individuals, \$30.75 per month; \$15.15 for the premier level, and \$6.05 for the budget level. The important point I suppose about this policy framework is that there is no minimum waiting time prior to joining and there is no minimum time on claiming related to the cover. It is actually a fairly beneficial arrangement, I guess you would say, for serving members. They can get notice of deployment, fill in an application form, fax it off, and achieve cover. Now that kind of scenario is pretty rare in the insurance industry. We are aware that its continuance by AIG as the underwriter may not be something that we can look forward to in an ongoing sense.

It is a matter that has been directly placed into the terms of reference for the military rehabilitation and compensation review. We will ask the review to examine the adequacy of benefits for death and serious injury, including insurance arrangements for ADF personnel. We will look at the performance of the whole rehab scheme to date and there will be recommendations to deal with anomalies, such as the ones that the CDF has raised related to length of service and age. In a policy context, I think we know we have an issue there. We have an opportunity for people to choose according to their personal circumstances the insurance route. Will that be in place forever? We cannot guarantee that, so we think it needs to be subject to review. That review is due to report to the Minister for Veterans' Affairs in March 2010.

Senator JOHNSTON—Can you tell me what the payout figures for each of those different quality of products are?

Mr Minns—I do not have that with me, but I am sure someone would be able to extract it. Let me just have a look.

Senator JOHNSTON—I am sure in the course of the next 24 hours you might be able to ascertain what they are, and I would be pleased if you could just tell us that.

Mr Minns—The SSP is called the Services Security Plan.

Senator JOHNSTON—Thank you, Mr Minns.

Air Chief Marshal Houston—The payout figure is substantial. I am aware of it anecdotally, but I will take it on notice.

Senator JOHNSTON—Thank you. I am finished with that issue. Chair, if no-one has any questions on that, can I go on to the next one?

CHAIR—We might rule a line under Afghanistan. Are there any further issues on Afghanistan?

Senator JOHNSTON—I have a couple of issues on Afghanistan—one more. CDF, honour payments: I do not want to know how many, how much or the nature thereof. I simply want to know whether we are in fact making them now—we are not using the act of grace mechanism, I take it?

Air Chief Marshal Houston—In terms of honour payments, we do use the act of grace mechanism.

Senator JOHNSTON—When we have an event, the minister has to sign off, it comes back and is processed. Can you tell me what the average turnaround time is?

Air Chief Marshal Houston—It actually has to go to the Minister for Finance and Deregulation. In circumstances that have arisen in recent times, we had one where time was of the essence. It was done very quickly—in less than a day.

Senator JOHNSTON—So we are using electronic communications and we are getting authority very quickly?

Air Chief Marshal Houston—When these circumstances arise, everybody in the community understands the necessity to act quickly. That is part and parcel of the culture in Afghanistan. Honour payments need to be paid quickly and everybody in the bureaucracy is seized with the need to do that, and we have not had any difficulties with getting the payments organised through the Department of Finance and Deregulation.

Senator JOHNSTON—That is good, and I am pleased to hear that. But obviously, given the bill that is coming before us, we are going to streamline that whole process in such a way as to make it much more efficient and effective as a cultural payment.

Air Chief Marshal Houston—I will take advice from somebody behind me, but my understanding is that the bill you are dealing with is the Tactical Payments Scheme, which covers the no-liability gratuity payments and those sorts of issues. In terms of honour payments, I understand they would still be handled under the act of grace arrangements in accordance with section 33 of the FMA.

Senator JOHNSTON—Obviously I am a bit hazy on the level of payments.

Air Chief Marshal Houston—Yes. That is my advice. If it is different to that, I will come back to you.

Senator JOHNSTON—I am obliged to you. Chair, I have two other issues. They are not necessarily related to Afghanistan. They are broader.

CHAIR—Senator Johnston, you deal with them and then we will go to Senator Trood.

Senator JOHNSTON—CDF, the recent ANAO audit on reserves suggests that we have a problem with reserves. I note the white paper looks to move a lot of functionality into the reserves. We have untrained 4,200 of 15,400. We are at 71 per cent of strength in reserves. Apparently we have a readiness of 51.7 per cent, as set out in the audit. I am interested to know what you plan with respect to arresting those circumstances in reserves.

Air Chief Marshal Houston—Thank you very much, Senator. In terms of reservists, can I just say as a preamble to responding to your question, right now we have 1,800 reserves on continuous full-time services, and 800 reservists deploy on operations each year. Their contribution is highly valued by us and of course—

Senator JOHNSTON—By all of us.

Air Chief Marshal Houston—By all of us, yes. They do a magnificent job. It is important that we acknowledge that. In terms of where we go in the future I think that where we are going with the reserves is made explicit in the white paper. I take it that you are across that and you are happy with that. In terms of the issues you have raised, I actually think that reserves have turned the corner. We had a real problem there a couple of years ago. I think what we have seen is a turning of the corner. We are now headed back in the right direction. What I might do is cast to General Melick to give you a little bit more detail from him. He is responsible for reserves.

Major Gen. Melick—Thank you, sir, Senator. I think we have to distinguish between the Army, Navy and Air Force reserves, in that about 94 per cent of naval reserves are ex-permanent and therefore the comments you made do not apply to them because they are fully trained.

Senator JOHNSTON—It was Army I was talking about.

Major Gen. Melick—So just Army? A significant percentage of the Army, as I understand it now, are on the full pay, which means they do not have the 15 per cent discount. So it is only about 40 per cent which do not have the same competencies as do their regular or permanent counterparts. A significant percentage of that 40 per cent are at a level very close to being trained. As CDF mentioned, several years ago we had a significant gap in the training force and the trained force. That gap has been narrowing quite considerably.

There have been something like 6,000 reservists deployed either to overseas things or to things like Rolute and Butterworth in the last three years, which shows that their performance level has increased. Considering that in the last 10 years since Timor, when the emphasis on reserves from being a mobilisation base to augmenting full-time capacity has occurred, there has been a significant change in attitude among reserves because they actually had reasons to get qualified. Before there was sort of a reluctance to go and take six weeks off work to get the extra qualification because they did not think they were going to use it.

I think you will find that that figure will continue to decline. I do not think it is an unreasonable proportion at the moment in terms of the capability required for reserves to have so much in the training force because what we are trying to do is get to a situation of just in time, rather than just in case, training. At the moment a reservist costs—and I am talking about Army reservists now—about \$38,000 a year to produce a reserve man year as opposed to \$118,000 with the regular component. That means it is a relatively cheaper basis upon

which to have a capability ready to be deployed, once it is topped up. If we tried to have all our reserve fully trained, it would be a just in case situation and it would be quite expensive to maintain. I think there might also be some retention problems in that a lot of reservists are content to qualify to a certain level and know that they can readily fill that gap, if we are called upon to meet surge capacity.

Senator JOHNSTON—So what is the acceptable consistent level of untrained reservist as a percentage of the whole?

Major Gen. Melick—I think we have to draw the distinction between partially trained and untrained.

Senator JOHNSTON—Yes. I think the question still applies in any description you want to give them.

Major Gen. Melick—I cannot answer that question at the moment because at the moment there is a full structure review going on in relation to the reserve and an exercise conducted by Chief of Army of rebalancing the Army. Out of that will flow the requirements for the reserve, including the levels of training. That exercise will be completed by the end of this year. I think then we will be able to give you some precise figures.

Senator JOHNSTON—All right.

Air Chief Marshal Houston—Senator, if I could just jump in. The rebalancing of the reserves is very much part of our strategic reform program. The implementation as to how we are going to do that will be published by the end of the year. We would be delighted to come back and show you that in the fullness of time.

Senator JOHNSTON—Thank you.

Air Chief Marshal Houston—But where we are going with reserves is that we are going to be looking at a number of different ways of doing business; bringing reservists in closer to the permanent force; how we can sustain reserves on long operations; and we also look at such concepts as sponsored reserves and so on. So we are seized with the need to get better outcomes out of the reserves, I guess, and also to create an even more highly valued organisation than we currently have. I mean, they do wonderful work at the moment, but we think with the right approach we can get even more out of our reserves than we are doing at the moment.

Senator JOHNSTON—Right. Thank you. Chair, I have one more issue for DCO, which I am advised might be relevant for CDF, but I rather suspect that it is a very narrow inquiry with respect to an event in Western Australia, and I would rather deal directly with the officials as we work through. I do not think it fits into overview.

CHAIR—All right then.

Senator JOHNSTON—But I think we will come back to DCO, if I can just signal that to you.

CHAIR—Thank you, Senator.

Senator Faulkner—I think Senator Trood has some overview questions, does he not?

CHAIR—Okay. Senator Trood?

Senator TROOD—CDF, if I may briefly return to these incidents in relation to civilian casualties in Afghanistan.

Air Chief Marshal Houston—Yes.

Senator TROOD—Can you just clarify for me: do you have a group of people who are in place generally to inquire into these matters? When an allegation arises, do you strike another ad hoc group of people to undertake the investigation? I just want to be clear how this procedure operates, please.

Air Chief Marshal Houston—The way the process works is that if we get credible allegations of civilian casualties—and that is where you want to go, is it not?

Senator TROOD—Yes.

Air Chief Marshal Houston—What we will do in the first instance is a quick assessment to determine as much as we can broadly what the circumstances are. That will generally come back to the Chief of Joint Operations, who will look at it. He will discuss with the commander in the Middle East. At the moment that is obviously Major General Mark Kelly. He also will have a discussion with me. Generally, what we do is then put a team together. You say ‘ad hoc’. It is not really ad hoc because fundamentally we look at the circumstances of what happened. Then we ensure that we have the right sort of expertise on the inquiry team so that we are able, to the maximum extent possible, to determine all of the relevant facts.

One of the problems with civilian casualties is that sometimes they occur in areas where we do not hold the ground. To go back into those areas can be quite high risk. As a consequence, we cannot always interview all the people who have been affected. So it is not the purest form of inquiry that you could conduct. However, what we have done up until now is we have picked who we consider to be the right people. They go in and thus far I have been very pleased with the outcomes. With the one that we did recently—the one in the Baluchi Valley, the 5 January incident—I am very pleased with the outcome of that inquiry because I think we got a very good outcome in spite of the realities of dealing with the sort of circumstances I have just explained to you.

Senator TROOD—Was that a situation in which it was difficult to revisit the scene of the alleged incident?

Air Chief Marshal Houston—Absolutely, yes. In that one, we probably had a couple of advantages. We had wounded people who were taken to the hospital at Tarin Kowt so we were able to interview them. That was obviously really to our advantage. As you are probably aware, one of those individuals had fragments of the bomb that went off or the munition that went off in close proximity and caused the injuries. So we were able to get some of that material, send it back to Australia and DSTO did a forensic look at it and also looked at one of the other munitions, a mortar round from the same batch. There was no correlation whatsoever. We do everything that we possibly can to do an exhaustive inquiry, but the reality is that sometimes that can be exceedingly difficult, given the combat conditions on the ground in Afghanistan.

Senator TROOD—Surely. These investigations, from what you have said, take place in a timely fashion, but, from the time in which the commander decides there is a credible incident

to the time in which the matter is communicated to you and the decision is made to set up a team, what sort of time typically is that? Is it days or is it hours? Can you tell us?

Air Chief Marshal Houston—The quick assessment is usually done in 24 to 48 hours—very quickly. Putting the inquiry team together usually takes much longer because we need to have the right sort of expertise and also the right sort of legal expertise along to provide the requirements from a legal point of view. Usually that has to come out of Australia.

Senator TROOD—I see. Is it usual to have, or have you in the past, had some common experience with people on the team, insofar as it may be possible? Thankfully of course these incidents do not occur frequently, but when they have occurred has it been possible, or is it desirable in your view, to have at least one individual who previously might have had experience of investigating these kinds of incidents on the team so that there are some common systems, values or acquisition of evidence and so that at least someone has some experience of doing this kind of investigation in the past?

Air Chief Marshal Houston—We usually have a multidisciplinary team, and that team will include a lawyer who is expert in these sorts of inquiries. Given that we have done quite a few of these in recent years, we are much better placed now than perhaps we were a few years ago. Generally speaking, our people would have had some experience of these sorts of inquiries in the past, particularly the lawyers who assist the inquiry officer with the inquiry.

Senator TROOD—So the lawyers have to come from here?

Air Chief Marshal Houston—And very often the inquiry officer has to come from here as well.

Senator TROOD—Yes, I see. Finally on this subject, is it the responsibility of the team to recommend whether or not a payment should be made, and, if so, the figure of that payment, or are they just required to make the report and then judgments are made about entitlements to payment or the need to make payments elsewhere?

Air Chief Marshal Houston—I assume you are talking about honour payments?

Senator TROOD—Yes.

Air Chief Marshal Houston—Honour payments are something about which there is a requirement to pay them very quickly. We tend to look at the circumstances in terms of the quick assessment. The quick assessment will do the determination as to whether honour payments are appropriate or not.

Senator TROOD—I see.

Air Chief Marshal Houston—Indeed, in some cases it is quite clear right from the outset that honour payments should be paid right away. I mean, honour payments do not necessarily mean that you are accepting liability.

Senator TROOD—I understand.

Air Chief Marshal Houston—It is just part of the Afghan culture. We tend to pay them as quickly as possible. We find that our approach is very well appreciated, not only by the local communities but also by the Afghan government.

Senator TROOD—Is the decision to make an honour payment made in Afghanistan, or does it have to come back here?

Air Chief Marshal Houston—The recommendation comes from the field. The process is for us to go through the department of finance in accordance with the requirements of section 33 of the FMA Act. However, we are going to look at perhaps a more streamlined process in the future. We need to work with Finance on how we might do that.

Senator TROOD—Yes. How long does it usually take for Finance to give approval, if indeed they are going to do so?

Air Chief Marshal Houston—Finance could not be more cooperative and more responsive. They are very quick. Of course that goes all the way to the minister for finance. The whole process works very well.

Senator TROOD—Yes, but the amounts are a Department of Defence budgetary responsibility. Is that correct?

Air Chief Marshal Houston—I think we are the—

Senator TROOD—Whose money is it that we are paying? Obviously it is the Commonwealth of Australia, but whose budget is it?

Mr Prior—I understand they come from the Finance fund.

Air Chief Marshal Houston—Finance funds.

Mr Prior—What I will do is take that on notice to get a definitive answer in that regard.

Senator TROOD—Okay. I presume there is an allocation somewhere.

Mr Prior—There is.

Senator TROOD—In relation to these matters, but it is not a Department of Defence responsibility. Is that so?

Mr Prior—That is my understanding, yes.

Senator TROOD—Is that a correct understanding?

Mr Prior—Yes, Senator.

Senator TROOD—I have some further matters on overview.

CHAIR—We will continue on overview.

Senator TROOD—Thank you. CDF, on something rather different, just in relation to your opening statement and the remarks you made with regard to the AP3C maritime surveillance and the frigate in the Gulf, I just wish to understand the nature of this operation that is now being undertaken, which is clearly different to the deployment of the frigate further up the Gulf that has been there in the past and on rotation. This seems to be adding another mission to the Navy's responsibilities in the area. I would be grateful if you could just explain how this tasking is actually taking place. You say 'flexibly tasked'. Are we talking about a regular rotation here for the ship that is on station, for example? How much is it taking? How much time will that ship be on station off the Somali coast? Is it operating in the context of an allied

or a partnership activity? Does it have any implications for the kinds of vessels that we might be sending in the future to the Gulf? If you could address those matters, I would be grateful.

Air Chief Marshal Houston—There are three fundamental missions in the Middle Eastern area of operations. In fact, there is a fourth one; we were doing that before, but we no longer do it. There are essentially four naval task forces assembled in the Middle East. There is Task Force 158, which we used to be part of up in the northern part of the Gulf. That protects the oil platforms off Iraq. We then have three others. I will start with Task Force 152, which operates in the central part of the Gulf, and that is the Persian Gulf or the Arabian Gulf.

A lot of that work is working closely with the navies of the Gulf countries. That is the mission that *Warramunga* has been on in the recent past. We then have Task Force 150, which *Warramunga* did contribute to when she went down to do a little exercise with the Pakistanis out of Karachi. The mission there is really a counterterrorism, counter-drug-running operation. Essentially there are some sea lines of communication between Pakistan and the Horn of Africa that run through that area there. Finally, there is Task Force 151, which covers the Gulf of Aden and the area of the Indian Ocean off the coast of Somalia. That of course is the counter-piracy operation.

The government has authorised us to assign the deployment of the frigate from hereon in under the operational control of the naval commander in Bahrain. That is Admiral Gortney. He is the fifth fleet commander, and he is the coalition naval commander. He essentially controls all of those task forces that I just mentioned to you. He will look at what his requirements are. I imagine what he will do is assign our frigate where it is most needed. Over time, our frigate will go through all of those missions, except the one up in the northern part of the Arabian Gulf. So it will cover Task Force 150, 151 and 152. In terms of the counterpiracy, there are an awful lot of ships there at the moment. Some of them are part of Task Force 151; some of them are working there under other arrangements. The coordination is quite a challenging thing. There are a large number of ships there. I guess Admiral Gortney does the best he can, given that some of those ships are not under his operational control. I might leave it at that. Fundamentally, those are the arrangements. Our frigate will be flexibly tasked to work between those three task forces as the need arises. But I would imagine that we will see service in all three task forces from time to time.

Senator TROOD—Correct me if I am wrong about this, but is the addition to the task in 151, that is a recent tasking activity for the Australian Navy. Is that right?

Air Chief Marshal Houston—That is a brand-new one, yes.

Senator TROOD—What additional operational demands is that placing on the Navy, if any, assuming it involves extra responsibility?

Air Chief Marshal Houston—It will involve preparations before we go. The fleet commander will prepare the ship to be able to do any of those three missions. That means dealing with the sorts of circumstances that we saw recently when our two frigates went through on the way to Europe. They were called in to assist a ship that was being assaulted by pirates a short distance from where they were. They will escort vessels through areas where there is a pirate threat. Their activities hopefully will deter pirate attacks in the areas in which they are operating. Essentially they will do counterpiracy work when the need arises.

Senator TROOD—Has this new task required the addition of any new capability to the frigates that we are deploying?

Air Chief Marshal Houston—No, not at all. It just means we have to train our people for the specifics of dealing with pirates. That is a little bit different from some of the other things we do. There may be some equipment requirements, which I will ask the Chief of Navy to address.

Vice Adm. Crane—Senator, the only real issue for this new tasking for our frigate is in relation to boarding capability. There is a need for us to provide for an increased level of boarding capability. We have done that. The frigate that deploys will have that capability available to it, if required. But to all other intent and purpose, the flexible tasking the chief has talked about, we can accommodate within the normal force preparation for those other tasks.

Senator TROOD—Is there any suggestion or need for there to be a lengthening of the deployment because of this extra task?

Air Chief Marshal Houston—No, not at all. The ship will go for exactly the same amount of time as all of the other ships. It will just continue doing the rotations the way we have always done them. It is just that we have an additional task. We also have the P3s in the Middle East. Some of their work will require them to go down and do surveillance work in support of the counterpiracy activities down in the Gulf of Aden.

Senator TROOD—Is that a new task for the P3s?

Air Chief Marshal Houston—It is, yes. We also have a couple of staff officers who are going into the fleet headquarters in Bahrain as well.

Senator TROOD—You have said this is flexible tasking and that they are under the command of the US fleet commander, but do you have any idea of how much time they are likely to spend on station off the Somali coast, or how much additional time this will add to the balance between further up the Gulf and the Somali coast piracy activity?

Air Chief Marshal Houston—No. Obviously, we have had extensive discussions with Admiral Gortney and his staff. One of the things that he needs is a bit of flexibility in the assignment of ships that come under his operational control. We have met that requirement by essentially giving him operational control of the asset. I would anticipate that we will do a little bit of this and a little bit of that. We certainly will not be off the coast of Somalia for the whole six months, if that is what you are getting at.

Senator TROOD—I am just interested to know.

Air Chief Marshal Houston—In other words, it is flexible, which is exactly what I said. It is flexible employment and you can anticipate that we will do a little bit of everything. It is actually quite good for our sailors in that they will get a lot more variety in the mission than perhaps they have had in the recent past because *Warramunga* was with Task Force 152 in the central Gulf all the time, and *Toowoomba*, which is the ship that replaces *Warramunga*, will be flexibly tasked.

Senator TROOD—Is this the way to address this problem of piracy, do you think? As you have said, there is a task force and the ships of other navies are participating in this enterprise. There seems to be a lot of boats out there in a lot of water. To some extent my sense of it is—

and please correct me if I am wrong about this—that some countries have sent vessels to protect their own commercial sea lanes of communication. Has any thought been given, of which you are aware, by our friends and others, to try to address this in a different kind of way or do you expect that this is the solution? Allowing for the fact that we obviously have to solve the problem on land and the Somali problem but, given that we have to address this piracy problem in the meantime, is this the best way to do it? Have we given any thought to any other way of trying to address the problem?

Air Chief Marshal Houston—The best and most effective way is to go in and do something on land.

Senator TROOD—Of course.

Air Chief Marshal Houston—As you know, the circumstances in Somalia at the moment are very complex and very demanding. The United Nations is looking at what they might do there, but I understand they are having a little bit of difficulty getting a number of countries to sign up to the mission. But ultimately that would be the best way to address the issue because, clearly, until you operate against the pirate bases, you will have a continuing problem with pirates out in the Gulf of Aden and indeed further out into the Indian Ocean.

What we are starting to see is the use of small mother ships that carry a number of skiffs on board. Then they get out into the middle of the ocean, several hundred kilometres off the coast of Somalia, and off go these high-speed skiffs. They are faster than most of the ships that are out there and of course the pirates are armed with rocket-propelled grenades, AK-47s and the like. It is quite a difficult environment. Given the reality that there is not an existing option to go into Somalia to go against the pirate bases, you have to have a naval force out there that deters and, if necessary, defeats the pirate activities.

Senator TROOD—CDF, is it your judgment that this threat is escalating at the moment? The pirates are adopting new techniques and ones which are potentially more lethal. That of course increases the danger and the nature of the threat that our forces are facing.

Air Chief Marshal Houston—Pirates are ‘entrepreneurial’—that is the word I would use. They obviously see this as a lucrative activity and, yes, they are showing a degree of innovation as time goes on. Is it more dangerous? The area of danger has expanded because the pirates have extended their reach further out into the north Arabian Sea and the Indian Ocean. We are seeing pirate attacks in places we have never seen them before.

Senator TROOD—Chair, I do not have any further questions on this subject.

CHAIR—No further questions on overview, or no further questions on this subject?

Senator TROOD—I have no further questions on this subject and I do not have any further questions on overview, either.

CHAIR—Further questions on overview?

Senator LUDLAM—I have questions on the white paper, or will that be down the track?

CHAIR—I have a couple of questions I want to ask on East Timor and the like and I think we probably will get onto the white paper after lunch.

Senator LUDLAM—Great. That is fine.

CHAIR—CDF, in your introductory remarks, you mentioned East Timor, but there was not much commentary. Could you give us a status report on where we are at in East Timor, the progress of reconstruction, the current role of our forces up there, and whether there is any intent on the part of the government to alter current instructions?

Air Chief Marshal Houston—As you know, we reduced the size of our force at the beginning of the year from 750 to 650. What we have been seeing in recent times is a pleasing situation in Timor. The government is performing well. The situation there is reasonably stable. We see the Defence Cooperation Program progressing in a very pleasing way. Recently we were in Timor. The minister went along and opened the Defence Cooperation Program that we have established at Metinaro, which is essentially a training centre where we train people in a wide variety of different skills.

The Defence Cooperation Program is going well. The stabilisation force is going well. The United Nations are handing over various police stations to the PNTL and I think, all things considered, things are going along quite well. There is still a long way to go, but everything is on track.

CHAIR—Some two or three years ago you gave a set of concerning reports arising out of a breakdown in security and a degree of mob violence and the like. Are those sorts of issues that we had to face then completely under control now and not coming onto the agenda in the foreseeable future?

Air Chief Marshal Houston—The situation up there is stable and peaceful and is going along quite nicely. The government is in control and there have not been any significant incidents at all for a long, long time. I think that the whole situation is quite stable. In fact, when you visit Dili, it is a bustling little town that feels very normal.

CHAIR—Getting on with life. Fine. This is probably a question for you, Mr Prior. Table 4 in the budget papers, 'Variation to Defence Funding' refers to 'Timor Leste—continued funding to help maintain stability' and a allocation this financial year forthcoming of \$191.8 million, and then in the two out years, \$18.9 million and then in 2011-12, \$0.4 million or \$400,000. There is a note on page 28 that somewhat describes that. Why is there such a large one-off payment in the 2009-10 financial year, and so little in the two out years? Do we just do it on a yearly basis these days?

Mr Prior—Yes. If you notice, all the operations funding are on the same basis. The government does it on a yearly basis and the small amounts you see in the out years are assuming the costs of remediation and return to Australia.

CHAIR—All right. So it is standard practice—

Mr Prior—Standard practice.

CHAIR—to fund 12 months ahead in the May budget?

Mr Prior—Correct.

CHAIR—Okay. That answers that question. I was going to ask some questions about the Solomon Islands, but I see the CDF has gone.

Senator Faulkner—He will just be a moment.

CHAIR—We will wait for CDF. I just want to get a status report on our involvement in the Solomon Islands, which will probably take us out to lunch.

Senator Faulkner—Is there something else we could perhaps deal with interregnum?

CHAIR—About the budget overview? No?

Senator Faulkner—All right then. Perhaps this would be a useful opportunity, if it suited you, Chair, for Mr Minns to come back on those issues that were left in abeyance.

CHAIR—It would be, Mr Minns, yes.

Senator Faulkner—If Senator Johnston is happy with that.

Mr Minns—Senator, I will give you one example that might meet the need. Under the Services Security Plan, at those three levels where I quoted the premium price—superior, premier and budget—if you were to buy one unit of death cover at those premium rates, you would receive an eligible payment of \$250,000, \$125,000 or \$50,000 at the three levels. You can buy up to three units, so the maximum death cover available, if you chose superior, would be \$750,000. The way the policy under SSP is bundled up, to buy three levels of death cover you must, in effect, buy one level, one unit of accidental cover, so you would be able to achieve death cover of \$750,00 for \$14.75 per week.

Senator JOHNSTON—Thank you very much.

CHAIR—Mr Minns, arising out of that discussion we had earlier on insurance, my memory is that when the then government brought in the MRCS back in 2005 or 2004, from memory—

Mr Minns—It was 2004.

CHAIR—There was significant updating of benefits that people might receive, due to particular circumstances. But part and parcel of that scheme is that there is a current death and disability benefit for people involved in operations for persons who are covered by that scheme while they are offshore. Is that right, or am I incorrect in that memory?

Mr Minns—Just going to that question of the value of the benefit introduced by the scheme in 2004, for example, an ADF member with a 30-year-old dependent partner with two children, who elected to take lump sum compensation rather than a life-time tax free indexed pension, they would be paid a lump sum totalling over \$720,000. In addition, the partner would be entitled to \$78 a week for each child, financial support for the children's education and free family health care.

Those rates of compensation compare to, for example, New South Wales and Queensland workers compensation schemes in the following way: under those schemes, the dependent partner of a deceased worker with two children would be entitled to a lump sum of approximately \$435,000 plus weekly payments of around \$110 for each child. I think the result of the reform and the new scheme in 2004 was to create a system that has more benefit value than the typical community benefit associated with an accidental workplace death. The complications we are now seeing are about individual circumstances and cases, so it depends a little on their personal mortgage situation and so on, and that question to do with the age of

the member and the length of time that they have served. Those matters have been put before the review.

CHAIR—Before the review committee?

Mr Minns—Yes.

CHAIR—When is that review committee, which is an internal committee, going to report?

Mr Minns—It is being conducted at the direction of the Department of Finance and Deregulation and the Department of Defence, so it is the two agencies. We have a member of the steering committee, Major General Orme, who is the head of People Capability. He is a standing member of the review committee and it reports to the Minister for Veterans' Affairs. I think I am confusing this with the DHA review. It is not Finance and Defence, it is just Defence and DVA.

CHAIR—Because DVA administers the scheme.

Mr Minns—Yes.

CHAIR—But it is a review of the current scheme that applies to employed personnel, either onshore or offshore.

Mr Minns—Yes.

CHAIR—When is it going to report?

Mr Minns—March 2010, to the minister.

CHAIR—March next year.

Senator Faulkner—Chair, just before we break, I would just indicate to Senator Johnston in the margins of the committee that at some point after lunch, probably around 3 pm, I have a longstanding commitment and I will away for a period. Senator Ludwig will replace me, but obviously I will be very happy on my return, if I can, to assist senators with any issues they have directly with me. Just as a courtesy, I wanted to let committee members know that before we break for lunch.

CHAIR—Thank you, Minister. The committee will adjourn and resume at 1.30 pm. The committee stands adjourned.

Proceedings suspended from 12.31 pm to 1.31 pm

CHAIR—The committee will come to order. We are continuing examination of budget papers in this estimates round. I understand we are now turning to discussion of the white paper.

Senator JOHNSTON—My question is to the secretary with respect to the white paper. Who is responsible in Defence for the wording of the portfolio budget statements concerning defence matters?

Mr Warner—I am sorry, Senator—do you mean the whole of the PBS? Is that what you mean?

Senator JOHNSTON—The PBS documents and the wording that relates to Defence. Who in the department ticks off on those?

Mr Warner—Ultimately, I would be responsible and accountable for this document.

Senator JOHNSTON—Are you aware of what we said in the 2008-09 budget papers with respect to costings and the white paper?

Mr Warner—You will have to be more specific.

Senator JOHNSTON—I will. On page 5, under the heading of ‘Overview’ in last year’s budget papers and in the second paragraph, second line:

The White Paper will articulate the Government’s policy and funding for Defence, and will include the fully costed Defence capability of the future and fully costed support functions, informed by a long-term cost model. The Government has announced an audit of Defence’s budget to examine the funding and financial management of Defence.

Et cetera. Is there anything in the white paper that fulfils the ambition of a ‘fully costed defence capability of the future and fully costed support functions, informed by a long-term cost model’? Are those items, or anything remotely equating to such a description, within the white paper?

Mr Warner—Yes. I am sure you have looked at the white paper and I presume you have it in front of you. If you turn to chapter 18, page 137, you will find the new cost model for defence.

Senator JOHNSTON—You say that is the cost model?

Mr Warner—I say that is the revenue model for defence over the next 21 years.

Senator JOHNSTON—I am sorry, you say that page 137 and 138 fulfil the expression:

The White Paper will articulate the Government’s policy and funding for Defence, and will include the fully costed Defence capability of the future and fully costed support functions, informed by a long-term cost model.

Mr Warner—I would say, in the broad, it does that, yes.

Senator JOHNSTON—In the broad. You seriously say that?

Mr Warner—I would say, in the broad, it does, yes.

Senator JOHNSTON—So you think that this, in the broad, is ‘fully costed defence capability of the future and fully costed support functions’?

Mr Warner—I would say that the white paper articulates a revenue model for defence from now until 2030 and therefore, in the broad, meets the wording of the previous PBS.

Senator JOHNSTON—So you believe that the white paper fulfils the ambition set out in the last budget papers for 2008-09?

Mr Warner—In the broad, yes I do. I think I have answered that question now several times.

Senator JOHNSTON—Do you think that the last budget contained the fine detail with respect to costings at all?

Mr Warner—Again, you would have to provide more detail. I am not sure what you are getting at.

Senator JOHNSTON—The minister said:
... we found it necessary to hold the fine detail—
with respect to costings—
until budget night, that's only a week away or so, and people just need to be just a little bit patient.
Do you think the budget contained the fine detail?

Mr Warner—I think we have a revenue model articulated in the white paper that provides stability to the defence budget and, in the broad, it meets that objective.

Senator JOHNSTON—Right. With respect to the SRP, when was that document printed?

Mr Warner—This morning's booklet?

Senator JOHNSTON—Yes.

Mr Warner—Probably this morning. As you saw from it, it is a photocopy. It has not actually been printed in the formal sense. It will go onto, I hope, the intranet and the internet this evening, as long as we can get the editorials and a few changes made to it. I would hope that it would be published late this week—perhaps over the weekend.

Senator JOHNSTON—And it was resolved to release that document to the committee today.

Mr Warner—Yes. We released it to the committee today.

Senator JOHNSTON—When was it resolved to release it to the committee today?

Mr Warner—It has been my desire and objective to do that for some time, ever since the idea of such a document emerged. As I said this morning, the idea was to inform both a defence readership and also a wider readership. The objective was not to produce this document for Senate estimates, but it did seem to be a useful thing to do.

Senator JOHNSTON—When did you decide that it would be a useful thing to do? When?

Mr Warner—To give it to Senate estimates? At the same time that I decided that it would be a sensible thing to do for an internal and external audience.

Senator JOHNSTON—When was that?

Mr Warner—I do not know when—four weeks ago or three weeks ago.

Senator JOHNSTON—Would it not have been appropriate to suggest to the chairman and members of the committee that you were going to release a document that set out in some considerable detail \$20 billion worth of savings over the next 10 years so that the committee could have been apprised of the fact that the very first thing with which they would be confronted was 15-odd pages of quite intense budgetary analysis of the future cuts to defence?

Mr Warner—As I said this morning, in tabling that draft document, I was actually trying to be helpful to the committee. I thought providing more information to the committee would be not only acceptable but useful to members of the committee. If I had known that it was going to be a hindrance to the work of the committee, actually I would not have provided the document; instead, I would have sat here, with Mr Prior and others, and taken very detailed questions from you and provided detailed answers from a document that I had not tabled.

Senator JOHNSTON—Let me tell you, it is not a hindrance at all.

Mr Warner—Thank you.

Senator JOHNSTON—Nothing that you could provide to the committee, I would expect, on short notice would ever be a hindrance. It would simply be a burden in terms of seeking to conduct, as is our obligation, proper scrutiny of what the department seeks to achieve. We have absolutely no possibility whatsoever of having meaningful input to such a document at Senate budget estimates. I am sure you understand that.

Mr Warner—This is a document that is still in draft form. I have provided it so it could be useful and as a courtesy. It is 30 pages long and takes about 20 minutes to read. It provides a great deal of detail that I hoped would be useful to the committee—that would inform the committee. I thought it would be better that you have it than not have it.

Senator JOHNSTON—All I am saying is that for us to conduct a proper scrutiny of your department and to be given a document of such intense detail on the morning of budget estimates is the most ridiculous, presumptuous and quite outrageous performance when we are seeking to scrutinise your department. There is \$20 billion worth of expenditure cuts that you have given absolutely no notice or detail of until this morning, and you come along and say, ‘Here is what we are going to do in the next 10 years, and let’s talk about it.’ Well, I have to tell you I have never, in my brief experience in the Senate—and I do not think in the history of the Senate—have I seen such a detailed, complex and important document presented in such an absolutely outrageous fashion, if I may say so.

Senator Faulkner—Well, I answered some questions from Senator Ferguson about this this morning. I have to say that I think your characterisation of this is unfair. In fact, I think it is very unfair. It is very difficult to provide information or a document to a Senate committee, to parliament, more broadly, or to the public, if it does not exist. I think you have heard from the secretary of the department about the timelines for the document’s development. I do not have a lot of background about this because the document is new to me too. But I do think it is important when you hear evidence like that to acknowledge the fact that this is the first available opportunity for parliament or a parliamentary committee to be able to examine the document. It literally is in the final stages of production. That is the status. On that basis, I really do believe that what you have suggested is very unfair. It is also unfair and unprecedented to suggest that a document of this nature, if it were to be tabled, would be absolutely unprecedented or absolutely exceptional. There are often very substantive documents—and I respectfully suggest more substantive documents than this—that have been tabled at parliamentary committees. But the real point here—and I think it is important that this appear on the record—is that Defence have proactively attempted to provide this committee with all the available information, even though, as you have heard, the document is not in absolutely final form.

Effectively we have had evidence presented to us that there is final editorial work—it is probably very minor, of course—being done on this document as we speak and that it is expected to be placed on the Defence website perhaps later today. I think that what you are suggesting is not fair in the circumstances, and the circumstances are as I have outlined them. In my view, that is a commitment to transparency and to providing the committee with as

much information as can properly be provided. Anyway, we have a difference of view on this, but I am expressing the same perspective that I expressed to Senator Ferguson this morning. I sincerely believe that the perspective I have put is a fair one in these circumstances.

Senator TROOD—I think the point underlying this is that we regard any contribution offered by the secretary as helpful to the committee's deliberations. This is a long and complex document and it would have been a courtesy, at the very least, if the secretary had given us notice of the intention to deliver it, even if that had been 24 hours before the committee sat. I am sure that the secretary could have been confident that any confidentiality that needed to be maintained would have been maintained by the committee. But it would have been helpful—

Senator Faulkner—That is a different point.

Senator TROOD—It is the essential point—giving us notice of this document.

Senator Faulkner—I am not sure what the approval processes are in relation to this, but I certainly accept the spirit in which this material has been provided to the committee. I said in answer to some questions that Senator Ferguson asked on this at the conclusion of the opening statements this morning that I felt, and I believe this to be true, that if this material had not been provided to the committee and then became public after it was finalised, inevitably, committee members would have felt that there had not been full transparency and that they had been kept in the dark about this. It seems to me that the department is being placed very much in a no-win position. It made its best efforts to make this material available to committee members, but it is criticised. I am certain it would be criticised if it were not made available.

Of course, as you know, Senator, and as you well understand, these things are subject to all the internal approval processes within the department. I am not apprised of all of them and I do not pretend to have any particular knowledge of this. I do not. But I think I do have an understanding of the general principles of how these things work. I certainly think I have an understanding of the general principles of how Senate estimates committees work. I think some of these reflections are pretty ungenerous in the circumstances.

Senator JOHNSTON—On budget night the budget portfolio statements for Defence arrived very, very late. Can you explain to us what happened with respect to that?

Mr Warner—I was not there that night. My understanding is that that was the case with virtually every department's budget papers.

Senator JOHNSTON—No, with great respect, that is not the case. If you were not there, let me assist you. What happened was that most other portfolios received their budget portfolio statements, but Defence came in very, very late. I think leaving something less than an hour for scrutiny. Why was that?

Mr Warner—As I was not there and my colleague Mr Prior was there, I will ask him to respond to your question.

Mr Prior—I was there that night. Indeed, my recollection of that night was that Defence was the only department that tabled a document called a 'PBS'.

Senator JOHNSTON—Can you repeat that?

Mr Prior—My understanding is that Defence was the only portfolio to table a printed document called a ‘PBS’. My understanding is also that other departments lodged their portfolio budget statements on a memory stick or a CD—in electronic form. That is my understanding. Defence produced their PBS and delivered it to the House in accordance with the normal procedures. I do not know why they were not delivered to the room on the time. But they were not and it was out of our hands. It was not something we withheld.

Senator JOHNSTON—Take me through the process. Given that there are a whole lot of people, particularly members of parliament and members of the media, who seek to know what is going on, particularly in the area of Defence, which is such a big outlay item on the budget, why on earth would the papers arrive late?

Mr Prior—We do not know. One of my colleagues behind me who manages the—

Senator JOHNSTON—Where do they go from your authority and jurisdiction? Where do they leave your control and what happened along the way?

Mr Prior—They are delivered to Parliament House, to the receiving dock, as I understand it. The receiving dock or the receiving bay is a facility here in parliament House that then receives these documents and then delivers them into the budget lockup. We do not deliver them into the budget lockup. It is not one of the department’s responsibilities.

Senator JOHNSTON—Whose responsibility is it?

Mr Prior—As I said, it is somewhere in the Parliament House system.

Senator JOHNSTON—But we do not know.

Mr Prior—I do not know. Our publications people deliver it to Parliament House in accordance with their required timetable and then it is distributed from there.

Senator Faulkner—If it would assist you—I am not entirely sure myself about this—I know that there is certainly a range of security measures and procedures in place, as I am sure you appreciate, in relation to the budget document. Just to be precise on this, if it would assist I would be happy to take that matter on notice. However, I do so in the understanding and with the acknowledgement that obviously it is not a matter for the Defence portfolio. But if it would assist I would be very happy to try to establish that for you. You would appreciate that it is very difficult for Defence officials to answer that. I wish I could give you more detail, and if I had that detail available I would provide it. As I said, if it is helpful, I am very happy to take that matter on notice, even though it is not a Defence responsibility, and ask the appropriate agency in government perhaps to give you a response. Would that assist?

Senator JOHNSTON—Thank you. Mr Prior, are the circumstances surrounding the late delivery of the budget papers a concern to you as the chief financial officer given that the minister has said that the Defence Department’s portfolio statements would contain the fine detail?

Mr Prior—Is it a concern that the document—

Senator JOHNSTON—It is a concern to you that people were waiting for the Defence Department budgetary documents, which had been said to contain important fine detail as to

expenditure and costings, and that they were delivered so late as to be virtually unscrutinisable?

Mr Prior—Of course it is of concern to me that a document that one would expect to be in a certain location was not there. I was there that night and I did make inquiries about where documents were. I asked the relevant officials in the budget lockup whether they could find out where our documents were.

Senator JOHNSTON—Yes, thank you. I am obliged to you for that concession. You can see there is a suggestion, and I am not saying it is an accurate suggestion, in this brief snapshot of this morning's presentation of detailed cuts and savings and the very late presentation of the budget portfolio statements. If I were very, very cynical, and I am not, I would be asking what the department has to hide. I think it is a bad reflection to present a document this morning with no notice or advice for us to deal with and then to be tardy, through no fault of your own—obviously the system has broken down. Indeed, I know there are outdated systems and poor processes in Defence. But the inference is that there is smoke and mirrors and something to hide. I hope that is wrong.

Senator Faulkner—I do not think it is a bad reflection. As I have said to both you and to Senator Trood, who is here now, and I also said it earlier today to Senator Ferguson, I think we have a situation here where the department has effectively bent over backwards to try to provide a draft document, or close to a final document for the benefit of this committee. I see it as a courtesy to the committee to make sure that a document in very final stages of production is made available. I see that is a courtesy, not a discourtesy. I have a very different view of this from yours. I have said before that my own view is that the conclusion that you are drawing here is unfair—very unfair—in these circumstances.

Mr Warner—Senator, I would like to add to that. You have talked about a certain perception and you have used two examples to build that perception. Firstly, as you put it, there was the tardy and late delivery of budget papers on budget night. But you also said, I think fairly and accurately, that this was no reflection on us. Therefore, I would remove that example from your perception. Your second example is this booklet, which, as I have said quite often this morning and this afternoon, was a document that we put forward in draft form because we were actually trying to assist the committee, not trying to hinder it.

I have to say that I find myself—and this is not uncommon for officials at Senate estimates—in a position where I am damned if I do and damned if I don't. If I had not tabled the booklet this morning, you would have been asking where the details were. The fact that I did table it this morning has provided you with the opportunity to criticise me and department for providing it too late. We are simply trying to be helpful. We are not trying to hide information from the committee.

Senator JOHNSTON—Can I put something to you with respect to the standing of the costings that have been presented in the white paper and the budget to this point in time? I want to recite to you the comments of Dr Mark Thomson of Australian Strategic Policy Institute, who I think is a very authoritative figure with respect to costings in Defence. He says:

Budgets are important because words are cheap. It is only by seeing where money actually goes that a government's true intentions are known.

... ..

Between the White Paper and the Defence budget papers we are offered only the barest details of how the government will fund its expansive plans for the defence force. Despite claiming to have a 'fully costed' and 'affordable' financial plan stretching twenty-one years out to 2030, actual funding has only been disclosed for the first four.

... ..

As the first budget after a new Defence White Paper, there is a glaring absence of substantive information on funding, investment and reform. The best that can be said is that the budget is consistent with a White Paper that's silent on when anything will occur or what things will cost.

Do you accept that expression?

Mr Warner—We might trade quotes from Dr Thomson. I would also take you to his report at page 122, where he says that this Strategic Reform Program deserves to be supported. He says, 'This is as good as it gets.' In respect of the PBS—

Senator JOHNSTON—And you think that is an endorsement, do you?

Mr Warner—'This is as good as it gets' sounds pretty good to me.

Senator JOHNSTON—It depends on what you think that means.

Mr Warner—I know what it means. It is as good as it gets—it's bloody good.

Senator JOHNSTON—In the circumstances of very minimal information—and may I say outdated systems and poor processes—this is all we can expect.

Mr Warner—This year's PBS is not actually very much different from previous PBSs. It is 24 pages shorter than last year's PBS. We have removed pages on the 2000 white paper that did not seem very relevant to us anymore now that we have a 2009 white paper. We have removed the operations table, because operations, as we heard earlier I think, are completely covered by no win, no loss. We have added more material. You will find a consolidated presentation of Defence portfolio funding.

You referred to there being no details in here about funding beyond the first four years. The purpose of a PBS, of course, is to focus on the forward estimates. Indeed, that is a requirement of parliament. The requirement of parliament is not to provide a 10- or 20-year view of the Defence budget. That said, there are some 10-year budgetary summary figures contained in the PBS and some spreads. If you would like—and I am sure you will get here during the course of the afternoon—you could turn to page 15 of the PBS, where the figure of \$308 billion over the 10 years is referred to, or to table 3 on page 16—

Senator JOHNSTON—Which is three per cent going to 2.2 per cent in 2018.

Mr Warner—Sorry, say that again.

Senator JOHNSTON—There is three per cent increase going to 2.2 per cent in 2018.

Mr Warner—I am talking about the total figure—

Senator JOHNSTON—Yes.

Mr Warner—of \$308 billion.

Senator JOHNSTON—That is where that is derived from.

Mr Warner—Or table 3, which shows total funding over 10 years identified by savings and by new funding initiatives. Indeed, there is page 17, table 4, if you would like to go there. Simply, this document, by definition and by requirement, looks forward over the forward estimates, but we have provided, I think, useful information over the decade.

Senator JOHNSTON—I really must disagree with you. I think that you are arguing the unarguable. Dr Thomson says at page 3 of his report in third paragraph down: ‘Yet the document is so deliberately vague that public and parliamentary scrutiny of the government’s plans will be tightly curtailed, as will Defence’s accountability to the taxpayer for delivering on the plans. This is in stark contrast to the transparency of the 2000 White Paper.’ I think this is absolutely beyond the pale.

Mr Warner—Why don’t we have a look at the 2000 white paper which—

Senator JOHNSTON—They are his words.

Mr Warner—I of course happen to have it here. The 2000 white paper has, on my count, 20 pages on funding and reform, including people.

Senator JOHNSTON—As opposed to two in this white paper.

Mr Warner—And this white paper as 30 pages on reform and funding, including people.

Senator JOHNSTON—I have the chapter entitled ‘The Government’s financial plan for Defence’, and it goes from page 137 to just under half of the way down page 138.

Mr Warner—We are talking here about reform, including people and funding.

Senator JOHNSTON—This is the model that you have taken us to under the heading ‘Long term cost model’. This is what you took me to when I asked you originally.

Mr Warner—If you turn to page 107 of the white paper, you will see that the chapter there that goes through to page 112 is entitled ‘Defence management and reform’. The chapter that follows that, from page 113 to page 118, is on people in Defence.

Senator JOHNSTON—Can you take me to one single dollar figure in that chapter, please?

Mr Warner—The dollar figures are contained in chapter 18.

Senator JOHNSTON—Yes, in the two pages. But you take me to chapter 13, which is a delightful synopsis of ambition and intention with not one shred of a dollar. Am I right?

Mr Warner—I take you back to the 2000 white paper, which has 20 pages on funding and reform, including people. In respect of Defence funding, it has five pages, including a nice photograph and some interesting quotes and a big table. I would argue that this compares rather favourably with the 2009 white paper.

Senator JOHNSTON—I think you have a problem with Dr Thomson’s perception. He is, I think, the most reputable authority on the way we fund Defence. I think those words are absolutely damning. This is an appalling state of affairs. I take you to what Geoffrey Barker says, although I know you probably do not want to hear this:

This year's defence budget has retreated from transparency, accountability and reality with the speed of an Iraqi regiment fleeing into the desert.

... ..

But here's the rub. There is no way of knowing how Fitzgibbon has calculated that the price of the weapons acquisitions will be covered by the additional funding. Nor is it possible to know how Defence will find \$20 billion in savings over the decade through the strategic reform program.

In fact, the likely cost of the massive new sea, air, land and strategic strike capabilities seems certain to far exceed \$146 billion if the through-life operating and sustainment costs are included ...

There are two commentators—and I think quite respected commentators—on defence funding. It is clear beyond a shadow of a doubt that we have a massive problem with transparency and planning. I am keeping the SRP to one side. We will come back to that tomorrow morning. But, to this point in time, the white paper and the costings in the budget have been received universally with unfavourable acclaim. You must accept that.

Mr Warner—I think we are just going to have to disagree.

Senator JOHNSTON—Right, that is your position. I want to take you through the costs and the alleged model and support functions. Firstly, how did we arrive at the number 12 with respect to submarines?

Air Chief Marshal Houston—We did a very extensive force structure review. That force structure review obviously followed the enabling analysis of our strategic environment tasks for the ADF against our interests. As a consequence of that force structure review, we came up with a joint force which was assessed to be what was required to meet Australia's interests after 2030.

Senator JOHNSTON—Where is the force structure review cited or quoted? Are any of its findings, the factual basis or the assumptions set out in the white paper?

Air Chief Marshal Houston—It is mentioned in the white paper a number of times. It is the basis for our force structure.

Senator JOHNSTON—Who carried out the force structure review?

Air Chief Marshal Houston—The force structure review was done over an extended period of time and it involved hundreds of people in the department. It involved the three services. There was a lot of force options testing. It was a very complete, comprehensive process—so good, in fact, that our friends around the world are very interested in knowing how we did it.

Senator JOHNSTON—What is the size of the force element group in terms of personnel for manning of the 12 submarines?

Air Chief Marshal Houston—I do not have that at my fingertips. The white paper identifies a force structure. We now have to go through a separate force development and capability process, which will identify exactly what is required in terms of the people, the support and all the other things that make a capability.

Senator JOHNSTON—So, you are telling me that the capability plan and the force structure plan have not been completed with respect to the number 12 attaching to submarines?

Air Chief Marshal Houston—No, I did not say that. I said we did a complete and comprehensive process and out of that process came a force structure. That force structure includes 12 submarines, 1,100 armoured vehicles, 100 Joint Strike Fighters and so on. It has all been done in a way that I think stands up.

Senator JOHNSTON—Do we have the figure for how many submariners we are going to require?

Vice Adm. Crane—No, we do not. We have a lot of work to do in understanding what the future submarine is going to look like, how it might be manned, the technology that might be available to us for inclusion in that future submarine and the rate of effort we might want to extract from that future submarine. That still has to be thought through. So it would be, in my view, extremely premature at this stage to be casting a figure for the numbers of people that might be involved.

Senator JOHNSTON—Just take me through what you do not know about the future submarine capability. You do not know the rate of effort—

Air Chief Marshal Houston—Just a minute. I think these questions are inappropriate at this stage. We are talking about a capability that will be fielded beyond 2025. We have 16 years of work to do, and all of the things that make up the capability that will be fielded at that time will be covered off in the period between now and then.

Senator JOHNSTON—Well how have we arrived at the number 12 if we have not done the specifications for what type of vessel it will be, how many recruits and personnel we will have et cetera? How have we come up with 12?

Air Chief Marshal Houston—We have come up with what we need in capability terms. We have defined our interests. Then, basically on the basis of those interests, we have identified the tasks that the ADF must be capable of doing. In order to undertake the tasks that we have identified, we assess that we need 12 submarines. We know what that means in numbers of submarines deployed. We have a good idea of exactly what we require them to do but we now need to go into the capability development process. The important thing about that capability development process is that that is where we define in detail the sorts of issues that you are raising.

Senator JOHNSTON—What assumptions did you make with respect to the number 12? Are they conventional class submarines? What is the tonnage? What is the speed? I do not want to know what the actual speed is, but I do want to know what assumptions were made.

Air Chief Marshal Houston—Of course assumptions were made.

Senator JOHNSTON—Where do we get to know what assumptions gave rise to 12?

Air Chief Marshal Houston—That is contained within the force structure review, and that is a classified document.

Senator JOHNSTON—So, the reason for the selection of 12 is classified and no-one is to know?

Air Chief Marshal Houston—The force structure review is a classified document. It provides the rationale for the numbers against all of the capabilities that make up our force structure. It is a very sensitive document.

Senator JOHNSTON—What about the cost of the submarines? Is there any number with respect to the cost?

Air Chief Marshal Houston—As this stage, as you could imagine, we have very rough order of magnitude costings. But, yes, we do have estimates of cost. I can—

Senator JOHNSTON—Why are the estimates of cost not in the document or the budget papers? Given we are out to 10 years, and I would anticipate that towards the end of the 10 years, in the document we have spoken about this morning, we would be dealing with what is happening in terms of savings within 10 years. If you have made some assumptions as to cost, where are they? Where is the provision for this cost and what is the cost? I think we are entitled to know what the cost is.

Air Chief Marshal Houston—I guess that in due course more information will become available. Fundamentally, one of the things that we have to do is more work on the *Defence Capability Plan*. The defence capability plan will be announced—the unclassified bit of it—by the minister at the defence industry conference in about a month's time when the DMO has the conference down in Adelaide.

Senator JOHNSTON—You are absolutely certain that the minister will announce the defence capability plan at that particular meeting?

Air Chief Marshal Houston—Yes, he will. Dare I take you back to 2000? The process in 2000 was exactly the same. There was no detail of the nature you are after immediately after the white paper. That detail came later, when the defence capability plan was announced and published. I think it is very unreasonable to expect us to turn around a month after the white paper was announced and come out with a lot of detail on specific capabilities that are even beyond the DCP that is likely to be on the streets. We are talking about a capability that will not have its initial operating capability until after 2025. That is 16 years from now.

Senator JOHNSTON—The problem I have is this expression here—if I can find it. I will find it in a minute.

Air Chief Marshal Houston—The last white paper only had a horizon of 10 years. There was no definition beyond 10 years. Here we are talking about a capability that will reach its final operating capability, its mature capability, beyond 2030. We are talking about 21 years hence.

Senator JOHNSTON—That is right.

Air Chief Marshal Houston—So we have a lot of work to do, and we acknowledge that. I think it is asking a little bit much to be holding us to precise detail for a capability that will not reach its maturity until after 2030.

Senator JOHNSTON—I think it is asking a bit much for the Australian taxpayer to have a wish list of exotics of capability with no dollars or basis for the funding. At paragraph 18.4 of the white paper, the last dot point says:

... shortfalls against the White Paper funding plan will be offset by Defence.

We do not even have a funding plan. But we are saying, ‘No matter what the funding plan, there will be no money.’ That is what we are saying in this white paper. Is that not correct?

Air Chief Marshal Houston—I would not characterise it that way at all. I think it is a good plan; it is a comprehensive plan.

Senator JOHNSTON—But we have not got a plan.

Air Chief Marshal Houston—You just take that document, take the defence 2000 document, and you will see that that is a far superior document to what was produced in 2000 in terms of being a long-term plan.

Senator JOHNSTON—I am sure you would say that, and that is fine.

Air Chief Marshal Houston—Also, there are supporting documents to come. We cannot produce everything on day one of the white paper. We have to work through a lot of issues. It is a very complex business.

Senator JOHNSTON—I agree with you.

Air Chief Marshal Houston—We will give you a DCP in the fullness of time.

Senator JOHNSTON—But the problem I have is this. At the moment the white paper puts a cap on your resourcing. Let me give you the numbers:

- 3 per cent real growth in the Defence budget to 2017-18;
- 2.2 per cent real growth in the Defence budget from 2018-19 to 2030;
- 2.5 per cent fixed indexation to the Defence budget from 2009-10 to 2030;
- that Defence will reinvest savings from its Strategic Reform Program back into priority Defence capabilities as agreed by the Government; and
- shortfalls against the White Paper funding plan will be offset by Defence.

You have a list of items in here that appear to be uncosted—or, if costed, partly costed—and yet you have a 2030 cap on what moneys you are going to receive.

Air Chief Marshal Houston—Last time around we had three per cent real growth through to 2010. This time we have the funding model that you have just enunciated—

Senator JOHNSTON—It is three per cent to 2018 and 2.2 thereafter.

Air Chief Marshal Houston—It goes out for 20 years. We have never ever had that funding certainty before—never, ever, Senator. I would ask you: is there any other time we have had that?

Senator JOHNSTON—What I am saying to you is that I think you have been sold a pup, quite obviously. You have capability that you are seeking to develop. The submarines in terms of price alone I think blow the whole thing out of the water. Delays and cost overruns are the history of capability acquisition in this country. The \$146 billion of acquisitions pales into

insignificance when you look at the percentage record. Yet your funding is tied and shackled as per that page.

Air Chief Marshal Houston—I think that that funding model gives us certainty the like of which we have never had before, because it not only addresses real growth but also addresses our index. In the past we have had a very volatile index. What we have now is funding certainty. If you do the maths, you can see exactly how much money we will have in the long-term future. It is a substantial amount of money. I think the secretary might like to talk a little bit more on that subject.

Mr Warner—I would like to add a few points to what CDF has said. We in Defence very much welcome this revenue model that the government has agreed to.

Senator JOHNSTON—Would you seriously be telling me that you did not welcome it?

Mr Warner—It provides certainty where in the past we had real uncertainty. The only thing we were certain of with the previous funding model, because of the non-farm deflator volatility, was the certainty of volatility. This provides us real certainty. Three per cent to 2017-18 is a great advance and then there is 2.2 per cent from then on until 2030. Why 2.2 per cent? Because it is the real cost of defence business—that is, the real cost of defence business—as determined by the auditor and, indeed, by us. We are finally rid of the non-farm deflator as our index. As you know, the non-farm deflator has been immensely volatile over the past few years. It has brought windfalls to defence in the past, but it has also made budgeting in Defence impossible. We have had no certainty as to the revenue that we would receive year to year. Some years we have been rich and some years we have been poor. This funding model is what we need, it is what we want and we in Defence welcome it.

Senator JOHNSTON—Tell me what you are going to do with respect to another East Timor, another Solomon Islands or another Afghanistan?

Mr Warner—That is very easy: no win, no loss.

Air Chief Marshal Houston—I have just come back from the Shangri-La Dialogue, and I met lots of my counterparts. Most of them are faced with circumstances where they have no funding certainty into the future. In fact, in many cases their funding into the future has been cut. We stand in marked contrast to all those friends. We do have funding certainty. This is the first time we have ever had the sort of funding certainty that is on the table right now. I think it is a really good outcome for us. Fundamentally, it will give us the capabilities that we need in that force structure that has been defined in the white paper.

Senator JOHNSTON—I think you are mistaking funding certainty for a funding restriction. You have no capacity given the terminology of the white paper to cover any extraordinary exigencies with respect to future operations, be they humanitarian or military. One of the reasons why most of our fellow military allies would have a flexible funding regime is that things in Defence wax and wane like in no other portfolio. Yet you have allowed the government to say there will be no money other than what it has set out in the white paper. That is correct.

Air Chief Marshal Houston—No, it is not correct. Mr Warner just said ‘no win, no loss’. The government has indicated to us that if we are committed for East Timor, as you

mentioned, or some other contingency in the region—in other words, if we are committed for operations—we will be supplemented for that on a no win, no loss basis. What we fundamentally signed up to with the government is the certainty of a funding model. Our part of the contract is to deliver the reform program. The reform program, together with the funding that we have been given, will deliver force structure 2030. I think that is a great outcome for us.

Senator JOHNSTON—So you are expected to absorb all currency fluctuations on acquisitions?

Mr Prior—No. It is also part of the funding model that foreign exchange fluctuations are funded on a no win, no loss basis as they are currently.

Senator JOHNSTON—What else is funded on no win, no loss?

Mr Prior—It is just the two elements we have talked about today—that is, operations and our foreign exchange fluctuations.

Senator JOHNSTON—So, if there is any particular problem with respect to our capability—for instance, if a bolt were found in the submarines that would render them unseaworthy and we had to undertake major reconstruction—we would have to bear the cost of that?

Air Chief Marshal Houston—Again, that is a hypothetical. From time to time issues do come up with capabilities. In recent history we have been able to absorb those problems within the funding base. I cannot think of an instance where we have had to go to government to request additional money for some sort of problem similar to the one you suggest.

Senator JOHNSTON—We may come back to this issue. It strikes me that, with 12 new submarines, 100 new Joint Strike Fighters, something like more than 20 senior surface vessels, corvettes, frigates et cetera, the history of acquisition has never been on time or on budget, save for one or two special projects.

Air Chief Marshal Houston—Again, I would beg to differ. I think if we applied the principles that are part and parcel of the white paper and, indeed, the Mortimer review—in other words, if we were to go out and buy more military off the shelf—we would be able to deliver capabilities on time and on cost, as Steve Gumley has done with the C17 and is likely to do with the Super Hornet and, indeed, most other capabilities that we buy off the shelf. The clear lesson from the last 20 years or so is that the risks of the sort of thing that you are talking about—cost and schedule blow-outs—come when you embark on highly ambitious developmental projects.

Senator JOHNSTON—Are the submarines not a highly ambitious developmental process?

Air Chief Marshal Houston—I was going to come to that. With submarines we obviously have special requirements because of our geography. That will probably end up being developmental because there is nothing on the world market at the moment that would deliver the sort of capability that we would need. But in just about every other case we should be able to find something that is military off the shelf. Wherever possible, we should buy military off the shelf to avoid the risks associated with schedule and cost blow-out.

Senator JOHNSTON—Do we have an overall cost with respect to the acquisitions set out in the white paper? Do we have a number?

Air Chief Marshal Houston—I do not have one at the moment.

Senator JOHNSTON—There is a number?

Air Chief Marshal Houston—I think if you were to do the maths there would be a number.

Senator JOHNSTON—With the greatest of respect, I have not done the maths because there are no numbers attached to the various force element group acquisitions—for example, eight frigates in the second half of next decade. If you have a number, I think it is appropriate that we know the cost of all of the acquisitions.

Air Chief Marshal Houston—I think the numbers will come out over time as we do more work.

Senator JOHNSTON—I am not concerned about the numbers being dribbled out. The committee are confronted with a white paper that has quite massive expenditures into the future and I believe we are entitled to know what number is lying behind the acquisitions in the white paper. It is as clear as that.

Air Chief Marshal Houston—As was the case in 2000, I think you have to wait for the defence capability plan.

Senator JOHNSTON—I do not accept that. I have to say, I am very, very upset that you will not tell us the number. We have a white paper that sets out an exotic number of acquisitions in the next 20 years and you are not going to disclose to the committee the cost to the Australian taxpayer for all of those acquisitions. I do not want individual costs, because you will be hamstrung with projects into the future. But, if there is a figure for all of those acquisitions, I believe we are entitled to it. I ask you to give the committee the figure.

Air Chief Marshal Houston—I do not have a figure to hand.

Senator JOHNSTON—Can you get the figure?

Air Chief Marshal Houston—I think we have some work to do—

Senator JOHNSTON—I would be very obliged if we had a figure.

Air Chief Marshal Houston—Again, essentially there is a lot of work that needs to be done over the next couple of months or so in terms of getting the defence capability plan out on the street. In a similar process to that undertaken in 2000, we will eventually get to a situation where everything is explicit.

Senator JOHNSTON—I am just not satisfied with that, if I may say so. The committee is confronted with a white paper that has, as I said, a quite exotic list of acquisition aspirations. I have asked where are the costings or the costing model and I have been told that is all we are getting. I am told that the figures to this point in time are the figures that are going to be released. I have asked you for a figure and you have told me there is a figure but you will not disclose it to the committee. I do not accept that.

Air Chief Marshal Houston—Sorry, I do not have a figure to hand at the moment. I really do not.

Senator JOHNSTON—I have asked you if there is a figure in Defence—a broad figure for these acquisitions. I believe the committee should be availed of it.

Air Chief Marshal Houston—Can I ask precisely what you want. Do you want the cost of—

Senator JOHNSTON—I will go through them.

Air Chief Marshal Houston—the force structure? Is that what you are seeking?

Senator JOHNSTON—I want cost of the individual elements as set out to be acquired in the force structure into the future during the period 2009 to 2030. That is the submarines, the frigates, the corvettes, the Joint Strike Fighters, the patrol boats or whatever they were—I think they are the corvettes—and whatever other capability is set out in the document. If there is a figure for all of those in 2020 dollars, or in whatever dollars in net present value terms there has been a calculation for, I believe the committee is entitled to it, or the gross figure at the very least.

Senator Faulkner—With respect, a moment ago you indicated that that was not what you were looking for—that level of disaggregation. This is what the CDF is trying to drill down and understand. I think this is a little different from what you said a few minutes ago. You did not want to—

Senator JOHNSTON—I am not interested in

Senator Faulkner—You made a qualification that I thought was reasonable in the circumstances in relation to those individual elements. I may have misunderstood you, but that is what I believe I heard you to say.

Senator JOHNSTON—I am not interested in the individual numbers, because obviously there are sensitivities that I accepted.

Senator Faulkner—I thought you just asked for them then.

Senator JOHNSTON—No, I have tried to enumerate the aggregate of the various force element structural groups that make up the one figure. I do not want to know what it is broken up into. I just want to know the cost of the white paper acquisitions as set out. There must be a number.

Air Chief Marshal Houston—Could I take that on notice? Again, can I just say I do not believe any government has ever released that figure before, so obviously this would be subject to government consideration. But I will take it on notice and I guess if the number cannot be provided the government will come back to you.

Senator JOHNSTON—Let us pause there. Firstly, the capability plan for 2006-14 sets out clearly the costs for each project. We have sat here year after year talking about the current gross value of DMO acquisitions and we have had a figure. Are you telling me that you do need to take on notice—and I want to know why—why there is no gross figure for these acquisitions? I believe it is the clearest, plainest obligation to this committee that the defence department can have.

Air Chief Marshal Houston—What I am flagging to you—and I am not being evasive here—is that fundamentally our defence capability plans have never gone out beyond 10 years before. What you seem to be asking of me is that I deliver a defence capability plan that goes out 20 years. That has never actually happened before. I think you would admit this yourself: have you ever seen anything that went past 10 years?

Senator JOHNSTON—I am looking at the white paper.

Air Chief Marshal Houston—Certainly that is the way it was after the 2000 white paper.

Senator JOHNSTON—The white paper goes out to 20 years. This is the point I have made. I will give you those numbers.

Air Chief Marshal Houston—The 2000 white paper went out with the F111s to, it said, 2020.

Senator JOHNSTON—2020.

Air Chief Marshal Houston—However, as I remember it, it did not foreshadow any major capability acquisitions beyond the decade. Usually white papers look out 10 years. This is the first time we have actually gone to 20 years. So a defence capability plan that goes out 20 years may be beyond us. But we will take it on notice, we will have a look at it and we will talk to the minister about it.

Senator JOHNSTON—I am not happy with that. I want to tell you I am not happy at all with that. We have a white paper that has a cost resourcing out to 2030. Are you telling me that the other side of the ledger is unknown to us; that is, what the acquisition costs are. Are you saying that, or are you simply saying, ‘I am not prepared to release it other than for me to consider it and then see if I will give it to you on notice’?

Air Chief Marshal Houston—No, I am not saying that at all. I just pointed out the precedents that we are dealing with. It has never been beyond 10 years in the past. That is all I am pointing out to you. What I am saying to you is that you are asking me but I would need to go to the government to go beyond 10 years, because that is the established practice as it stands now.

Senator JOHNSTON—For the purposes of the costings and the broad capability plan and structure that lie beneath these acquisitions, you have given the government advice and they have promulgated a white paper. I am interested to know whether the department has got figures to back up these acquisitions. You have given us figures in terms of resources out to 2030. I think it is totally unacceptable for you not to provide the basis upon which those figures have been set out in terms of the costs of acquisition. The taxpayer is entitled to know.

Air Chief Marshal Houston—I will take it on notice. I understand your position, Senator.

Senator JOHNSTON—Explain to me why you need to take it on notice. You don’t have the number?

Air Chief Marshal Houston—I am sitting here and we are talking about a force structure that has an incredible amount of capability within it, and I need to go away. You know what is in the white paper. I do not have a total cost for all of that sitting here at my fingertips. I need

to go away and have a discussion with the minister. There are other aspects associated with this and I need to go and have a chat to him.

Senator JOHNSTON—Minister, will the minister release this number?

Senator Faulkner—As to what the CDF has done, let me reinforce it with you.

Senator JOHNSTON—No, I know what he has done, because I have heard him. But I want to know whether you will release the number.

Senator Faulkner—Please let me finish, Senator. What the CDF has done is he has taken your question on notice and he has explained why. It is of course true that I represent at the table the minister, as you appreciate. However, I am not in a position to indicate to you how the minister will respond to your question on notice. What I am in a position to do is certainly give you an assurance that I will make clear to the minister the nature of your questioning. Anyway the minister will be able to read it in the *Hansard* record. I will draw his attention to the request that you have made, and in the circumstances I will certainly ask him to treat your question very seriously.

I hope that what you are suggesting to me was a rhetorical point, because I cannot precisely say to you at the moment how the minister will respond to your question. I will ask him to treat it seriously and I will draw attention to the nature of the questioning that you have been conducting with both the CDF and the secretary and ask him to respond appropriately. That I can do and that I will do. You ask me to predict what he might say in answer to your question. I am not sure about that. If I knew precisely what the minister would say, I would not actually take the question on notice. If I had an answer, I would provide it. I mean that quite seriously. I do not and hence I think it is appropriate that it be taken on notice.

Senator JOHNSTON—Are you going to ask the minister if it is appropriate to release that number?

Senator Faulkner—I am going to ask the minister to respond to those issues that have been placed on notice. So, yes, the questions that you have put to this committee will be put to the minister, which is absolutely appropriate. What you asked me before was—

Senator JOHNSTON—That is absolutely not appropriate. It is a contempt of the committee and of the Senate.

Senator Faulkner—What is?

Senator JOHNSTON—The minister has no prerogative to instruct the department not to release the figure to this committee. You know that.

Senator Faulkner—I am not suggesting that. Please do not put words into—

Senator JOHNSTON—Why are you going to the minister?

Senator Faulkner—Because you have asked me to respond on behalf of the minister. That is reasonable. I will do that. You are asking me to respond on behalf of the minister in relation to information I do not have available to me. I hope you would appreciate that. I am surprised that you would expect me to have it. What I can do, and what I think any minister at the table acting responsibly would do, is treat your question seriously and responsibly. I have undertaken to do that. I do not make that undertaking lightly.

Senator JOHNSTON—It is not a question for the minister.

Senator Faulkner—I misunderstand—

Senator JOHNSTON—The figure is not the prerogative of the minister.

CHAIR—Order!

Senator Faulkner—I am not being disrespectful here. I must say I misunderstand what Senator Johnston is asking of me. I am trying to assist, Senator. I thought you were asking me a question as the minister at the table. If I have misunderstood you, please start again, so I can try—

Senator JOHNSTON—I want the figure today. It is not the prerogative of the minister to deny the committee the figure if the department has the figure. Indeed, the CDF has said he will talk to the minister to see if he can release the figure. I should say that that is not appropriate. If the department has the figure or can obtain the figure by tomorrow morning, we should have the figure. I have asked for the figure. I want it.

Air Chief Marshal Houston—I do not have the figure. I would have to go away and we would need to do an awful lot of work to come up with that. Frankly, I am not sure how practical your request is. We will see how we go.

Senator JOHNSTON—So you saying, as we sit here today, that there is no aggregate figure projected as to the cost of the acquisitions set out in the white paper?

Air Chief Marshal Houston—I know where you stand. I will take it on notice.

Senator JOHNSTON—That is not a question that I want you to take on notice, because I want to know what the current circumstances are today. There is a figure or there is not a figure. It is a simple question. This is a very worrying pause.

Senator Faulkner—It is probably a worrying pause because I think the CDF has answered your question.

Senator JOHNSTON—With respect, Minister, he has not.

Senator Faulkner—Let me finish. You have asked a lot of questions and I think both the CDF and the secretary have worked valiantly to answer them. You asked of me a question that I certainly thought I was treating in a most proper way, and you questioned that. The undertaking that has been provided to you is to provide what information we can provide as soon as it is available. I think that that commitment has been provided by witnesses at the table. I can only reinforce that with you very strongly. I would suggest to you that is an appropriate course of action.

Senator JOHNSTON—That is not the question.

Senator Faulkner—I am trying to indicate the approach that I am taking and I believe the CDF and the secretary have taken to this. We are not being belligerent about it. We are trying to be as helpful as we can be in these circumstances. I would respectfully suggest that you need to take account of the answers that are being provided to you. I have acknowledged that I do not have the information that you are asking for available to me. You may or may not expect me to have it. I suspect that you do not expect me to have it. But I can only make my

best endeavours to respond to your question in the way I have said I will. Of course, that also goes for the other witnesses at the table.

Senator TROOD—Minister, the question is whether or not there is a figure available. I have listened very closely to this exchange and I have listened to the CDF's remarks.

Senator Faulkner—So have I. It does not sound like there is a figure available, Senator. The matter has been taken on notice.

Senator TROOD—It sounds to me as though there is not a figure available. I have listened closely to the CDF's remarks. Please clarify this, CDF, if I am incorrect about this. You made the point that, in developing capability for the future and the capability that is reflected in this white paper, you took account of Australia's interests and the tasks which those interests demanded. Is that correct?

Air Chief Marshal Houston—That is correct.

Senator TROOD—That has led you to some conclusions about the capability need. Is that also correct?

Air Chief Marshal Houston—About force structure.

Senator TROOD—It is about force structure. What I have not heard you say is that anywhere in those calculations there has been an injection of any assessment of the likely cost of this structure.

Air Chief Marshal Houston—Senator, that has been factored in. But, as was the case after the 2000 white paper, that, if you like, total cost figure was a classified figure under the previous government.

Senator TROOD—But I would like an assurance about is that when you looked at the interests and when you looked at the tasks that were required to protect and advance those interests you came to a conclusion about force structure. Every defence force around the world that is sophisticated in these things comes to these kinds of conclusions. But most defence forces, I suspect, come to a conclusion that they need a capability well beyond any capacity to fund. In other words, you told us that you reached a capability conclusion with regard to submarines, which was 12. So what I would like to know is: did you actually reach a capability as to submarines—which was 20, for example—and you reached the conclusion that that was never going to be possible to be funded? In relation to corvettes or any other kind of capability that you have outlined in the white paper, to what extent does the capability reflect a serious assessment of the capacity of Australia to fund this capability?

Air Chief Marshal Houston—The force structure is affordable within the funding model that has been provided by government.

Senator TROOD—So you believe that the force structure that you set out in the white paper is capable of being met over this period of time with the funds that are going to be available, and that happens to coincide with your assessment of the strategic needs that are required. Is that right?

Air Chief Marshal Houston—That is correct.

Senator TROOD—Well, I think we are very fortunate that there happens to be a coincidence between Australia's strategic requirements and our capacity to fund them. There would not be many countries, I would have thought, that would be in that happy situation.

CHAIR—In fact it might be a deliberate plan—

Senator TROOD—If that is a deliberate plan then I suspect that the conclusion of 12 submarines is a conclusion which is rather less than the strategic need.

CHAIR—Are there further questions?

Senator JOHNSTON—Yes. In order for you to be satisfied that the capability acquisitions contained within the white paper are fully funded, you must know what they cost. Is that not correct?

Air Chief Marshal Houston—We did a lot of work through the process on the cost of capability. But all I can tell you is that what is in the force structure is affordable within the funding model that is enunciated in the white paper.

Senator JOHNSTON—So you must know what they cost.

Air Chief Marshal Houston—Yes, we know in broad terms what the costs might be.

Senator JOHNSTON—In broad terms, what is the total cost of all the acquisitions contained in the white paper?

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

Senator JOHNSTON—Why are you taking it on notice?

Air Chief Marshal Houston—I do not have the information here. I am not being evasive. I do not have it here.

Senator JOHNSTON—And it is not possible for you to get them for us within the next 24 hours?

Air Chief Marshal Houston—I have not got them to hand.

Senator JOHNSTON—No, it is not possible for you to get them—

Air Chief Marshal Houston—May I say that, as was the case with the previous government, that particular cost is sensitive. Under the last government it was classified.

Senator JOHNSTON—With the greatest of respect, there have been to my recollection no overall costs of capability ever classified or withheld from this committee. I cannot think of one. Everything was disclosed—submarine through-life support, submarine operational, ready day commitments, cost for the contract. You have said that you are happy with the costs of the acquisitions fitting within the model. You must therefore know the costs. I have asked for the costs within the next 24 hours. You are saying, 'No, I prefer to take it on notice.' On what basis do you say that?

Air Chief Marshal Houston—I think I have explained it to you, Senator, and I have got nothing to add.

Senator JOHNSTON—You are just going to refuse to give me the costs?

Air Chief Marshal Houston—No, I said I would take it on notice.

Senator Faulkner—That is very unfair, Senator. The CDF has not done any such thing. It is not appropriate to put words in the CDF's mouth or any witness's mouth. The CDF has said very clearly—I think everyone has heard it—that he has taken the question on notice. That certainly should not be interpreted in the way you just did interpret it. I would ask you to reflect on that.

Senator JOHNSTON—Minister, I think the taxpayer is entitled to know what the cost of the white paper overall, in terms of capability acquisition, is. If the Chief of Defence does not know, he should say that. He has given the impression that he does know some figures, because he has made the statement that he is assured that the costs are within the funding framework set out in the white paper. I followed that by saying: 'Well, you must know the cost of each of the acquisitions.' I simply want the overall cost to the Australian taxpayer of the acquisitions as set out in the white paper as one overall figure. Is it \$146 billion? Is it \$200 billion? What is it? I do not believe it is classified and I do not believe there is any reason for us not to have it.

Senator Faulkner—Senator, I think we have heard the question loud and clear. I think the question is understood. The question has been taken on notice. I personally cannot help you any more than that, apart from saying I will treat the question on notice in the way I have outlined to you.

Senator JOHNSTON—Minister, are you perfectly satisfied with the level of transparency here today?

Senator Faulkner—I certainly have no reason to have the sort of concerns that you have alluded to. What I do not have, and I do not pretend to you that I do have, is perhaps the level of information that witnesses in the room have about the issues that you are asking questions about. We had some questions and answers on a transparency issue a moment ago. I have argued as strongly as I can to you something that you believe is a weakness—provision of the document earlier—that I believe is a strength. I have said to you that people can make political interpretations of these sorts of issues. I think people know generally, I think you might know and I hope committee members know that my view on these things is always to err on the side of transparency. That is not a principle I have changed in the last five or 10 minutes. I can assure you of that.

However, what I cannot do, and I hope you would not expect me to do, is provide an answer that I do not have. I do not have it and I am not going to pretend to you that I have it. What I can do and will do is make appropriate endeavours and respond in the way that I have outlined. I think that is a commitment to transparency. As always—not only from representing ministers at the table in a committee like this, but sometimes in your own areas of responsibility—there are from time to time issues that ministers do not have complete visibility on. You make best endeavours to respond in the appropriate way. That is what I believe I am doing here. I hope that you would acknowledge that.

CHAIR—Thank you, Minister. The question has been asked and the witness has given a response and taken it on notice. Can we now move on to the next issue?

Senator Faulkner—Before you do, I mentioned before the luncheon break that my colleague Senator Ludwig was going to step into the chair for a short while. That is going to happen in a moment.

CHAIR—Thank you for reminding us of that, Minister.

Senator JOHNSTON—Can I go to the secretary, please?

Senator Faulkner—Mr Prior has some further information about a question that was taken on notice a little earlier in the day.

Mr Prior—Senator Trood, you asked about act of grace. We were trying to determine exactly how that operates. Just to be very clear, I said that the Department of Finance and Deregulation had a vote for act of grace payments. It does, but in the case of Defence payments, they are funded through our ‘no win, no loss’ arrangements. So, to the extent that a payment is made, we make the payment and it is reimbursed through the ‘no win, no loss’ arrangements for operations. Does that clarify that?

Senator TROOD—Thank you.

Senator JOHNSTON—Secretary, with respect to the white paper, which countries did Defence officials brief on its contents and when?

Mr Warner—Two officials travelled overseas to brief other countries about the white paper: Mike Pezzullo, who was the deputy secretary for the white paper, and Peter Jennings. Mr Pezzullo travelled to the United States, Indonesia, Japan and China. His travel was from 19 to 28 April. I can give you specific dates and the names of the people he spoke to.

Senator JOHNSTON—Please.

Mr Warner—You would like that?

Senator JOHNSTON—Yes.

Mr Warner—Mr Pezzullo, who is here—and I am sure he will correct me if I get it wrong—met in Washington with Michael Donley, Secretary of the United States Air Force; Michele Flournoy, the new Under Secretary of Defense for Policy in the Department of Defense; Lieutenant General Frank Klotz—who at the time of the meeting was the Assistant Vice Chief and Director of the Air Force Headquarters in the US Air Force and he is now Commander of the Global Strike Command; Glyn Davies, Principal Deputy Assistant Secretary for East Asia and Pacific Affairs in the Department of State; Michael Schiffer, Deputy Assistant Secretary of Defense for East Asia, Department of Defense; David Sedney, Deputy Assistant Secretary of Defense for Central Asia; and Brigadier General Blake Crowe, Principal Director South and South East Asia, again in the Department of Defense.

Mr Pezzullo was in Jakarta on 22 and 23 April where he met Dr Hassan Wirajuda, the Minister for Foreign Affairs; the Secretary General of the Indonesian Department of Defence; and the Director General for Defence Planning in the Department of Defence. Then, busy man that he was, he travelled on to Japan. He was in Tokyo on 24 and 25 April. There he met the Deputy Minister for Foreign Affairs, the Vice Minister for Defense and the Director General of the Defense Policy Bureau in the Ministry of Defense. Between 25 and 27 April, he travelled to Beijing and met the Vice-Minister in the Ministry of Foreign Affairs, Mr He;

Lieutenant General Ma, who is Deputy Chief of General Staff for the People's Liberation Army; and Major General Jia, Deputy Director of the Foreign Affairs Office in the Ministry of National Defence. That was the end of Mr Pezzullo's odyssey. If you want, I will now take you to Peter Jennings's travel.

Senator JOHNSTON—Please.

Mr Warner—Peter Jennings travelled to Singapore, India and the Republic of Korea between 22 and 25 April. As you can see, his travel coincided with the travel of Mr Pezzullo. Mr Jennings met in Singapore on 22 April with Brigadier General Gary Ang, the Deputy Secretary of Policy in the Ministry of Defence; Mr Ong, the Deputy Director, Policy, also in the Ministry of Defence; Major Huang, branch head of the Defence Policy Office, Ministry of Defence; and Ms Leow, who is the Director of the Australia-New Zealand Office in the Ministry of Foreign Affairs.

Mr Jennings then travelled on to New Delhi. He was there between 22 and 23 April. He met Mr Narayanan, the National Security Adviser; Mr Dutt, the Deputy National Security Adviser; Mr Mathur, the Additional Secretary, Ministry of Defence; Air Chief Marshal Fali Homi Major, the Major Chief of Air Staff; General Deepak Kapoor, the Chief of Staff for Army; and Vice Admiral Joshi, the Deputy Chief of the Naval Staff.

Mr Jennings then travelled on to Korea. He was there on 24 April and he met with Mr Kim, the Secretary to the President for National Defense; Mr Oh, the Deputy Minister for Multilateral Global and Legal Affairs, the Ministry of Foreign Affairs and Trade; and Lieutenant General Hwang, the Director of Korean Defense Intelligence Agency.

Senator JOHNSTON—What was the date of the Washington visit?

Mr Warner—It was between 19 and 21 April.

Senator JOHNSTON—What was given, if anything, to those officials from those various countries?

Mr Warner—A briefing.

Senator JOHNSTON—No documentation?

Mr Warner—I think at this stage I will pass to Mr Pezzullo, who will be able talk about his leg of this odyssey in more detail that I can.

Mr Pezzullo—I am Deputy Secretary, Strategy, as from 4 May, and prior to that Deputy Secretary, White Paper. I was Deputy Secretary, White Paper, at the time I undertook that travel. In addition to the travel undertaken by Mr Jennings and myself, we took the opportunity of utilising two visiting ADF officers, one in relation to New Zealand and one in relation to the United Kingdom—Generals Gillespie and Hurley respectively. Around the same time they briefed the New Zealanders and the United Kingdom government. I just wanted amplify that for the sake of completeness. Were you asking about my visit to Washington, or were you asking more generally about the nature of the briefings given across those countries?

Senator JOHNSTON—I just wanted to know what documentation passed between you and your officials and/or the other parties.

Mr Pezzullo—As the secretary said, in each of those capitals officials were given oral briefings by Mr Jennings and me, or in the case of those other two countries, Generals Hurley or Gillespie. In the case of Washington, at their request and after consideration and referral to the government, we gave the United States relevant extracts where United States was explicitly mentioned. That was given to them in confidence and they respected that confidentiality. That documentation was under embargo. Of course, that text is now publicly available with the release of the white paper.

Senator JOHNSTON—When were those trips booked?

Mr Pezzullo—In the sense of travel bookings or foreshadowed through official channels, as it were?

Senator JOHNSTON—When did you decide that we needed to do the briefings and set about the task of saying, ‘We are now ready to go and advise our allies and/or other countries’?

Mr Warner—This was always our intention. It was the process that was followed for the last white paper. It seemed like a sensible precedent, so we followed it. As I said, it was our intention for the whole process of the white paper.

Senator JOHNSTON—When were the bookings made?

Mr Pezzullo—As the secretary has just said, at the very start of the process, the fact that we were going to have an international engagement program at the end of the white paper process was agreed by government. That would go almost to the start of 2008. The physical travel bookings would have been made in the month before my travel. The final list of countries was the subject of consultation and discussion across the interagency community in the month or so before the travel. But the fact of undertaking an international program was agreed by government well over a year ago.

Senator JOHNSTON—The bookings were made a month before the trips were undertaken.

Mr Pezzullo—Yes. In the sense of physical bookings through the Qantas travel service that runs our shared bookings, services and hotels would have been booked. I would need to check with my personal staff about all those administrative aspects of travel. Similarly, Mr Jennings’s bookings would have been made a month or so prior to the launch. I cannot be more specific than that at the moment.

CHAIR—Mr Pezzullo, you might take the opportunity to check those physical facts that you are discussing and you might care to have a look at the *Hansard* evidence last evening from the Department of Foreign Affairs and Trade. There was a lengthy discussion about booking times for the officials who went from Defence to brief allies and other countries.

Mr Pezzullo—I thank you for that caution. As I said, my best recollection is that the physical bookings were made in the month or so leading up to the travel. I have not had the opportunity to scan the evidence that the chair has just referred to. As we got closer to the date of the meetings we would have firmed up the appointments that Mr Jennings and I were going to attend through diplomatic and official channels in both the Department of Foreign Affairs and Trade and through our Defence links where we have attaches and Defence staff overseas..

Senator JOHNSTON—How long prior to 19 April had the white paper been finished? When was the white paper finished?

Mr Pezzullo—In terms of it being finished as something we recommended to government, that was the subject of a cabinet process. Obviously at some point we lodged a white paper with our minister.

Senator JOHNSTON—What was that date?

Mr Pezzullo—Like other officials—and I saw the evidence particularly from Mr Campbell in response to Senator Trood's questions—I am not at liberty to discuss the specifics of the cabinet process. I am following the example of Mr Campbell's evidence last week. That goes for dates and timing of decisions.

Senator JOHNSTON—I do not think it does go to dates.

Mr Pezzullo—As I read Mr Campbell's evidence, I think it might have. Unless the minister at the table wants to give me some licence, I will follow Mr Campbell's example.

Senator JOHNSTON—With great respect, I do not think it works that way. I think it works this way: we ask questions about the process, but we cannot ask questions about the substance of the process. The question is about where and when the finished draft left the department and went to the government. I think that is a reasonable question.

Mr Warner—We do not have those details. I think you would be surprised if we did have those details here. If you wish, we would be happy to take that on notice.

Senator JOHNSTON—Very good. I would like you to take that on notice. It is reasonably assumable that the document was finished for some weeks prior to 19 April.

Mr Warner—That sounds like a statement, not a question.

Senator JOHNSTON—Is that unreasonable? That has a question mark on the end of it.

Mr Pezzullo—We have taken that on notice, so we will have a look at it on notice.

Senator JOHNSTON—I do not know whether you took that question on notice.

Mr Pezzullo—You asked me the date when the white paper was completed. I think the secretary took that and associated questions around the completion of the white paper and the submissions that related to the white paper on notice. So that will be covered by what we have taken on notice.

Senator JOHNSTON—What was the date of the release of the white paper?

Mr Pezzullo—2 May.

Senator JOHNSTON—Was that a Monday?

Mr Pezzullo—It was a Saturday, as I recall it.

Senator JOHNSTON—We have briefed all these other countries and we flew to all these various places. Who in Australia did we brief?

Mr Pezzullo—Ahead of the release of the white paper?

Senator JOHNSTON—Yes.

Mr Pezzullo—The opposition was offered a briefing.

Senator JOHNSTON—I am not asking that question just yet. I will come to that.

Mr Pezzullo—Outside of government, no-one.

Senator JOHNSTON—So, none of the government members was given a briefing?

Mr Pezzullo—In terms of the briefings conducted or known to the Department of Defence, we did not brief anyone prior to the release of the white paper. The government asked us to arrange for the opposition to be briefed

Senator JOHNSTON—When did it ask for that?

Mr Pezzullo—On the day before the release of the white paper, which would obviously have been 1 May.

Senator JOHNSTON—The Friday?

Mr Pezzullo—Yes.

Senator JOHNSTON—And what time was that request received?

Mr Pezzullo—That request was received by the Department of Defence—

Senator JOHNSTON—Yes.

Mr Pezzullo—on the Friday morning.

Senator JOHNSTON—The morning of the Friday. And when did you indicate to the opposition that there had been a request by the government to provide a briefing?

Mr Pezzullo—I got a detailed time line, which would not surprise you, Senator. So I might just go to that. But it would have been around the middle of the day.

Senator JOHNSTON—12.26 pm?

Mr Pezzullo—12.26 pm is the time I have too, Senator.

Senator JOHNSTON—I think in paragraph 1 you said, ‘Defence is to brief the Leader of the Opposition or the shadow minister on the Defence white paper after 5 pm.’

Mr Pezzullo—I think the email you probably have access to said something like that, yes.

Senator JOHNSTON—And are you familiar with where the shadow minister resides?

Mr Pezzullo—The shadow minister, being you, is a senator for Western Australia, so I guess you live in Western Australia.

Senator JOHNSTON—So obviously it would be a bit pointless to make such an offer, would it not?

Mr Pezzullo—I should preface the exchange we are no doubt about to have with this caveat: the briefings that were offered to the opposition were offered by the Minister for Defence and his office. We acted at their request as their agent, as it were. That request was conveyed to the opposition in accordance with the terms that were being set out to the Department of Defence by the minister and his office. They in turn were acting behalf of the government.

Senator JOHNSTON—So the opposition was offered a briefing just after 12 noon on the day before the document was to be released, and the briefing was to be after 5 pm.

Mr Pezzullo—Yes, those are the terms in which the offer was made.

Senator JOHNSTON—And you were riding to instructions; you were carrying out instructions from the minister's office?

Mr Pezzullo—Yes, and I made that clear to Mr Turnbull's office.

Senator JOHNSTON—Very good. Were you given any indication as to why the hour of 5 pm was chosen?

Mr Pezzullo—No, I was not, other than in the discussions that I had with the government it was their judgment that that most closely approximated what had occurred in 2000. I think I conveyed a sense of that to the relevant staff member in Mr Turnbull's office with whom I was dealing.

Senator JOHNSTON—So the defence 2000 white paper was released on a Saturday, was it?

Mr Pezzullo—No, I am not talking about precise days of the week. In terms of the timing of the release, it was the government's judgment that that most closely approximated what had occurred in 2000.

Senator JOHNSTON—So, when you received the instructions to brief the opposition the message contained other instructions—times, location, et cetera?

Mr Pezzullo—It was conveyed with sufficient levels of detail for the department to get on and make the offer, yes.

Senator JOHNSTON—Was it conveyed in writing?

Mr Pezzullo—It was conveyed initially through oral communication between me and the minister's office. I then set it out in email form and discussed it further with the minister's office to make sure that it precisely captured the government's intentions. Once I was satisfied that that was the case, we sent email correspondence to Mr Turnbull's office. Sometimes people do not read their emails or they are in meetings and it is not opportune for them, so we also followed up with telephone contact to make sure that people were aware that emails were in their system.

Senator FERGUSON—Is it the government's policy to make significant announcements on a Saturday afternoon?

Mr Pezzullo—I could not possibly comment on that, Senator.

Senator FERGUSON—Perhaps, Minister, you might like to answer that.

Senator Ludwig—In respect of this portfolio, I can certainly ask the minister what the policy is in that regard.

Senator FERGUSON—Minister, if you were a shadow minister, which you were at one stage—

Senator Ludwig—I do not need to speculate.

Senator FERGUSON—No, if you were a shadow minister and you received an invitation—

Senator Ludwig—I still do not need to speculate.

Senator FERGUSON—You are not going to speculate. I am asking whether you think it is reasonable for a shadow minister who lives in Western Australia to receive the offer of a briefing with just a few hours notice on a Saturday afternoon? Do you think that is reasonable?

Senator Ludwig—You are still asking me to speculate.

Senator FERGUSON—I am not asking you to speculate. I am asking you whether you think that is reasonable.

Senator Ludwig—I have indicated that I will request the minister to provide comments in respect of the question that you have asked and see if there is any additional information he can provide. You have a copy of the timeline. The view of reasonableness is a matter on which we all might differ.

Senator FERGUSON—I am sure you would not have differed if you were in opposition. I think it is appalling.

Senator Ludwig—I take that as a comment.

CHAIR—You should convey that to your former Prime Minister.

Senator FERGUSON—He did not do things on Saturday afternoons. A major announcement on a Saturday afternoon! Saturday afternoon!

CHAIR—He gave Kim Beasley 20 minutes once. Don't lecture us about those things. He brought it straight into the parliament.

Senator FORSHAW—I think it was 15 minutes.

CHAIR—I stand corrected, it was 15 minutes on a very major change to Australia's immigration laws. He gave him 15 minutes notice. Stand and deliver!

Senator Ludwig—Now that would be appalling.

CHAIR—It was something that was happening that night, not over the next 20 years. Thank you for making that point.

Senator TROOD—Mr Pezzullo, since you are at the table, perhaps I could ask some questions of you in relation to the strategic assessment that is at the core of the white paper. I would be grateful if you would outline for the committee what you see the white paper informing us about as to the strategic challenges we confront over the period of the white paper—that is, to 2030.

Mr Pezzullo—In terms of explaining the white paper, which is my role here, I can really do no more than to point particularly to chapters three and four. Of course, chapter three deals with the management of strategic risk and how that is best accomplished, which involves a process of continually scanning our strategic environment and looking at the nature of risks and threats, looking at their likelihood and making adjustments to policy over time. Chapter four then takes that further and deals more substantively with the stability of the global

environment. I will not repeat it chapter and verse; it is all laid out there for you to see. It then takes a more refined view of the wider Asia-Pacific region, breaking it up into the various subcomponents of the region. It also talks about thematic and functional challenges, such as weapons of mass destruction and Islamist terrorism as well as the growth in military capabilities that are relevant to defence planning and so on and so forth. It is laid out most succinctly in chapter four.

Senator TROOD—I have of course read those chapters and I have noted that the authors of the paper have made a series of what I would regard as very careful judgments about the strategic environment we are confronting over the next several decades. For example, the point is made about intrastate violence as being the most likely form of conflict. You make the points that Australia will most likely remain a secure country, that we are distant from traditional threats and conflict from major powers, and that there is an absence of any serious enduring disputes that could provide a motive for attack. You also make a point that I think you have made in several white papers going back quite a long period of time about the advantage of the strategic depth we have as a result of our geography.

You make these points in the context of concerns about possible great power or major power competition or instability around the region. It seems to me that most of these observations, which are careful, lead to a series of conclusions about Australia's relative security. But then there is this massive strategic leap. You make these careful judgments about how relatively secure we are, the kind of environment we are living in, and the relative levels of threat and the intrastate violence as being most likely. However, the white paper reaches the conclusion that we need this very substantial force structure to address a series of contingencies. They are not risk free, of course, and nothing is in the strategic environment, but the white paper seems to say they are relatively unlikely contingencies that we are going to face. There seems to me to be at the very heart of the paper a profound strategic conundrum that I cannot fully explain or understand from reading the document. If you can explain that to me I would be very grateful.

Mr Pezzullo—If you draw out the quotes as you did—and they are all quotes from the white paper about our relative security, our relative distance from major power conflict and the absence of territorial and other forms of dispute with neighbours and others—you can certainly premise a question or a statement about the strategic conundrum that Australia faces in the way that you did. I could equally draw out a series of extracts and quotes from the white paper that make it quite clear that relatively small changes can occur to your strategic circumstances and accumulate over time to become quite big changes.

The white paper makes the point in both chapter three and chapter four—the chapters I drew attention to earlier—that if you were looking back 20 years ago no-one was seriously predicting what was going to happen in the then Soviet Union. They were making judgments and assessments, but no-one predicted that the challenging circumstances facing the then Soviet Union would end in the cataclysmic and fundamental changes that occurred in Europe as a result of its collapse and the effects that had in terms of the geostrategic balance in the world and the end of the Cold War. No-one was predicting that and yet that occurred two years later.

The white paper says that what on the surface might appear to be relatively benign circumstances can change relatively quickly. Of course, benign strategic circumstances are always desirable because they allow nations and states to get on with building prosperity and the welfare of their societies. The more fundamental point is that they can change more quickly than the time taken to invest in the kinds of capabilities that one might need that are relevant to the contingencies that potentially could involve high-end conflict.

The white paper also says that whilst the prospects for strategic miscalculation, confrontation and tensions that could lead to conflict are remote—and that is the judgment that we carefully arrived at in the white paper—they are not so remote as to be outside the scope of defence planning concern. More particularly and more to the point, the changes that in a cumulative sense could create a profound change in strategic circumstances could arise and be upon us more quickly than it would take to build and field the kinds of capabilities that we were talking about and that Senator Johnston talked about before—for instance, the submarines, the Joint Strike Fighters and the like. The white paper indicates in the strategic environment chapter—chapter four—that the more prevalent form of conflict that might affect our strategic interests over the next 20 years is intrastate conflict. Classically, it is what we are seeing played out in Afghanistan and Pakistan as the Pakistan Army takes on extremist elements located on that side of the Afghanistan-Pakistan border.

Chapter five of the white paper contains a definition of our strategic interests in relation to those conflicts or potential conflict scenarios that have relevance to the structure of the international system as it relates to the possible exertion of armed force against Australia that the Government needs to consider with regard to what levels of capability it needs to respond. What does that mean in plain English? Frankly, an intrastate conflict in another part of the world—distant from the kinds of areas that are described in the white paper—may be of concern or interest to the Australian government of the day. There might be humanitarian concerns; that is, in relation to our compassion for the folk caught up in that strife. But in terms of hard-edged strategic interests—that is, do they give rise to national security concerns, including the use of armed force against Australia—governments would need to make judgments very carefully about the level of armed force that we would need to use in such conflicts.

The white paper says that the intrastate conflicts that are most relevant to our circumstances are most likely to be those in which we take a leadership role in the nearer neighbourhood. In that case, the force structure is designed to accommodate that. For the first time ever, this white paper has an extensive discussion about previous white papers, including the 2000 white paper. This is the first time that an Australian government has said that force structure for stabilisation operations in the immediate neighbourhood are actually a force structure determinant. So that has been built in. The white paper also says that the Australian government of the day would take a case-by-case decision with regard to making tailored contributions, potentially of a substantial nature, to those instances of intrastate conflict further afield.

Senator TROOD—If the point you are making is that a strategic risk assessment is an imperfect science, I would have thought that everyone in this room would agree with that proposition. But the paper seems to propose a worst case analysis of the dangers. Having laid

out the environment and the contingencies, and made the appropriate cautious judgments about their likelihood, it then seems to take the worst possible view of the nature of the environment and reaches a series of conclusions that then drive the force structure. That is fine if you have an endless amount of money and you can build a force structure that might meet the worst case analysis, but that is surely not Australia's circumstance. So do we not have to make more cautious judgments about the likely nature of the risk we face?

Mr Pezzullo—I have been asked a lot about that since the white paper came out and, indeed, we discussed it prior to the white paper being finalised. For me the key metric is the amount of defence expenditure that the nation is willing to undertake. The counterfactual is this: if the worst case scenario were being utilised—and I have seen press reports alleging that that was what was done and no doubt at some point you will be asking me about that in the next day or so—then you would have seen a significant structural up tick in the amount of expenditure as a percentage of GDP.

The government has prudently, cautiously—to use your adjective—decided to maintain a constant share of GDP roughly equivalent to where we have been before. As the minister indicated in one of his press releases on the day the white paper was released, we have made some prudent investments. If we were taking the worst case scenario—for instance, a major power was a key threat to us and it was likely that it was going to employ armed force against us in the next 20 years—I would have thought a responsible government would quite dramatically seek to rearm to a point where it was actually anticipating the higher likelihood of conflict. The white paper says that that is actually a very remote scenario. It is not so remote as to be beyond defence planning concerns, and we have certainly taken that into account in our defence planning, but not so likely as to require a dramatic rearmament and escalation in our defence spending.

The force that has been developed—*Force 2030*—is substantially increased and it will be built over the period that was discussed earlier in the estimates committee, towards 2030. The new capabilities will be funded by a combination of increased support from the government from the central budget, plus the Strategic Reform Program savings that amount to some \$20 billion in the first decade.

Senator TROOD—I do not want to trespass again over the long discussion we have had about cost for the moment. I am more interested in the strategic judgments that are here. Chair, I am looking at the time. Do you want me to press on?

CHAIR—It is 3.30 pm. We will take our break and resume at 3.45 pm.

Proceedings suspended from 3.30 pm to 3.46 pm

CHAIR—Before I hand the questioning over to Senator Trood, I bring to the attention of members of the committee and those in the gallery a tribute paid today in the House of Representatives by the Prime Minister, Mr Rudd, and the Leader of the Opposition, Mr Turnbull, on the occasion of the death on Wednesday morning of Australia's oldest man and last remaining World War I digger, Mr Jack Ross. Mr Ross was 18 when he enlisted in the Australian Imperial Force in January 1918 and he again served in World War II as a member of the Volunteer Defence Corps. Mr Ross was also awarded the Eightieth Anniversary Armistice Remembrance Medal 1998 to commemorate the end of World War I and he

received the Centenary Medal for his contribution to Australian society in the 100 years since Federation. I am sure we all join in the sentiments expressed by Mr Rudd and Mr Turnbull to the family of Mr Ross, who, as I said, died on Wednesday morning at the age of 110.

Senator TROOD—Mr Pezzullo, on the same themes that we were discussing, one of the conclusions about our needs in the white paper is at 8.46. You probably know all these chapter headings off by heart. The authors say:

The weight and reach of the force the Government intends to build gives us an acceptable margin of confidence that hostile military operations in our primary operational environment can be contested effectively by the ADF.

What does 'contested effectively by the ADF' effectively mean?

Mr Pezzullo—It means what as is outlined elsewhere in the white paper, particularly in relation to Australia's military strategies. It is mentioned in an earlier chapter and in chapter seven, in particular, with regard to principal tasks that the ADF can do. It can exert sea control in the area in the primary operational environment—that is described in chapter six; it can maintain air control so as to enable other forms of operation to be undertaken; and it can project force effectively, including by way of amphibious manoeuvre and through other projections of force throughout the ADF's primary operational environment.

Senator TROOD—Is it your view that this is a strategic task that is new to the ADF—that is to say, that this is a strategic task that is now demanded of the Australian Defence Force in light of the strategic assessment that you have made that was not previously required of the force?

Mr Pezzullo—I would not necessarily characterise it as being new in this sense. Successive white papers extending back to the 1976 white paper—that was the first one done after the end of the Vietnam War—in different kinds of ways placed a burden on the ADF that its principal task was to be able to deter and defeat armed attacks on Australia. The white papers in 1976, 1987, 1994 and 2000 described the nature of that task in different ways. However, essentially you could draw a common thread through those white papers with their emphasis on maritime operations, air operations and land operations in the littoral environment. That has been in different types of white papers with differing emphasis on operations in Northern Australia as well.

This is obviously the first time this century—given a strategic assessment and a scan of the strategic environment conducted for the first time in a decade since the 2000 white paper—that the nature of that task has been defined in contemporary terms. So it takes into account things like the advance of military capability in our operating environment and more broadly in the wider Asia-Pacific region. It takes into account the proliferation of more lethal weapons. It also takes into account—if I can use a phrase that is not in the white paper, but for shorthand purposes I think in this forum it is appropriate—a certain level of democratisation of the spread of certain technologies that would more effectively be able to challenge the ADF in different kinds of operating environments.

Going back to the evidence I gave prior to the break, it also builds in more formally as a force structure determinant the ability through amphibious manoeuvre and through other forms of military operations to be able to operate in terms of supporting the stability and

security of our immediate neighbourhood. That was obviously a task that was undertaken by the ADF, notably in instances such as the 1999 intervention in East Timor. But this white paper formally now puts that up as a force structure determinant as a priority second only to the direct defence of Australia. That element of it is certainly fresh. Combined with what I said earlier in my evidence about the fact that we have had to take new challenges into account, what is in a sense a very classical approach to defence policy—namely, deterring and defeating armed attacks on Australia—is given a very contemporary setting and, indeed, a future-looking setting.

Senator TROOD—Why does the Defence Department seem to have a different view of the nature of the strategic environment to that shared by our intelligence agencies—the DIO and the ONA?

Mr Pezzullo—I do not agree with the premise of your question. I have seen evidence give by Mr Varghese, with whom I consulted extensively throughout the white paper development process. The department also more generally consulted extensively with the Office of National Assessments. As you know from Minister Faulkner's evidence to you last week, we are in receipt of a number of Defence Intelligence Organisation reports. I have nothing more to add to Mr Varghese's evidence, where he said that he does not disagree with any of the strategic judgments contained in the white paper.

Senator TROOD—I am interested to know whether or not you disagree with his. That is slightly different.

Mr Pezzullo—This is the government's document. The government has been advised by the Department of Defence, the Australian Defence Force, the Office of National Assessments and other agencies. The officer charged statutorily with providing the government with advice on intelligence assessments—the head of ONA—does not have a difference of view on any of the strategic judgments contained in the white paper.

Senator TROOD—Are you saying to the committee that the newspaper reports, of which there have been many, of a difference of view between Defence and the strategic assessment agencies and intelligence agencies—most specifically ONA and DIO—are incorrect?

Mr Pezzullo—On the basis that the statutory officeholder charged with this responsibility supports the strategic judgments contained in the white paper, and on the basis that the newspaper claims that Mr Carnell was allegedly called into investigate certain issues of improper pressure being brought to bear on DIO analysts—and he of course rejected that characterisation in his evidence to you last week—

Senator TROOD—Not quite, Mr Pezzullo.

Mr Pezzullo—With due respect, he made it clear to you that he was conducting on his own motion an inquiry into the objectivity and the undertaking of DIO products. He decided to do it. The newspaper articles in question, as I recall it, stated that he was called in after allegations were raised. That is another fact in those newspaper reports that has been, relative to the evidence that has been provided to this committee, found to be incorrect.

You used the word 'false'. People can draw their own conclusions about whether I am saying those reports are false. Mr Carnell also gave you very clear evidence that he came to

the view—again, he is the statutory officeholder responsible for coming to views about this—that there was no undue pressure brought to bear on those analysts. On those three grounds—and there are perhaps others I could go to—I would simply remind the committee of the adage: you should not believe everything you read in the newspapers.

Senator TROOD—I am cautious about that proposition, as you might imagine most politicians are. You are right: Mr Carnell did make the point that he was undertaking one of his routine activities. I accepted that and I think he is right. But I do not think he countered the proposition which I put to him and which I think is contained in some of these articles that some officers of DIO had the perception that they were under pressure to change their judgments in light of requests or pressure that they perceived they were receiving from elsewhere within the Defence establishment.

Mr Warner—Can I just add a couple of points to what Mr Pezzullo has said? I have in front of me quotes from Mr Carnell's evidence to the other committee. I think it might be useful to the discussion if we are working from the same—

Senator TROOD—Since he was responding to the questions that I put to him, I think I probably remember his evidence pretty well.

Mr Warner—I am sure you do. But with the chair's permission, I would like to—

CHAIR—I am not familiar with that part of *Hansard* and I would certainly find the evidence quite useful.

Mr Warner—I only picked three quotes out of his evidence. I am sure, of course, that Senator Trood is aware of them. He said: 'There was no improper pressure in relation to DIO's development' of intelligence assessments for the white paper. He also said:

No-one put to me facts that you could consider amounted to improper pressure.

And:

Some may have felt pressure, but that is not to say there was improper pressure put upon them.

I think it is a pretty closed case.

Senator TROOD—I accept Mr Carnell's view that, within the range of his statutory responsibilities and having to come to an objective judgment about with whether or not there was a degree of pressure, he formed a view—as he is entitled to, and it is entirely appropriate that he should form a view. However, I do not think he contradicted the perception which exists and which I think remains throughout that conversation—of which you have cited parts—that there were people within DIO who perceived themselves to be under some pressure. He said that he came to the conclusion that they were not in his view under improper pressure, which was related to what he saw as DIO's responsibilities as an intelligence agency. That is a different proposition to my mind to the idea that some officers believed they were under pressure.

Mr Warner—As Mr Pezzullo has said in a different way, Mr Carnell is the judge and jury in this case and he has delivered his judgment. It is an important issue. It cannot be looked at more seriously than by the Inspector-General of Intelligence and Security. He was satisfied and we are satisfied with his judgment.

Senator TROOD—I think my interpretation of his remarks stands. Of course, the record, as you have pointed out, has a view about it. Mr Pezzullo, I asked questions of officials from the Department of Foreign Affairs and Trade yesterday—you may have seen this transcript as well—and they encouraged me to talk to you.

Mr Pezzullo—I noticed.

Senator TROOD—This is a question about American nuclear capacity within the Asia-Pacific region. The white paper on several occasions cites it as a continuing dimension of the strategic environment. I think I am right to characterise it more broadly. Do you see that assumption of continuing American nuclear capacity in the region, however it might manifest itself, and the Australian government endorsing the value of that, as in any way inconsistent with the fact that the Australian government is also endorsing an \$11 million inquiry into nuclear disarmament activity through the international commission?

Mr Pezzullo—First, I should preface the remarks I am about to make with a clear acknowledgment of the fact that the US government policy is that it does not in fact disclose the location of its mobile nuclear weapons.

Senator TROOD—Of course.

Mr Pezzullo—I respectfully add that caveat because I think your question talked about US nuclear capacity located in the Asia-Pacific region. Everything I am about to talk about relates to their global nuclear posture irrespective of the location of particular weapons, warheads or their delivery means.

Senator TROOD—It is not an unreasonable assumption that they have some nuclear capability in the Asia-Pacific region.

Mr Pezzullo—They might well have, but they do not publicly disclose that fact. I make that point because it is important to the point I am about to make about its global posture. The issue that you were teasing out with my Foreign Affairs colleagues yesterday and that you are asking a question about now is encapsulated in paragraph 6.34 of the white paper. For the benefit of the committee, I might just read it—it is quite short. This is where we talk about the direct security benefits and values of our primary alliance—the United States-Australia alliance—to our physical direct security. The paragraph states:

For so long as nuclear weapons exist—

That is a clear point—

we are able to rely on the nuclear forces of the United States to deter nuclear attack on Australia. Australian defence policy under successive governments has acknowledged the value to Australia of the protection afforded by extended nuclear deterrence under the US alliance. That protection provides a stable and reliable sense of assurance and has over the years removed the need for Australia to consider more significant and expensive defence options.

It is the case that the government has—in fact a year ago this month—launched an initiative, the International Commission on Nuclear Disarmament chaired by a former Australian foreign minister, Gareth Evans, and a Japanese colleague, also former foreign minister of Japan. The commission will look at the whole range of issues around nuclear disarmament, the proliferation of nuclear weapons and so on and so forth in the lead-up to the Nuclear Non-

Proliferation Treaty review conference, which is to be held in just under a year, in the early part of 2010. In making that announcement, the government, and most particularly Prime Minister Rudd in a speech in Japan a year ago—in June 2008—said that we are setting up the commission to provide a possible roadmap to a different, alternative nuclear future. I am paraphrasing him there. He said in that speech ‘and we commit ourselves’—his government, the Rudd government—‘to the ultimate abolition of those weapons’. Mr Evans and his colleague and the commissioners who serve on that commission have been charged with coming up with options to get to that point. Of course, I note in passing that since that time President Obama has of course committed himself to the same long-range goal.

Is it a contradiction on the one hand to call in aid the extended protection afforded by the global nuclear forces of another nation to deter nuclear attack on Australia while at the same time wishing those weapons out of existence? No, I do not think it is a contradiction, because the United States government itself has the same policy. Its policy is ultimately to move to the abolition of those weapons while at the same time, for so long as they exist, to maintain stable nuclear deterrence by being able to respond to nuclear attack on its own soil. So it is not unreasonable for us to call in aid the extended protection that they afford us.

Senator TROOD—I do not want to take that any further. I am just grateful for having received an answer from the Australian government on the point that I was making, which was proving elusive in my inquiries yesterday.

Mr Pezzullo—If I may, in fairness to my colleagues at the Department of Foreign Affairs and Trade, the current situation—for so long as weapons exist they may pose a physical threat our country—is properly a matter for the Defence portfolio. I certainly was not offended by the fact that they were flick-passing the questions to me.

Senator TROOD—I am glad you were not but I was frustrated, frankly. But, of course, these things happen all the time. You make the point about America’s continuing presence in the region and you have just elaborated on that to some extent. I cannot find the paragraph I am looking for, but there is a qualification on this about the constraints on the capacity of the United States to meet what might be contingencies it faces in the region. I have seen some of the commentary about this, which is that the paper presumes or foreshadows a declining element of American strategic presence in the region and that, in consequence of that decline, there is a need for Australia to acquire a greater capability than it has had previously to overcome that strategic shortfall. It might be argued that one element or possible consequence of that is that this white paper sees the alliance between Australia and the United States as being of declining utility. How to you respond to that proposition?

Mr Pezzullo—I have seen commentary to that effect. I do not think it is actually supported by the relevant passages in the white paper. Please allow me to go through the three or four key references that I think make the case. First of all, paragraph 4.14, under the subheading ‘US strategic primacy’, states:

The United States will remain the most powerful and influential strategic actor over the period to 2030—politically, economically and militarily. Its strategic primacy will assist in the maintenance of a stable global strategic environment.

That is unqualified, unambiguous and laid out for everyone to see. It does go on to refer to a number of major powers—and they are defined:

China, India, Russia, Japan and the European Union will exercise global influence in differing degrees and acquire varying levels of military strength to promote their interests

I think 4.17 is the passage that you could not quite put your finger on before. There is a key passage to which attention has been drawn by the commentators. I will read it out because it is very important that it be unpacked carefully. The paragraph reads as follows:

Will the United States continue to play over the very long term the strategic role that it has undertaken since the end of World War II? It remains the case that no other power will have the military, economic or strategic capacity to challenge US global primacy over the period covered by this White Paper.

Again, that is stated without qualification. The next sentence is the one that has drawn some interest:

But the United States might find itself preoccupied and stretched in some parts of the world such that its ability to shift attention and project power into other regions, when it needs to, is constrained.

It goes on to say that that is likely to cause the US to seek active assistance from regional allies and partners, including obviously in our region from Australia. I guess all I can say to that is that itself is the American view. If you look at a number of speeches made by the now President, by Secretary Gates and by my counterpart, the Under Secretary for Policy, you will see that they talk about the need for the United States, obviously in relation to some key interests, to maintain unilateral capability. We talked earlier about their global strategic nuclear posture. In my judgement they would never, ever allow any other country, or be dependent on any other country, to assist them in the maintenance of a strategic deterrent posture in relation to certain other nuclear powers.

But in a whole range of other instances—we talked a lot about Afghanistan before the luncheon break—the Americans themselves actively say that these burdens need to be shared and that the United States cannot do it all on its own. I have heard Secretary Gates say that; I have heard the President say that. That itself is really no more than a statement of US policy. From the Australian government's point of view, it was important to put down that statement of the Australian government's judgement that assisting the United States where our strategic interests so dictate and where we have the capacity to do so is not necessarily a matter of discretion. It is the case that our alliance partner will find itself needing to call on the assistance of others. Does that mean that America is in relative decline? That is an element of your question. That is an academic and philosophical debate that commentators and academics make a living out of.

Senator TROOD—It has some practical consequences, though.

Mr Pezzullo—It does, and I was about to go to those practical consequences. What it means is that in certain areas of capability the Americans will rely on their unilateral muscle, and the deterrence of nuclear attack is one instance there. There are other cases as well. In other cases they will seek the assistance of others. So it has a very practical consequence. It means that countries in the NATO system, for instance, or countries in the western Pacific need to think very carefully about their own obligations in terms of assisting the United States shoulder its global strategic burden—that is, the burden I described earlier. They are central to

the maintenance of a stable global strategic system, and the white paper states that unequivocally.

I will end on this because I anticipate that you want to go on to other questions; I will not extend this for too much longer. In relation to the western Pacific or the wider Asia-Pacific region, to use the phrase of the white paper, the key paragraph is at 5.16, under the subheading 'Strategic stability in the Asia-Pacific region'. It talks about a series of mechanisms that are central to strategic stability in the Asia-Pacific region, obviously building a sense of, and ultimately an institution around, an Asia-Pacific community. You heard some pronouncements on that by the Prime Minister the other day at the Shangri-La Dialogue. But in addition to all of that, at 5.16 the white paper states:

A crucial element of this approach—

That is, maintaining stability in the Asia-Pacific region—

is the continued engagement and presence in the Asia-Pacific region of the United States. The Government's judgement is that strategic stability in the region is best underpinned by—

And there are two key elements here—

the continued presence of the United States through its network of alliances and security partnerships, including with Japan, the Republic of Korea, India and Australia, and by significant levels of US military capability continuing to be located in the Western Pacific.

At the very heart of our strategic posture in terms of stability in the Asia-Pacific region is that not only does the government publicly state the value of those alliances and partnerships that the United States has with a whole range of countries in the Asia-Pacific region but it very explicitly also says that it would be a good thing if the US continued to keep in the western Pacific, and the Asia-Pacific region more generally, significant levels of military capability physically present.

Senator TROOD—I think we are probably united on that point. What you seem to be saying is that this is a 21st century version of the Guam doctrine in relation to America's allies assuming responsibility for tasks which are within their strategic sphere.

Mr Pezzullo—To paraphrase what elected officials sometimes say in these circumstances is really for the commentators. We put the policies together for government to consider. That is an interpretation that commentators might make.

Senator TROOD—Is that a reasonable interpretation? I am not an official but I am an elected representative. Is that a reasonable characterisation?

Mr Pezzullo—You are also a distinguished academic, Senator—

Senator TROOD—Thank you.

Mr Pezzullo—so in both of your lives I think it would be a not unreasonable interpretation. The Guam doctrine, for those who are not intimately familiar with it, as pronounced by then President Nixon in July 1969—on the island of Guam, funnily enough—stated that the United States would look to nations in the western Pacific to attend to their own local defence needs, except where they had a common interest with the United States and they were faced by a threat that was beyond their own capacity to deal with. That was essentially what Mr Nixon was getting at in that pronouncement. In that sense, I guess it has some kind of ancestry.

Again, that is for academics and commentators to tease out in no doubt the year's worth of studies that will be conducted into this matter.

Senator FERGUSON—You two should have a chat later.

Senator TROOD—I will take that as a yes in answer to my question, Mr Pezzullo. I will conclude there because I know we want to move on.

Senator FERGUSON—I am particularly interested, and I will be reasonably brief, in pages 70 and 71 of the white paper. They deal with the decision to acquire two new submarines, to be assembled in South Australia—which is a wise choice for the assembly anyway. It concerns me that you say on page 71, 'The Government will also consider matters such as basing and crewing, and will seek early advice from Defence on those and other issues.' I would hope that the government had sought advice long before this about crewing.

Air Chief Marshal Houston—I think we went through this earlier on—

Senator FERGUSON—I know you went through some of it.

Air Chief Marshal Houston—with your colleague. We talked about it at some length. We have formed a project team to have a look at the business of the future submarines. One of the critical issues in the first instance is basing. For example, at the moment all our submarines are in the west. We need to have a look at the best way to base the submarines. There are a lot of issues that come into that. We probably need to do a couple of studies to determine options for government, and then it will make a decision.

In terms of the crewing, we went through that earlier on. Clearly, there is much work to be done in that area. Again, we will have our project team working on those issues in detail and in some depth over the months and years ahead. However, I state, as I stated earlier, that we are talking about a capability that is going to come in post 2025. So that gives us the best part of 16 years to address the issues. But, in terms of submarine crewing, I have been asked a lot when I have been around the community, and particularly the ADF community, about the business of crewing submarines. I think the work that Admiral Moffitt has done with his review of submarine manning and also the work that Admiral Crane has done since he became Chief of Navy gives us confidence in terms of the crewing issues that we will be on the front foot rather than on the back foot. With New Generation Navy, the submarine sustainability project, and the formation of the project office under Admiral Moffitt we go forward with a fair bit of confidence. But there is a lot of work to do. As I said earlier on, we have started at the very high level with the white paper. We now have to start all of the other work that falls out of the white paper, and there is an incredible amount of work in many different areas. Submarines are one of those areas.

Senator FERGUSON—When you cannot physically man a total of six submarines at present, what gives you the confidence that in the future you will be able to find the extra submariners to crew 12?

Air Chief Marshal Houston—I invite you to read the Moffitt review. It is a very hard hitting review. It highlights a lot of the issues that we have had with submarines in the past. Admiral Crane released that to the public in a very transparent way. With the strategies that Navy has put in place, I am very confident that we will go forward with a different approach

into the future that will ensure people will stay in submarines. Some of the initiatives out of the Moffitt review—the recommendations—are already in the process of being implemented.

Senator FERGUSON—Which ones?

Air Chief Marshal Houston—For example, we have basically stopped back-to-back crewing. I think if you had a look at the way submarines were being operated in the recent past you would see there was a problem with mission focus. Mission focus was everything, and the people were sometimes not being treated in a reasonable way. Here is an anecdote on the way through. A couple of weeks ago I was at a family function at HMAS *Harman* and I bumped into two former submariners. I asked them how they had enjoyed their time on submarines. They said they loved it, but at the end of the day—and they were there with their wives—the reason they left the submarines was that their family could not sustain the continuous deployments that were a feature of life at that time.

I think there is an issue with the way we look after our people. Admiral Crane is seized with the need for a different approach. We have already started bringing in young people off the course at HMAS *Cerberus*. The idea is that we take the top graduates out of the course at *Cerberus*, and the take-up on submarines thus far has been very, very encouraging. I will let Admiral Crane give you the detail of that. But I am aware that six out of 10 on the first course that went across there signed up for submarines. I believe that in the last group that went across it was an 85 per cent sign-up. I invite Admiral Crane to follow up on that.

Senator FERGUSON—Admiral Crane might also be able to comment on the fact that, if you are not going to have back-to-back crewing, you will need even more submariners, won't you? If you take away back-to-back crewing you have to have more people at your disposal.

Air Chief Marshal Houston—I would contend that the back-to-back crewing has to some extent been a product of our current crew numbers. I think that if we get the crewing right we will not have a requirement for back-to-back crewing. Another initiative that is part of the Moffitt review is that when the boat comes back to port the crew do not have to look after it. We get contractors to come in to look after the boat while the crew have a well-earned rest before they go back to sea again.

Our focus at the moment is very much on restoring capability to where it needs to be. I think that will provide a good launching pad for us into the future with the sorts of initiatives that are contained in the Moffitt review, and it will be part of the submarine sustainability project. I think New Generation Navy is a huge, huge step in the right direction.

Vice Adm. Crane—It is early days. The Moffitt report set out for us an aggressive set of 29 recommendations. I accepted all of those recommendations. That has led to the establishment of a Submarine Workforce Sustainability Program that is monitored through my Chief of Navy Senior Advisory Committee on a monthly basis against a set of metrics to make sure that we are progressing.

You asked earlier about the sorts of things that were in there in relation to what we are doing immediately. Some of the immediate actions we have taken include things like increasing the numbers of personnel in our submarines from 46 to 58 to take some of the workload off our people in submarines and establishing a submarine support group at HMAS *Stirling*. That is a group of people who are submarine qualified and ready to deploy to assist a

submarine wherever it might be that is in need of technical assistance or, indeed, simply more assistance to help it do what it needs to do. That again takes some of the workload off the people on board the ship when they are alongside.

We are also doing things like putting them into better standards of accommodation when they are away from their home port and they are visiting. There was an approach taken previously where they were put in what I would call standards of accommodation that probably were not suitable. That has been fixed. We are also moving things like communication centres. Our submariners need to be in the west so that they can be co-located with the rest of the force and they do not have to move to the other side of the country to take up their position. They are the sorts of things that are happening pretty quickly. It is very early days and we are monitoring performance.

What I can tell you, Senator, is that the Submarine Workforce Sustainability Program has set out a five-phase process. Phase 1 was an analysis phase, which has been completed. That was completed at the end of last year with an evaluation and acceptance of the Moffitt report and its recommendations. Phase 2 is a stabilisation phase for the workforce, which runs from 2009 to 2011. Through 2009 to the end of 2011 we will stabilise the submarine workforce at three crews—three expanded and sustainable crews—with a submarine support group. By the end of 2011 we are aiming to generate a fourth crew. Then we will move into a recovery phase. That recovery phase will provide for ongoing training and will position us for further crews. We will then consolidate. From 2015 onwards we aim to grow.

We have stabilised. Over the last 12 months the submarine workforce has remained stable. We have lost 30 of our submariners over the last 12 months, but we have also qualified 30 submariners, so we have remained stable. That is in our qualified force. In addition, 72 personnel have entered the submarine training force this financial year—that was to date 30 April. That is up 22 per cent on last financial year. I now have 100 personnel in the submarine training pipeline, and 50 per cent of them have completed their professional training and are waiting to get to sea in our submarines to do their seagoing competencies and to complete their logs. Hence there is a very strong focus on the submarines that are available to me being at sea undertaking training. That is what the training led recovery is all about.

Interest is growing significantly as part of our Submarine Workforce Sustainability Program. As the CDF mentioned, I have put through what we call a submarine enhanced selection process. That is a course where we take people who are entertaining the idea of a career in submarines to Western Australia and expose them to the submarine lifestyle. I now take the top 10 to 15 recruits from the recruit training school at HMAS *Cerberus* to Western Australia. In the last three courses we have done that with, seven to eight on each course have submitted applications to transfer to submarines.

Recently one of my junior warfare officer courses was subjected to the same level of exposure. Four out of six who attended that enhanced selection process have indicated that they now want to transfer to submarines. In addition, 54 sailors at HMAS *Cerberus* have recently indicated that they wish to transfer category to submarines. Last month I was pleased to see that two of our submarine categories—the acoustic warfare analyst, which is specific to submarines, and our communications and information systems category—will move off the perilous category list. The perilous category list contains those categories that we have

identified as potentially being deemed to fail in a workforce management perspective. So those categories have come off that perilous category list.

I am also pleased to note that the direct entry submarine recruiting initiatives have led to a 40 per cent increase in direct entry submariners in this financial year over last financial year. Indeed, in two areas—the acoustic warfare analysts and our cryptologic technicians—we look like achieving 100 per cent of our target for this financial year. All of that is a long-winded way of saying that it is very early days. We need to watch this extremely carefully. I think there is room to have a level of confidence that we are in the turn, but we still need to continue to manage it very closely.

Senator FERGUSON—How many submariners will be required to man the full force when you have all of the submarines in place?

Vice Adm. Crane—With six submarines—

Senator FERGUSON—What about when you have the new 12? How many submariners will be required then?

Vice Adm. Crane—For six, I have a demand for 670 submariners. For the 12 submarines, we still need to do the work to understand what technology they will have before we can go anywhere near defining what the crew numbers might be or how we might operate them. It could be that the future submarine offers us a different way of generating days at sea because of the technology that might be available. We have to do that work. I would certainly hesitate at this stage to speculate on what those numbers might be.

Senator FERGUSON—But in order for the government to decide to purchase 12 submarines you must have given it some indication that you will be able to man those submarines. Right now we have six Collins class submarines that you cannot man. I am not sure how many are available to you right now, but it is certainly not the lot, for crewing or for other reasons. I do not know how in the current circumstances you could possibly indicate to the government that you will be able to crew 12 new submarines.

Mr Minns—I have been working with the admiral and his team around the options for submariner recruitment and retention. I think the range of measures that the admiral has described in relation to the Moffitt review go to fundamental structural and cultural changes within the submariner FEG and Navy more generally through New Generation Navy. From my perspective as an HR professional, that is the right focus for this work.

There is not a silver bullet to generate significant numbers of new submariners instantly. There is a reshaping of the structure of its operation, its workforce culture and its management culture in a way that enables you to attract and retain people. I think we are starting to see those results turn around. I would echo what the admiral said about it being very early, but the current early trends point to the fact that actions that have been taken are generating outcomes. We just have to keep doing that because this is a longstanding problem around the attraction of submariners.

It was exacerbated by the cycle of the activity schedule, which meant that those in the submariner community to some extent were being exposed to a workplace model that was not sustainable. You would find that people would leave over time because of the repetitive nature

of their requirements to go to sea because of the shortage of qualified labour within the submariner community. The measures that are in place are part of a slow-build model. It seems to be working at this point in the recruitment in area from outside the Navy, internal transfers within Navy, lateral transfers from other navies and then the work on the training pipeline itself. The admiral has made it a priority to improve throughput of the submariner training system.

Senator FERGUSON—The problem that I have and that my successors might have is that you have a situation now where we have six submarines, some of which are forced to lie idle for a number of reasons, but one of the components is lack of crew. We are committing ourselves to a future program involving 12 new submarines and we have no idea how much it will cost because we do not even have a design at present. I would hate to think that we are committing ourselves to 12 new submarines at some future cost and that they will sit around idle because we cannot crew them. We cannot crew six, yet we are being asked to take on faith your ability to increase the number of submariners in Australia, which you have not been able to do in the past. I know you say the Moffitt review will help with all of these things, but history suggests that it is very, very difficult for us to maintain the numbers to man the submarines that we already have.

Vice Adm. Crane—As I said, this is going to be a long and difficult task, but the early signs are that things are beginning to turn. We have a program in place with milestones for us to grow beyond 2015. Right now, 2016 is when I am looking to generate a fifth crew. In addition, there is a need to understand how many crews we need. One of the issues with having six submarines available to Navy is that it is rare that I would have more than four available to me at any one time.

Senator FERGUSON—I understand that.

Vice Adm. Crane—One of the other recommendations of the Moffitt review was that, instead of posting a submarine crew to a hull, we actually manage them as crews. So I would have—

Senator FERGUSON—They just change their hats.

Vice Adm. Crane—Yes, but we would also be able to manage the crew to the hull. Towards the end of this year, for example, when we bring one of the submarines out of a maintenance activity in Adelaide, we will move a crew into HMAS *Dechaineux*. That is an example of taking advantage of the opportunities that are available to us. I do not underestimate the difficulty of doing this, but we have a plan and some milestones in place, and we will monitor that carefully.

Senator FERGUSON—I hope I am still alive to see it.

Senator JOHNSTON—I foreshadow that I wish to discuss submarines at some length broadly into the future and currently. I note that on table 23 in the budget documents we have a line item at No. 4 which says that the expenditure for 2009-10 for submarines is \$916 million. It is on page 45. I note that thereafter that it goes down to \$820 million and \$733 million and then up again to \$781 million. Note 4 is very important:

HMAS *Sheehan* and HMAS *Rankin* will remain in full-cycle docking for all of 2009-10. HMAS *Dechaineux* is expected to complete full-cycle docking in late 2009. HMAS *Collins* will remain

alongside Fleet Base West in a training role from late 2009. HMA Ships *Farncomb* and *Waller* will complete a short maintenance period during 2009-10.

It strikes me that we will have only a training vessel available for some part of 2009 and that the expenditure is up while the other five vessels are either being maintained or repaired. What would happen if we had four submarines available to us? I note the expenditure is expected to go down.

Vice Adm. Crane—I think you are looking at page 45, table 23. That is not a dollar expenditure.

Senator JOHNSTON—Sorry, that is unit ready days. But you are going down in your unit ready days and you have talked about no submarines being available.

Vice Adm. Crane—The unit ready days are described as submarines that are available for tasking. As it says in note 4, HMAS *Farncomb* and HMAS *Waller* will complete a short maintenance period during 2009-10. I do not have the details of that maintenance period. However, I note that both HMAS *Farncomb* and HMAS *Waller* have been through a significant maintenance period this year, so I imagine that is indeed quite short.

Senator JOHNSTON—What do you call short? Two weeks, three weeks, four weeks?

Vice Adm. Crane—I stand to be corrected, but I am anticipating three to four weeks. I will get some further advice if I have got that wrong, but that is what I would envisage.

Senator JOHNSTON—In 2005, unit ready days were 1,450, if I remember rightly.

Vice Adm. Crane—I do not have that detail.

Senator JOHNSTON—I think the audit set that out. Look at our graph. The unit ready days are declining.

Vice Adm. Crane—That will be a function of the availability of the submarines due to maintenance. Beyond one year, as we start to move out into the second, third and fourth years, given the programs, the certainty in those figures is a little more doubtful. But that is the forecast.

Senator JOHNSTON—I want to come back to that a little later. I want to finish one item with respect to the white paper and I think other people might have a white paper issue. I am not sure.

CHAIR—Yes, Senator Ludlam has some questions.

Senator JOHNSTON—The last comment I make while we pause on submarines is that nowhere in the Moffitt report does he talk about the money. I would have thought in Western Australia today and into the future the most crucial attraction for submariners to be away from their families for up to six months is the money. Until we bite the bullet on money I think we have a problem. I am interested to hear your response.

Vice Adm. Crane—There is a small mention of money in the Moffitt report. I will have to recheck it, but from memory it was to the effect that there was a small group—quite vocal—who had indicated that we needed to look at more money. But generally across the workforce it was not an issue. The issue generally across the submarine workforce was more about the

conditions of service. The CDF mentioned the issue of back-to-back postings. I should define what that is. Back-to-back postings is not a posting back to back but, rather—

Senator JOHNSTON—One or two weeks off, three weeks off—

Vice Adm. Crane—Going on a deployment and then coming ashore then going straight back on another deployment in another vessel. That has had to stop. That has been a function of our history. The general view coming from the Moffitt report was that remuneration in the broad was not a significant issue.

Senator JOHNSTON—I actually dispute that and I think you need to do some work with respect to private, confidential polling done on an equitable basis that gives you a feeling as to what submariners consider most important to their career in submarines, not to mention what happens after they want to leave submarines. I am not sure that the career path there is very good. We can talk about that at great length, because there is a whole lot of other issues that I want to get into on submarines. Chair, I would like to ask Mr Pezzullo another question before we go to other committee members.

CHAIR—You may, Senator Johnston.

Senator JOHNSTON—Mr Pezzullo, I accept that you received instructions with respect to how you would deal with the opposition on the release of the white paper on that Friday; I think it was 1 May. Were you aware that certain select members of the media were in fact given full copies of the white paper at lunchtime on Friday by the minister's office?

Mr Pezzullo—In response to your question about offers of briefings by the Defence Department, I answered that we were instructed to arrange for briefings to be given to the opposition. The only awareness I have of the dissemination of the white paper otherwise was again a request levied by the minister's office for us to send under embargo, with certain confidentiality clauses attached to that embargo, electronic copies of the white paper to commentators—I guess you would call them that—who then wrote pieces that appeared in the Saturday newspapers the day after. That was done under very strict understandings on the part of the recipients. They were checked actively that they were going to accept those conditions before the transmission was sent to them electronically.

I should add that the reason I did not mention those before when you asked me about who was offered briefings was that I wanted to be very precise that that was in relation to the opposition. But expert commentators were also provided with copies in the late afternoon, as I recall it. You ask about journalists getting copies in the middle of the day. I am not aware of that.

Senator JOHNSTON—You are quite right, I accept that. Journalists is a bit generic and pejorative. Commentators with knowledge in the subject area were given copies with embargo conditions during course of that Friday?

Mr Pezzullo—Yes, that is right.

Senator JOHNSTON—Thank you for that. I appreciate your frankness there and for correcting the record. I do not have anything else on the white paper. I am happy for anyone else to finish that off. I want to ask the secretary some further questions.

CHAIR—Not related to the white paper?

Senator JOHNSTON—No, not related to the white paper.

CHAIR—Is that across the opposition as well.

Senator FERGUSON—I do not have any more questions on the white paper.

CHAIR—Do other senators have questions on the white paper? In that case we will finish the discussion on the white paper.

Senator LUDLAM—These are issues that I do not believe have been touched on earlier that mainly go to the public consultation process that preceded the production of the white paper. Can you tell us in general terms how much did public opinion on defence spending and defence priorities actually matter in the final analysis in the preparation of this document?

Mr Pezzullo—Perhaps I am best placed to take that question initially. The public consultation process was initiated by the government in the early part of 2008. You might recall that a green paper was released in about the middle of 2008, following which a series of meetings and other outreach activities were conducted by a panel headed up by Mr Stephen Loosley and a number of other persons who assisted him on that panel. They reported as a panel to the government late last year and, as you know, that report was subsequently released by the Minister for Defence earlier this year just ahead of the white paper.

You ask how much public opinion, or public views, on the levels of defence expenditure count. That is a somewhat difficult question to answer directly because in the end it was, of course, the government that came to a view about the appropriate level of defence expenditure that was relevant to our circumstances. Earlier in answer to a question from Senator Trood, I made the observation that, having regard to all the strategic judgments put before the government in its consideration of the white paper, the government decided to modernise the force, in part through reinvested savings. That gives us the capacity to build a larger ADF than otherwise would be case. I draw attention to that earlier evidence. The government had before it the community consultation report as it finalised its consideration around the white paper. To the extent that it informed or did not inform ministers in the views that they came to finally is a question at that I would ultimately have to refer to the minister at the table. In the end, it was the government that decided what level of resourcing would be provided to Defence.

Senator LUDLAM—Thank you for that. I presume you would be aware of surveys that were conducted as part of the consultation process and that workshops that travelled around the country were quite well attended. We will get to those in a moment. I refer specifically to surveys that were conducted. You must have asked some fairly direct questions. They showed that support for increased defence expenditure in the public mind has fallen from 75 per cent support in 2000 to 30 per cent support in June 2008. Essentially, public support for increased defence expenditure fell by half. Yet what has been produced is a document that outlines approximately \$146 billion worth of additional funding across the life of the white paper to 2030, and then over the next decade Defence will receive approximately \$308 billion under the government's new financial plan. I suppose what I am trying to establish is that, if that was the feedback you were receiving from the public in numeric terms, the support for increased defence spending simply was not there, how was that filtered through and how was the decision made to ramp up a very substantial increase in funding?

Mr Pezzullo—I refer to my earlier answer. In the end, the decision to resource Defence at the level that is articulated in the white paper and associated other documents such as the budget is made by the government. Obviously, all of the information that was gathered during course of the 2008 public consultation process, or indeed independently of that process—as you would be aware, a number of studies came out with quantitative details that go to these issues as well—was made available to ministers in the lead-up to their final deliberations and decision on the white paper. I have no doubt the government took into account the views of the Australian community as it saw fit. In the end, it was a matter for ministers to decide.

Senator LUDLAM—I accept that and I think that is entirely appropriate. But obviously in terms of the strategic priorities and the kind of asks that you are putting forward to government, it then informs the government's assessment of how much that is going to cost. So you are still essentially running counter to public opinion in terms of the demands that you put on government whereby political decisions were made. Does that concern you at all?

Mr Pezzullo—Again, all I can really say is that the government did not commission the Department of Defence to conduct a community consultation process. It commissioned a panel of eminent Australians from a variety of walks of Australian life. The Department of Defence supported that process logistically and administratively. We did not express a view; we are a department of state and we do not have a view about what the Australian public can, should or ought to think about various issues. Our job is to try to provide advice to ministers and they collectively as the government come to a view about things. Again, all I can say is that all of that information was available to the government well ahead of its final considerations on the white paper and it took it into account to the extent it saw fit.

Senator LUDLAM—Can I test what you are saying to ensure that I am clear? Are you saying that public opinion actually played no part in your thinking and that you left those decisions to the minister?

Mr Pezzullo—As an Australian public servant, as an official, it is my job to act in a completely apolitical, non-partisan way. I am required, as are all of the officers appearing here—both military and civilian—to operate in a dispassionate way and to set aside my own views. That deals with part of your question. There is no sense that we bring to bear not only what we think about an issue in personal terms but also what we think the Australian people think.

Senator LUDLAM—That is not quite the question I am putting. I am not asking whether your personal opinions came into play. The government paid for a process of data collection to assess community opinion. Did that then play any role in your thinking about the sort of propositions that you put to government, or did you leave that to one side?

Mr Pezzullo—Those are matters properly for governments to consider.

Senator LUDLAM—Okay. Did the people who were drafting the white paper view those surveys?

Mr Pezzullo—As Minister Fitzgibbon made clear at the time of the launch of the community consultation report earlier this year and as I think from memory the panel chairman states in his foreword, there was dialogue and interaction with the white paper team, of which I was the head. You asked about the authors of the white paper. I am the principal

author, so I am accountable within that definition. There was discussion between us, so the views of the Australian public that were relevant in the minds of the chair, the deputy chair and other members of the panel were conveyed to me and so on and so forth. That was consistent with the practice established in 2000, but it was done for no reason other than to keep me informed of the deliberations of the panel. It was the community consultation panel that then came to a view about how to capture the mood or the sentiment of the Australian community on these matters.

Senator LUDLAM—I would like to go to the panel next. I have one final question on the surveys; that is, on the actual data provided rather than the qualitative work that was done as part of the work of the panel. Were you aware at the time of the drafting of the report that support for increased defence expenditure had collapsed between 2000 and 2008 effectively by half? Was that something that you were aware of?

Mr Pezzullo—The best way for me to answer that question is to say that I had complete visibility of the public research that had been commissioned on behalf of the panel by the Department of Defence. We were doing it as a service to the panel and I was aware of it.

Senator LUDLAM—Okay.

Mr Pezzullo—You characterise it as a collapse. All I can say is that I was aware of the data. But my response is, as I said earlier, that in my role and, indeed, the role of my team—and I am sure this goes for the secretary, the CDF and other senior officials—we set that awareness to one side. It is not our job to decide what the Australian community really thinks and what bearing that might have on public policy decisions. That is a matter for government.

Senator LUDLAM—If government opinion polls had fallen from 75 per cent to 30 per cent they would characterise it as a collapse. However, I respect that that is not a judgment that you would be making. But you were certainly aware that that work had been done and those were the results.

Mr Pezzullo—Yes.

Senator LUDLAM—Thank you. I now refer to the panel. The panel's report discusses the need for meaningful ongoing engagement of the community on defence policy making. The Australian Greens certainly support that. I am trying to assess the degree to which that was actually borne out in reality. Perhaps we can start with the basics. In our discussion, I think last October, when Mr Warner was at the table, you stated—and at the time it was approximate—that the community consultation process would cost about \$400,000 and you thought you might come in under budget at about \$310,000. Are you able to confirm the final cost of the consultation component?

Mr Warner—Figures before me are \$315,657. So I was out by \$5,000.

Senator LUDLAM—Not by much. Can you tell us how many secretariat staff serviced the panel?

Mr Warner—I cannot, but perhaps Mr Pezzullo can.

Mr Pezzullo—Because it was a part-year event, at its peak the core team supporting the panel numbered one full-time white paper officer plus a number of support staff—ADF personnel either in continuous full-time service or regulars. But they were only there for a part

year. In FTE terms, and I would need to confirm this, if I averaged that over the year it would have been approximately the equivalent of one FTE AFS, noting a surge in the middle of the year in support of the actual activity. Over the course of the year it would have averaged out as one full-time equivalent officer.

Senator LUDLAM—Okay. But in practical effect it was different people or people with other responsibilities at the time as well?

Mr Pezzullo—That is right. At the peak of the travelling series of meetings that were being held in capital cities and regional centres, the team would have had three or four people directly supporting the panel arranging venues, making bookings and ensuring that panel members could get there et cetera. But if I then averaged that number out over the year, it would be roughly about one FTE. If I need to correct that, of course I will.

Senator LUDLAM—That is fine. Can you tell us how many times the panel met privately to discuss and analyse the process as it was underway? I am not interested in the substantive content of the meetings but in how many times the panel met. I believe about 30 public meetings were held in all states and territories, which is pretty comprehensive. How often did the panel meet privately to discuss the ongoing work?

Mr Pezzullo—I think I had best take that on notice. There were a number of meetings where the panel was generous enough to ask us to come along so that they could share their views with us. In addition to that there were meetings that I understand they held privately with all members physically present. In at least one case as I recall it, we were trying to make arrangements for a video or telephone conference. Because I am not aware of the full range of meetings, some of which were private meetings of the panel, I had best take that question on notice.

Senator LUDLAM—Thank you. I might need to direct this question to the minister. The community consultation panel recommended that 100 leading Australians become ADF ambassadors. Are you aware whether that idea is being progressed? If so, has funding been set aside for it?

Air Chief Marshal Houston—I am certainly aware of the recommendation, but I do not think we have actually taken any action on it at this stage.

Mr Pezzullo—I can amplify that. The department has yet to finalise its advice on how best to take that forward. It is something that is not yet before government. Therefore, it has not yet been decided by it.

Senator LUDLAM—So it is not budgeted as such. Thank you for that. About 450 submissions were received, but not all of them were placed online. Can you tell us why only a selection of the submissions were placed online?

Mr Pezzullo—I think I had best take that on notice. My understanding was that where it was evident from the submission itself that the proponent or the person making the submission was happy for it to become public knowledge we took a decision to put it online. In some cases it was addressed in such a way that a reasonable person would think that it was a private submission—that is, it was from an individual. I had better take that on notice and talk to the staff who made those decisions. I know that we did not willy-nilly come to the

view that if it came from a private citizen that they would necessarily want their advice put on the internet.

Senator LUDLAM—I know that committees here have similar guidelines about rules for publication and so on. I would like you to provide the grounds on which you made those decisions and a breakdown of the ones that were withheld from publication, the reason for that and whether many contained offensive language or vilification or adverse comments as it is defined in here. One reason that did catch my eye was that submissions were over the word limit. I have not come across that before. What was the word limit for submissions to the white paper?

Mr Pezzullo—In the case of online submissions, or e-submissions, we tried to keep the bandwidth requirements manageable—we put plenty of strains on our system—so we articulated a word limit. I cannot remember what it was; I would need to take that on notice. But we did not preclude or put any conditions on people who wanted to send things in as physical hardcopy. Again, I will take that on notice and check the facts.

Senator LUDLAM—I would appreciate that as part of whatever you are able to provide in answer to the previous question. I would also like to know if the word limit was really a major factor in your thinking. How would you characterise the bulk of the submissions? Were you reasonably happy with the quality and depth of research and thought that went into them?

Mr Pezzullo—I do not think it is my role to be the evaluator of what the community at large wishes to submit to such a process. Obviously organisations and funded bodies were clearly able to demonstrate in their submission that they had a depth of knowledge and a capacity to provide more sophisticated submissions. That said, a number of submissions that appeared to be from private citizens were quite comprehensive and, indeed, quite complex in some cases. But in terms of their quality and whether they met some kind of pass mark, I do not any think it would be appropriate for me to sit in judgment on that.

Senator LUDLAM—It is probably not appropriate for me to do that either. But my reading of the submissions that you published indicated a high standard and that people had obviously put in quite a degree of thought, time and effort.

Mr Pezzullo—Yes.

Senator LUDLAM—An analysis has been conducted of the submissions in four categories: strategic international; funding for defence; miscellaneous; and various topics. In the 136 submissions that were made available online in those four categories, the analysis looked at the frequency of major points of interest. I can provide this document for you. They found that a sizeable majority of the submissions that you published were arguing quite coherently for less defence spending—17 called for more, 66 called for less. Further, 81 submissions were broadly critical about the current direction and priorities of the ADF and 21 were broadly supportive. So it was three to one or four to one. Again, in terms of Australia's alliance with the United States, 49 submissions expressed concern and five were supportive.

The sense I get and the sense that the researcher got from evaluating the submissions in a bit more detail is that they are pitching for quite a fundamental reform of ADF priorities and spending. That seems to key into the quantitative research that I mentioned earlier. How was material evaluated and how did it feed into your thinking?

Mr Pezzullo—I would like to establish something first. I infer from your question that this is an evaluation of those online submissions. I do not recall it being an analysis in the community consultation report itself.

Senator LUDLAM—That is correct.

Mr Pezzullo—This is research conducted by an independent person.

Senator LUDLAM—It is. I am happy to provide it to you. It was done subsequent to the publication.

Mr Pezzullo—I understand. I just wanted to be clear about what I was dealing with. I have not seen that and I take your description of the summary of that research at face value. I can really only answer that question in the same way as that answered the question on the quantitative research that was provided initially to the panel, whether it was public opinion polling, the records of the workshops or town hall meetings that were prepared for the panel by staff, or the submissions which I know the panel diligently read. There were several steps in this process.

The panel was chaired by Mr Loosley and included a number of other persons from both sides of politics, an academic and a retired military officer. The panel came to a view and that was there for everyone to see in the public report of the community consultation process. That was in turn provided to the Minister for Defence, who then circulated it more widely to the relevant ministers who were going to make a decision on the white paper.

As I said earlier in my response to your similar line of questioning on the quantitative research, what ministers made of the summaries of the community consultation process is really a question that you would have to direct to a minister representing the government. In the end, of course, it was the government that decided the level of expenditure, the shape of the force and what priorities that force would have. That ultimately constituted the decisions they made in the white paper.

Senator LUDLAM—I am not trying to overdo this, but there seems to be quite a strong disconnect between the advice that the panel took, the advice that you took from the public and from the expert bodies and the advice from the non-government organisations that bothered to make submissions that were shunted off to government. What exactly was informing your views? If I am reading this entirely wrong, please correct me. From where were you getting your information if that kind of material was being sent to government because it was of a political nature? Who were you listening to?

Mr Pezzullo—Me, personally?

Senator LUDLAM—Yes, in drafting report.

Mr Pezzullo—I am a public servant and I draw on a whole range of information sources to do not only the work I did in relation to the white paper but also in terms of my current day job. I was getting information from a variety of sources. Senator Trood spoke earlier about the intelligence assessment process and we had a discussion about that. There is a range of information sources that go into the development of a white paper. All I can say in answer to your question—and you asked me personally—is that I took as comprehensive and as wide a range of data and sources into account in coming to the view that I came to.

Obviously, I then worked through the secretary and the CDF, to whom I was directly accountable and they ultimately made a decision about what to provide to the minister, who in turn provided certain submissions to his colleagues through the cabinet process. I can really answer your question only by saying that I drew on a wide range of sources and applied my best judgment to those sources in coming up with draft assessments, views and conclusions initially to the secretary of the department and the CDF, and then beyond them to the government more generally.

Senator LUDLAM—Thank you. I might come back to that. There is repeated reference in the community consultation panel report of independent surveys commissioned by the panel. Correct me if I am wrong, but those results have not actually been published and they are not referenced. The actual source data has not been made public. Is that correct?

Mr Pezzullo—I think that is right. I think the report talks about the fact that it drew upon the results of quantitative work. I will take that on notice in case there is some technical annex sitting somewhere that I have forgotten about. But I think your characterisation of the situation is correct.

Senator LUDLAM—They to refer to one Lowy Institute poll of July 2008, which I believe is in the public domain.

Mr Pezzullo—Yes.

Senator LUDLAM—Can you tell us where that data is, who conducted the surveys and who was responsible for analysing the results?

Mr Pezzullo—I will take that on notice. It does go to public opinion research polling which was conducted through the course 2008 following a precedent set in 2000 and which was commissioned by the Department of Defence, but at the request of the independent community consultation panel. As to both on the one hand who conducted it—sample sizes and the rest of it that they employed—I would need to take that on notice because I do not know to what extent that remains confidential.

The second part of your question asks who evaluated that information. All of that information—that is, the departmentally commissioned research—was made available to the panel in the first instance because it was done as a service for it. The panel members obviously drew upon it in their deliberations as a panel in reaching their views, which are described and laid out in the report of the community consultation process.

You mentioned the Lowy quantitative work. In addition to the process I have just described, we made sure that panel members were aware of studies such the Lowy study that had any kind of reference to community attitudes or community views about such matters.

Senator LUDLAM—If you are taking some of that on notice, I am interested to know how many surveys were conducted and what the categories were. Most importantly, can you give us any reason why that source should not be tabled and made public?

Mr Pezzullo—That will be part of what I take on notice. I will review it and consult as required and as appropriate and come back to you.

Senator LUDLAM—The reason that I am pursuing this in a bit of detail is that constituents have conveyed to me—including people who participated in some of this work—

that the results of the surveys are used in the panel's report essentially to diminish the value of submissions that Australians put because they are being benchmarked against some invisible survey data. For example, page six of the report says:

Some groups were very supportive of the ADF although others wanted less government emphasis on defence. While those views are acknowledged in this report, the Panel was concerned to evaluate the extent to which such views were representative of the broader community.

In essence, that data is being used to make quite a strong case that anybody who comes to you pushing for less defence funding or different priorities is somehow at odds with general public opinion. It would greatly assist our work and the defensibility of the white paper as a whole if that material were to be made public.

Mr Pezzullo—I understand the underlying rationale for your request for access to that data. As I said, I have taken that on notice. I will consult as required and come back to you.

Senator LUDLAM—I would greatly appreciate that. I do not have too much more on the white paper. I think some of the other matters will probably have to wait until later in the evening. Were you a bit surprised by the strength of the reaction by Mark Thomson in the Australian Strategic Policy Institute document? He has evaluated it in a fairly limited amount of time. He says in the cover note in this document:

It's disappointing, therefore, that 'the most comprehensive White Paper of the modern era' has been followed by the least comprehensive Defence budget papers of the past decade.

I suspect that this goes to some of the issues that other senators raised earlier in the day.

Senator Faulkner—I have listened carefully to the question and I think it is probably a little beyond the norm of questions to ask whether an official was surprised by the reaction of a commentator, regardless of how eminent the commentator might be. I ask you to consider rephrasing your question if it is going to be asked of Mr Pezzullo so he might feel more at ease in answering it.

Senator LUDLAM—I will see if I can walk that line.

Senator Faulkner—I am sure you can.

Senator LUDLAM—I am sure you are well aware of the Australian Strategic Policy Institute document to which I am referring.

Mr Pezzullo—Yes.

Senator LUDLAM—The institute is a government funded defence think tank. Minister, I might be better off directing this question to you. What is your response to the contention that has been put by ASPI that—

Senator Faulkner—To be honest, I have not had an opportunity to read it. I have been rather tied up in the past week and half. I have not read Mr Thomson's report yet; it is substantive one I know. I am looking forward to having an opportunity to do so. I can perhaps make some general comments, but I have to acknowledge that I have not read it. Let me make some general comments to you. I always believe in being honest about these things. I am looking forward to having an opportunity and having the time to read it.

The white paper does set out a very clear plan for Australia's defence funding needs for the next generation: *Delivering Force 2030*. I think there has been some canvassing at the table today about the fact that for the first time we have a situation where a government has committed to funding arrangements for defence for the life of a white paper. Obviously, long-term funding stability is essential for long-term planning. I think it is essential for meeting the future strategic challenges that we face. I am happy to say that to you and to do my best with some other broad questions, but you will need to understand that in asking any questions of me I personally have not had the opportunity to read Mr Thomson's analysis. I am sure officials have and that is why I suggested to you that perhaps you could look at rephrasing your questions if you want to delve into some of those specifics. I certainly encourage officials to assist you. It is just a little difficult to assist you with a question that was framed in the way that it was.

Senator LUDLAM—I put to you, Minister, that it is pretty strong language from a government-funded think tank, noting that the white paper, in his words, is the most comprehensive of the modern era—

Senator Faulkner—I heard that evidence earlier.

Senator LUDLAM—but then goes on to say that the budget papers are not costed or affordable, there are no tangible targets, that the documentation is deliberately vague and public and parliamentary scrutiny is thus tightly curtailed and so is Defence's accountability, describing a downward spiral of disclosure in Defence. Given the very long time horizon over which enormous amounts of funds are to be spent, I would have thought there would be some concern if some fairly highly qualified people funded by the government to analyse these sorts of matters are so sharply critical so soon after the production of the budget.

Senator Faulkner—You asked officials to comment on that a moment ago. Let me make some comments. But I reflect again that I have not had an opportunity to read Mr Thomson's analysis and I do not want to pretend to you that I have. It is true that the government is supporting the Defence budget with three per cent average real growth to 2017-18 and then 2.2 per cent average real growth from 2017 to 2029-30. As you know and as you heard earlier today, Defence will also receive fixed indexation at 2.5 per cent each year to 2029-30 rather than the indexing funding to what I think would be fairly described as a volatile non-farm GDP deflator.

I think you are aware that the new funding model will provide Defence with \$308 billion over the next decade to 2018-19. Over the 21-year life of the white paper, the new funding arrangements will result in Defence receiving around \$146 billion in additional funding. Of course, you are also aware that, as was canvassed earlier today, the program of reform and efficiencies will generate around \$20 billion worth of savings over the next decade. I can certainly say that. Even though I have not read Mr Thomson's analysis, I can certainly make those broad comments to you. If you want to focus in on some particular part of the analysis in Mr Thomson's recent paper, I will try to assist you if I can. If I am unable to, I will certainly ask officials to do so.

Senator LUDLAM—Thank you.

CHAIR—While we have the principal author of the white paper before us, I will ask Mr Pezzullo a few technical questions arising out of some of his commentary. I refer to paragraph 3.25, where the government outlines its intention in terms of five-yearly reviews, the risk assessment and the independent audit of Defence. Can you outline to the committee what is the real driver? Is that process intended to monitor reform, drive reform, account for reform or all of the above? What is the government's thinking there?

Mr Pezzullo—As you rightly point out, this is the government's document, so I will not provide my own personal commentary.

CHAIR—Yes. What is the government's thinking?

Mr Pezzullo—The government's purpose is stated at paragraph 3.25 and was amplified in press releases associated with the white paper launch and by the minister in a couple of speeches—certainly one I recall after the white paper launch to an ASPI organised event. If I take the sum of those pronouncements—not just the paragraph in question but the broader sum—as has been discussed throughout the course of the day, the government was concerned to ensure that a clear plan was laid down over two decades. As the government has stated—and I know it has been the subject of discussion today, so I do not want to reopen the debate—the plan is funded for 20 years, it is affordable and it is concrete in terms of projects, delivery timetables and the like. I do not want to reopen that debate; I simply make that statement and let it stand as is for the moment.

The other contention put earlier in chapter 3, which is headed 'Managing strategic risk', is that the character of strategic risk changes over time, the factors that you need to take into account change over time, your strategic environment changes over time, your fiscal circumstances change over time and the nature of technology changes over time. As has been stated in those various pronouncements that I referred to earlier, the government was concerned to ensure that there was a systematic, periodic process whereby a re-examination of all of those factors could be undertaken in a very structured and deliberate way. For instance, I recall that Minister Fitzgibbon in his speech and in his answers to questions made the point on several occasions that he wanted discipline to be enforced within the Defence organisation and the wider bureaucracy. In the years leading up to a five-yearly white paper process all of those factors of risk, technology, cost, strategic environment et cetera should be constantly kept under review in the knowledge that a future government would be re-examining those matters.

You will notice, and you referred to this in your questions, that it is not just a white paper per se. The process involves a comprehensive force structure review and a comprehensive review of our strategic environment, accompanied by a formal risk assessment as well as an independent audit of the defence enterprise to ensure the affordability of the plans and to see whether any further productivities and efficiencies could be made. You can derive from paragraph 3.25 plus all those other associated pronouncements that it is certainly this government's intention that every five years there will be a comprehensive look at the entire defence organisation, not just in terms of the classic issues around strategic policy and force structure but going into the enterprise issues that are the subject of, as you heard earlier today, the strategic reform proposal.

CHAIR—I now ask you to turn to the discussion in chapter 9 on antisubmarine warfare. That chapter outlines in considerable detail the role of the future submarine. It then identifies the significant capabilities that are going to be required by other platforms as part of antisubmarine warfare. When you read through the ships, helicopters, service vessels and the extra new submarines, there is clearly a heavy emphasis on submarine and antisubmarine warfare. Would you explain to the committee from the government's perspective what is driving that thinking and hence—I do not want to use the word 'disproportionate'—the heavy emphasis in terms of platforms and capabilities.

Mr Pezzullo—Perhaps the best way to answer that is to take you back to chapter 8, where the methodology of the force structure review was described in unclassified terms. There was some discussion about chapter 8 and the force structure review in response to some of Senator Johnston's questions. The starting point of any answer, be it antisubmarine warfare or any other capabilities that are described in chapter 9—

CHAIR—That is a particular capability, isn't it?

Mr Pezzullo—Indeed it is. The point I am coming to is that if you look at chapter 8 you will see that it lays out the rationale that underpins why it is that certain priorities were pursued and, by inference, other priorities were not. Chapter 8 lays out the fact that the government took the view that the most important set of capabilities—that is, those that would attract priority funding—relate to the direct defence of Australia, which is defined as deterring and defeating attacks on Australia, its territory, infrastructure or population. The next priority is an ability to operate in our immediate neighbourhood, including by way of security and stabilisation operations.

I take you to the subsection headed 'Determining the weight and reach of our forces' at paragraph 8.29. That was touched on earlier. In terms of quantities and the weight, reach and scale of the force, the primary drivers were the strategic assessments and strategic risk assessment that were undertaken of our operating environment that was described earlier in the white paper. That was combined with the judgments of the force structure review team, which was mentioned earlier today and was headed up by one of my deputies, Major General John Cantwell. They came up with a joint view of areas that required remediation or enhancement, and in some case areas that required additional effort. The CDF talked about this earlier when he was first asked about the force structure review. We tested them against credible contingencies and we came to a view not just in relation to the doubling of the submarine fleet that was discussed earlier in these proceedings but also in terms of acquisition of antisubmarine warfare capability. We looked at the future frigate that will have a particular ASW bias, the bringing forward of the acquisition of the naval combat helicopter and certain other capabilities that are pertinent to antisubmarine warfare. We tested those issues.

I now come up to the limits of what I can say in these proceedings. For the benefit of the committee and those members who do not have the white paper in front of them, this is what the white paper says. Paragraph 8.30 reads:

The specific defence planning contingencies used in developing the White Paper cannot be described in detail in a public document. For one thing, it would give others, including potential adversaries, too clear a view of our operating parameters and limitations. Every nation undertakes such sensitive defence planning and wargaming, and protects official information associated with those activities.

This was a subject of discussion earlier in the day, I know. How is it that we came to very precise numbers in the force structure and a very precise scale of force elements? At the end of the day, the detailed answer to that question is, if you like, embedded in that classified process. So I have now reached the limits of what I can usefully describe to the committee.

CHAIR—Okay. In that case, we want you to be useful while you are here. I would ask you to turn to page 77. Paragraph 9.50 states:

Defence will also broaden the delivery of foreign language training through new regionally-based training facilities and the Melbourne campus of the Defence Force School of Languages.

Can you outline to the committee if the government has concluded its thinking there? This may be a question for Mr Warner. What are our plans, if there are any, at this stage?

Mr Pezzullo—The white paper was accompanied by quite a number of press releases on the day. As I recall it—and I do not have them before me—I think there was a specific press release on the foreign language capability that was further amplified in that press release. What I might do is refresh my memory as to what that press release says. If anything I am about to say is incorrect, I will obviously correct the record. Essentially, that paragraph goes to the enhancement of our capacity to deliver language training to our forces, particularly those who operate—as you see there—in land operations in complex environments. We looked closely at this question in terms of doing some distributed training around Australia that would better meet the needs of our Defence workforce, particularly our ADF linguists. We decided that a model of both regional delivery plus an enhancement of that Melbourne campus was the best way forward. I think there are more details in an associated press release. I will refresh my memory during break, and if there is anything I can add I will.

CHAIR—I have seen the press release, and it did not go to the level of detail I am interested in. I have been involved in a couple of inquiries in the last two or three years in the defence area. In both of those inquiries there were submissions from the public and interested groups about the level of competence of defence personnel in languages other than English in the Pacific and other theatres we might be in. Is this proposal about Pacific-type languages or does it more generally relate to areas in the Middle East and the like?

Mr Pezzullo—I do not know that we have publicly identified what our language priorities are. Certainly from a strategy point of view—and I am the strategy guy—all of our training, be it technical, languages or whatever, is obviously geared to our strategic priorities. There might be another member of the defence organisation available who can come forward to talk at an unclassified level about how we prioritise our foreign language capability.

CHAIR—It is related to our strategic priorities?

Mr Pezzullo—You can take it as read, without going into specific regions, countries, languages or dialects, that it would be consistent with our strategic priorities and interests.

CHAIR—That is fine. That does answer the question. I ask you to turn to paragraph 9.64, where you talk about acquiring airborne electric attack capabilities. It—or the government—says:

To that end, it has decided that the production arrangements for the second batch of 12 Australian F/A-18F Super Hornets will include wiring those aircraft to enable them, should later strategic circumstances dictate, to be converted to the electronic warfare ‘Growler’ variant ...

Is there a technical reason why it is only the second batch and not the full set?

Mr Pezzullo—I am sure that there would be, but I would have to rely on someone else to assist me with that technical reason.

Air Chief Marshal Houston—I think the reality is that the first 12 were already in production. It is easier to organise for the second 12 run, than for the first 12. It is as simple as that.

CHAIR—It is as simple as that. Could I ask you now to turn over to paragraphs 9.82 and 9.83 and the discussion therein concerning situational awareness. You have an extensive discussion on merging information from many sources and deployed assets. At the beginning of paragraph 9.83, the government says:

To achieve this goal, Defence will embark on a major enhancement of its ISR management processes and information architecture.

I can recall discussions going back for many years about getting different platforms to talk to each other and to exchange information. I recall the systems integration problems and a range of platforms and the intricacies involved in getting them to work at that level. This strikes me as a huge ask if we are talking about that type of capability across platforms, assets and regions. Have I misread the scarlet endeavour here?

Mr Pezzullo—It is certainly challenging. Not to diminish the nature of the challenge but, as the nature of the challenge evolves with more and more platforms, more and more capable individual sensors and more and more capable individual collection systems, on the other side of the ledger some of the key networking tools are also growing. There is more bandwidth that is becoming more and more efficiently available. There is the ability to compress data and to impose technical information standards across a wider range of networks, particularly with open systems architecture and the like. But it also goes to the training of our people. It goes to the ability to train our people across a number of different information systems and breaking down the stovepipes that have traditionally existed in that area. If there is anything that either the vice chief, who has direct responsibilities in this area, or the deputy secretary for intelligence wishes to add, they are more than welcome to do so. But, traditionally in this area, one of the problems—which had nothing to do with machines or technology—was the stovepiping of information, for instance, through compartmentalisation and the very narrow listing of named individuals who could have access to particular types of data.

What that paragraph there, the one you have drawn particular attention to, paragraph 9.83, talks about is that consistent with, of course, the minimum standards that we must obviously adhere to in terms of security protocols, there will be a bias as we develop the ISR capability to a share mentality—that is, a need to share mentality—so that information goes laterally across networks, platforms and collection systems, respecting in some cases the very sensitive methods by which we collect some of this information. Frankly, not all the people who are using information need to know how it was collected, when it was collected or, indeed, why it was collected. What we are working at in this new architecture is trying to break down as best as we can all that stovepiping. Some of that will involve machine solutions—that is, machines simply being able to talk more readily to one another—but some of it will involve new business processes and practices at the human level. People will be able to access more wide-

ranging sorts of data while still protecting the most essential elements of how it is that we acquired that data.

CHAIR—Are paragraphs 9.82 and 9.83 more about cultural change and organisational practices within sections of the ADF?

Mr Pezzullo—In part I would characterise it like that. I would break the two paragraphs into their two separate logical points. I think it is fair to say that paragraph 9.82 is really about the explosion of information that is becoming increasingly available as more and more systems come online that have more and more powerful sensors. At 9.82 you see a discussion about the information collection capability. I will not list them all, but they are all there. There are the over the horizon system, the airborne ISR assets and the maritime patrol aircraft. The next generation of that will have—and I think it is fair to say, and the Chief of Air Force will assist me if I get it wrong—a qualitatively new enhanced range of information collection and sensor capabilities. A whole lot of other sensors are also mentioned there.

But there are also, if you like, non-traditional sources of information—the fact that the joint strike fighter, for instance, will have, as the white paper says, an unprecedented capacity not just to do what a fighter bomber traditionally does, but also to collect information and then to disseminate it to other units, both in the tactical battle and also back up the line to the strategic levels of command and control. There will be more and more sources of information coming from more and more different points of information collection, which is the point of paragraph 9.82.

The point of paragraph 9.83 is a connected but slightly different point—which is: how do you pull all this together in a new and comprehensive architecture that has those features that I described earlier: machine to machine dimensions as well as new business processes. To the extent that that requires a degree of cultural change I would have thought that, yes, probably in the last 20 years there has been an ongoing cultural change in this area as more and more information is pushed from the strategic level down to the tactical level and the tactical war fighter. What paragraph 9.83 is alluding to is that there is more of that to come.

CHAIR—In that context only of machine to machine, I remember a set of discussions over the years about integrating various advanced systems in a range of platforms—the inability of weapons to talk to communications and to fire warnings—and huge ongoing discussions about time and cost. Are the sorts of issues that are still in the process of resolution at platform level the sorts of issues you are talking about here when you refer to machines communicating to machines?

Mr Pezzullo—In some instances it is about different platforms interfacing with one another—for instance, a satellite interfacing with a precision-guided munition as it is moving towards a target. But it is not just simply how platforms deal with one another; it is also how information is networked in a seamless fashion so that either a machine that is autonomously operating in that network can receive information from other machines and so that commanders and their battle staff, including their operations and intelligence staff, can draw on networked and distributed sources of information without necessarily having to know that that information exists through highly classified security briefings. It simply is pushed—

CHAIR—They know it?

Mr Pezzullo—It is pushed to them and then, if you like, just like in the internet age more generally, they can configure their field of interest. Our machines—our internal internet type systems—can push information that is relevant to their tactical or operational situation without them having to go and ferret it out. It is about how humans interact within this system and it is also how machines interact in the system.

CHAIR—I think I have probably pushed the discussion as far as I can.

Mr Pezzullo—I suspect, Senator, that you are also reaching the limit of my technical competence.

CHAIR—I think that is the limit I have come up against. I might ask you, finally—finally so far as I am concerned—to go to page 110.

Mr Pezzullo—I am sorry, Senator, is that chapter 9?

CHAIR—No, page 110 and chapter 13.17—an old friend of this committee—'Better Managing Defence Costs'. In that the government identifies clear issues around understanding managing costs and financial risks. You have spoken a fair bit about that today. In that context of further learning, further understanding and further implementing costs associated with risk, does the government have any specific plans in embryonic form relating to paragraph 13.17, or are you just identifying that 'we understand this is a problem and we have to be attentive to it'?

Mr Pezzullo—No, Senator. I will answer principally in relation to the strategic reform stream for which I am responsible and accountable, which is improved strategic planning, to which that paragraph refers. Other responsible stream leaders or the secretary or the CDF may wish to add to my remarks. Paragraph 13.17 is embedded in a sub-chapter entitled 'Improved Planning'. It states quite openly:

13.17 One of the most important benefits of improved planning—

and there are others but obviously in this case we are dealing with the issue of costs—

will be a strengthened capacity for Defence to understand and manage costs and financial risks.

Why does that arise? Earlier in the white paper there is a discussion about what the government will require of defence—and it is described in the white paper. Through the strategic planning and force structure development process that has been established as a consequence of this white paper, the capability requirements that are worked through in the capability development group by my colleague Vice Admiral Tripovich will be informed at the front end by a more disciplined view that comes through the improved planning process of exactly what is required in relation to our strategic context—that is to say, what does strategic guidance tell the capability development group and the single services and others about the nature of the mission that that capability is required to undertake.

The force structure development process, which is described in chapter 3 and chapter 8 of the white paper, is a new process and function that is embedded in my group—in the strategy group. They will be responsible for as much as possible. You cannot necessarily anticipate, as the CDF said and as I think the Chief of Navy said earlier, exactly what undersea technology will be available to us in 15, 16 or 17 years time. But what the strategic guidance process can do is circumscribe as much as we can estimate now what the nature of the mission will be in

the context of our strategic guidance. That then allows the capability development group—and I will defer the process by which that group would do that to my colleague—to better define the nature of the capability solutions that are appropriate to that particular task. Once you start to define the nature of the platforms that you are going to employ, you can get more precision around what is known as the capability requirements and development process.

CHAIR—Understood.

Senator Faulkner—I might assist the committee. You will recall that a little earlier in the day we took on notice some issues relating to white paper costs—questions asked by Senator Johnston.

CHAIR—Yes.

Senator Faulkner—I believe that the CDF has some responses to provide to the committee, if it would suit the committee for him to provide that now.

CHAIR—Yes, thank you Minister. That would be quite useful.

Air Chief Marshal Houston—Earlier I took Senator Johnston's question on notice and I said that I would get back to him as soon as I could. I stress that when I took that question on notice I had no idea of the precise figure. I had a broad view of what the figure might be but I needed to go back and get some detail from the department. I had a number of people working on it and we now have the figure which Senator Johnston asked for. In relation to the capital investment program for the period 2009 out to 2030 we are looking at a band—clearly it has to be a band because in some cases we are talking about capability investment that is a long way in the future—of between \$245 billion and \$275 billion. Those dollars are in 2009-10 budget dollars out-turned. Thank you very much.

CHAIR—Thank you, CDF. Are there any further questions? Did you wish to respond, Senator Johnston?

Senator JOHNSTON—No, I am happy with that.

Senator TROOD—Could I follow your example, Chair, by seeking contextual clarification on a couple of things? Mr Pezzullo, looking at 8.44—a paragraph with which you are probably quite familiar. It refers to.

... determining whether the weight and reach of the ADF would have to comprehend the remote but plausible potential of confrontation with a major power adversary.

With which major power adversary would we have to contend?

Mr Pezzullo—Senator, in answer to Senator Bishop's earlier question, I referred to an earlier part of chapter 10 where the force structure review process was described. I said that I had reached a point where, as is outlined in the earlier parts of chapter 8, the specific contingencies that we used are not able to be put on the public record. In order to answer your question I would need to do that, so I am not in a position to do that.

Senator TROOD—Are there many potential major power adversaries, Mr Pezzullo?

Mr Pezzullo—You are seeking to draw out elements of the answer, Senator. I am not in a position to respond.

Senator TROOD—Could it be the United States?

Mr Pezzullo—I am not going to respond, Senator. Let me rephrase that: I am not in a position to respond. The contingencies that were used, which were made known to government, were, as is stated there, remote but plausible. I would take you to an earlier part of chapter 8 where I relied upon an answer to some questions from Senator Bishop that says we did use specific defence planning contingencies as part of our war gaming and force options testing process. They are described as best as we can and in as much detail as we can in paragraphs 8.30 and 8.31. Beyond that, I am not in a position to answer your questions.

Senator TROOD—I would have hoped that you would have done that, but this makes it pretty clear that the paper foresees a danger from a major power. Similarly, if I may say so, in the following paragraph, where the paper states:

8.45 It is conceivable that, over the long period covered by this White Paper, we might have to contend with major power adversaries operating in our approaches—

Mr Pezzullo—Yes, Senator. For the benefit of other members of the committee who may not have the document in front of them, it states:

In such a circumstance, it is not a current defence planning assumption that Australia would be involved in such a conflict on its own—

That is to say, a conflict with a major power adversary on its own. The white paper continues:

But we do assume that, except in the case of nuclear attack—

And we talked about that before where we explicitly rely on the extended deterrents afforded as protection to us by the United States—

Australia has to provide for its own local defence needs without relying on the combat forces of other countries.

That is stated openly there in paragraph 8.45. Beyond that I really have nothing further to add.

Senator TROOD—Presumably it is China, is it?

Mr Pezzullo—Senator, I have nothing further to add to my evidence.

CHAIR—Senator Trood, the witness has stated, both to me earlier and to you now, that he is not going to develop in public comments in the white paper where the white paper expressly refuses to go any further. That is a sensible position. If you are seeking further advice then you do have the option of seeking a private briefing from the department. Mr Pezzullo has now made the point on successive occasions that he will not develop that issue. That is the end of it.

Senator TROOD—I may seek that opportunity, Mr Chair. Perhaps you might clarify this for me, Mr Pezzullo. In paragraph 8.44 the paper speaks of a major power adversary, which seems to allude to a particular state. Paragraph 8.45 refers to major power adversaries operating in our approaches. I want to be clear about what that last phrase means ‘major power adversaries operating in our approaches’. Does that mean great powers contending with consequences that may affect Australia’s strategic interests, or is that a reference to multiple threats that Australia itself may face from major powers?

Mr Pezzullo—No, Senator. I think any fair reading of paragraph 8.45 would clearly come to the view that it is about conflict. It states that those major power adversaries operating in

our approaches would, in the most drastic circumstance, be operating there as a consequence of a wider conflict. That presumes that there is some kind of conflict or war going on more generally in the Asia-Pacific region. As I said earlier in my evidence, it is not a defence planning assumption that the government currently holds in this white paper that Australia would be involved in such a conflict on its own.

Senator TROOD—So there is a danger that we will face a remote but plausible threat and confrontation from a major power, and that our broad strategic interests could be affected in a quite serious way—or at least that is conceivable—by great powers, some of whom may be our friends, finding themselves in disputes with one another, with ramifications that affect our interests in the region. Is that right?

Mr Pezzullo—Senator, based on what I said earlier, I do not think I am in a position to further interpret the passage beyond what the plain words state, except to say you that you made a reference there to our broader strategic interests somehow being engaged. I am pointing out to you that paragraph 8.45 is clearly about our local defence needs in the context where our direct strategic interests, in relation to the protection of our territory, infrastructure or population as defined earlier in the strategic interest chapter—chapter 5—are engaged. That is stated plainly in that paragraph. Beyond that I am not in a position to interpret further what that paragraph means.

Senator TROOD—Obviously I am at liberty to interpret this as I choose to do so, but it would not necessarily be an incorrect assumption to say that paragraph 8.44 refers to a particular state that may, in the view of the white paper, pose a threat to our interests.

Senator Faulkner—Senator, you are, as you said, at liberty to interpret this as you wish to.

Senator TROOD—And I can apply such strategic knowledge as I have at my command to exclude the possibilities. That seems to me to come down to not many other than China.

Mr Pezzullo—I am not sure whether that is a question, Senator. In any event, even if you decide it is a question, it is not one that I can answer.

Senator Faulkner—As you said, Senator, you are at liberty to draw your own personal conclusions about these sorts of matters.

CHAIR—Are there further questions on the white paper?

Mr Pezzullo—If that is a signal that I am being excused—and I am assuming that that is the case—I can come back on one matter, if I may, to Senator Johnston on the planning that was undertaken for Mr Jennings' international travel?

CHAIR—You may indeed, Mr Pezzullo.

Mr Pezzullo—Senator Johnston, as I intimated earlier—and I was out by only a few days—the travel itinerary was initially planned on 11 March—so approximately five weeks and not one month before the actual travel that was undertaken. That involved consultation with posts and they consulted with our interlocutors. Actual flight bookings were made firm on 8 April.

Senator JOHNSTON—Very good, thank you.

Senator TROOD—Mr Pezzullo, you might already have answered this question, but has anybody been to Taipei and talked to them about the white paper?

Mr Pezzullo—No, Senator.

Senator TROOD—Why was that?

Mr Pezzullo—It is Australian government policy, followed successively, that Australian government officials, in particular those in the defence department, do not have dealings with authorities or purported authorities in Chinese Taipei.

Senator TROOD—We do have a representative there and a trade representative there. Of course, we do not have a mission there—formally so stated.

Mr Pezzullo—I am making specific reference to officials who are concerned with defence national security and foreign policy matters. Certainly, Defence department officials are precluded from those sorts of contacts.

Senator TROOD—Has it occurred to you that you might invite our representative there to inform the Taiwanese government about the matters contained in the Defence white paper?

Mr Pezzullo—No, it has not occurred to me at all.

Senator TROOD—Have you made a policy decision that you do not intend to undertake that briefing?

Mr Pezzullo—If that had occurred to me and if I had suggested it, that would have been in breach of the policy that officials from the Defence department do not engage with authorities—

Senator TROOD—I am not suggesting that an official from the Defence department might do so.

Mr Pezzullo—It would have the same effect, Senator, if I were to ask another entity in the Australian government to, in effect, act as an intermediary. It would have the same effect. I judge that it would be a breach of that policy.

CHAIR—Thank you, Mr Pezzullo. We are still dealing with portfolio overview and budget summary. Are there other matters that senators wish to raise under that heading?

Senator JOHNSTON—I have a matter that I think might see us through until 6.30 pm, if not sooner. My question is to the Secretary. Secretary, are you aware of the United States health provider Humana?

Mr Warner—I have heard the name Humana, yes.

Senator JOHNSTON—Has the department had any dealings with Humana?

Mr Warner—Here I will have to phone a friend, if you do not mind, Senator.

Senator JOHNSTON—I would be very much obliged.

Senator Faulkner—That would be hard when you do not have a phone. If you wait a moment, Senator, we will ask an official who will be able to assist you on this to come to the table. Could you give us just a moment?

Senator JOHNSTON—Major General, have we had any dealings with the United States health provider Humana?

Major Gen. Alexander—We have no commercial dealings with Humana.

Senator JOHNSTON—I know. I do not mean contractual; I mean have we had any contact with them whatsoever?

Major Gen. Alexander—Yes. I was involved in a meeting last year with representatives from Humana.

Senator JOHNSTON—When was that meeting?

Major Gen. Alexander—I will refer to my notes for the exact date.

Senator JOHNSTON—Absolutely; feel free to do so.

Major Gen. Alexander—I believe that the meeting was on 27 August 2008.

Senator JOHNSTON—Exactly who is Humana?

Major Gen. Alexander—Humana is a health insurance organisation that is contracted by the broader defence organisation within the United States to provide health services for one region within the United States—it is a large region—that takes in the south-east and central regions, which would involve Florida and Texas. It is a large contract on behalf of the United States military.

Senator JOHNSTON—What was the nature of the contact that you had with them? What was the discussion about?

Major Gen. Alexander—The discussion was whether Humana had some possible interest, or whether it had the potential to be engaged in business in Australia.

Senator JOHNSTON—And to provide services to the ADF?

Major Gen. Alexander—Obviously that was the reason why they came to see me, or why the meeting occurred. I indicated to them that there was no such opportunity, certainly at this stage, as we have prime contracts in place with current providers within Australia.

Senator JOHNSTON—Very good. This was 27 August, I think you said?

Major Gen. Alexander—Yes.

Senator JOHNSTON—Who was present at that meeting? Obviously you were present?

Major Gen. Alexander—Yes. I believe the Minister for Defence, Science and Personnel was present.

Senator JOHNSTON—So Mr Snowden was present?

Major Gen. Alexander—There certainly were representatives from the office. The minister may not have been there.

Senator JOHNSTON—You are not sure?

Major Gen. Alexander—I am not sure.

Senator JOHNSTON—Do you have records that you can check?

Major Gen. Alexander—I do not believe I recorded the names of the people who were attending the meeting. So, no, I cannot say for certain that I could confirm that. You would have to refer to the minister's office, to find out whether or not he was present at the meeting.

Senator JOHNSTON—But you think it might have been the minister's staffer who was there?

Major Gen. Alexander—Yes. There were representatives from the Department of Veterans Affairs and representatives from Humana.

Senator JOHNSTON—How many people were there from the minister's office?

Major Gen. Alexander—I cannot recall.

Senator JOHNSTON—How many people from DVA?

Major Gen. Alexander—I cannot recall.

Senator JOHNSTON—How many people were there from the company?

Major Gen. Alexander—I believe that there were at least two members from the company.

Senator JOHNSTON—Two from Humana. Was there anyone else?

Major Gen. Alexander—Again, I would have to refer to some notes.

Senator JOHNSTON—Absolutely. Please feel free to do so. I am very pleased that you have notes.

Major Gen. Alexander—I cannot recall, but I believe there were possibly representatives from another health insurance agency—an Australian health insurance agency.

Senator JOHNSTON—Could I suggest that that health agency was NIB Health?

Major Gen. Alexander—Yes.

Senator JOHNSTON—That is right. And who were those representatives?

Major Gen. Alexander—I believe that the chief executive officer was present at the meeting.

Senator JOHNSTON—Who was he?

Major Gen. Alexander—Mr Fitzgibbon.

Senator JOHNSTON—Mr Mark Fitzgibbon?

Major Gen. Alexander—Mr Mark Fitzgibbon.

Senator JOHNSTON—He, of course, is the brother of the minister.

Major Gen. Alexander—Correct.

Senator JOHNSTON—There were approximately—you can correct me, and we can see whether we can tie this down—seven people at the meeting?

Major Gen. Alexander—At least.

Senator JOHNSTON—Very good. Who made the appointment for the meeting?

Major Gen. Alexander—I cannot recall. I recall that I was asked to attend the meeting by representatives from the minister's office.

Senator JOHNSTON—What is the value of the prime contract for Defence Health at the moment?

Major Gen. Alexander—We have various prime contracts. In broad dollar terms—and I could be out by 10 per cent or 15 per cent—

Senator JOHNSTON—Ten per cent is fine. Just give me a rough feel for it.

Major Gen. Alexander—It would be \$200 million.

Senator JOHNSTON—Is that is one contract or is that the aggregate of what you think you spend?

Major Gen. Alexander—That is the aggregate of the total of what we spend on contracts with five or six prime contractors around Australia.

Senator JOHNSTON—All right. So you had this meeting concerning a proposal by Humana. Was it a sole proposal by Humana or a proposal by Humana with Australian representatives delivering the Humana services?

Major Gen. Alexander—It did not get anywhere near that level. It was purely a without-prejudice scoping meeting where representatives came from America and said, 'This is what we do in America. We have broad experience in the military and veterans environment and this is what we potentially have to offer.' So it was very broad and without prejudice.

Senator JOHNSTON—Was any documentation provided to you as to their bona fides, their track record and history, what they do, the services they provide, who their chief executive officers and general administrators are, or anything of that sort?

Major Gen. Alexander—I cannot recall what information was provided to me, but I do recall that we, as an organisation, did some searching and some scoping ourselves through open sources to find out—

Senator JOHNSTON—Who they were.

Major Gen. Alexander—who they were and what they do. In addition, I am aware of the Tricare services arrangement, which is probably one of the largest HMO types of organisations within the United States. It spends significant billions of United States dollars.

Senator JOHNSTON—I take it that you did not initiate the meeting?

Major Gen. Alexander—No, I did not.

Senator JOHNSTON—Who did?

Major Gen. Alexander—I cannot recall.

Senator JOHNSTON—I would like you to pause for a moment and to think about that. What on earth were you doing in that meeting? How did you get there? Can you tell us?

Major Gen. Alexander—As I mentioned previously, I was directed to attend the meeting by representatives from the Minister for Defence, Science and Personnel.

Senator JOHNSTON—So the minister's office told you to go along and see these people?

Major Gen. Alexander—Yes. I was there for a reason.

Senator JOHNSTON—As is quite common. He suggested that it was a good idea, that these people had some services, that maybe the government should have a look and keep abreast of what they had in the marketplace?

Major Gen. Alexander—That is not unusual. I have meetings all the time with potential service providers.

Senator JOHNSTON—I think that is perfectly legitimate. They showed you what they were doing. Take us through precisely how long the meeting lasted. Do your notes stipulate that? What do your notes stipulate? Tell us what your notes say.

Major Gen. Alexander—I have a number of documents—my email correspondences with various staff, my ministerial submission relating to the meeting, some documentation that I believe relates to some diary entries, and also some of the background information and scoping documents that we, as an organisation, sought in relation to Humana and Tricare.

Senator JOHNSTON—What is the first document there?

Major Gen. Alexander—It is an email from—

Senator JOHNSTON—Do not tell me the person's name; just tell me where it is from.

Major Gen. Alexander—From the office of the Deputy Secretary of DSG, confirming that the meeting was—

Senator JOHNSTON—What is DSG, for those of us who are a little rusty on our acronyms?

Major Gen. Alexander—Mr Martin Bowles, Defence Support Group.

Senator JOHNSTON—Defence Support Group.

Major Gen. Alexander—At that time health was part of the Defence Support Group.

Senator JOHNSTON—So there is an email from Defence Support Group stating what broadly? Does it say, 'See these people'?

Major Gen. Alexander—It says that the chief executive officer of NIB wants to discuss the system used in the United States and its possible implications for the ADF, indicating that the chief executive officer of NIB was Mark Fitzgibbon.

Senator JOHNSTON—And the next document is a ministerial directive from Mr Snowdon's office to see Humana and NIB?

Major Gen. Alexander—No. The next document is a back-brief from me to Martin Bowles relating to the meeting that occurred on 3 July that had no representatives from Tricare or Humana present.

Senator JOHNSTON—That is probably not as relevant to the meeting with Humana; it is just a background document as to where you were at as a group. Is that right?

Major Gen. Alexander—It relates again without prejudice to what opportunities there were for health insurance organisations within defence.

Senator JOHNSTON—Good. The next one is the directive from the minister; am I right?

Major Gen. Alexander—No.

Senator JOHNSTON—I thought there was a directive from the minister there somewhere. Tell me: what is the next one?

Major Gen. Alexander—It is just a meeting request.

Senator JOHNSTON—From?

Major Gen. Alexander—The office of the Minister for Defence, Science and Personnel.

Senator JOHNSTON—So the minister's office requested that you meet with Humana and NIB?

Major Gen. Alexander—There was an earlier meeting without Humana present. Your initial question related to Humana.

Senator JOHNSTON—Yes.

Major Gen. Alexander—There was an earlier meeting at which no representatives from Humana were present.

Senator JOHNSTON—But there were representatives from the NIB?

Major Gen. Alexander—Yes, there were.

Senator JOHNSTON—So the NIB met independently of Humana back in July?

Major Gen. Alexander—On 3 July.

Senator JOHNSTON—What was the subject of that meeting?

Major Gen. Alexander—Again, it was in relation to opportunities for health insurance within Defence and DVA.

Senator JOHNSTON—How is it that that meeting occurred?

Major Gen. Alexander—Again, I was asked by the minister to attend a meeting.

Senator JOHNSTON—Which minister?

Major Gen. Alexander—I do not know whether it was directly from the minister, but it was certainly from—

Senator JOHNSTON—His office?

Major Gen. Alexander—His office.

Senator JOHNSTON—Very good. That is Minister Snowden's office?

Major Gen. Alexander—Yes.

Senator JOHNSTON—So there have effectively been two meetings with NIB and one meeting wherein NIB was accompanied by Humana?

Major Gen. Alexander—Correct.

Senator JOHNSTON—Was there any broad proposal as to the way they could provide services or what they might be willing or able to do if there were an opportunity?

Major Gen. Alexander—No.

Senator JOHNSTON—What was the meeting about?

Major Gen. Alexander—Again, it was a meeting with a health insurance provider in which they said they had a service and what the service was.

Senator JOHNSTON—So they were strutting their stuff—that sort of thing. But you had contracts and were completely tied up, so there was no potential for any commercial relationship?

Major Gen. Alexander—Absolutely.

Senator JOHNSTON—That is good. How many people were present on 3 July?

Major Gen. Alexander—I believe there was the CEO of NIB, me and there might have been a representative from DVA. You would have to check these details. I believe the best place to check these details would be with the office of the minister.

Senator JOHNSTON—Very good. I am not sure whether the office of the minister will be very forthcoming. Thank you for that. Can you tell me for the contract for health services within ADF—the \$200 million about which we spoke—when you would be looking to renegotiate and renew that contract. What is the term of the contract? I think that is what I am groping for.

Major Gen. Alexander—We have a large number of prime contracts. The first of those is the smallest in fact, and that comes up for renewal in May 2010. That is only for the Puckapunyal area. Various other contracts are up for renewal in somewhere between 18 and 24 months time.

Senator JOHNSTON—Minister, are you aware of a meeting in Minister Fitzgibbon's office in late August between the Humana representatives that we have heard about and Minister Snowdon and Minister Griffin wherein the Humana health business and the potential for any relationship with the ADF were discussed?

Senator Faulkner—Not beyond what I have just heard provided in evidence to you.

Senator JOHNSTON—You are not aware of any such meeting between the three ministers, Humana and NIB?

Senator Faulkner—I am not. I have just indicated to you that I am listening as carefully as I can to Major General Alexander's evidence on this.

Senator JOHNSTON—Okay.

Senator Faulkner—I would not expect you to think that I would be aware of such a thing. I certainly was not involved in such a meeting, if that is what you are suggesting, Senator.

Senator JOHNSTON—Major General Alexander, is the \$200 million that you have spoken about just for the ADF? What about the DVA contracts?

Major Gen. Alexander—These are the ADF-only contracts. DVA's arrangements are completely separate.

Senator JOHNSTON—Do you have a rough idea of what they are worth?

Major Gen. Alexander—No.

Senator JOHNSTON—No idea at all?

Major Gen. Alexander—No.

Senator JOHNSTON—I am not asking for a definitive figure; I am asking only for a broad figure.

Major Gen. Alexander—No. It would be best to ask DVA.

Senator JOHNSTON—That is fine; I will ask them. Has there been any further contact between NIB, Mr Mark Fitzgibbon and the ADF, to your knowledge?

Major Gen. Alexander—No, none whatsoever.

Senator JOHNSTON—Just those two meetings?

Major Gen. Alexander—Yes.

Senator JOHNSTON—All right. Coming back to 3 July, what was discussed then?

Senator Faulkner—I will double-check for you that there has been no question time brief provided to me. I believe that I would be aware of it had that been the case. It is possible that I might have read a news clipping about this at some point, but I believe not. I believe that I have not been provided with a question time brief, but I will double-check that no such thing has been provided to me. I am very confident of that but, because you asked me that question, I am keen to double-check for you. So I will do that.

Senator JOHNSTON—Very good.

Senator Faulkner—I try to be as thorough as I can, as you would appreciate, with question time briefs. I am confident that what I have said to you is absolutely accurate. If something is tucked away as background to a question time brief I would like to be absolutely certain that there was not a background note or something like that. I will double-check that for you.

Senator JOHNSTON—All right.

Senator Faulkner—I am very confident that that is not the case, but I will check.

Senator JOHNSTON—All right. What was discussed on 3 July, from your notes or to the best of your recollection?

Major Gen. Alexander—I provided a back-brief to Mr Martin Bowles on the meeting, and my notes indicate that the purpose of the meeting was to meet with the CEO of NIB to discuss opportunities relating to the provision of health care within Australia, the possible expansion of a US care model currently used by the Department of Veterans Affairs and Defense in the US and that NIB had developed a relationship with Humana, which was one of the prime healthcare providers for Tricare, which is the overall insurance network provider to Defence and DVA.

Senator JOHNSTON—What was that relationship, to the best of your understanding?

Major Gen. Alexander—Which relationship was that?

Senator JOHNSTON—The relationship between NIB and Humana. There was a professed relationship from NIB's perspective on 3 July.

Major Gen. Alexander—I am not aware what that relationship was.

Senator JOHNSTON—Could you repeat for me what you just said about the relationship?

Major Gen. Alexander—It was for the discussion of a business opportunity and the fact that NIB's CEO had examined the TriCare model and had developed a relationship with Humana. That is all I have written.

Senator JOHNSTON—That is very good. NIB had developed a relationship with Humana—that is your understanding of what that means?

Major Gen. Alexander—That is my understanding.

Senator JOHNSTON—Very good. Just pausing to ensure we understand: on 3 July was it Mr Mark Fitzgibbon alone, or were other people meeting with you?

Major Gen. Alexander—It was in the office of the Minister for Defence, Science and Personnel.

Senator JOHNSTON—So you were called over to the office?

Major Gen. Alexander—Yes. I was there with, I believe, some of his staff and I believe some staff from DVA but, again, I cannot recall the details of those people.

Senator JOHNSTON—Very good. What was Mr Mark Fitzgibbon doing at the meeting on 27 August? What was his presence there for—any particular reason?

Major Gen. Alexander—I would be speculating. I would say that he was sponsoring the participation of the Humana executives. Again, that is speculation; you will have to ask him.

Senator JOHNSTON—I will have to ask him. I do not think I have any further questions. Thank you very much, Major General, for your frankness; I appreciate it.

CHAIR—We are still on portfolio overview and budget summary. Do we have further topics prior to taking a dinner break at 6.30 pm?

Senator JOHNSTON—If we want to chop around a bit I would not mind talking about SAS pays. We can start that off, or I am happy to do it later.

Senator Faulkner—We could do it in 10 minutes, Senator, so we are happy to fit in with you. You appreciate that probably any line of questioning that is going to take more than 10 minutes we will break, but that is fine.

Senator JOHNSTON—Let us make a start because it may be that SAS pay is resolved very quickly.

Senator Faulkner—I would expect you to be able to deal with it within the 10 minutes. If you could not do that, Senator, I would be very disappointed in you, so let us try.

Senator JOHNSTON—Major General Symon, where are we up to? The last word I have is that things are okay. The fact that we are down on the list and not at the top of the ladder and having words with CDF about it I think indicates that a calm has come over this issue. Can you tell me where we are at with respect to SAS pays?

Major Gen. Symon—That is how I would characterise the situation with SAS pay. I will do it at the global level and then if you wish to reach down into further detail, on numbers, I

will also work through that with you. In essence, we have completed the pay remediation action on the 29 soldiers adversely affected by the tribunal's decision. At the last Senate estimates hearing General Gillespie set out the directive and the implementation that we would undertake—the detailed analysis of the 1,591 personnel, individual by individual, to see what other actions we had to take. We are at the point where, of those 1,591, there are 178 that I, as Acting Chief of Army, have made judgments about over the last few weeks.

Senator JOHNSTON—How many? You said 1,591 what?

Major Gen. Symon—We audited the pay of 1,591 personnel.

Senator JOHNSTON—That includes commandos?

Major Gen. Symon—Yes.

Senator JOHNSTON—So Holsworthy and Swanbourne?

Major Gen. Symon—That is correct, Senator. But also members who have been part of special operations command, but who are no longer either in Holsworthy or Perth, as you described. Some of them are in units all over the Army. We had to go right back through the records of all those who have been part of the command in that time. That is the figure of 1,591. The Chief of Army described the process that we would go through. I can go back through the categorisation because it is in the *Hansard* of the last Senate estimates where we talked about categories 1, 2 and 3.

Senator JOHNSTON—Yes. We will get to the detail on that.

Major Gen. Symon—Okay, that is fine. In essence, I have made decisions on 55 individuals over the last few weeks that we needed to make judgments about the degree to which they needed to undertake further training or, indeed, whether we would hold over any training, and only commit to additional training if they were to be deployed in operations and use that particular skill.

Senator JOHNSTON—Good.

Major Gen. Symon—We have also worked through, to bring the number up to the 178 that I described before, a training remediation plan for the remainder that describes exactly what course they will do to make sure that their pay and their qualifications are set at the right level.

Senator JOHNSTON—That figure of 178 relates to what? Explain that to me again. Is that how many people need to have retraining?

Major Gen. Symon—In some cases retraining and in some cases they will not do the specific course unless they deploy on operations. In other words, as you know, there are a number of senior soldiers in Special Operations Command as to whom, by virtue of their experience and their knowledge, in essence, we will hold over a decision to place them on a specific course at this point in their career unless, for example, they deploy on operations and the assessment is made by Special Operations Commander, Australia, that they would need to do that course. A judgment is being made, which is why we have had to go through each one of those 178, soldier by soldier, NCO by NCO, or officer by officer. That is the process we have been working through.

Senator JOHNSTON—Let us pause for a moment and work with those numbers. The pay that those personnel are receiving will not alter until there has been an opportunity for them to attain the competency. If they have not attained the designated competency thereafter their pays will reduce. Is that correct?

Major Gen. Symon—I found the phrasing of that question awkward to understand.

Senator JOHNSTON—I am sorry about that. You will give them an opportunity to get the competency before you take any pay off them?

Major Gen. Symon—The intention is not to take pay off anyone.

Senator JOHNSTON—That is a good starting point.

Major Gen. Symon—Yes. That has always been the intention. To answer your question, with these individual training plans that I have been going through I have been looking at each of those 178 individuals. I have looked at either the course that they are being placed on, to meet the effect that you have just described, or I have undertaken to make an alternative determination, that is, either a recognition of their current competencies, a recognition of their prior learning, or a judgment that, because of their seniority, they do not actually need to do the course unless they go on operations and the Special Operations Commander is of the view that they should do that course. We have looked individually at their training plan and, in some cases, we have waived the need to do the particular course.

Senator JOHNSTON—Yes.

Major Gen. Symon—It does not mean that they will lose pay; they will not lose pay. It is an administrative mechanism that we have used that we had to apply on an individual case-by-case basis to, in essence, achieve the sort of effect that you have been describing all along.

Senator JOHNSTON—Thank you. Effectively, that is the old system. If you had done urban warfare and had been in a knockdown, bash-down fight in a village somewhere in one of the combat zones we deploy to, and had not formally attained, let us say, urban warfare, for example, the CO or a person in authority within the unit could accredit that person with the competency. We have left that door open, from what you have said.

Major Gen. Symon—Yes. Certainly, recognition of prior learning, recognition of current competencies is integrated into the implementation plan. That is correct, Senator.

Senator JOHNSTON—Thank you very much for that. Can you tell me how many waivers we have given with respect to debts?

Major Gen. Symon—I have the answer here, but it is on my left shoulder, so I will pass over to the director general.

Senator JOHNSTON—Let us do that after dinner. With respect to the command given by Chief of Army for the Special Operations Commander to formally advise the outcomes of the audit of each individual, phase 2, by not later than 27 April, did that in fact occur? All I want to do is go back. The Chief of Army has said: 'Here's what I've done. These are the dates where I want some compliance. I'm just making sure that everything is according to Hoyle.' He asked for the Special Operations Commander to formally advise him of the outcomes of his work, which was phase 2 of the overall work—if you look at *Hansard* you will see what

that was—by not later than 27 April. Did that occur? I think we are getting so close to dinner, I am happy for you to have a look at that. The other questions that I want to deal with first up are the other directives with respect to the proficiencies being entered as set out by the Chief of Army previously. He set a date of 11 May with respect to classifications 1, 2 and 3. I would like to know whether they were in fact complied with, and I would like to know how many waivers were given, the extent of the waivers, and the intention with respect to the training and accreditation and/or attainment of the competencies into the future. I just need to get a snapshot and a clear understanding of where we are going with all this. Chair, I am happy for us to go to dinner now, while I hope that has been of assistance to the General.

CHAIR—General, you are comfortable returning at 7.30?

Major Gen. Symon—Yes.

Senator JOHNSTON—Thank you very much.

Senator Faulkner—I want to confirm to the committee and, through you, Chair, to Senator Johnston, that I wanted to be doubly sure I had received no question time brief on the issue the senator raised. Senator, I did not.

Senator JOHNSTON—I am obliged to you, Minister. Thank you.

CHAIR—Just hold on for a second or two.

Senator Faulkner—One thing we might be able to do, Chair, if it would suit the committee just for a moment, is that we might be able to release some officials.

CHAIR—The opposition has advised that they want to do Army, Air Force and Navy tonight. DMO can go tonight and we will deal with DMO tomorrow.

Senator Faulkner—I thank opposition senators for that. I appreciate that.

Proceedings suspended from 6.31 pm to 7.31 pm

CHAIR—I believe that Senator Johnston has the call.

Senator JOHNSTON—Thank you, Major General Symon, for your indulgence over the dinner break. I think on 27 April the Chief of Army said that he wanted to be formally advised with respect to the remediation and who was in what status with respect to the various categories and issues. Was there advice in line with that, or was there some difficulty?

Major Gen. Symon—The outcomes of the SF trade audit were passed to the Chief of Army no later than 27 April, in accordance with the three classifications.

Senator JOHNSTON—Very good. On 11 May there was supposed to be an individually tailored training remediation plan. Has there been such a plan?

Major Gen. Symon—Senator, on 8 May, so three days ahead of 11 May, a special operations commander sat down with me and with the Director General Personnel, Army, and other staff members, and he went through in some detail the classification 1, classification 2 and classification 3 personnel personally with the Chief of Army.

Senator JOHNSTON—The remediation program courses present a cost difficulty, do they not? It is very expensive to put on some of these courses for one or two personnel. There has been a consideration of costs, with respect to how far we go, to get seasoned and experienced

personnel to a level that they have clearly attained, given their experience. Is that broadly the position?

Major Gen. Symon—Senator, the course that will be most subscribed to will be a weapons course. I do not have the figure of the sort of expenditure that would be required for members to attend that particular course. It is a very good course for any special operations member to attend on a regular basis anyway, so I do not see that as a particularly burdensome overhead. In a lot of the other courses—you would appreciate that Special Operations Command has an incredible array of courses—some individuals are being required to attend. A good number are coming under the rubric of what I described before: if it is required for operations they will do it; if they are not going to be required on operations to undertake those sorts of tasks they will not need to do it. We will rely on their experience and knowledge as the basis upon which we remunerate them.

Senator JOHNSTON—The weapons course to which you are referring has sufficient participants for it to be viable and to try to achieve a large degree of coverage of those personnel so they meet that competency?

Major Gen. Symon—Yes, Senator.

Senator JOHNSTON—What have we done about PMKeyS with respect to these competencies that are awarded to personnel by simply reviewing their experience and records?

Major Gen. Symon—Senator, a decision has to be made by a decision maker. As I mentioned before, in my case, while I have been Acting Chief of Army, 178 individual determinations have been made—some as recently as Monday because last week I was away overseas. I have put in writing against each of those individuals the exact placement they are to be put on. That gets passed across to Brigadier Fogarty and his staff and they then undertake the PMKeyS individual assurance task to make sure it is correctly coded to what I have directed. That will take some time. The sorts of people who are involved right now, for example, in the rollout of GORPS also have to assist with this assurance on the SF pay piece. That will take some time. We have allowed until the end of October for all of that to occur. No-one has a debt—debt is not an issue here—it is just a matter of making sure that the decision made by the decision maker is then entered correctly, and independent assurance is provided and loaded.

Senator JOHNSTON—Are we second guessing that the decision-maker's decision is accurately recorded on the software?

Brig. Fogarty—General Symon is referring to decisions that are being made to grant recognition of current competencies and a range of proficiencies are held in abeyance until they would be required, if they would be required, for operations. Special Operations Command receives specific instructions about how that is to be entered into PMKeyS. We use a standard methodology for recognising current competencies, and as an independent check my staff will confirm that in accordance with the timeline and advise the Chief of Army that they have been entered correctly.

Senator JOHNSTON—I am happy with that. I think what we have seen and endured will not happen again. I am confident about that. I hope that my faith and confidence are accurate.

I think it is. If there is an overpayment or some form of debt that is repayable—I am moving away from the competency issue, but it may well apply to competencies—how do we deal with the serving personnel's wife and/or family who receives his payslip while he is away and sees a line item that is a debit, or that records a debt? I know that there will be debts. I have an example of an overpayment which highlights what happened with SAS personnel. They opened their pay and said, 'What is this?' I do not think it is satisfactory for them to say, 'What is this', and, 'What payment is being automatically deducted?' I know it is a lot to ask when we have 55,000 personnel but I think it is a bit rich when you come home from wherever you have been, or you open up your pay packet in whatever circumstances and find that there is a debt recorded for whatever reason. What is our protocol?

Major Gen. Symon—Senator, let me make one point and I will see whether the Director General Personnel wishes to make another. I know yours is a more generic question, but as we went through this process essentially we re-engineered back through what had happened and we looked at some of the correspondence that transpired between those of us in Canberra and ultimately the person receiving the letter. I think the Chief of Army might have mentioned this at the last estimates. He was unhappy with the tone and tenor of some of that correspondence. I think he acknowledged that at the last Senate estimates. Right now we are working through both the tone and tenor of the letter to make sure we reflect in our correspondence some sensitivity to the issues that are being dealt with, and we address issues using some better terms of phrase. We live with the fact that overpayments are made all the time, or whatever. Generically that is the way in which I would answer your question.

Senator JOHNSTON—There is another thing that I wish to add. As I said, I am satisfied with the resolution; I have not had any complaints. Thankfully, I think things have evolved appropriately. I have an example of one serviceman who incurred a debt through an overpayment whilst he was away for six months. It was quite a sizable sum—in excess of \$15,000. Because of the repayment format he told me that he was unable to obtain a home loan independent of all that because he was recorded as a debtor and he had a repayment schedule with respect to that overpayment. I do not know whether you understand or know what that is about, but it strikes me that it is a problem we need to work through. I note that the SAS debts were repaid to those soldiers in the way and in the instalments in which they were taken from them. With respect to the overpayments, even though it is a large sum, over the course of six months or more we could come to an arrangement with persons who, for whatever reason, have an overpayment—and I think you have a fair few from time to time—and have them pay it back over time. Is that unreasonable or is there a problem with that?

Major Gen. Symon—Clearly you have received correspondence on an individual case of which I am not aware. My initial reaction would be to question whether he sought the assistance of the chain of command, or addressed the issue that was confronting him. It appears to me that on the basis of a one-off repayment that was required, it was upsetting, if you like, his relationship with the mortgage provider or whatever. It was starting to upset the nature of that relationship. I would have thought a number of policy and administrative approaches could have been taken to mitigate that to a certain extent.

I do not know the individual's circumstances; he might have been on a personal limb that precluded that. The system we have has a number of avenues, if you use the chain of

command, that allow a person's individual circumstances to be considered in a different light. I am aware of some individuals that the Chief of Army takes on personally when he is aware of certain situations. He will write to senior people under the banner of exceptional circumstances and normally common sense prevails. I cannot speak to the individual case. However, as a general rule, if people use the chain of command we can do some quite extraordinary things for them.

Air Chief Marshal Houston—Senator, you obviously know the individual.

Senator JOHNSTON—I do.

Air Chief Marshal Houston—You could invite him to write to the Chief of Army or to me and we will fix it.

Senator JOHNSTON—If it can be fixed. I have very limited details. I will inquire from him whether he would like me to do that and I will see whether I can assist him. It strikes me that once the computer has a bent on an overpayment, or whatever, to some extent it is a runaway train. You are telling me that we have reached the situation now where we are arresting that to the best of our ability.

Major Gen. Symon—Yes.

Senator JOHNSTON—I have one or two more questions. What is happening about uniform allowance? Has uniform allowance been removed or incorporated in the new regime of GORPS, or whatever it is now?

Major Gen. Symon—I am not aware of any adjustments to uniform maintenance allowance.

Senator JOHNSTON—So no-one below the rank of sergeant has to pay for his or her own uniform with the uniform allowance being removed?

Air Chief Marshal Houston—Could we take that question on notice?

Senator JOHNSTON—Sure.

Air Chief Marshal Houston—I will come back to you tomorrow on that.

Senator JOHNSTON—I am told that military police—

Air Chief Marshal Houston—The advice I have just been given is that we all still get uniform maintenance allowance, including me and these gentlemen at the table, or at least those with uniforms on.

Senator Faulkner—It is quite obvious that the rest of us do not! You would appreciate that a lot of people have suggested I should!

Senator JOHNSTON—I have been told that there have been some instances where military police have had to purchase their own leads and leashes for their working dogs. Is that right?

Air Chief Marshal Houston—Is that in Army, Air Force, or across the board?

Senator JOHNSTON—I think it is military police in Army. I have been advised that there has been a cut-back on dog food and they have had to pay for their own leads and leashes.

Air Chief Marshal Houston—I think we will also take that question on notice. I am sure that the problem is too much love of the dogs.

Senator JOHNSTON—Thank you, Mr Chairman.

CHAIR—I have one question arising out of that. On the SAS pay issue, did the KPMG audit into the Special Forces result in any zero pays being identified, or debts of \$50,000 as a result of that determination, as I think was alleged in past hearings?

Brig. Fogarty—No, it did not. No-one was found to have received zero pay and there were no debts in excess of \$50,000.

Senator BARNETT—I wanted to follow up on some questions that were asked in February regarding issues in the ADF specific to the obesity epidemic and how it affects the ADF. I understand that Major General Alexander currently is not here for these questions. Perhaps we will do the best we can with Air Chief Houston and we will come back if we need to do so.

Air Chief Marshal Houston—That is fine.

Senator BARNETT—I wanted to say thank you very much for the answers to the questions on notice, which I found illuminating and which have confirmed that, in relation to the ADF, some 62 per cent were either overweight or obese, and some 14 per cent of those assessed—and nearly 15,000 were assessed in the Army, Navy and Air Force—had a body mass index, or a BMI, of 30 or more, which is an estimated 7,500 of the 53,000 in the ADF. It was confirmed and fully accepted that the BMI is a key indicator of obesity and being overweight—it is not an exact science—and Major General Alexander confirmed that at our last meeting. The answer to a question on notice also confirmed that, of those assessed, some 20 per cent of the ADF were inactive. Air Chief Marshal Houston, I appreciated your response at the last estimates where you indicated that you would have a look at the issue. Your questioning today has certainly aroused my interest and we will have a close look at some of the issues that you have raised. In light of the answers provided would you like to respond at this stage?

Air Chief Marshal Houston—In relation to what we are doing about it, we had a close look at our statistics, and you have been privy to our responses there. General Alexander is seized with the need to improve the overall fitness of our people. You mentioned inactive people. We need to get those people out exercising, and we will. Referring to the issue of obesity and being overweight, I think we need to do a lot of work. When we look at some of our people who carry large weights, particularly those in the infantry and in other parts of the Australian Defence Force, they need to be quite big in the upper body. Some of those people, despite the fact that they are exceptionally fit, would fall into the overweight category. Indeed, using the standard BMI indexing, some of them would even creep up into the lower end of the obese scale.

We will have a close look at all that. The framework we have has been around for a long time and we just need to understand it better and do a bit more research into our people. At the end of the day, given the loads that our people have to carry—I am talking about huge packs weighing a lot of kilograms—they need to have a robust upper body. Sometimes that will

mean that, by definition, people will creep into the overweight category and maybe up into the lower end of the obese category. David, do you want to add anything?

Lt Gen. Hurley—Joint Health Commander General Alexander falls under my remit. As we discussed, Senator, I will try to answer any additional questions that you might have. Let me clarify the points that you read out in our responses to questions on notice. The total was 9,206 people with a BMI of 25 or higher. Roughly 25 to 30 is overweight and 30 and above is obese, so they are not all classed in the obese sector. The figure of 20 per cent inactive was anecdotal evidence gathered by the Monash University research study team. I think in our question on notice we also said that this was not statistically valid; it was simply people recalling or identifying experiences.

More work still has to be done. We will receive that study next year. There is another interesting statistic. If you take the number of people who are BMI 25 or higher and compare that to our medical class 1 and class 2 people in the Defence Force you find that an average of about 91 per cent of those people are deployable. So 91 per cent of the Defence Force is deployable, even though their BMIs might be above 25. I think it links a bit with what the CDF mentioned, in that many of our people's body shapes are specific to a job that they have to do and the weight they carry might not necessarily be just fat. A lot of it is muscle and so forth that they need to do their jobs.

I threatened to make this personal. If you look at me you find that I am 180 centimetres high, I weigh 94 kilograms, I exercise five days a week in the gym, but I am 28.3 on the scale, which makes me nearly obese on that scale. It is a filter—it is the first filter you look at. If someone tips over 30 you look at lifestyle and other issues to determine whether that person is over 30 because of the nature of the work that he or she does or because of a health issue. You then work from there.

Senator BARNETT—Thank you very much for that response, which is noted. I will refer shortly to the initiatives, rehabilitation programs, exercise programs and dietary programs to deal with the issue and the problem. However, before I do that, at our last hearing in February, Major General Alexander said:

I am aware that studies have been done in the UK and in the US. I do not have those studies to hand ...

One view that was put forward about these Australian statistics was that soldiers in the Australian Defence Force were the fattest in the globe. A comparison was made between our rate of 14 per cent and the United States rate of 4.6 per cent, which gave rise to some serious concerns. Have you done any further research into reports or assessments in the United States or the United Kingdom, noting that Australia is ranked fourth fattest nation in the world after the United States, the United Kingdom and Mexico?

Lt Gen. Hurley—I am sorry, I cannot answer that question. I will take that question on notice and let Major General Alexander know when he turns up tomorrow.

Senator BARNETT—He referred to those studies. It is worth looking at a number of studies that would assist in providing that information. I requested an update of statistics. Last financial year I was advised that 183 ADF were in a rehabilitation program, 104 were discharged because of the obesity issue, and 2,000 were being treated, largely because of that

issue. Have those figures been updated at all? If not, perhaps that question could be taken on notice.

Lt Gen. Hurley—Senator, the figures that I have for February 2008 to February 2009 are the same—the 104 personnel. I will see whether there are any more recent figures over the last six months.

Senator BARNETT—Perhaps we could look at some of the rehabilitation or exercise regimes that are currently in place to address an issue that I think we all accept is a problem. Can you outline the measures you currently have in place to assist in addressing this issue?

Lt Gen. Hurley—Senator, again I will do my best. An ADF rehabilitation program is used to address a wide variety of health concerns we might have about personnel. Again, I will have to ask Major General Alexander to give you more detail on the rehabilitation programs. Wellbeing programs are also in place and are run for both APS and ADF personnel. Again, I will obtain more details from him for you. I think it is better to leave that detail to him rather than me leading you astray.

Senator BARNETT—I am happy for you to take that question on notice. It would be of assistance if we could get more detail. I draw to your attention to chapter 4 of the *Australian Defence Force health status report 2000*, which reported on the number of obese and overweight RAAF and RAN personnel in the 1997-98 financial year. It made a number of observations which are not dissimilar to some of the statistics that have already been provided. The last sentence of part 4.39 in that report states:

Increased health promotion efforts with regard to the importance of diet and physical activity seem warranted. Targeted efforts will be required to make significant progress toward the Healthy People 2000 objective.

I draw that to your attention and ask whether it has been acted upon.

Lt Gen. Hurley—Again, I will get back to you, Senator.

Senator BARNETT—Thank you. At the last estimates I asked a question relating to the height and weight of the average ADF personnel currently, and then going back decade to decade in the Second World War and First World War. I wonder whether that information has become available.

Lt Gen. Hurley—I will let Major General Alexander catch his breath. His BMI is of concern to me! He might be able to take up some of these questions for you.

Senator BARNETT—Thank you, Major General Alexander. Thank you for being here. I understood that you were not going to be here but you have obviously changed your plans. I appreciate you doing that.

Major Gen. Alexander—No worries, Senator.

Senator BARNETT—I am not sure whether you have had a chance to hear some of the questions, so I will recap. Are you aware of the *Australian Defence Force health status report 2000*?

Major Gen. Alexander—What aspects are you referring to, Senator? Maybe I can address individual issues.

Senator BARNETT—First, the report refers to the number of obese and overweight RAAF and RAN personnel in the financial year 1997-98. Does that ring a bell?

Major Gen. Alexander—In 1997-98? I do not have statistics that are that old. I have some statistics that are more recent than that.

Senator BARNETT—It is a publicly available document. The *Australian Defence Force health status report 2000* indicates at part 4.39:

Increased health promotion efforts with regard to the importance of diet and physical activity seem warranted. Targeted efforts will be required to make significant progress toward the Healthy People 2000 objective.

I wondered whether that had been acted upon. I am happy for you to take that question on notice. You do not know all the answers to these questions.

Major Gen. Alexander—No. Your question asks what programs we currently have in relation to that.

Senator BARNETT—Yes.

Major Gen. Alexander—Our normal fitness programs are active within all three services, which is what is required for all members of those services to undertake and to continue to be fit to deploy. For instance, in the Army, that requires a physical fitness test every six months and a medical examination every 12 months, as well as dental examinations and weapons handling. Those are the systems that are in place universally within defence to ensure that people are well and fit to deploy.

Through that annual health examination or annual health assessment we are given an opportunity to examine whether or not someone is running into problems. There is a list of questions in that annual health examination that address physical and mental wellbeing, alcohol consumption—height and weight are done, and that is compared on an annual basis. That is how we track it.

Senator BARNETT—Last time you referred to tracking you indicated that they were all held in a paper base rather than a—

Major Gen. Alexander—Yes. My word, they are, Senator. They tracked the individual paper base from one year to the next.

Senator BARNETT—It must make it difficult for the ADF to assess the size of the problem, as it were?

Major Gen. Alexander—Absolutely. It is difficult without electronic based records.

Senator BARNETT—Is that something you are considering changing?

Major Gen. Alexander—Absolutely. We have just gone through a system of evaluation for electronic health records within Defence Health. In fact, the reports were forwarded to me last week. We are looking at some systems that might well address the weakness that we have.

Senator BARNETT—Can you put a time frame on when you see a move to electronic assessment so that you know the health status of your ADF personnel?

Major Gen. Alexander—Yes, Senator. The information we provided to you last time showed that some health systems need to be upgraded. The HealthKEYS information that I provided to you last year covers less than 40 per cent of our total records.

Senator BARNETT—Sure. It is about 51,000?

Major Gen. Alexander—Yes. It is a good snapshot, but it is not—

Senator BARNETT—That is not bad out of 53,000?

Major Gen. Alexander—It is still a snapshot. We need to be able to do 53,000.

Senator BARNETT—Is this likely to come on stream in the next 12 months?

Major Gen. Alexander—My intent would be to have a pilot commence in the next financial year, to evaluate the pilot and if it goes as well as the evaluators indicate we will go out quite widely.

Lt Gen. Hurley—Because of the process we have been through, we have to make a significant number of reforms in the Defence Health area, and e-health is pretty much critical to that. In the first six months of this year we went out to our rapid prototyping development establishment, brought in industry, DSTO and so forth, and within four months we generated a fully COTS linked e-health system that meets all the NEHTA standards, the National E-Health Transition Authority standards. We did not have to cut a line of code, so we are really confident that this will be able to be brought in.

The chief of the Information Operations Group has been presented with a brief, a demonstration and so forth. He is keen to see this as one of the flagship projects as we reinform the architectures that support our business processes. We are pushing this through fairly quickly to get to the defence committee, to get the nod to start spending money to bring it into play. The program management of that is still in place so it would be difficult to give you a date at the moment. But we are certainly excited with the outcomes we have had to date and we have shared this with DVA. In time, what we would like to do is to share this with DVA and to have a seamless transition of e-health records between in service and having left service. There are some bright prospects there. At the next estimates we can probably give you a progress report if you wish.

Senator BARNETT—Sure. Thank you for that. I realise that this is a big question in light of the last estimates. There was an understanding that it was a big and important issue that needed to be addressed. I am not asking for all the results tonight but you could take that question on notice. If there are a number of initiatives that you are considering or you are planning or you are putting down to implement in the period ahead, that would be greatly appreciated. I think there is an understanding that we have a problem and we want to try to fix it and address it. I am sure that that is the objective.

I am asking what specific initiatives have been put in place to address the concerns that have been raised. I am happy for you to take that question on notice. Could I go to the next question? I am aware of the time and I know that other senators have questions. Major General Alexander, I asked you a question last time and you indicated:

I am aware that studies have been done in the UK and in the US.

You were referring to obesity studies in the ADF and their defence forces.

But you did not have those studies to hand. Have you had had a look at those studies and can you can report to the committee?

Major Gen. Alexander—I am now familiar with the study in the United States. I believe that that was released at around the time of the previous estimates. That study looked at US military personnel and their attendances at outpatients, so it was a hospital based study. They looked at the percentage of overall military personnel presenting at hospital visits related to overweight or obesity. It is a select study. The figures were reported as out patient attendances. In some cases they had moved. However, I do not have the article in front of me at the moment. In late 1998 through to 2002 the percentages of attendances at outpatients in the United States were at a certain level—I think at about two per cent.

Senator BARNETT—But what did it say about the BMI above 30 and the BMI above 25, that is, overweight and obese in the United States Defence Force?

Major Gen. Alexander—For over 25 BMI the figure was 62 per cent in the United States and I believe over 30 BMI was 13 per cent.

Senator BARNETT—I am happy for you to take that question on notice and to correct it later.

Major Gen. Alexander—No, those are the figures.

Senator BARNETT—If you are happy to source that on notice and provide the correct—

Major Gen. Alexander—No, I do not need to take that question on notice. Those are the figures. The United States figures were 62 per cent above a BMI of 25. Let me give you the most recent Australian figures, using those HealthKEYS numbers that we have, which are now 13 months or 14 months old. On those figures our total number above a BMI of 25 happens to be 62 per cent on those figures, so we are exactly the same as the United States. If you look at obesity figures—that is, a BMI of above 30—you find that in the United States the figure is 13 per cent and in the ADF, the gross figure is 14 per cent. If you compare that to the most recent Australian Bureau of Statistics study that I am sure you would be aware was released only this week, you find that the Australian rate for BMI above 30 is 25 per cent. So we are a delta now of 10 per cent between the Australian population figure, which is also elevated, and the Australian Defence Force figure, which again is—

Senator BARNETT—That 62 per cent is tracking not far behind the population that is overweight?

Major Gen. Alexander—It is exactly the same as the American figure.

Senator BARNETT—But it is also not tracking far behind the Australian population that is overweight?

Major Gen. Alexander—Yes. Unfortunately, we represent the Australian community in that regard.

Senator BARNETT—We do. What about the United Kingdom or any other countries?

Major Gen. Alexander—I do not have the United Kingdom figures.

Senator BARNETT—So we still beat the United States by a margin in overweight?

Major Gen. Alexander—We are comparable to the United States, which is not a good thing. Previously we discussed the fact that BMI—

Senator BARNETT—I am interested in the exact title of that report.

Major Gen. Alexander—'Diagnosis of Overweight/Obesity, Active Component, U.S. Armed Forces, 1998-2008', published in January 2009. I do not have the name of the journal in front of me.

Senator BARNETT—We will track it down; that is okay.

Major Gen. Alexander—Will you track it down?

Senator BARNETT—I am happy to track it down, but if you can assist any further that would also be welcome.

Major Gen. Alexander—I can table a copy of it, if you like.

Senator BARNETT—That would be tremendous.

Major Gen. Alexander—Good.

Senator BARNETT—Neil James, Australia Defence Association spokesman, said on ABC radio on 23 February that the Navy has had the biggest problem with keeping people at the ideal weight as it is harder to keep fit on a ship. I can understand that. I wanted to know whether you concurred with that assessment.

Major Gen. Alexander—I do not think there is a big difference between the services, frankly. Again, we are talking about extrapolating numbers. When you look at the HealthKEYS numbers you find that we do not have the same base population in Navy that we have in Army where we are looking at larger numbers, so I can be more confident about the statistical extrapolation. I believe that the raw data I gave you is really fair and compares—

Senator BARNETT—You do not think there is much difference between the Army, Navy and Air Force?

Major Gen. Alexander—I do not believe there is a great deal of difference.

Senator BARNETT—All right. Are you aware of the Department of Defence *Survey of health-related behaviours among active duty military personnel 2005*?

Major Gen. Alexander—Yes.

Senator BARNETT—That has a number of figures in it and it includes the figure of 61.6 per cent for overweight in 2005. You might have a more up-to-date figure than that. I refer to the figures that were provided last time for ADF personnel on rehabilitation programs: 183, 104 discharged primarily because of obesity and 2,000 being treated because of that complication. Have those figures been updated? If so, could they be provided to the committee? I am happy for you to take that question on notice.

Major Gen. Alexander—No. Those figures were for the financial year 2007-08. I do not yet have the figures for 2008-09.

Senator BARNETT—Thanks very much. I asked this question just before you walked in, but do you have the figures now for height and weight of the average ADF personnel currently and then going back on a decade basis, including 1945 and 1918?

Major Gen. Alexander—Senator, we had a discussion about that last time. The only way I could possibly get that sort of information was to examine individual unit records or the records of individuals. To obtain that sort of information for the purpose of obtaining height and weight, which we have said in other situations is raw data that does not reflect very well on our operational requirement or the fact that people are fit to deploy, would be a process involving a significant amount of expense with very little return. I cannot obtain that information without giving people a whole bunch of records to come up with some height and weight data.

Senator BARNETT—Could I alert you to some research that I have had undertaken by the Parliamentary Library, and I place on the record my thanks for their assistance. In 1918, the average weight of ADF personnel was 57.5 kilograms, and 1.68 metres. In 1945 it was 66.8 kilograms and 1.71 metres. They did not have the figures for 1990, but for the year 2000 apparently there is a report on students who went through Duntroon. Obviously they are not the average ADF personnel but, according to that report, it was 70.69 kilograms and 1.744 metres. I think it is another key indicator, frankly, of where we are at the moment in relation to this issue. Clearly, there has been a significant change for the population across the board, and a significant change for ADF personnel more generally.

Major Gen. Alexander—Senator, I do not think that raw information like that can be analysed, unless you compare it to the population base.

Senator BARNETT—You just said that the information was too difficult to obtain. This research was carried out by the Parliamentary Library. I am more than happy to forward it to you and to table it for the benefit of committee members at the conclusion of the hearing. Referring to the United States, just for your interest, the research showed that in 2004 the average weight was 77.7 kilograms for their Army personnel. That is another piece of information that may be of interest.

Lt Gen. Hurley—Is that males and females together, Senator?

Senator BARNETT—I would have to check that. It is all set out in the parliamentary research effort that has been undertaken on my behalf. I do not have any further questions on this area, Mr Chairman. I have two other areas for short questioning, if that is convenient.

CHAIR—At the appropriate time in the program you may ask those questions.

Senator Faulkner—Does that involve Major General Alexander, Senator?

Senator BARNETT—No, it will not.

Senator Faulkner—He could make a second attempt at escaping.

CHAIR—We are still in Overview. Are there further matters in the Portfolio Overview and Budget Summary?

Senator BARNETT—Yes, Mr Chairman. Correct me if I am not in the right place, but I refer to the Prime Minister's press conference on 29 April 2009 regarding troop deployment in Afghanistan. He said on page 4:

That is why, in addition to the reinforcement of ADF training teams that I have indicated above, the Government will also contribute around \$55 million per annum to the Afghan National Army Trust

Fund to further contribute to an effective ANA force in Oruzgan Province. Again our objective is to transfer security to the Afghans as soon as practicably possible.

First, are you able to assist the committee and me by confirming whether that is on a rolling basis? I understand that that \$55 million per annum may be on a five-year basis. Is that correct? Second, are you aware of contributions from other countries? If so, what is the proportion of their contribution?

Air Chief Marshal Houston—The contribution to the Afghan National Army Trust Fund is over four or five years and, yes, it is that amount of money. I am not sure of the amount but I can come back to you anyway.

Senator BARNETT—I am quoting the Prime Minister, so hopefully he has got it right. He says \$55 million per annum.

Air Chief Marshal Houston—Yes, but I think that is for four or five years.

Mr Pezzullo—I have responsibility within the department for administering the Australian contribution. The government has made a commitment to provide funding and obviously there is an issue about exchange rates and denominations here. The trust fund is denominated in United States dollars, so our contribution is \$US200 million over the next five years. Depending on how you do the conversions, we obviously did one that informed the Prime Minister's statement at that time because he, of course, made his statement in Australian dollars.

Senator BARNETT—Can you answer the second question relating to contributions by other countries?

Air Chief Marshal Houston—The United States has gone out to all partners in the International Security Assistance Force, or ISAF, and is lobbying them to provide a substantial contribution to the fund. We are not aware of the amounts that people have contributed. We could take that question on notice to see whether there is any information on the record as to what each nation has contributed.

Senator BARNETT—Is ours the largest contribution to date by a long way?

Air Chief Marshal Houston—No, I would not think so. The United States was—

Senator BARNETT—Apart from the United States?

Air Chief Marshal Houston—The United States sought sums of money from other nations that are larger and probably more prosperous than we are.

Senator BARNETT—And have they been received?

Air Chief Marshal Houston—I am not aware of the detail. I do not know whether Michael is.

Mr Pezzullo—Senator, I can assist. I have some information about public record announcements by various countries. As the CDF says, we will need to take on notice whether we have a full and comprehensive list of each nation's contribution, pledge, or anticipated pledge. Just going off public source information, I can advise that Germany recently announced a contribution—again we get back to denominations so I will have to give you the figure as I have been given it, which is denominated in euros—of €50 million.

Senator BARNETT—Is this per annum or over the five-year period?

Mr Pezzullo—Senator, I think it is over the five-year period. If I am wrong I will come back and correct the record.

Senator BARNETT—There is a big difference, is there not?

Mr Pezzullo—Yes, indeed there is, Senator. But, as I said, we are going off open source information, based on what nations have articulated through press announcements. We will give you a more properly formed answer on notice. The only other evidence before me that I am advised is available on the public record is Norway's commitment of €15 million—again, we will need to check what time period that is over—and Spain with €4 million. We will give you a more comprehensive and complete answer.

Senator BARNETT—And likewise, the €15 million and €4 million over a five-year period.

Mr Pezzullo—We will give you those facts in our response.

Senator BARNETT—Sure. I am interested to know why our contribution is to the extent that it is when you compare Germany with €50 million over the five years, Australia with \$US200 million over the five years, and Norway and Spain with €15 million and €4 million Euros over the five years. There is a very big difference.

Air Chief Marshal Houston—Once we get back to you we might find that the amounts that have been contributed are more substantial. I think it is an important fund because one of the issues relates to buying the sort of equipment that the Afghan National Army needs. This fund is designed to provide the funding source for the purchase of that equipment.

Senator BARNETT—I am happy for you to take that question on notice. Thank you very much indeed. My final question relates to a statement by the Federal Labor leader, Kevin Rudd, and Peter Tinley, AM, Labor candidate for Stirling, on 11 November 2007 under the heading 'Federal Labor commits \$10 million to the Special Air Service Resources Trust.' Has that occurred?

Air Chief Marshal Houston—Yes, it has. I might invite the Acting Chief of Army to come up and take any detailed questioning you might have on that fund.

Senator BARNETT—Thank you. Is it correct that that has occurred?

Major Gen. Symon—Senator, the payment of the grant was made on 25 March 2009.

Senator BARNETT—So that has been transferred. This statement says:

Since the Trust was established it has distributed about \$350,000 to 10 SASR members and their families.

Does that sound accurate to you?

Major Gen. Symon—Senator, it does.

Senator BARNETT—It is a large amount of money. What about other Army, Navy and Air Force services? What trust funds are there for them? This is SAS-specific. My question relates to other parts of the ADF.

Major Gen. Symon—Senator, on the Army side, across the ADF there are a number of other programs in place to be able to support our people, both in Defence and, in certain circumstances, in DVA. Whilst the government decided in particular with SAS to provide this trust, I would say to you that other families and members have access to things such as education and other similar services using different programs across the board.

Senator BARNETT—So SAS family members do not have access to those programs?

Major Gen. Symon—Senator, they do.

Senator BARNETT—I am trying to find out whether there is some sort of equal holistic approach across the ADF in relation to trust funds for appropriate services to the families, which obviously is important.

CHAIR—You will find that the public record shows that this was a specific election commitment made by the Leader of the Opposition prior to the last election. The moneys were appropriated in last year's budget. As Major General Symon has outlined, the moneys were transferred in March or April this year, pursuant to a specific election commitment.

Senator BARNETT—Yes, indeed. I am happy for you to take on notice my question relating to trust funds for the other parts of the ADF, if you have those. That would be appreciated. We are focusing just on the SAS, so there is no issue there. Obviously it is a joint statement made before the election with the Labor candidate for Stirling. That is noted, but I am asking about other parts of the ADF.

Air Chief Marshal Houston—Referring to the other parts of the ADF, we believe that Air Force and Navy do not have equivalent trust funds. But we will come back to you on notice because these sorts of requirements are probably handled in ways other than through trust funds. I think one of the aspects about the SAS is that in recent years it has had substantial losses of personnel, not only on operations but also in training. A substantial number of bereaved families were in that regiment. I think that was part of the impetus for this particular contribution. We will come back to you on all of that.

Senator BARNETT—Thank you. Thank you Mr Chairman.

CHAIR—We are still on portfolio overview and budget summary. Are there further questions on portfolio overview and budget summary?

[8.25 pm]

CHAIR—We might as well go to program 3.1. Senator Ludlam.

Senator LUDLAM—I have a couple of questions on the forthcoming exercise Talisman Sabre. I preface my remarks with one that might seem a bit random. On 22 December last year an article ran in the *Sydney Morning Herald* that referred to a secret base in the United Arab Emirates where Australian forces and others were consolidating our presence. Is that something on which you would be able to shed a bit of light?

Air Chief Marshal Houston—Referring to our basing in the Gulf states, the details are sensitive and we respect the requirements that have been placed on us by the Gulf states. You referred to a secret base: I would not characterise it that way. We have basing arrangements in the Gulf. In a number of countries we use facilities in three different countries to conduct

operations in the Middle East. They are long-standing arrangements and they have worked very well for us. But I would not characterise it by referring to it as a secret base where we assemble people. We use those bases as we would use any base overseas. The arrangements are very similar to the sorts of arrangements that we have in a place such as the base we are able to access in Butterworth in Malaysia.

Senator LUDLAM—You are probably right; it is not that secret if it has been reported in the *Sydney Morning Herald*. Are command headquarters being established there?

Air Chief Marshal Houston—A headquarters is established, yes.

Senator LUDLAM—In the UAE in particular?

Air Chief Marshal Houston—A headquarters is established in one of the Gulf countries, yes. That is the headquarters for Joint Task Force 633.

Senator LUDLAM—Thank you for that. I gather you are not keen to identify the Gulf states?

Air Chief Marshal Houston—That is the arrangement we have. We do not identify the country publicly.

Senator LUDLAM—Someone should have told Phil Coorey. By way of preamble, I thank you for the responses that I received from the department's two answers to questions on notice about Talisman Sabre a little while ago. In response to that I gather that of the order of 15,000 United States personnel are coming into the country for that exercise. The United States obviously is one of the most heavily impacted with swine flu. Are extra precautions likely to be taken in that regard?

Air Chief Marshal Houston—For swine flu, yes. I will get Vice Chief General Hurley to run through them.

Senator LUDLAM—Thank you.

Lt Gen. Hurley—Again, I will bat for someone else on this one. The exercise comes under the purview of the Chief of Joint Operations but I have a briefing on the swine flu if you permit me to work my way through it.

Senator LUDLAM—Thank you.

Lt Gen. Hurley—You can ask questions as I go.

Senator LUDLAM—Okay.

Lt Gen. Hurley—The ADF, in consultation with the participating United States forces, has put in place preventive predeployment measures to exclude any personnel with influenza like illnesses or symptoms departing the continental United States and other locations on either service or civilian aircraft and naval vessels. The United States has a clear policy on the identification and management of H1N1, which is derived from the United States Centers for Disease Control and Prevention.

This policy is consistent with Australian policy. Preborder screening and arrival procedures have been put in place which will verify the health status of incoming United States personnel and the entry locations to Australia will be through airports and air bases and seaports

controlled by Commonwealth government agencies, further ensuring appropriate screening and management of personnel entering Australia. There is a bit more detail if you wish to go in to it.

Senator LUDLAM—Is that a policy that you are able to table?

Lt Gen. Hurley—These were some talking points relating to the issue, Senator.

Senator LUDLAM—Thank you for that. If somebody from one of the foreign services comes down with something like that after the operations are underway is there a process to be followed? Could you step us through how that would operate?

Lt Gen. Hurley—Senator, I would be stepping beyond my area. I can tell you what happens before they get here. I would assume that if they come down with H1N1 or such symptoms when they arrive they would be treated like we treat anyone in Australia because our Commonwealth and state health authorities would be stepping into that, and Defence links into them, as with our own personnel in relation to identification, quarantining and so forth. Then there would be assessments on the impact of the exercise, depending on where it happened, how it happened and so forth. I can get someone to speak more fully on that.

Air Chief Marshal Houston—We will come back to you on that. However, that will be formalised in exercise instructions and I think it will be exactly as described. If there is any variation to that we will come back to you.

Senator LUDLAM—I would appreciate that. I gather that Commonwealth and state health authorities are quite intimately involved and would remain so. It is not handled entirely by Defence?

Air Chief Marshal Houston—Major General Alexander is on the committee that looks at H1N1 at a national level.

Senator LUDLAM—Thank you, gentlemen, for that. Casting the net a little more broadly, can you tell us what precautions have been taken to avoid the introduction of germs, seeds and other forms of pests with the importation of military equipment and troops for exercises? I gather there are up to 1,650 armoured and other vehicles involved in the exercises altogether. Are they all brought in through quarantine? We have to chuck out food when we go through an airport-screening process. What do the United States military have to do?

Air Chief Marshal Houston—We have a very well-developed procedure with the Australian Quarantine and Inspection Service. All the vehicles that come in are checked and cleared by them.

Senator LUDLAM—One by one?

Air Chief Marshal Houston—Yes. They deploy to the point of departure for the equipment that is being deployed to the Australian area.

Senator LUDLAM—Could you clarify that for us? Are they assessed by quarantine officials or customs officials in the United States prior to arrival, or do Australian officials do that assessment here?

Lt Gen. Hurley—In the past we have done it with Australian officials. We have been working with US Pacific Command over the last number of years to accredit personnel from

the United States to do this as well—to accredit with Australian Customs qualifications. Frankly, I am not quite sure how far that has gone and what the mix will be on this exercise. Again, we can come back to you. It is something of which we have been very conscious and we have worked hard with the United States over the last couple of years.

Senator LUDLAM—Thank you. I gather that this exercise will be somewhat larger than that which occurred two years ago. Are you aware of any recorded incidents where species or weeds might have gone feral as a result of these exercises? Are there any breaches of quarantine that you are aware of?

Lt Gen. Hurley—I am not aware of any, Senator, no.

Air Chief Marshal Houston—I am not aware of any. Again, we will check.

Senator LUDLAM—Just correct the record if that happens.

Air Chief Marshal Houston—We will check and correct the record if we need to.

Senator LUDLAM—Thank you. Is there a published final public environmental review statement for Talisman Sabre 2009?

Air Chief Marshal Houston—We always do an environmental impact statement. Again, we will provide that to you.

Senator LUDLAM—I gather that there is already a draft in the public domain, is there not?

Lt Gen. Hurley—The notes that I have here, Senator, are that major exercises are routinely subjected to a thorough environmental risk assessment as part of exercise planning and environmental impact assessment processes. In the case of Talisman Sabre 2009, environmental consultants Sinclair Knight Merz were engaged by Defence to develop a public environmental report for the exercise as part of the environmental impact assessment process. Public consultation took place during October and November 2008. I do not know whether or not it has been published, but we can find that out for you.

Senator LUDLAM—I believe that a draft was published, but it does not seem as though a final version has yet been published.

Lt Gen. Hurley—I cannot answer that question.

Air Chief Marshal Houston—I think it will be published before the exercise and, when published, we will table it to the committee.

Senator LUDLAM—Okay. In February, which was the last time I asked some questions on this subject, I asked for an estimation of the overall cost of the exercise to the Australian taxpayer. CDF, you said you thought it was about \$15 million in round numbers for the cost of the ADF contribution. I think you said, ‘There are some other elements as well. I will take that on notice if you do not mind.’ I do not believe we heard anything back, so forgive me if that information was passed through. Are you able to clarify that and to give us a final number?

Air Chief Marshal Houston—I cannot clarify that tonight. I do not know whether General Hurley has any information.

Lt Gen. Hurley—No.

Air Chief Marshal Houston—I think it is a lot more than \$15 million. We will come back to you.

Senator LUDLAM—As I said, I apologise if that information was forwarded but I do not believe that it has been.

Air Chief Marshal Houston—Either way it is not a problem. We will come back to you.

Senator LUDLAM—Thank you. I guess that is probably to hand, and we are back here tomorrow.

Air Chief Marshal Houston—Yes.

Senator LUDLAM—Thank you. Can you tell us your process for consultation with traditional owners or native title claimants in the areas of Queensland, the Northern Territory and Western Australia? How are they consulted and how are their views taken into account in war games in general, but in TS09 in particular?

Air Chief Marshal Houston—We will come back to you tomorrow on that one. We did come back to you on the issue of the cost of the exercise.

Senator LUDLAM—It is lucky that I qualified my question.

Air Chief Marshal Houston—The response you got read as follows:

The planning for the exercise is still under way with the final planning conference scheduled to be conducted late April. With many planning uncertainties it is not possible at this stage to provide a precise figure of the cost of conducting the exercise. An estimated cost of staging the exercise is around \$48 million. This amount has the additional cost associated with executing this activity and does not include ongoing personnel force element or equipment costs of ownership by the ADF.

Senator LUDLAM—Can you tell us the date of that response?

Air Chief Marshal Houston—It does not state. It is just a consolidated list.

Senator LUDLAM—Just come back with that later if you can. Thank you very much for that.

Air Chief Marshal Houston—We believe it was provided to you some time in April.

Lt Gen. Hurley—The questions relating to consultation, environment and so forth are more in the purview of the Deputy Secretary, Defence Support Group, Mr Martin Bowles. Because we said we are looking at services tonight, he has gone.

Senator LUDLAM—So we have sent him home already. I might come back, if that is all right, Chair, for a couple more questions tomorrow on those issues in particular. In answer to questions on notice—this might have to come through you, Minister—the government stated that you are satisfied that precautions are being taken to avoid exposing marine mammals to high-power sonar. I understand that such devices will be used again by the United States Navy in the course of these exercises. Does the Australian Navy deploy high-power active sonar in exercises like this?

Senator Faulkner—Senator, you have invited me to assist you.

Senator LUDLAM—Sorry, that is part two of the question, Minister.

Senator Faulkner—I might ask Chief of Navy as I think he might be more expert on this than I am.

Senator LUDLAM—He was quick on his feet.

Vice Adm. Crane—No, we do not. We use medium-level sonar in our vessels. We do not use the high-power sonar, as do some of our allies.

Senator LUDLAM—Have the medium-power sonar devices been assessed for their impact on marine mammals?

Vice Adm. Crane—Yes, they have. The Royal Australian Navy has a very good relationship with a number of environmental groups. We value that relationship. There is an environmental plan that we use when we are operating at sea. On regular occasions we share that plan. We take positive and proactive action in known areas of mammal activity and, indeed, in preparation for Talisman Sabre 09, in conjunction with the Defence, Science and Technology Organisation, we conducted a survey in an area where we had planned to conduct some of our sonar operations to ascertain the degree of marine life that was present. The results of that have been used in the planning for the areas where we will conduct sonar operations.

Senator LUDLAM—Is that information shared with the United States Navy?

Vice Adm. Crane—Yes, it is. It is shared through the Chief of Joint Operations and his planning teams for the exercise.

Senator LUDLAM—How do you conduct exercises? What does that look like on the ground? That is not really accurate. In the midst of these operations, is it just sailors looking out to see whether whales are breaching in order to decide whether or not to operate this equipment?

Vice Adm. Crane—No, it is a bit more than that. As I said, we have conducted survey activity well ahead of the exercise to establish the presence of marine life and mammals, in particular, beaked whales.

Senator LUDLAM—And it has been assessed in that area?

Vice Adm. Crane—It has been assessed.

Senator LUDLAM—And they have been noted in that area?

Vice Adm. Crane—That activity has been noted in the area and that has caused us to re-evaluate where we would conduct some of our exercises. When we are operating at sea it is very much about observing the marine life, knowing where the migration areas are and taking the necessary precautions.

Senator LUDLAM—So it comes down to sailors keeping an eye out to see whether there are whale breaches nearby and, if not, they go ahead?

Vice Adm. Crane—We do that as well as taking cognisance of those areas in which we know there is marine life activity. So it is not simply putting somebody on watch on a bridge; that is an additional precaution.

Senator LUDLAM—I do not want to tie us up here, because I have a couple of other questions. Is there any material or any more detailed material that you are able to make available to the committee on your management plans or your precautions relating to marine mammals and sonar?

Vice Adm. Crane—I would be very comfortable to share with you our environmental plan. That is something that we do regularly.

Senator LUDLAM—That would be greatly appreciated.

Vice Adm. Crane—I could provide that.

Senator LUDLAM—Thank you. Can you tell us who the overall commander is for TS09, his or her rank and their base?

Air Chief Marshal Houston—We will come back to you tomorrow.

Senator LUDLAM—You do not necessarily need to call them up; I just want to know who it is.

Air Chief Marshal Houston—We will come back to you tomorrow.

Senator LUDLAM—Has that position been established yet, or is it still up in the air?

Air Chief Marshal Houston—Somebody has been appointed. They are probably not quite into it yet, but we will come back to you tomorrow.

Senator LUDLAM—Thank you. I note in answer to a question on notice that about 8,000 Australian personnel will be participating. Can you give us a rough breakdown of what services they will be drawn from—that is, the division roughly between Army, Navy, Air Force and special services—and the rough proportions of civilian to military?

Air Chief Marshal Houston—We will take that on notice. Tomorrow we will bring somebody in who is right across all the details and you can run through those questions again, if you like.

Senator LUDLAM—All right. Rather than taking up too much of the committee's time, I will load you up with a couple of questions on notice, if I could. I require the estimated total tonnage of munitions—bombs, shells, rockets and small arms ammunition—fired or detonated in the Shoalwater test facility.

Lt Gen. Hurley—I think in the questions on notice we responded that that was information we would feel uncomfortable about giving, given the intelligence value to people to know what we carry, how frequently we use it and the nature of activities we undertake with it.

Senator LUDLAM—I certainly was not seeking to go down to that level of detail; I am just looking for some higher level figures in as much detail as you feel comfortable in providing.

Senator Faulkner—I think it is proper to take that on notice. The spirit of this is, if there is understanding of the point that is made to you about those concerns, let us see what information we can provide to you. We will look closely at that and come back to you.

Senator LUDLAM—I am comfortable with that.

Senator Faulkner—That is probably the sensible way of doing it.

Senator LUDLAM—That is fine. Lastly, for the benefit of whoever appears tomorrow, I am interested in contingency plans for search and safekeeping of foreign trespassers. I know there have been a number of incidents before when peace activists have trespassed into the live fire area. What are your plans around those sorts of incidents if they occur again? What are your official liaison processes for liaising with people who are undertaking those sorts of activities close to the operations area? I will leave it at that.

Air Chief Marshal Houston—Okay. Thank you very much.

Lt Gen. Hurley—General Alexander has come back. He can answer the question you asked about personnel contracting H1N1 in the actual exercise area.

Major Gen. Alexander—In relation to H1N1 09 and Talisman Sabre, a comprehensive plan is in place relating to the exercise and the flu. We have discussed this in detail with health planners in the US and they have agreed to exit screen all United States participants on the exercise. In other words, they will go through a process of ensuring that there are no ill people prior to them leaving the various United States bases. Prior to arrival in the various exercise areas we will undergo the same procedures that are currently occurring around the country.

Senator LUDLAM—Okay.

Major Gen. Alexander—So there will be a positive pratique process. All ships and all planes will have to declare that there are no ill personnel on board and, as long as we are at the contained phase within Australia, there will have to be thermal screening in accordance with the current standards within Australia. Those are the procedures that are in place to ensure that we do not have flu infected personnel arrive in Australia. If somebody becomes ill within an exercise area, we will proceed with, in effect, the same principles that apply currently in Australian jurisdictions. Potentially, three jurisdictions are involved. We have already communicated with the various state public health departments and state senior health officers to ensure that we fit in and coordinate with their public health plans. That will involve any potential cases being isolated, tested and Tamiflued, and all personnel who are in close contact with or have been in close contact with these persons will be isolated until results are obtained.

Senator LUDLAM—No matter their degree of seniority they will go right through the whole exercise?

Major Gen. Alexander—Seniority does not come in to it.

Senator LUDLAM—Thanks very much for providing that.

Major Gen. Alexander—Thank you.

CHAIR—Senator Back, I believe you have some questions to ask.

Senator BACK—My questions relate to program 1.13, People strategies and policies. Firstly, if I may commence with—

CHAIR—I am afraid those people are not here; they have gone home.

Senator Faulkner—Just bear with us for a moment, Senator Back.

Lt Gen. Hurley—I believe you wanted to talk about mental health issues.

Senator BACK—I hope I was not talking about mental health. I guess it could be a sequel.

Senator Faulkner—What area are you speaking about?

Senator BACK—Post-deployment management of troops out of an active zone, communication with families of those who are on active service in zones, and a little on HR and career guidance. Those are the issues I was hoping to address.

Senator Faulkner—We will establish whether we have any officials who can help you.

Air Chief Marshal Houston—We have all the officials here. Before we go into that, I would like to read something onto the record in response to Senator Johnston's question about leadership in Oruzgan. You wanted to know what the circumstances were prior to November 2007. Fundamentally, there is nothing on the record that indicates what the previous government's formal position was on leadership in Oruzgan.

Senator JOHNSTON—Thank you.

Senator Faulkner—Away you go, Senator Back. We will assist where we can.

Senator BACK—Thank you very much, I appreciate that. Firstly, I wonder whether you could advise us what the procedures or protocols are for managing our troops in their transition from an active engagement—for example, in Iraq or Afghanistan—back to Australia to their units and, ultimately, into contact with civilian society.

Air Chief Marshal Houston—Perhaps I should answer that question initially. With all our troops in Iraq or Afghanistan we bring them back to a central point and we give them an opportunity to decompress. That includes a return to Australia psychological screening.

Senator BACK—That is prior to them returning to Australia?

Air Chief Marshal Houston—Prior to them returning to Australia. They then come back to Australia and they generally go on leave after they have come home. At some stage further downstream they do another psychological screening. Ideally, that would be in the six to 12 months after deployment, preferably about six months but sometimes it slips out to 12 months.

Senator BACK—Speaking firstly of the psychological appraisal immediately they leave, would that be undertaken by someone who is known to them or by someone who is not known to them?

Air Chief Marshal Houston—Before they depart the zone?

Senator BACK—Yes.

Air Chief Marshal Houston—It is usually done by our own psychologists. They may or may not know those psychologists. That is not something that we look to doing. Here comes Major General Alexander to the rescue, yet again.

Senator BACK—In the event that they do not know these people, how willing would they be to talk with them? To what extent is the information gained from such an appraisal or a debriefing recorded? The obvious question being: would anyone be apprehensive of the fact that anything they said may well be in their record and perhaps have some influence subsequently in their military careers?

Major Gen. Alexander—The process is quite comprehensive at unit and subunit levels and involves the families of the unit prior to and during deployment. We have a very active program which involves psychology officers and others that come into areas prior to a formal return to Australia for a one-on-one psychological screening process. They discuss any issues relating to what may or may not have occurred on operations to get a feel for the group and to determine whether there are any broader issues. Prior to their return to Australia a formal process is undertaken which involves psychological screening tools as well as a one-on-one interview. On return to Australia, a further follow-up POPS, or post-operational psychological screening, is done, as was mentioned by the CDF. It is a combination of unit, subunit, formal paper based screening and also one-on-one screening.

I take your point relating to whether a person will open up to a psychologist or a psychological examiner. That issue is certainly broached at each individual one-on-one examination. Psychologists and psych examiners have done this for a long time and they certainly get a feel for it. We are finding more and more, as these processes are now universally accepted, that the stigma associated with discussing these issues is slowly decreasing. It goes without saying that those interviews are strictly confidential.

Senator BACK—But records would or would not be taken with or without the soldier's—

Major Gen. Alexander—Absolutely. Psychological records are kept, but they are confidential records. Those particular interviews in theatre and after theatre are used to determine risk profiles. We set our triggers at a much lower level than universal community triggers. For instance on a certain PCL test, which is a post-traumatic stress test or a Kessler K10 test, we set our triggers at a lower level than universally accepted so we are picking up more, if you like, potentials than we would normally pick up in the community.

Senator BACK—Do our troop commanders and other middle-level officers have any training at all in psychological analysis? Are they trained to observe the troops under their command during a deployment?

Major Gen. Alexander—Psychological training is becoming universal throughout military or defence training, commencing now at the recruit schools, where we undertake resilience training for all our soldiers coming into the Defence Force now. In fact, Australia is leading best practice in this. United States researchers have come out and had a look at our resilience training and they have now taken it back to the United States to incorporate this training in the United States. So we are really world's best practice in this particular type of training. We are taking the same levels of training to our junior, subunit and officer training.

Senator BACK—That leads me to my next question. In terms of this compression period or phase, how do we compare with other countries with whom we are engaged—the United States, the British, the Dutch, the Canadians and others? Can you give us any comparison of actions taken by those countries that may be similar to or different from ours from which we could learn or share?

Major Gen. Alexander—We have what are known as the technical panels—the TTCPs. These technical panels are ABCA panels—American, British-Canadian, Australian and New Zealand. Two of them relate to psychological and mental health issues. They are extremely active panels. The one that relates to mental health met in Australia at the same time that the

ADF review into mental health was released by Professor Dunt. These issues are discussed on a six-monthly basis internationally and we always attend those meetings.

Different countries do different things in the way of screening and other measures. We can go from one extreme, which is the United Kingdom, which still does not formally do any screening whatsoever, through to the United States and Australia that tend to be more conservative and screen more than, say, even the Canadians. We are at one end of the scale and the Brits are at the other end of the scale. When we look at the rates of illness that are occurring, we again find that we are at the lower end of the scale, but we can always expect to have some degree of mental illness.

Senator BACK—I would like to refer to that. It is interesting that you mentioned the British because it is my understanding that the British have a system of grading their soldiers, depending on the experience they have during a deployment. In fact, obviously the grading must be based, I guess, on some form of identification of exposure or otherwise to those sorts of events that are likely to cause them distress. They then treat them differently, according to that recorded level. Is that something that is done here?

Major Gen. Alexander—I believe so. I do not know whether that is a technical or psychological area in which I would have to seek further advice from my psychology experts. They certainly do it differently in the United Kingdom. They do not formally screen using psychological screening tests that are accepted by the three other major nations that we deal with. The United States, Australia and Canada use very similar screening tools.

Senator BACK—A few moments ago you alluded to percentages. I ask you to take on notice a question relating to the percentage of our soldiers that we lose, in terms of loss to the ADF family, and whether or not those figures have changed in the last four to five years. I am not expecting you to answer that question now but I am interested to know what sorts of losses we experience. I am interested in knowing that in relation to officers and other ranks. I am happy for you to take that question on notice if that is information you are willing to provide.

Major Gen. Alexander—Senator, I came away without my folder. I had that information in my folder but I will have to take the question on notice.

Senator BACK—I would be most appreciative if you would. My next question relates to reasons—whether surveys are undertaken of the reasons why officers and other ranks leave in advance of when their contract naturally would have expired. I am anxious, if you like, to get some idea of wastage, if I can use that term, from the ranks.

Major Gen. Alexander—I do not have the numbers in front of me, but when it comes to discharges as a result of service and mental health injury in the Middle East I can recall that our total numbers of personnel that have deployed to the Middle East are in excess of 15,000. I will have to take that question on notice. An extremely small number have been discharged on psychological grounds as a result of service in the Middle East. When I say that, I believe it is less than one per cent of those that are deployed.

When we talk about post-traumatic stress disorder, and mental health disorders, using that figure as an indicator is an unrealistically low figure. The reason I say that is that mental health disorders are exponential; in other words, they will increase over time. When we have a

snapshot that might be six months, 12 months or even five months after deployment, we could still expect to see an increase at a later date after that. In addition, it has a cumulative effect through life and through repeat operations.

The figures that we have I will get to you. They relate to total number of discharges that have been on psychological and mental health grounds, amongst those who have served in the Middle East area of operations. It is a very low figure. As I said to you, I believe it is not a true reflection of what may occur in the future. Also, we try very hard to keep our people in service now more and more. We are looking at policy changes that will ensure that those with mental health issues remain. We recognise that, under our current medical employment classification systems, if you are unfit for service or for operations for a period of 12 months, we have to determine whether you are unfit for service. We recognise now in the way of mental health that, in many cases, it takes longer than 12 months to build that recovery.

Senator BACK—Yes.

Major Gen. Alexander—So we will be looking at extending the period that we allow people to have and keep them in service rather than just discharging them because the arbitrary 12 months has expired.

Senator BACK—Post-traumatic stress was one factor but I was also interested in the wider issue of those who may leave for reasons other than post-traumatic stress.

Lt Gen. Hurley—Senator, I have some statistics here on discharges from the Middle East and Timor. These are medical discharges following Middle East service. From a total of 23,830 personnel who have deployed to the Middle East area of operations from the start of operations in 2003 to 31 December 2008, which equates to 39,795 individual deployments—because some people obviously go back again—373 have subsequently been medically discharged. This is 1.6 per cent of the total deployments. The most common conditions were mental health, 146 people; and muscular skeletal conditions, 130. Of the 146 personnel medically discharged for mental health conditions, 96 were directly or possibly attributable to their Middle East service and this comprises 0.4 per cent of those deployed to the Middle East. This compares to an estimated 0.4 per cent of the entire ADF in 2004 that were considered for medical discharge due to mental health problems.

The statistics for East Timor are similar. From a total of 22,232 personnel who deployed to East Timor over the entire period of operations, which is equivalent to 31,110 individual deployments, 914 have been subsequently medically discharged, or 4.1 per cent. I note that this is higher than the 1.6 per cent quoted for the Middle East. There were 127 medical discharges during 2008, and the most common conditions relating to medical discharge were mental health, for which there were 47, or 37 per cent; and muscular skeletal conditions, 56, or 44 per cent. We are unable to provide figures for previous years as each medical file has to be reviewed individually to obtain this information. Of the 47 personnel medically discharged during 2008 for mental health conditions after service in East Timor, 31 were directly or possibly attributable to those operations and 16 were not.

Senator BACK—Those are figures of which you should be justifiably proud, I think. Thank you very much. I will confine my questions to one other area and my last question I will put on notice. My next question is to do with communication with families of personnel

deployed overseas. Who takes responsibility within the ADF for that role of communicating with families of service people overseas?

Air Chief Marshal Houston—That is the Defence Community Organisation. We also have the National Welfare Coordination Centre, which is run by the Chief of Joint Operations. Essentially, the Defence Community Organisation has extensive programs to support families right across Australia, for all our people who are deployed.

Senator BACK—Is it a process that the ADF sees as being somewhat valuable, highly valuable, or of no value at all?

Air Chief Marshal Houston—Highly valuable. They do a great job for us in a large number of different sets of circumstances.

Senator BACK—When you say ‘for us’, is it an outsourced process, or is it conducted under your auspices?

Air Chief Marshal Houston—It is conducted under our auspices. Indeed, we are increasing the number of welfare workers and also the number of development officers by, I think, a total of 18. It is something that we take very seriously. It is an invaluable function when you have people deployed around the world. Do you want to add anything, Phil?

Mr Minns—It was an area where the white paper in the forward estimates period generated some additional funding to support those further roles. The Defence Community Organisation sits within the Defence Support Group, so it is the main group that does service delivery within the organisation. I echo the comments of the CDF—it plays a significant and important role. It remains an organisation in which our partners in the TCCP, the four other countries, show some interest and we share and compare notes. We launched the ADF family charter through the Defence Community Organisation about a month ago, which seeks to spell out the role of families in supporting serving members and the role of the DCO in supporting those families.

Senator BACK—Could you tell me what was the catalyst for that charter being developed in the first place?

Air Chief Marshal Houston—That was something that I was very keen on, as was the Director General, Defence Community Organisation. I launched it at HMAS *Harman* here in Canberra about three weeks ago.

Senator BACK—I am delighted to learn of the emphasis. Having carriage at your level, can I ask whether any surveys or independent evaluations been undertaken of the communication with service families to support the results that you are reporting to me? If such surveys or evaluations have been undertaken, are they available for us to examine?

Mr Minns—We did a Defence family survey at the end of last year. From memory, I think we got in excess of 5,000 responses. We are still in the process of going through those results. It is a rich source of responses to survey items as well as free text comments. I think that the theme of communication with families is part of the results pack. At the moment I do not think we have released it within the ADF or the defence organisation.

Air Chief Marshal Houston—There is an additional thing that we do. We have an organisation called Defence Families Australia which is headed up by a lady called Nicole

Quinn—the spouse of a serving member. All the membership of the executive are partners of serving spouses. They are all female, so I guess I am not being sexist by saying that. In the next month or so we will get together with them for a week here in Canberra and we will explore all the issues that they raise with us.

Essentially, Minister Snowdon spends a lot of time with them, I spend a lot of time with them, the service chiefs spend a lot of time with them and, of course, Phil, the Deputy Secretary, PSP, and the head of People Capability, Craig Orme, spend a lot of time with them and we go through the issues that they raise. Obviously that relates not just to issues with deployed families but also to issues with families across the board in the ADF. Again, it has a high priority for all of us because, at the end of the day, if you look after the families, you retain the services of the people. There is a saying, ‘You recruit the soldier, sailor or airman, but you retain the family.’ If you retain the family you retain the member, so it is a vitally important function.

Senator BACK—I certainly endorse that, thank you. My other question relates to retention and promotion career guidance, but I will put that question on notice. Thank you very much for your responses.

CHAIR—Thank you, Senator. On that basis I think we will take the evening tea break and resume at 9.25 pm.

Proceedings suspended from 9.10 pm to 9.28 pm

CHAIR—The committee will come to order. I believe Senator Johnston has the call on submarines.

Senator JOHNSTON—Thank you, Chair. Effectively, there are two Navy matters. The only real focuses I have tonight are submarines and a particular medical issue with respect to one sailor. I do not think I will be terribly long. What are the current manning figures with respect to the Submarine FEG?

Vice Adm. Crane—As at April 2009, the demand in Navy for submarine positions was 670 and supply was 434. That is an availability of 65 per cent and a gap, obviously, of 35 per cent.

Senator JOHNSTON—Of the 434, how many are reservists?

Vice Adm. Crane—I would have to get that information and get back to you. I do not have that figure to hand.

Senator JOHNSTON—But there are some reservists in that figure of 434?

Vice Adm. Crane—There may well be some. I would have to check and get that information for you.

Senator JOHNSTON—How many of the 434 are officers?

Vice Adm. Crane—Again, I will have to get that breakdown for you. I am sure that my team have it available; I just do not have it with me at the moment.

Senator Faulkner—Chair, can we send Army home?

Senator JOHNSTON—We can send Army home if Army want to go home. And unless anyone has anything for Air Force I think we can send Air Force home too. I do not have anything for Air Force. I am sorry to have kept them here so long.

CHAIR—Army and Air Force may go home.

Senator Faulkner—I really appreciate that, Senator.

Senator JOHNSTON—I apologise for not announcing that earlier.

Senator Faulkner—I thank the committee for enabling that to occur, as I am sure the witnesses do too.

Senator JOHNSTON—I saw an article referring to a Defence Force psychology organisation study which may well be called Project Klaxon. Does that sound logical and correct?

Vice Adm. Crane—No. The psychological study was something called PULSE. You will forgive me if I cannot give you the exact meaning of the acronym.

Senator JOHNSTON—'Profile of Unit Leadership, Satisfaction and Effectiveness'?

Vice Adm. Crane—That is the one. Project Klaxon was a submarine survey done by the Submarine Force Element Group commander, from memory, about two years ago.

Senator JOHNSTON—And that was an attitude survey which yielded evidence of poor morale based on a range of issues over work, lack of posting suitability, lack of training opportunities et cetera. I suggest to you that we have not seen much of a change since then. In fact, if the truth be known, things are if not static then probably getting worse with respect to our manning levels.

Vice Adm. Crane—That might be your characterisation. As I said earlier this morning, I think that we have stabilised. In the figures that I have available to me, over the last 12 months, as I said, we have remained stable with a demand of 670, plus or minus one or two, and with a supply of 434, plus or minus one or two—and it literally is one or two. That accords with our strategy under the Submarine Workforce Sustainability Program, which was to use this period to stabilise the workforce in the submarine force. As I said this morning, I am still watching it very carefully, but I think there is room for some optimism when I look at the growth in the training force for our submarines. We have had 72 enter the training force this financial year—22 per cent up on the previous financial year. I now have 100 submariners in the training pipeline. Indeed, my challenge now is to continue to keep our submarines at sea as long and as often as I can to provide the training platform. I am afraid I would not agree that it has got worse; I think it has stabilised. That stabilisation has been evident over the last 12 months.

Senator JOHNSTON—Didn't PULSE tell you that one-third of all submariners want to leave?

Vice Adm. Crane—PULSE was about two years ago. I would suggest to you that over the last 12 months a lot of work has been done in the submarine group. We have not done it yet, but I think if we did it again now we would get a different result.

Senator JOHNSTON—You talk about 100 in the pipeline, 70 stepping up and what have you. What is the separation rate for your 434? What net increase do we have? I think these figures are the crucial litmus test of where we are at.

Vice Adm. Crane—As I said, over the last 12 months the net separation rate has been zero, so we have stabilised. Thirty of our people have left the submarine force and we have qualified 30. That is over a 12-month period. So we have stabilised. I think at the moment our separation rates in the submarine group reflect about 11.3 per cent, which is on average across Navy. I will double-check that figure and come back to you if it is different, but I think that is the figure.

Senator JOHNSTON—Didn't the ANAO audit identify that with respect to medical compassionate and ordinary leave the manning level was down to about 37 per cent?

Vice Adm. Crane—I would have to check that. My figures show that I am manning at the moment to 65 per cent in my submarine force.

Senator JOHNSTON—When you define the submarine force, what are you talking about; are you talking about six crews, five crews, or what?

Vice Adm. Crane—That is six crews. That is based on a figure of six crews. We are in the process of transitioning the manpower numbers that we have, the model that we have, from six crews initially to four enhanced crews—that is, 58 versus 46—plus a submarine support group. That work is going on at the moment.

Senator JOHNSTON—Where is the chronic shortage relating to skills? In techos?

Vice Adm. Crane—Principally in the technical area, yes.

Senator JOHNSTON—Are our 100 aspirants going to be techos? Are we looking after that? I am told that on the left-hand panel there are people watching those stations at dive depth who are not techos.

Vice Adm. Crane—In terms of submarine qualifications awards to 30 April, there are six ETs, electrical technicians, in the submarine, four MTs and a further one ET this time.

Senator JOHNSTON—Could I suggest that the 30 who have left are probably all technically trained?

Mr Minns—We conducted a critical trades analysis and we do a full review every six months. If we talk about the Navy technical trade categories that are in the critical space—electronic technician, marine technician and cryptologic systems submariner—they all stayed neutral in the six-month period to May 2009. The time for recovery neither improved nor worsened for those three categories. It was the same for marine engineers.

Senator JOHNSTON—The last category is a submarine category, but are the first two categories a submarine category?

Mr Minns—Sorry I should have said submariner in brackets.

Senator JOHNSTON—Good, thank you.

Mr Minns—All those three that I referenced are submariners.

Senator JOHNSTON—Exclusively submarines? I am not so much concerned with service vessels or anything else.

Mr Minns—It is a shorthand way of answering your question, but I guess I would say that, if we had seen disproportionate leakage from those trade groups, we would be seeing a worsening recovery period in that critical trade report that went to the Chiefs of Service Committee in May.

Senator JOHNSTON—If we were to graph this over, say, the last four years, do you think the graph would have reached the bottom in terms of manning levels? We are stabilised and flat lining at the moment.

Mr Minns—I think what we indicated this morning was that the net position in the last 12 months is that stabilisation point. There are signs and, if you like, symbols that suggest we might be turning the curve. I will illustrate that to show you how focused we are and that we are trying to harness all our resources. We have some improved interest in transfer to the submariner workforce—we have had a couple of categories where recruitment has got to 80 per cent or 100 per cent of target—and we are capitalising on that at the moment. We are doing a new burst of advertising in the media for submariners. In about 1½ weeks we will launch a new microsite on the Defence Force recruiting website, which is a specific place that people can visit to find out what the submariner workforce lifestyle is like. We know from the symbols and signs that we reported this morning that a bit of momentum is building. We will try to capitalise on that through our Defence Force recruiting effort.

Senator JOHNSTON—I am obliged to you for that. It sounds as though we have cause for cautious optimism.

Mr Minns—Cautious at this stage, yes.

Senator JOHNSTON—Can I talk about Perisher. Submarine commanders have to complete the Perisher course, as I understand it.

Vice Adm. Crane—That is correct.

Senator JOHNSTON—And if they do not, they do not get to command.

Vice Adm. Crane—That is correct.

Senator JOHNSTON—Does that apply to executive officers?

Vice Adm. Crane—No. I am not a submariner but, as I understand it, executive officers go through an executive officers course here in Australia and they do not need to do Perisher. However, commanding officers do. I have just had that confirmed. Submarine executive officers do not need to do Perisher.

Senator JOHNSTON—The point that I want to make is that we can glean the future in relation to our capability from a commanding officer resource perspective by looking at the successful rotations through Perisher and then looking back to see who is eligible to go to Perisher. What are those numbers?

Vice Adm. Crane—I do not have the numbers to hand. If you are asking whether we have looked at the flow of executive and commanding officers through the Perisher training, we are paying close attention to it. At the moment I have sufficient commanding officers in the

pipeline. Perisher, of course, is a potential rub point for me because it is a difficult piece of training and not everybody gets through it. It can cause difficulty pretty quickly if the right numbers do not get through. We watch that very carefully but it is not an issue that I am concerned about at the moment. However, we are watching it.

Senator JOHNSTON—Are you comfortable in telling me how many Perisher qualified commanding officers you have available to the FEG at any given time? If you are not, then say so.

Vice Adm. Crane—I would have to check, but I could get that pretty quickly.

Senator JOHNSTON—Are you happy to give me the figure?

Vice Adm. Crane—Yes, I am happy to give you that figure.

Senator JOHNSTON—I take it that it is more than six.

Vice Adm. Crane—At the moment, not necessarily.

Senator JOHNSTON—But ideally?

Vice Adm. Crane—Ideally you would be looking at four to six.

Senator JOHNSTON—What is the lead time to get a candidate for that particular qualification? A sailor comes in, becomes an officer, goes through all his training, is a submariner, and graduates through the ranks to become eligible as a candidate to go to Perisher with a view to ultimately commanding a boat. What is that time frame?

Vice Adm. Crane—You may get sailors coming through who change over to officer. But typically it would start with a junior officer who would undertake his early submarine time. He would then become a watch leader in a submarine and transition through to an executive officer's position, and then he would be competing for Perisher training. That would typically take anywhere between eight and 10 years, or thereabouts. It does vary, but it could be a bit longer. It depends on the movement of the individual through the training continuum.

Senator JOHNSTON—With respect to the new submarines, there would need to be a sizable intake in order to accommodate that qualification if it were to be a criterion for command in submarines within the next five years.

Vice Adm. Crane—Yes.

Senator JOHNSTON—So we need to keep an eye on those numbers?

Vice Adm. Crane—Yes.

Senator JOHNSTON—I would suggest that they would need to at least double.

Vice Adm. Crane—I have not done the detail, but certainly they need to increase.

Senator JOHNSTON—Thank you. I come back to the 'Unit-ready days' tables, and I take you to table 23 in the budget documents. You will recall that I took you to note 4. I see that, of the five years mentioned, 2009-10 has the most unit-ready days, yet the note spells out that at any given time almost all the submarines will be permanently out for the whole period. The note says that *Sheehan* and *Rankin* will remain full-cycle docking for all of 2009-10; *Dechaineux* is expected to complete full-cycle docking in late 2009; *Collins* will remain alongside in a training role from late 2009; and *Farncomb* and *Waller* will complete a short

maintenance period during 2009-10. We have a high number, yet the boats are predominantly undergoing considerable periods of maintenance. How do you explain that number?

Vice Adm. Crane—I can understand that trying to interpret this can be a challenge. Perhaps I could try to help you understand how that has been reflected. In our maintenance cycle we have four maintenance activities. The first one is a full-cycle docking, which is normally done at Adelaide, and that is normally 104 weeks. The second one is a mid-cycle docking, which generally is about 16 weeks. The cycle is between full-cycle dockings, so this is all tied up with the submarine upkeep program. The third one is an intermediate docking period, which is normally about 12 weeks. And then we have something called the IMA, the intermediate maintenance availability period, and that is about 10 weeks. In the financial year 2009-10, with the exception of *Waller*, which is currently in an intermediate docking period and about to come out, there is no other intermediate docking period for any of the submarines that are available to us. So it is a little unique. Those two periods that are reflected in note 4 are, in fact, the smaller intermediate maintenance availability periods.

If I take you through the submarines that are available to us—and this is in 2009-10—you will see that *Sheean* is in full-cycle docking in Adelaide and has no URD achievement booked up to it. *Rankin* is laid up in Adelaide for full-cycle docking and has no URD allocated to it. *Dechaineux* is currently in full-cycle docking and will come out in January, and it has six months worth of URD associated with it. She will be available for six months.

Senator JOHNSTON—All things being equal?

Vice Adm. Crane—Yes. *Waller* is completing an extended ID in August this year and she will do a small IMA in April next year, which means she has about eight months worth of URD days available to her. *Farncomb* is conducting an IMA, that is, the shorter intermediate maintenance availability, between August and October, so she has 10 months of URD available, and *Collins* will go alongside from November because the *Collins* crew will be the crew that brings *Dechaineux* out of full-cycle docking. Therefore, from November there will be no URD for *Collins*, so that is five months for *Collins*. If you total that up you find that it is about 30 months for three submarines and it is about 900 URD days.

Senator JOHNSTON—I suppose the question that flows from that is: how come there are no notations with respect to submarines in 2008-09, 2010-11, 2011-12 and 2012-13, yet all those dates are less than 2009-10 when there is a substantial amount of work being done on submarines?

Vice Adm. Crane—Senator, as I said this morning, I am less confident about the numbers that you see for the outer years from 2010-11 onwards. Sometimes the availability periods do not firm up. They are driven by the usage upkeep cycle, and when we can get the submarine into a particular availability.

Senator JOHNSTON—So there is a sort of a necessary cautious pessimism in those numbers?

Vice Adm. Crane—As I said, next year, 2009-10, which we are about to enter, is a little unique in that there is not an intermediate docking—one of the longer ones—for our submarines. We would expect to be able to generate a greater number of unit readiness days next year because we do not have a submarine in an intermediate docking period. On average,

generally it is less than 900. Senator, if I may, I can give to you the numbers of Perisher qualified officers at the moment at lieutenant commander and commander rank. It is 16. It takes approximately 10 years for them to get to command qualification from initial submarine qualification.

Senator JOHNSTON—How many of those 16 are, in fact, reserves?

Vice Adm. Crane—I will check and come back to you, Senator. The other question you asked me related to the number of officers in the Submarine FEG. That is 137. I will take the reserve component on notice, Senator, and get back to you as soon as I can.

Senator JOHNSTON—Why is the *Collins* alongside in a training role for 2009?

Vice Adm. Crane—From the end of 2009?

Senator JOHNSTON—Yes. Is that a normal course of deployment?

Vice Adm. Crane—No, my preference would be, if I had a crew available, to put a fourth crew into *Collins* and have it at sea. I do not have a fourth crew available so I will use that submarine for alongside training and transfer the crew from *Collins* to *Dechaineux* to bring *Dechaineux* out of full-cycle docking.

Senator JOHNSTON—I appreciate those answers, thank you very much. With respect to the *Remora* and the contract for submarine rescue, where are we at with that? I believe we brought the Glasgow vessel to Western Australia?

Vice Adm. Crane—Senator, as you would know, that particular service is managed for us by the Defence Materiel Organisation. Although most of them have gone home, Rear Admiral Robinson is the head of Maritime Systems. I anticipated that you might want to go there so he has remained.

Rear Adm. Robinson—Senator, could you repeat the question to ensure that I heard it correctly?

Senator JOHNSTON—I wanted a general report on where we are at with respect to the contract and where we are at with respect to the formerly Glasgow-based vehicle, which I understand is in Western Australia. I want you to tell me what sort of vessel you have on standby to deliver it to any part of Australia where we might have a submarine on the bottom, hopefully in shallow water, and what is the plan?

Rear Adm. Robinson—Senator, there was one contract when we went through this at the last estimates. When we talk about contracts there are now two contracts. The contract for the escape and rescue capability is with James Fisher Defence, a United Kingdom-based company, and they purchased LR5 from the Royal Navy in November last year. It is in Australia—we brought it out at the end of last month, and it arrived two days ago.

Senator JOHNSTON—Two days ago?

Rear Adm. Robinson—That is right.

Senator JOHNSTON—Wonderful; that is good.

Rear Adm. Robinson—It is now stored at Henderson and it is at 12 hours notice to move. The vessel in Western Australia that we fitted out to take it is *Seahorse Standard*—a DMS vessel that is under contract to Navy.

Senator JOHNSTON—Did you say on 12 hours notice?

Rear Adm. Robinson—The equipment is on 12 hours notice. It was in Glasgow.

Senator JOHNSTON—Just explain to me what that means?

Rear Adm. Robinson—Twelve hours notice to move means that if somebody picks up the phone and says, ‘We need this equipment’ the contractor has 12 hours to mobilise it—assemble it, get it on a truck, and take it to the point of embarkation, whether that is an airfield or down to Henderson wharf or Stirling.

Senator JOHNSTON—Why is it 12 hours? Is it not ready to go at any given moment?

Rear Adm. Robinson—To maintain the system it needs maintenance and those sorts of things. They can undertake maintenance and that can be conducted within that 12-hour period. Notice to move is a common feature of all our preparedness. We have to allow for particular maintenance to be done inside our readiness.

Senator JOHNSTON—I am a little concerned about the fact that nothing happens for 12 hours.

Rear Adm. Robinson—No, that is not correct. In that 12-hour period other things are happening, obviously—mobilising other assets and ships to the scene, and getting *Seahorse Standard* ready. So it is 12 hours to get that equipment ready. That is a reasonable standard.

Senator JOHNSTON—When you say 12 hours to get it ready you mean 12 hours to get the subsurface rescue vessel ready and the vessel that will deploy it?

Rear Adm. Robinson—It depends on the scenario. When it was in Glasgow we had much longer to get the vessel ready. Essentially, 12 hours is for the equipment. We think within that period it would get ready to go on *Seahorse Standard*. Unless it is off doing something else it is around within 12 hours. In extremis, for whatever reason, we could procure another vessel. But essentially, yes, 12 hours—

Senator JOHNSTON—To embarkation?

Rear Adm. Robinson—That is right. Within 12 hours it is on the wharf and it is being put on board *Seahorse Standard*. A period is then required to fit the equipment, et cetera, in that ship.

Senator JOHNSTON—When will we have our first test run?

Rear Adm. Robinson—There is an annual exercise called Black Carillion, which the Navy normally schedules for a November timeframe each year. I am expecting it to be in November this year.

Senator JOHNSTON—Between now and November we will not really have an experienced system in operation. We have the vessel here, but we have not had a practice run with respect to its deployability?

Rear Adm. Robinson—Part of the company's process to keep this ready is to do a number of activities including, I understand, dipping it off a wharf. We used to do that with *Remora*. And it is proven. When you say that it is an inexperienced system, it has conducted many matings with a number of different submarines, all of which are fitted with the same rescue seat with which the Collins is fitted. But you are right, if I read you correctly, in saying that it has not mated with a Collins. That is correct, but it is an experienced system with experienced operators and we are confident, as we have said before, that this system can work.

Senator JOHNSTON—Are we going to mate it with a Collins in November?

Rear Adm. Robinson—My understanding is that that is what the fleet commander wants to do.

Vice Adm. Crane—This year the Black Carillion will take place towards the end of September and into the early part of October. That is the plan.

Senator JOHNSTON—Where will that be held?

Vice Adm. Crane—I think it will probably be in the west, but I would have to check.

Senator JOHNSTON—What is the cost to us of having this vessel here in Western Australia?

Rear Adm. Robinson—It is about \$400,000 a year extra for the storage and having the specialist people to be able to take care of it in Australia.

Senator JOHNSTON—That is net of what it would have cost us for *Remora*?

Rear Adm. Robinson—That is correct.

Senator JOHNSTON—What is the system on board the *Seahorse Standard* vessel that deploys the LR5?

Rear Adm. Robinson—The LR5 comes complete with its own system. A lot of these systems are intended to be deployable, and this one is. It can go onto any ship that has been assessed as suitable. *Remora* was the same; *Remora* came with its own complete system. So the LR5 comes complete with its lifting apparatus support equipment.

Senator JOHNSTON—What is the term of the contract?

Rear Adm. Robinson—We have extended our contract by six months specifically to bring it here. In that six months we will negotiate a new contract of 12 months with 12 months option because we have to incorporate the exercise, and that involves assessing some indemnities and getting the right sign-offs.

Senator JOHNSTON—The obvious follow-up question is: when will *Remora* be with its deploying system or whatever it is called? It is a certified raising and lowering system.

Rear Adm. Robinson—Yes, the launch and recovery system. We call that LARS. We have a contract with DNV, which is Det Norske Veritas, the classification society. They are currently assessing a proposal from the equipment designer and manufacturer to modify the equipment to take these substantial loads on it. As I said, I am expecting that by the end of this month I will have their initial report. If their initial report is positive, we will take that design further and go through a process. I cannot tell you for sure that it will be successful but

it is the best course to pursue at the moment. We will have LR5 for as long as we need to either to fix the *Remora* or to make a decision that it cannot be fixed and make an alternative arrangement.

Senator JOHNSTON—I think that arrangement is much more satisfactory than the arrangement we had in February, if I may say so. It sounds much better. The relative cost I think is neither here nor there.

Senator TROOD—I am just wondering why you made the decision to bring the vessel out to Western Australia?

Rear Adm. Robinson—As I said, at the end of November when the vessel became available for us to contract an option was to bring it out here. At that point it was not clear how quickly we could get the LARS for *Remora* restored. On the basis that LR5 had been on call for us in the UK, I left that decision. It cost us \$1.4 million to bring it out here. The reason we brought it out and kept it here was that we would have brought it out for an exercise, and to send it back did not seem to make sense when it did not need to go back. So the decision was made at the time. Earlier this year it was not clear what length of time it would take to restore *Remora*. That is not going to happen as quickly as I would like. I have consulted with the Chief of Navy and the CDF we agreed that we should bring it out so that we can exercise it and so that it is under our immediate care and custody.

Senator TROOD—I do not recall you canvassing this possibility when we were here in February.

Rear Adm. Robinson—In fact, I checked the transcript and Chief of Navy said his desire would be to have his own system here on call. I think it was to that effect. I said at the time that I made a decision based on information and balancing costs against risk et cetera, which I do on a weekly basis with a number of the platforms I support.

Senator TROOD—Thank you.

Vice Adm. Crane—The Black Carillion area will be the Western Australian exercise area.

Senator JOHNSTON—The WAXA?

Vice Adm. Crane—Yes, the WAXA. Going back to your Perisher question, I said there were 16 Perisher qualified officers at the lieutenant commander and commander rank at the moment. They are all permanent Navy.

Senator JOHNSTON—Very good. Thank you for that. Going back to the *Remora* LR5, it cost us \$1.4 million to bring it out?

Rear Adm. Robinson—That is correct.

Senator JOHNSTON—So there was the \$400,000 plus the transport costs. We are liable for the return of the vessel when we have completed the contract?

Rear Adm. Robinson—Eventually, yes, I expect so. But, if we have finished with the contract, it will mean that we have something else in its place. That would mean we would take it by sea freight and it would not cost the same amount.

Senator JOHNSTON—And there would be no urgency?

Rear Adm. Robinson—Not if we do not need it.

Senator JOHNSTON—How did we bring it out?

Rear Adm. Robinson—We brought it out by air. We used a combination of C17 for the LR5 and—

Senator JOHNSTON—Our own C17?

Rear Adm. Robinson—We used our own C17 and a chartered a 747 to carry the support equipment.

Senator JOHNSTON—Very good. What is our status with respect to SETF?

Rear Adm. Robinson—For SETF the tenders are back in and have been assessed. They are going through a final check with our probity adviser. I expect that we will sign off on that and complete a contract within a month—by early July. There will then be a period of training and certification of the water workers. It could take up to three months; it depends on their experience. We discussed that before. I expect that towards the end of this year we will be ready to resume our own training.

Senator JOHNSTON—Very good indeed. I do not think I have any more questions on submarines. I have general Navy questions, if I can go on to those?

CHAIR—We will go on to them, Senator Johnston.

Senator JOHNSTON—Chief of Navy, it has come to my attention that a sailor was drug tested and because he had—we now know—a false positive he was confined for 10 days. He says that the only tablet he had taken was a seasick tablet. I am sure you are aware of the report that was in the *Sunday Telegraph*. Surely we have a capacity to do our drug testing—which I think is absolutely imperative, and I do not question anything associated with the testing—but false positives have an absolute chronic effect on the integrity of testing. Surely we have to have some capacity to be able to retest and eliminate these false positive problems. The mining industry gets it done and redone, and we have a protocol of two positives and you are dead. How is it that we have a sailor—a young Navy seaman—who was keen to continue his career but he was confined for 10 days and now he wants out?

Vice Adm. Crane—The policy for drug testing is that if the first test indicates a positive it then has to go off for further analysis to confirm that it is in fact positive, as you are obviously aware. Persons who are involved are warned that they have tested positive, but confirmation of that positive test is dependent upon the follow-up test. No action should be taken against an individual in relation to that first test until the second test comes back and confirms the analysis. If I understand the case you referring to as the one that I think it is, I am not sure that the sailor was confined. There was a tailoring of his employment—and arguably it perhaps was not as appropriate as it should have been—but he certainly was not confined in the true sense of the word, and he should not have been.

Senator JOHNSTON—Well, I think he was confined. He was interrogated quite intensively. His father came to me and said that he was very concerned and upset that his son had telephoned him to tell him of the experience and had decided that the Navy was not for him as a result of this experience. I can understand that on a first positive we have to restrict responsibilities in machinery handling and all sorts of things as a matter of due diligence and

safety, but someone is innocent until proven guilty. Given the notorious nature of false positives in this emerging industrial environment where testing is fundamentally used, surely we do not confine people. I believe he was confined for 10 days, just waiting without another test being done. How do we get the test done? What is our protocol on double checking the positives?

Major Gen. Orme—We have responsibility for the policy around prescribed testing process. Defence have had a long engagement with this process, and we have looked at a number of the alternatives that you mentioned earlier—for example, the mining industry doing others. You might be aware that the sorts of options available are blood and hair samples, and a range of other factors that are quite complex. Recently we reviewed our program and we reaffirmed that the urinalysis is the most appropriate method that is available. It is done under the administrative system, not under the health system, so it is able to be implemented and it is effective. Principally, there are two regimes in which we use this program. The first is the OH&S that you talked about for ensuring that our workplace is safe. The second is the random drug testing program, where we may have circumstances in which we apply the random drug test in general, or we may have information that might lead us to suspect that somebody has been involved with the use of prohibited substances. Those two regimes have given us a reasonable return. Recently the Chiefs of Staff Committee took a review of the program from the Inspector-General of the ADF and moved from a regime of 10 per cent testing and accepted a recommendation from IG ADF to move to a 25 per cent testing regime.

Senator JOHNSTON—That is random testing?

Major Gen. Orme—Over a period of 12 months, yes. That is now in the process of being implemented. Referring to the specific incident that you are talking about, I am not qualified to comment on the particular sailor.

Senator JOHNSTON—No.

Major Gen. Orme—In general, we are confident that the regime we have assists us in deterring soldiers, sailors and airmen from using prohibited substances. It ensures that we have a safe workplace. With the increase now to 25 per cent, we believe we have made a more robust policy change in this area to reinforce our approach to dealing with the taking of prohibited substances. In general, we are confident that the system is a balance between a pragmatic approach, a responsible approach and one that is delivering effective results. As I said, recently it has been reviewed.

Senator JOHNSTON—Are you comfortable in telling me the spectrum of substances for which you test?

Major Gen. Orme—Senator, as you may be aware, a range of tests are available to identify a vast range of different substances. Actual prohibited substances are covered in the regulations, and we cannot test for things that are not in the regulations.

Senator JOHNSTON—How many items are in the regulations?

Major Gen. Orme—I would have to take that question on notice to give you a detailed response to it. There are certain things for which we cannot test in our current regime—

steroids being one of them. That is an area of concern to us. The areas that we have are those for which we are legally empowered to test. There are a range of other prohibited substances that our tests do not cover.

Senator JOHNSTON—You say that you cannot test for steroids and that is because you are not legally empowered?

Major Gen. Orme—Again, Senator, I would have to get the details as I do not have a brief in front of me on this specific area. I will take those specific areas on notice and provide you with detailed information. All those substances that are prohibited or illegal, or perhaps a better definition is all those substances that are not prescribed legally, are illegal.

Senator JOHNSTON—Do you include contraband prescription drugs?

Major Gen. Orme—Yes.

Senator JOHNSTON—Very good. I take it that, from a Western Australian perspective, you would look at the schedules in the Misuse of Drugs Act in Western Australia—as I recall it from my younger days. Would you have something similar to that?

Major Gen. Orme—Yes. Again, we will get the technical list of those substances that are not prescribed legally and therefore fall into that secondary category. As you are well aware, there is a range of those sorts of things, and there are new and emerging areas. I might add that in the area of sports medicine, trying to find the definitive test that picks out everything is impossible. We have to balance that with a pragmatic response.

Senator JOHNSTON—What do we on deployment and on board ship?

Major Gen. Orme—On both deployment and on board ships we have the ability to conduct our testing regime. Because the power under which we conduct the tests and the offences that might be exposed to that are under the Defence Force Discipline Act and also under our administrative provisions, we can test both on board and offshore.

Senator JOHNSTON—We have installed all the necessary equipment and trained the necessary personnel to conduct the tests. How is it that we have this story of this man being confined for 10 days on a false positive? No further action has been taken against him, obviously.

Vice Adm. Crane—As I understand it, with this particular sailor, the first indication from a first test led to a range of questioning—

Senator JOHNSTON—That is right.

Vice Adm. Crane—which was probably, I suspect, a difficult circumstance for the sailor involved. As I understand it, that then led to his employment being curtailed on board the ship until the results of the second verification were available. I am not exactly sure how long that took; I would have to check.

Senator JOHNSTON—That is the problem—is it not?

Vice Adm. Crane—As I understand it, they have to go off and get that second verification, which has to be done in an appropriate laboratory so that we can be absolutely sure that there is a positive test.

Senator JOHNSTON—That presents a problem on board?

Vice Adm. Crane—It does present a problem because it takes some time, particularly if you are at sea, to get that ashore and off to an authorised laboratory for subsequent testing. As I understand it, in that period of time this sailor was restricted in the duties that he could perform. As I said, I am not sure whether I would characterise it as a confinement.

Senator JOHNSTON—He would characterise it as a confinement and you would characterise it as a restriction.

Vice Adm. Crane—A restriction in the functions and duties that he could undertake whilst the ship was awaiting the outcome of that second test.

Senator JOHNSTON—But the point is he should have received no real punishment until the positive test was affirmed.

Vice Adm. Crane—He should not have received any punishment at all. This is an administrative process. Had the result determined that he was positive, the appropriate action is an administrative process, not a process under the Defence Force Discipline Act.

Senator JOHNSTON—Thank you for those answers. The last matter I have relates to a particular leading seaman who was injured in Operation Resolute in September 2007. Are you familiar with that one?

Vice Adm. Crane—No, not off the top of my head.

Senator JOHNSTON—The sailor concerned was a ship's electronics technician aboard HMAS *Maitland* on Operation Resolute in September 2007 when the vessel called into Thursday Island. He and the other crew were granted liberty and went to the town area for drinks and meals. In the early hours of Sunday 23 September 2007, whilst walking alone to HMAS *Maitland* from the town he was savagely attacked, assaulted and left unconscious by a group of local people. He was discovered by two local women who alerted other sailors returning to *Maitland*. He was unconscious at the time. He was carried in that state on board and put in his rack and left there.

At 0640 hours the same morning he woke feeling sore and confused. He attempted to shower; he continually vomited and returned to bed. He remained in his rack and was later seen by the ship's medic. Because of his physical condition—black eyes, swollen jaw and large lump on his head—it was decided to have him medically examined at Thursday Island hospital. He was examined by a doctor who declared he had no serious injury and was returned to his ship. He lay in his rack. He was unable to drink water, continually vomited, and suffered bouts of dizziness.

The medical officer decided to return him to Thursday Island hospital for medical examination. He was re-examined by the same doctor who admitted him for examination and gave him injections to stop him vomiting. The next morning he was being discharged when the medical officer on board refused to accept him until he had been X-rayed—to his great credit, may I say. That X-ray was carried out and it indicated a broken jaw in two places. No recognition of symptoms indicating life-threatening extradural haematoma was followed up by the doctors in question on Thursday Island. The dual jaw fractures rendered him unable to

sail and he was given into the custody of the local Thursday Island naval staff pending his repatriation to Darwin.

He remained on Thursday Island for three days without further medical treatment. He could not eat, stayed in bed most of the time day and night. He spoke to his parents by mobile phone several times. His parents were aware that his condition was deteriorating and informed the officer in charge on Thursday Island. No action was taken. On the afternoon of 26 September 2007 he was put on a ferry and travelled to the airport. He was alone. He caught a civilian flight to Cairns, changed planes and arrived in Darwin late the same night. No navy staff met him. As directed by his orders, he caught a taxi to his home and collapsed in bed.

On the following day he was unable to follow his orders and proceed to the Navy Medical Centre as he could not get out of bed and was continually passing out. There was no follow-up by any navy medical or other personnel when he failed to attend his appointment. He was woken at about 1300 hours by his father who was continually ringing his home. It was established by a Navy inquiry that without his father's intervention that day this person most likely would have died in his unit. Navy had not even noticed he was missing.

He attended the Navy Medical Centre. He was seen and immediately escorted to the Darwin hospital. A CT scan revealed a subdural haematoma. Shortly thereafter an emergency craniotomy was performed to remove that haematoma. Some days later an additional operation was performed to pin two jaw fractures back into position. After a few weeks in hospital he recuperated at home. In 2008 he returned to restricted electrical trade duties on board his ship. He soon realised he could not continue with his desired application to transfer to the Navy air wing. With encouragement from senior officers, including the deputy fleet commander, in a written letter dated 7 August last year, he commenced training to become a physical training instructor and was chosen to attend a PTI instructors' course.

In July last year he attended a leadership course in Perth. While part way through the course he received a notification by telephone that his medical status had been downgraded. This meant he was not allowed to commence his leadership course. This was in spite of his Navy doctor previously informing him that he was sufficiently well to participate in the course. Following this debacle, he returned to Darwin and it seems he steadily went downhill and is now diagnosed with post-traumatic stress disorder.

On 27 November last year, at the instigation of Navy medical, he saw another doctor, a neuropsychologist, and was diagnosed as suffering from PTSD. Since that date he has been under weekly medical examination by Navy doctors, a clinical psychologist and the local psychiatrist who has instigated a medical regime that is being followed. Recently he was directed to complete a Navy document member's health statement in which he indicated he wished to remain in the Navy as it was his chosen career and all medicos had told him that he would recover from this event.

It has become apparent that he is being prepared for medical discharge. He has been transferred to HMAS *Penguin* and will reside at his family home. He will continue to see an RAF doctor at Williamtown air force base until late June 2009 when it is anticipated that he will be discharged as medically unfit for service. Obviously that is a very harrowing and sad

tale of someone who once had a very good career. Is there something we can do for this man other than discharge him?

Vice Adm. Crane—Senator, I am aware of this particular issue.

Senator JOHNSTON—I thought you might be as I worked my way through it.

Vice Adm. Crane—I am not aware of some of the latter parts of the issue but I am aware of what occurred on Thursday Island and the subsequent treatment of this sailor after that incident.

Senator JOHNSTON—There was an inquiry?

Vice Adm. Crane—There was an inquiry, that is correct. There was perhaps a slightly different outcome in relation to what occurred. I do not have the details to hand. I was certainly not aware of the follow-on activity. I can undertake to have a look at what has occurred there. It is not in my interests to lose good people.

Senator JOHNSTON—I would be very much obliged.

Vice Adm. Crane—I will have a look. I will say, however, that the issue of medical discharge for a range of conditions is always a difficult one. Many of our people are unable, often through no fault of their own, to continue to meet the standards that we need them to meet to deploy. Often we have very little other choice. It can be a difficult decision. I will undertake to look carefully into what has occurred here.

Senator JOHNSTON—Could I ask you in doing that to establish whether it is possible to give him every conceivable opportunity to make a full recovery?

Vice Adm. Crane—Absolutely, Senator; I give you that undertaking. That is always our plan. Discharging people for medical reasons who want to stay in is very much a last resort. We will do everything we can in order to keep someone who wants to stay with us and who is able to perform.

Senator JOHNSTON—Thank you very much for your patience in listening to that case. Mr Chairman, I have no further questions for Navy. You will be pleased to know that I have finished.

CHAIR—As there are no other questions for Navy this evening, the committee stands adjourned and we will resume tomorrow morning at 9 am. I thank everyone for their attendance.

Committee adjourned at 10.25 pm