



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION  
COMMITTEE

ESTIMATES

**(Supplementary Budget Estimates)**

WEDNESDAY, 21 OCTOBER 2009

CANBERRA

BY AUTHORITY OF THE SENATE



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**SENATE FOREIGN AFFAIRS, DEFENCE AND TRADE****LEGISLATION COMMITTEE****Wednesday, 21 October 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, Barnett, Bishop, Boswell, Brandis, Bob Brown, Farrell, Ferguson, Fielding, Forshaw, Hutchins, Johnston, Kroger, Ludlam, Payne, Ryan and Trood

**Committee met at 9.02 am**

**DEFENCE PORTFOLIO****In Attendance**

Senator the Hon. John Faulkner, Minister for Defence

Senator the Hon. Ursula Stephens, Parliamentary Secretary for Social Inclusion and Parliamentary Secretary for the Voluntary Sector

**Department of Defence**

Dr Ian J Watt, AO, Secretary

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

Mr Peter Jennings, Acting Deputy Secretary, Strategy

Dr Margot McCarthy, Deputy Secretary, Strategic Reform Program

**Portfolio overview and budget summary**

Mr Peter Jennings, Acting Deputy Secretary, Strategy

Dr Margot McCarthy, Deputy Secretary, Strategic Reform Program

Mr Neil Orme, First Assistance Secretary, Ministerial Support and Public Affairs

Major General Ash Power AM, CSC, Acting Vice Chief of the Defence Force

Major General Paul Alexander, Commander, Joint Health

Major General Grant Cavenagh AM, Commander, Joint Logistics

Mr Phil Minns, Deputy Secretary, People Strategies and Policy

Major General Craig Orme AM, CSC, Head, People Capability

Mr Steve Grzeskowiak, Head, People Policy

Major General Greg Mellick AM, Head, Cadet, Reserve and Employer Support

Air Commodore Anker Brodersen, Acting Head, Joint Capability Coordination

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**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**

Mr Peter Jennings, Acting Deputy Secretary, Strategy

Mr Stephen Merchant, Deputy Secretary, Intelligence and Security

Mr Neil Orme, First Assistance Secretary, Ministerial Support and Public Affairs

Mr Tony Corcoran, Assistant Secretary, Freedom of Information

**Program 1.9 Vice-Chief of the Defence Force**

Major General Ash Power AM, CSC, Acting Vice Chief of the Defence Force

Major General Paul Alexander, Commander, Joint Health

Major General Grant Cavenagh AM, Commander, Joint Logistics

Air Commodore Anker Brodersen, Acting Head, Joint Capability Coordination

**Program 1.10 Joint Operations Command**

Major General Ash Power AM, CSC, Acting Vice Chief of the Defence Force

Major General Paul Alexander, Commander, Joint Health

Major General Grant Cavenagh AM, Commander, Joint Logistics

Major General Greg Mellick AM, Head, Cadet, Reserve and Employer Support

Air Commodore Anker Brodersen, Acting Head, Joint Capability Coordination

**Program 1.12 Chief Finance Officer**

Mr Philip Prior, 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**

Mr Peter Jennings, Acting Deputy Secretary, Strategy

**Program 2.2 Operations supporting wider interests**

Major General Ash Power AM, CSC, Acting Vice Chief of the Defence Force

Mr Peter Jennings, Acting Deputy Secretary, Strategy

**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**

Major General Ash Power AM, CSC, Acting Vice Chief of the Defence Force

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

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

Air Marshal Mark Binskin AM, Chief of Air Force

Mr Peter Jennings, Acting Deputy Secretary, Strategy

Dr Margot McCarthy, Deputy Secretary, Strategic Reform Program

Mr Martin Bowles, Deputy Secretary, Defence Support

Mr Mark Cunliffe, Head, Defence Legal

Dr David Lloyd, Defence General Counsel

Major General Paul Alexander, Commander, Joint Health

Mr Phil Minns, Deputy Secretary, People Strategies and Policy

Major General Craig Orme AM, CSC, Head, People Capability

Mr Steve Grzeskowiak, Head, People Policy

Major General Greg Mellick AM, Head, Cadet, Reserve and Employer Support

Air Commodore Anker Brodersen, Acting Head, Joint Capability Coordination

**Defence funding and financial statements**

Mr Philip Prior, Chief Finance Officer

Dr Margot McCarthy, Deputy Secretary Strategic Reform Program

**Capability development**

Vice Admiral Matt Tripovich AM CSC RAN, Chief of Capability Development Group  
Outcome 1

**Program 1.11 Capability development**

Vice Admiral Matt Tripovich AM CSC RAN, Chief of Capability Development Group

**Defence Materiel Organisation**

**Outcome 1—Contributing to the preparedness of the Australian Defence Force organisation through acquisition and through-life support of military equipment and supplies.**

**Program 1.1 Management of capability acquisition**

**Program 1.2 Management of capability sustainment**

**Program 1.3 Provision of policy advice and management services**

Dr Stephen Gumley, Chief Executive Officer, Defence Materiel Organisation

Ms Shireane McKinnie, Acting General Manager, Systems

Mr Warren King, General Manager, Programs

Air Vice-Marshal Colin Thorne AM, Head, Aerospace Systems Division

Mr Peter Lambert, Head, Human Resources and Corporate Services Division

Air Commodore Steve Sheedy, Acting Head, Electronic Systems Division

Ms Michelle Kelly, Acting Head, Acquisition and Sustainment Reform Division

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

Brigadier Bill Horrocks, Acting Head, Land Systems

Brigadier David O'Brien, Director-General, Land Vehicle Systems

Brigadier Mike Phelps, Director General, Land Manoeuvre Systems

Mr Rex Rowe, Acting Director General, Land Combat Systems

Mr Ian Donoghue, Director General, Defence Asset and Inventory Management

Mr Mark Reynolds, Head, Industry Division

Mr Anthony Klenthis, Head, Explosive Ordnance Division

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

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

Mr Harry Dunstall, Special Counsel to CEO DMO

Mr Steve Wearn, Chief Financial Officer

Mr Graham Eveille, Director General, Major Program Control

Mr Terry Whelan, Head, Defence Export Unit

Major General Tony Frazer, Head, Helicopter Systems Division

Commodore Mark Campbell, CSC, RAN, Director-General, Navy Aviation Systems

Rear Admiral Rowan Moffit, Head, Future Submarine Program

**Capital facilities and Defence support**

Mr Martin Bowles, Deputy Secretary, Defence Support

Major General Elizabeth Cosson CSC, Head, Defence Support Operations

Mr Mark Cunliffe, Head, Defence Legal

Mr Kieran Gleeson, Chief Operating Officer, Defence Support Group

Mr John Owens, Head, Infrastructure  
Dr David Lloyd, Defence General Counsel  
Mr Mark Sweeney, Director General, People Services  
Mr Mike Helay, Assistant Secretary, Property Services

**Outcome 1****Program 1.6 Defence support****Program 1.14 Defence Force superannuation benefits.**

Mr Phil Minns, Deputy Secretary, People Strategies and Policy  
Major General Craig Orme AM, CSC, Head, People Capability  
Mr Steve Grzeskowiak, Head, People Policy

**Program 1.15 Defence Force superannuation-nominal interest**

Mr Phil Minns, Deputy Secretary, People Strategies and Policy  
Major General Craig Orme AM, CSC, Head, People Capability  
Mr Steve Grzeskowiak, Head, People Policy  
Vice Admiral Russell Crane AM, CSM, RAN, Chief of Navy  
Lieutenant General Ken Gillespie AO, DSC, CSM, Chief of Army  
Air Marshal Mark Binskin AM, Chief of Air Force  
Mr Phil Minns, Deputy Secretary, People Strategies and Policy  
Major General Craig Orme AM, CSC, Head, People Capability  
Mr Steve Grzeskowiak, Head, People Policy  
Major General Ash Power AM, CSC, Acting Vice Chief of the Defence Force  
Major General Paul Alexander, Commander, Joint Health  
Major General Grant Cavenagh AM, Commander Joint Logistics  
Major General Greg Mellick AM, Head, Cadet, Reserve and Employer Support

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

Dr Margot McCarthy, Deputy Secretary, Strategic Reform Program  
Mr Phil Minns, Deputy Secretary People, Strategies and Policy  
Major General Craig Orme AM, CSC, Head, People Capability  
Mr Steve Grzeskowiak, Head, People Policy  
CDRE Tim Barratt, Director General, Defence Force Recruiting  
Mr Martin Bowles, Deputy Secretary, Defence Support  
Major General Elizabeth Cosson CSC, Head, Defence Support Operations

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

Air Chief Marshal Angus G Houston AC AFC, Chief of the Defence Force  
Vice Admiral Russell Crane AM, CSM, RAN, Chief of Navy

**Program 1.3 Army capabilities**

Air Chief Marshal Angus G Houston AC AFC, Chief of the Defence Force  
Lieutenant General Ken Gillespie AO, DSC, CSM, Chief of Army

**Program 1.4 Air Force capabilities**

Air Marshal Mark Binskin AM, Chief of Air Force  
Vice Admiral Matt Tripovich AM CSC RAN, Chief of Capability Development Group

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

**Program 1.8 Chief Information Officer**

Mr Greg Farr, Chief Information Officer

Rear Admiral Peter Jones, DSC, AM RAN, Head, Information Communications Technology Operations

Mrs Anne Brown, Head, Information Communications Technology Development

Mr Matt Yannopoulos, Chief Technology Officer

**Defence Housing Australia**

Mr Michael Del Gigante, Managing Director

Mr Peter Howman, Chief Operating Officer

Mr Robert Groom, Chief Financial Officer

**Defence Force Ombudsman**

Professor John McMillan, Defence Force Ombudsman

**Department of Veterans' Affairs**

**Portfolio overview**

**Corporate and general matters**

Mr Ian Campbell, PSM, Secretary

Mr Shane Carmody, Deputy President

Mr Barry Telford, General Manager, Support

Mr Gary Collins, General Manager, Executive

Ms Carolyn Spiers, National Manager/Principal Legal Advisor, Business Integrity and Legal Services Group

Mr Roger Winzenberg, Acting General Manager, Corporate

Mr Graeme Rochow, Chief Finance Officer

Ms Narelle Dotta, Chief Information Officer

**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 Shane Carmody, Deputy President

Mr Barry Telford, General Manager, Support

Mr Neil Bayles, National Manager, Clarke/MRCA Reviews

Ms Sandy Bell, National Manager, Compensation Group

Mr Ric Moore, Acting National Manager, Rehabilitation, Compensation and Income Policy Group

Ms Carolyn Spiers, National Manager/Principal Legal Advisor, Business Integrity and Legal Services Group

**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 Shane Carmody, Deputy President

Mr Ken Douglas, General Manager, Services

Mr Barry Telford, General Manager, Support

Dr Graeme Killer AO, Principal Medical Adviser

**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 Shane Carmody, Deputy President

Mr Gary Collins, General Manager, Executive

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 Helen Withnell, Assistant Director, Branch Head, Public Programs  
Ms Nola Anderson, Assistant Director, Branch Head, National Collection

**CHAIR (Senator Mark Bishop)**—I declare open this meeting of the Senate Foreign Affairs, Defence and Trade Legislation Committee. I welcome Senator Faulkner, the Minister for Defence; Air Chief Marshal Angus Houston, Chief of the Defence Force; Dr Ian Watt, Secretary of the Department of Defence; and officers of the Defence organisation. I offer a particular welcome to Dr Watt, who is attending his first estimates here on behalf of the Defence organisation.

**Dr Watt**—Thank you, Mr Chairman; it is nice to be here.

**CHAIR**—Today the committee will examine the budget supplementary estimates for the Defence portfolio in the following order: the Defence organisation until 6 pm today followed by Defence Housing Australia from 6 pm to 6.30 pm, the Defence Force Ombudsman from 7.30 pm to 8.30 pm and the Department of Veterans' Affairs from 8.30 pm onwards this evening. Topics nominated by senators will be considered in the order set out on the agenda. The date by which answers to questions on notice are to be returned has been set at 11 December 2009. Senators should provide their written questions on notice to the secretariat by close of business Thursday, 27 October.

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, which I now incorporate in *Hansard*.

*The extract read as follows—*

**Public interest immunity claims**

That the Senate—

- (a) notes that ministers and officers have continued to refuse to provide information to Senate committees without properly raising claims of public interest immunity as required by past resolutions of the Senate;
- (b) reaffirms the principles of past resolutions of the Senate by this order, to provide ministers and officers with guidance as to the proper process for raising public interest immunity claims and to consolidate those past resolutions of the Senate;
- (c) orders that the following operate as an order of continuing effect:
  - (1) If:
    - (a) a Senate committee, or a senator in the course of proceedings of a committee, requests information or a document from a Commonwealth department or agency; and
    - (b) an officer of the department or agency to whom the request is directed believes that it may not be in the public interest to disclose the information or document to the committee, the officer shall state to the committee the ground on which the officer believes that it may not be in the

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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).

(Extract, Senate Standing Orders, pp 124-125)

There are copies available on each table. Minister, do you wish to make an opening statement?

**Senator Faulkner**—Yes, I appreciate that opportunity. I would like to commence the hearings this morning by addressing the tragic accident which occurred at the Cultana training range in South Australia last night. I am sure that the committee members are aware that in a live-fire training activity, one special forces soldier was killed and another has been injured. This tragic incident really highlights the very dangerous work that our special forces soldiers do both here in Australia in their training and of course in operations overseas. On behalf of the government, I want to offer my very sincere condolences to the families concerned—particularly, of course, to the family of the soldier who died—and to all the family, friends and colleagues of these two soldiers. I can assure them that all our thoughts are with them at this time. Obviously, this accident will be subject to full civil and military investigations. I am not able to comment on the possible causes. I can say to the committee that the families of the two soldiers have been informed. Both the Chief of the Defence Force and Chief of Army will provide further details about the incident as they become available. And we will do this publicly during the course of the morning.

I would also like to provide the committee with an update on the status of current programs to improve the availability of our submarine fleet. Submarines are a critical component of the ADF's force structure. As the committee would be aware, they perform a wide range of tasks. The government places a very high priority on ensuring that this capability is effective. Committee members would know that Defence does not comment on the detailed operation availability of the submarine fleet, for security reasons. However, I do want this morning to advise the committee that three submarines are presently crewed and in various stages of their operating and maintenance cycles. Two of these three submarines are in routine maintenance activities, providing various levels of availability. The other is at ASC Pty Ltd conducting urgent defect repair. The remaining three of our submarines are in or are awaiting longer term docking cycles which will involve major overhauls and refurbishment by the original manufacturer, ASC.

There is no question that submarine platform availability remains a major concern. I recently directed the DMO to review all aspects of submarine availability. This review has recommended some significant organisational changes, which are now being implemented. Changes include increased DMO management oversight and scheduling input at ASC in Adelaide and improved logistic support to operational submarines and those that are in long-term maintenance. Navy will also place senior Navy personnel in Adelaide to work with the DMO and with ASC. Significant improvement to submarine availability is vital for the submarine capability and particularly for Navy's ability to grow the submarine workforce. As with any complex piece of equipment, some unexpected issues and defects occur that require repairs to be undertaken outside routine maintenance cycles. While out-of-routine repairs are unfortunate, I would like to assure the committee that crews are not sitting idly by; they are undertaking planned training activities to prepare for future employment with the submarine force.

Navy is working very hard, in conjunction with the DMO and ASC, to support our submariners. Reforms made under Navy's Submarine Sustainability Program are starting to take effect, as evidenced by the current increase in the submarine workforce. Since April 2009 the number of qualified submariners has increased by 23, with 119 personnel currently in the training pipeline. The current phase of the program aims to stabilise the workforce and then grow it to achieve a fourth sustainable submarine crew by December 2011. While the current situation regarding submarine availability is far from ideal, I would stress to the community that the timely maintenance and repair of submarines is obviously vitally important. The safety of the men and women serving aboard them is a paramount consideration, making it absolutely unacceptable to take any risks that would put them in unnecessary danger.

I conclude my opening statement by expressing my appreciation to the committee for its indulgence in accommodating my need, and the need of CDF and the secretary, to leave these hearings at five pm this afternoon. I appreciate the cooperation and courtesy of all members of the committee in this regard. Accompanied by CDF and the secretary, I will be travelling to Bratislava to attend a meeting of defence ministers of the countries comprising the International Security Assistance Force in Afghanistan. I know that all members of the committee appreciate the importance of these deliberations. When I leave the table, I can assure the committee that I will be very ably represented by my colleague Senator Evans.

**CHAIR**—Before I turn it over to CDF and the secretary, on behalf of the committee I would like to join with the government in expressing our condolences on the death of the soldier in South Australia and our sympathies to the other person who was injured in this training. We extend our condolences and sympathies to the families and friends of both members of the defence forces. CDF or Secretary, would you like to make an opening statement?

**Dr Watt**—I would like to begin by offering my deepest sympathy and condolences to the families of the soldier killed and the soldier injured in South Australia and to say that I am sure everyone in the defence organisation is thinking about them and what they are going through today. More generally, I am pleased to be here in my new capacity as Secretary of the Department of Defence and I look forward to working with the committee at this and future estimates.

I would like to offer brief comments on two issues: the Defence Strategic Reform Program and security of Defence basing. First of all I will deal with the strategic reform program. In a Defence white paper released in May the government outlined the importance of fundamental reform to the delivery of the force structure in the white paper *Defending Australia in the Asia Pacific century: force 2030*. The white paper also outlined a strategic reform program which is designed to deliver reform over the next decade. The program consists of a complex mix of interdependent reforms that have been brought together from a number of reviews, including the Defence budget audit, the review of Defence procurement and sustainment—or the Mortimer report—and the white paper companion reviews conducted by Defence. These reforms will overhaul the entire Defence organisation, producing cultural change, greater efficiencies and savings of around \$20 billion across the decade. These savings have been earmarked through the white paper for reinvestment in the current and future military capabilities outlined in force 20 and in the remediation of what my predecessor described—accurately, in my view—as the ‘broken backbone of Defence’.

At the highest level, the measures of success for the strategic reform program will include Defence operating within the funding level agreed by government, force 2030 being successfully delivered, there being quantitative and qualitative evidence that reforms and associated sustainable efficiencies and savings are being delivered as planned, and Defence delivering key results expected of it by the government without compromising levels of capability. The strategic reform program is ambitious. It is ambitious by the standards of programs of reform and/or change embarked upon anywhere in Australia in any organisation in Australia. Delivering deep and sustainable reform on this scale is hard for the organisations involved; it will require significant changes to Defence processes, systems and culture. It will also entail considerable investment in infrastructure and IT support systems, which will be funded by \$2.4 billion that the government is investing through the strategic reform program.

These points do not mean that the program is impossible or fraught with unacceptable risks. It is not. To help ensure that these major reforms are properly scoped and can start to be implemented from early next year, Defence started a detailed planning and diagnostic phase in June of this year. This will deliver detailed implementations that will guide rollout and ensure that we deliver sustainable reform. The Defence budget audit is being used as a guide to this phase, and we are mindful of the advice given to us by our external auditor, George Pappas: it

would be far too simplistic just to take numerical targets for efficiency gains, lock them into future budget forecasts and assume that somehow they will be realised. That is not reform; that is overoptimism, in my view.

We are now 10 months into this planning phase for the 10-year program. Some of the 15 reform streams are well advanced and reform implementation has commenced in those, while others have impacts that need to be better evaluated and understood, and they are. The program as a whole is progressing well and is in good shape. In relation to savings, Defence is on track to deliver the \$797 million program for 2009-10. Most of these savings are relatively low hanging fruit, being relatively straightforward, management directed efficiency measures. We are implementing these while planning for the more challenging and more far-reaching changes to processes and behaviour that will deliver the greater efficiencies and the savings over the decade for the rest of the strategic reform program.

We have also put in place the governance arrangements to provide the transparency and accountability that will be critical to the success of the reform. The strategic reform program is being overseen, coordinated and integrated by a small team, the Strategic Reform and Governance Executive. Each of the 15 reform streams is in turn led by a senior executive service band 3 or a military three-star officer who is responsible for designing, leading and managing the reforms, including through chairing a reform-stream governance committee that will provide overall oversight and ensure that the improvements are integrated across Defence.

The government has also established the Defence Strategic Reform Advisory Board. That was one of the decisions taken in the white paper context. This will provide valuable advice to the government and is a key component of ensuring the program achieves its goals. A diverse group of Australians from the private sector will serve on the board along with the secretaries of the Department of the Prime Minister and Cabinet, Treasury, the Department of Finance and Deregulation, the CEO of DMO, the CDF and myself. This will bring the expertise in implementing deep reform in a range of environments across both private and public sectors, and the advisory board will meet for the first time in November 2009.

Moving forward, we will be drawing together the work from the detailed diagnostic and planning phase currently underway within each reform stream. The CDF and I will agree to specific reform packages with our senior leaders, and we will ensure that risks to achieving these reforms are appropriately monitored and mitigated. We will be focusing on the sequencing of reforms and identifying critical dependencies. We will also ensure that the reforms will not impact on Defence's ability to conduct operations as directed by government. This is a critical success factor for the program and one that will influence the way our performance management model is developed and integrated.

Finally, there is no doubt that Defence's senior leadership, the members of the Defence committee, are as one in understanding that our reform journey will be challenging but is absolutely essential. We are a committed and determined leadership team on this subject, and I believe that Defence and its people are well and truly up to the challenge.

I will move briefly to the review of base security. The safety, security and wellbeing of ADF members, Defence employees and our contractors is very important to Defence and to

the government as a whole. Accordingly, following the arrest of individuals allegedly planning a Mumbai-style attack on the Holsworthy Army Barracks in New South Wales, the government directed Defence to complete a review of security at its bases and key locations. The review concluded that while the Defence security alert system had worked effectively in the Holsworthy Barracks matter, improvements could always be made to base security arrangements. A series of 33 recommendations designed to enhance security in response to the changing nature of potential threats was presented to government. Of the 33 recommendations, three were for noting and six are complete. Defence is now implementing enhanced security measures consistent, as a matter of priority, to strengthen existing arrangements in place at Australian Defence Force bases in order to help minimise the effects of a possible occurrence or impact of a terrorist attack. These changes include an alert system to help notify people on base of danger, a positive personnel identification system to support access control, lockdown procedures, clear command and control arrangements, and updated emergency response plans.

The recommendations comprise a range of policy and physical security initiatives which reflect the findings of both the review and the subsequently conducted risk assessment at each base. Defence is progressing the remaining 24 recommendations, in particular strengthening our protective alert system and other policy underpinning our security arrangements, strengthening our layered protective security arrangements, which will include additional patrolling presence by the AFP and contracted security guards, enhanced positive identification arrangements, a range of physical security measures and, should it be required, a robust response capability.

Finally, Defence will continue to work with the Attorney-General's Department to determine possible changes to legislation to enhance base security and to support its arrangements to protect the safety, security and wellbeing of all Defence people and those who legitimately use our bases. That concludes my opening statement. Thank you.

**Air Chief Marshal Houston**—Good morning, Mr Chair and members of the committee. Before I go to my prepared statement, I would like to address the tragic loss we suffered overnight. To the family of the soldier who was killed, I offer my deepest sympathy and assure them that we will support them through this incredibly difficult time. This will come as a terrible shock to them, and they will need all the care and compassion that we can provide. To the injured soldier, who is in a serious but stable condition, I wish him well during his recovery. I assure the committee and his family and friends that we will take very good care of him as he recovers from his injury and the loss of his friend.

To the other members of the unit who are preparing to deploy, I encourage them to be there for each other as they deal with this loss. This will be a devastating blow to them. They are a tight-knit unit who have been working very hard to be the best that they can be once deployed. This will be tough but they will be provided with support and I am sure will draw strength from each other. We are currently looking at how this incident occurred and, as more information becomes available, we will release further details through the day. To that end the Chief of Army will be having a press conference at 11 o'clock this morning to discuss the incident in more detail.

I will now provide the committee with an update on operations, the current state of the ADF workforce and a couple of ways in which we are looking after our people. I will begin with operations. At the beginning of last week I spent a few days on the ground in Afghanistan. In addition to visiting with Australian and coalition troops I was able to undertake a number of high-level meetings with both Afghan and NATO officials. The overwhelming feedback I received was how highly regarded our Australian troops are and how very well people understand counterinsurgency and the requirement to mentor and train the Afghan National Army.

Our people are operating extremely effectively and in accordance with the Commander, International Security Assistance Force, General McChrystal's strategy, to protect the people of Afghanistan. I saw ADF men and women building a strong rapport with local Afghans and working towards increasing their level of interaction in accordance with Afghan customs, culture and religion. Since July the Special Operations Task Group and Afghan national security forces have reinforced the support they have from the local Afghan population by demonstrating their ability to protect them thereby fostering trust and offering the Afghans a positive alternative to Taliban control.

Our people are also very focused on partnering with and empowering the Afghan people. In fact, it is now standard practice for the ADF and the Afghan national security forces to regularly conduct shuras or meetings with tribal elders to discuss issues and the areas of greatest need in their communities. We are then able to undertake planning activities and significant reconstruction projects in very close consultation with the local Afghans. These initiatives have also paved the way for direct community assistance in the form of basic medical clinics. Many of these clinics are staffed by a female Special Operations Task Group medics and interpreters enabling our special forces to begin reaching out to an important and large part of the local population. These clinics have provided tangible evidence that the health issues of women and children are recognised as important by the coalition forces. The result of this multifaceted approach is improved levels of trust within the local community. It is this support that will provide a solid foundation upon which to build a positive durable and sustainable coalition and Afghan National Security Force presence.

The committee would also be aware that the few weeks after the first round of elections, General McChrystal submitted his 60-day campaign assessment report. I can advise the committee that as a major contributor to the campaign in Afghanistan, Australia was consulted at senior levels by General McChrystal and his deputies during the preparation of the assessment. The assessment is still under consideration by the United States administration and NATO so this is a matter for them in the first instance. I can say that we welcome General McChrystal's focus on ensuring that we have an agreed and carefully calibrated plan with which to go forward. I also endorse General McChrystal's widely supported focus on protecting the population and training the Afghan forces to take over security responsibility.

Before I move on to other operations, I want to say that we in the ADF are deeply saddened by any civilian deaths or injuries that occur on an operation. In Afghanistan our enemy are the primary threat to the safety and security of the Afghan people and they are directly responsible for the majority of all civilian casualties. The Taliban are a brutal insurgency who employ indiscriminate methods such as suicide bombs and improvised explosive devices and

they use these methods in full knowledge of the threat they pose to innocent Afghans. In fact, the *Mid-year bulletin on protection of civilians in armed conflict* for Afghanistan, prepared by the Human Rights Unit of the United Nations Assistance Mission in Afghanistan, has identified these and other Taliban methods as being directly responsible for the clear majority of civilian casualties in Afghanistan. However, I have undertaken that when it is apparent, either through credible allegations or through our own operational analysis, that there might be an instance in which an action of ours has potentially led to a civilian casualty, the ADF will investigate these matters carefully. I have also made clear that at the appropriate juncture I will make the outcomes of those investigations public. I am satisfied that we are doing this in full.

Sadly, since we last met we have lost another young soldier in Afghanistan. Private Benjamin Ranaudo, a member of the second Mentoring and Reconstruction Task Force, was killed by an improvised explosive device on 18 July 2009. I extend my deepest sympathy to this young man's family, his friends and his fellow soldiers.

Turning now to Iraq, I am sure the committee would be aware that on 31 July the ADF marked a significant milestone with the completion of Operation Catalyst. During the course of this operation, Australian personnel were responsible for training approximately 36,000 members of the Iraqi army, navy and marines. We also had the distinction of being involved in the first transfer of an Iraqi province, Al Muthanna, to the provincial security control of Iraqi forces. We continue to maintain a small presence in Iraq, comprising a security detachment to the Australian embassy in Baghdad, and we have two members directly supporting the United Nations.

Another aspect of operations that I would like to bring to the attention of the committee this morning is counterpiracy. Since we last convened in June, the ADF has commenced counterpiracy operations in the Gulf of Aden and the Arabian Sea. Our contribution to international counterpiracy efforts includes the cross-tasking of our frigate, currently HMAS *Toowoomba*, and a portion of our AP3C Orion maritime patrol aircraft effort between combined task forces 151, which is counterpiracy; 150, which is counterterrorism; and 152, which is maritime security cooperation.

Finally, very recently the ADF has been involved in a number of regional disaster assistance operations in Tonga, Papua New Guinea, Samoa and Indonesia. Our continuing operations are Operation Samoa Assist, which is our contribution to Samoa following the recent tsunami, and Operation Padang Assist, where we are providing a range of capabilities in the areas of health, engineering, airlift and water purification after an earthquake struck off the coast of West Sumatra in Indonesia.

I conclude the operational aspect of my statement by saying that overall we remain very busy. We have about 3,900 people deployed on operations all over the world. In addition, we have about 400 men and women contributing to whole-of-government efforts to protect our offshore maritime areas. Concurrency risks remain but, that said, we are effectively managing our operational commitments, and capabilities are available to respond to our domestic and regional security responsibilities.

I would now like to draw your attention to recent ADF workforce growth. I am very pleased to be able to report that we are on track to meet our white paper workforce growth targets. Indeed, I am very pleased with our performance in both retention and recruiting. ADF's separation rates have continued to decrease over the past 12 months. As at 1 December 2009, the ADF 12-month rolling separation rate of 8.4 per cent is nearly two per cent lower than 12 months ago. This is the lowest separation rate in the last decade for the Australian Defence Force. In the last 12 months, Navy has experienced a reduction in separation rate of 1.8 per cent to 9.7 per cent; Army, a reduction of two per cent to 9.2 per cent; and Air Force has seen a reduction of 1.9 per cent to 5.7 per cent.

Recruiting is also improving, with 89 per cent of our targets being met. This time last year, we were achieving 67 per cent. The increase in Navy achievement is especially noteworthy as we are currently achieving 84 per cent of full-time Navy targets. This time last year, we were only achieving 49 per cent. Whilst I acknowledge that the economic environment has assisted, I firmly believe that these excellent outcomes are also directly related to the many initiatives we have implemented across our workforce system. There can be no doubt that the financial and non-financial package that we are now offering is encouraging people to join the ADF and stay.

Other efforts in the recruiting area have paid dividends and should place us well for the future growth we need. In particular, the Multicultural Recruitment and Retention Strategy, the Indigenous Employment Strategy and the Recruitment and Retention of Women Strategy seek to widen our recruiting base. Also, our new recruiting model is in place and achieving good results. Although it was not planned as a recruiting initiative, the ADF gap year program has been fully subscribed, and the first full year saw over 30 per cent of participants change over to the permanent ADF.

Whilst these improvements to the ADF workforce are pleasing, I recognise that we must always strive to provide our people with the best possible work environment and act in their best interests. It is for this reason that I would like to highlight some initiatives we are undertaking in support of our people. First, I would like to assure members of the committee that we are taking very good care of our people who have been wounded on operations. You are probably aware of this distinction, but to ensure that I am being clear I would like to reiterate the difference between the terms 'wounded' and 'injured' in a military context. A Defence member hurt in an incident that has not been the result of adversarial action is said to have been 'injured'. Any member who is serving in war-like conditions and is hurt during contact with the adversary is said to have been 'wounded'.

When one of our people is wounded on an operation, if their physical impairment is minor they are treated and, once they are fit, they are returned to service. If, however, their impairment is considered serious, they are provided with appropriate treatment at the nearest properly equipped medical facility. Within five to 10 days of the member returning to Australia, they are enrolled in the ADF rehabilitation program, which manages all of their health care and rehabilitation requirements. This enables us to ensure we are properly coordinating their treatment and support services and keeping a good flow of information between the member's unit, health staff, various Defence groups, external service providers and the Department of Veterans' Affairs. The aim of this is to provide the best health care

while reducing confusion for the member and their family in dealing with multiple agencies as they recover.

The very nature of our current deployments and the tactics of our enemy mean that the majority of ADF people who have been wounded on operations since 2001 are our soldiers in the Middle East. This is why the Army has established the Army casualty administration and support framework. This system complements the ADF Rehabilitation Program and has the aim of better managing the member's medical needs along with improving options for retention in the service, for those who wish and are able, to return to productive employment within the ADF.

I am very satisfied that our people are being provided with excellent medical care. Since 2001, of those soldiers who have been seriously wounded in the Middle East area of operations, 83.6 per cent have been returned to duty and only 8.7 per cent have been medically discharged. The remaining 7.7 per cent are currently undergoing rehabilitation.

It is also important to note that the wide range of services provided by the ADF is comparable to the US Army Wounded Warrior Program. The ADF provides physical, psychological and vocational rehabilitation, along with support for personnel administration and transition services, with the ultimate aim of returning the member to their best level of function.

On a personal note, I was recently able to visit some of our most seriously wounded soldiers. I have to say that I have never been so humbled and impressed as I was by these young men. I was simply amazed by their resilience and determination. I can assure you, just as I promised them, that we are doing everything we can to ensure they are provided with the best medical care and support they need to achieve their goals.

On a related matter, I am acutely aware of the challenges faced by the families of ADF members who are seriously wounded or killed whilst on operations. I can assure you that Defence, DVA and other Commonwealth agencies are working very closely together to provide comprehensive financial and non-financial support for those families. In the event of a death, in particular, the application of military compensation legislation is a very complex matter, as it involves not just compensation but also superannuation and policy on the nature of service. Defence, DVA and ComSuper have to work in close partnership with each other and the member's family to ensure that all financial entitlements and benefits are assessed and provided as a matter of priority. We also have to ensure that all non-financial support addressing the needs of the family is provided immediately as part of the package of bereavement support. I stress that each situation is unique, and we really have to tailor our approach to suit individual requirements.

You will be aware of recent media coverage of the situation of a widow of a soldier who was killed while serving in Afghanistan. In the interests of observing the privacy of this soldier's family I will speak only broadly on the detail of what are private matters. However, I can assure you that I am very familiar with this case and have spoken to the widow on a number of occasions. Every assistance has been provided to the family, including compensation, superannuation payments and funeral arrangements. I have extended the tenancy of the home that is provided through Defence Housing Australia. We are working

closely with DVA to ensure continuing assistance is provided to this family—and, indeed, to all Defence families who have lost a loved one on operations—through what is an unimaginably difficult time.

Thank you very much. You have been very patient with us. I now look forward to your questions.

**Senator PAYNE**—I wish to raise with the minister and the CDF something out of the earlier comments relating to last night's tragic live-firing incident. I do this very cautiously and very circumspectly. Unfortunately, as a previous member of this committee, we had engagement, contact, with families of soldiers involved in a previous live-firing incident—some years ago now—where, to be frank, at the time, the soldiers who were working with those tragically killed were not properly supported by the ADF in their efforts to work through their professional obligations and the trauma that they also had suffered. I do not in any way, shape or form diminish the tragedy of the incident last night. But I do say, to emphasise that experience and this committee's experience, in the process of providing support and appropriate care to the families of the soldier who has been lost and the soldier who has been injured, I would also emphasise the vital importance of supporting their professional colleagues who have been part of this very tragic experience to ensure that they receive the best care and professional support possible.

**Senator Faulkner**—Thank you for your comments. I think they are important comments to make. The CDF may well wish to proffer a view on this as well. You would have heard from the CDF's opening statement the importance that Defence does place on supporting the colleagues of a soldier in these circumstances. It is, I believe, from what I have seen over the years, one of the lessons that have been learned. You are right to stress it, and I believe, as you have heard from CDF's opening remarks, it is something that Defence is well aware of at all levels. I can give you the commitment that we will ensure that we take full and proper care, concern and consideration of those who have been serving with the soldier who has been killed in this tragic accident. The CDF might care to comment further. I can give you that assurance as the minister, as I know CDF can give you that assurance, as I know also Chief of Army will be able to give you that assurance.

**Air Chief Marshal Houston**—Senator, I reinforce what the minister has said. We will do everything we can to support the unit. We are very focused on that at the moment and the Chief of Army will speak in more detail about some of the things that we will be doing to provide that support when he speaks to the media at 11 o'clock today. You have my complete assurance that we will take care of those young men. They are very precious to us and we will take care of them, because they have got a very challenging mission in front of them.

**CHAIR**—Thank you. We will now turn to questions arising from opening statements of the minister, the secretary and the CDF. Senator Johnston will open.

**Senator JOHNSTON**—CDF, can I also extend my condolences to family and friends of the deceased man overnight and to Army and to the Australian Defence Force. You mentioned in your opening statement that the last man killed in action in Afghanistan was Private Benjamin Ranaudo on 18 July. Since then, there have been 11 of our soldiers wounded in action. I would like you to tell me how they are doing, how many of the 11 have returned to

active service, what the nature of the injuries were and how they are coming along. I think it is important that we pause to follow up on that.

**Air Chief Marshal Houston**—At the time of the death of Ben Ranaudo, we had one soldier very seriously wounded. His name is Paul Warren. I have visited him in hospital. Unfortunately, he has lost a limb, but he is doing very well. I found him to be a simply inspirational person. He is very focused on his recovery, and he is in really good shape. I asked if he was getting everything he needed, and he said yes, he was. I spoke to his family as well, and they confirmed that they were very happy with the way we were taking care of Paul.

Most of the other 10 are doing just fine. I can come back to you with the detail of all of them, but I would say the majority of those have had what I would consider injuries from which they will fully recover and return to service. I do not think there is anybody among the 10 that will not return to service. Some of them are already back in action. Others will take a little longer to be rehabilitated because of the nature of the injuries that they suffered, but the prognosis on all of them is pretty good. I would like to take it on notice, and we will come back to you and give you the detail of each individual.

**Senator JOHNSTON**—Sure. I have a similar question with respect to the sailors that were on board the SIEV 36 when the explosion occurred. How are they doing? I believe four were quite seriously injured through burns and/or other injuries. Could you give us an update on their situation, please.

**Air Chief Marshal Houston**—I have not got the situation to hand. I might just ask the Chief of Navy if he has the detail. It might be necessary to take that on notice, but I am aware that one of the individuals is still getting ongoing support. I will let the Chief of Navy fill you in on the rest of the detail.

**Vice Adm. Crane**—All were affected by the SIEV 36 incident. There is an ongoing management campaign in place for our people. Four of those personnel are getting, if you like, more serious or advanced treatment. At the last brief that I had, we still had two who were being managed and had yet to return to full duties, but the expectation was that they would.

**Senator JOHNSTON**—What was the nature of their injuries?

**Vice Adm. Crane**—I do not have that available right now. I can give it to you in due course.

**Senator JOHNSTON**—You are not aware of whether they were burns?

**Vice Adm. Crane**—There were some minor burns, but I think that predominantly the issue was their overall rehabilitation as a result of the incident. My understanding is that the injuries were not physical as such—not significantly so.

**Senator JOHNSTON**—Thank you for that. I appreciate that. I think CDF is getting some further information for us. Is there anything further you want to add with respect to the questions that I have asked regarding the Army wounded in action, CDF?

**Air Chief Marshal Houston**—I think you heard my—

**Senator JOHNSTON**—I just noted that the Chief of Army came up to you and assisted you with some advice.

**Air Chief Marshal Houston**—It was very much the same information that I provided in my opening statement. We will provide you with the detail on the 11 as soon as we can get it. Let me just say that these suggestions in the media that we are hiding people away are just not the truth.

**Senator JOHNSTON**—I am certainly not making that suggestion.

**Air Chief Marshal Houston**—That is fine.

**Senator JOHNSTON**—CDF, I want to talk to you about some issues that have been in the media recently. The first is one that I am sure you are familiar with, relating to the Royal Australian Navy, wherein three petty officers—there was a fourth sailor, who I do not know much about—were landed in Singapore in May of this year. In July there were several media reports which indicated the reason that the three petty officers had been landed. I am quoting a Channel 7 report by newsreader Chris Bath, which said:

The Royal Australian Navy has disciplined a group of sailors following a sex scandal. An inquiry has been launched into allegations of inappropriate sexual behaviour on board one of our biggest ships, while it was deployed overseas. HMAS 'Success' is the largest ship ever built in Australia for the Navy, and the pride of its fleet. But in May a group of male sailors plotted a challenge to have sex with as many female crewmates as possible. Dollar values were placed on each woman's head. Higher amounts were offered if the sailors could sleep with a female officer or a lesbian. The sailors allegedly detailed their plot in a document called The Ledger.

If the allegations are proven I don't think these men should have a role in the Navy. These are not the kind of men we want defending us.

Seven News has been told the men also challenged each other to have sex in different locations, including on top of a pool table. The bet was discovered while HMAS 'Success' was visiting Singapore. The sailors were formally interviewed and their captain then ordered they immediately return home to Australia. The Defence Department has launched a formal inquiry into the incident, and won't discuss any details until it's completed.

Further to that there was a subsequent Channel 7 report on the afternoon of 7 July:

The ship at the centre of a navy sex scandal has sailed out of Sydney, as new allegations emerge of bad behaviour on board. Seven News has been told a female sailor was physically threatened and told to keep her mouth shut ... Four crew members have been ordered to stay on shore while Naval investigators examine new claims of physical assault and intimidation. Seven News has been told a woman who complained about sexual misconduct was grabbed by the throat, thrown against a wall and warned to "shut up".

And so it goes on. The *Sunday Age* talked about the ledger and the assault, with Navy saying nothing other than there is an inquiry. It was in the *Sunday Telegraph* and so on. I am given to understand that within two days of these men being landed in Singapore the skipper of HMAS *Success* and the ADFIS warrant officer conducting an inquiry knew there was no ledger, no sex scandal and no assault. Subsequent to that, these men have received administrative preliminary findings, none of which relate to these allegations. How is it we have let the media run away with this in the way that we have, such that the Deputy Prime Minister, the Prime Minister and the junior defence minister have all commented on these allegations and

these men as if they were guilty of, firstly, running a ledger and, secondly, assaulting a female sailor? How have we let that happen?

**Senator Faulkner**—Before I ask Chief of Navy to respond to you, given the nature of your question I think it is appropriate that I say something to you. I have a reasonable reputation in politics of being a bit of a stickler for process. You might recall recently I received some criticism over an alleged failure to release certain information relating to the incident that caused the injuries to the sailors that you were talking about earlier on SIEV 36. You might also recall within a matter of days we had a statement from the Northern Territory coroner that made the defence minister's decision not to release that material look very wise indeed, given his request of all concerned. It is true that the commanding officer of HMAS *Success* landed four personnel for return to Australia. I certainly recall that. I also recall the nature of the media commentary that you have referred to in your question, and it is obviously true that some of that was very colourful indeed.

The Chief of Navy will respond to you as he sees fit, but I would stress to you the appropriateness of proper process, proper investigation—in this case, investigations being undertaken by the Australian Defence Force Investigative Service in accordance with the Defence Force Discipline Act. My recollection is that there are some other elements of this that are being subject to administrative inquiry by a naval inquiry officer, but Chief of Navy will be able to confirm that or otherwise.

I do stress, and this is the real point I want to make, that my understanding is that at this stage the status of those inquiries is that they are ongoing. I can certainly say, and it might be helpful to you, that no report has yet come to me on this matter. I would stress those points to you as you proceed with your questioning. I thought that might be helpful to you in terms of informing any questioning you might have on that status.

If I have gotten the processes wrong in any way I am sure Chief of Navy will very quickly correct me. But I can assure you that the broad picture I have painted for you is, I think, an accurate picture. And of course it does impact on what any witness, be it a minister or any other witness on this side of the table, is able to say to you about these circumstances. Having said that, which I hope is helpful to you, I will ask Chief of Navy to deal with your questions.

**Senator JOHNSTON**—Before you do—and I am very interested to hear from Chief of Navy—I am obliged to you for raising the issue of process, because I agree with you that process is the fundamental building block upon which all this is based and that the factual material and the evidence, moving it to one side, is not relevant to the process, particularly in circumstances where I want to put to you that the process is completely and utterly flawed. For instance, it has taken five months—11 September—for the CO of *Success* to provide a written explanation of the allegations supporting the removal of the three petty officers from the vessel. Is that process fair and equitable? I say it is not.

Secondly, during the inquiry the vast amount of evidence was withheld from the petty officers. They have never been shown the full allegations supporting the administrative charges that are now, apparently, against them. They have never, ever seen the original complaint against them. They have not been given access to the genesis of the matter, which was the equity and diversity health check, as to what occurred on the vessel giving rise to

their landing. They have never received a copy of the complainant's evidence with respect to these allegations.

There has been a mountain of evidence arising from 53 witnesses that they have never seen. The inquiry officer refused to question the witnesses who were put to him as corroborating the three petty officers' versions of events. He said, 'I am not here to interview your witnesses.' In line with that, they were banned from going to the ship and so had no possibility of speaking to witnesses.

I then want to say to you that notwithstanding all of that systemic flaw in this process, their solicitor, a serving naval officer, was specifically pulled aside by fleet commanders and told that he should not consider himself as their lawyer or they his clients and that he worked for command. In the context of the recent High Court adjudication of the Australian Military Court this underlines the flawed process. I am obliged to you, as I said, for raising process. The fleet legal officer was his direct supervisor and was doing his promotional assessment, his NOPAR, which is not looking good from his perspective. He has sought to act in the best interests of these petty officers, but all of the staff in the legal office have been directed not to speak to him, not to assist him and he has been threatened with a posting to Western Australia—coming from Western Australia I have tried to explain to him that I think that is a positive thing.

Minister, can you see the point I am making? What you have is a complete failure to understand the nature of a legal relationship, you have a kangaroo court structure running and when these matters are released to the media Navy just leaves them swinging and gives the press their mobile phone numbers so that media can ring them. This is outrageous in terms of process.

**Senator Faulkner**—Let me respond to you before Chief of Navy does. You make the point to me that the process is flawed. I hear the point you make and I am interested in it, as I am sure you appreciate. I make the point to you that the process is not concluded. I have made the point to you that—

**Senator JOHNSTON**—You mean the flawed process is not concluded.

**Senator Faulkner**—I said 'process', Senator.

**Senator JOHNSTON**—I think you are agreeing with me that it is flawed.

**Senator Faulkner**—No, Senator, what I am saying—

**Senator JOHNSTON**—Do you reject what I have told you?

**Senator Faulkner**—No, neither is true. I can only speak to you as the minister at the table. I cannot speak to you as Chief of Navy and no doubt you will engage Chief of Navy on these issues in a moment. I can speak to you as the minister at the table. I do not jump to a conclusion of any description. You suggest I agree or disagree with you, but I am putting that aside. I am acknowledging that while you may be in full possession of the facts—and that is something I question, but you may be—I am not. That is the point I am making, Senator, and I hope you appreciate it.

**Senator JOHNSTON**—You raise process.

**Senator Faulkner**—Yes, I do raise process.

**Senator JOHNSTON**—I am happy to tell you about it.

**Senator Faulkner**—As I said, you will raise a number of these issues with Chief of Navy. I am responding to you as the minister at the table, and I hope you understand the point I am making. These reports—I think there are two—have not come to me. I suggest strongly that while you say the process is flawed—I hear that; I make no comment on that—I say to you that the process is not concluded. I am saying to you that I am not in full possession of the facts yet. I will be at some point. I will have an opportunity to read, and I will read thoroughly, at least one if not two reports that will come to me. That is the point I am making to you.

**Senator JOHNSTON**—Minister, the report was completed two months ago.

**Senator Faulkner**—You say that, Senator, and I do not know—

**Senator JOHNSTON**—The two months are up today and it cannot be altered after today.

**Senator Faulkner**—I am not arguing about that, Senator.

**Senator JOHNSTON**—You should know that.

**Senator Faulkner**—The point is it has not yet been provided to the minister. That is the point I am making; I hope you accept it.

**Senator JOHNSTON**—That is another process issue.

**Senator Faulkner**—I hope you would acknowledge that I would not be misleading the committee on this or other matters. That is the point that I make to you, and I make it to you strongly. I would always, in these circumstances, advise caution. Having said that, I will now ask the Chief of Navy to respond to the specific issues. I hope you understand the points that I am making to you and why I make them to you.

**CHAIR**—Thank you, Minister.

**Vice Adm. Crane**—I will preface what I am about to say by saying that this is an ongoing activity. The report is still under consideration by the officer who instituted the inquiry, and it has not come forward at this stage.

**Senator JOHNSTON**—Is it not due today?

**Vice Adm. Crane**—I am not sure exactly what the due date is—

**Senator JOHNSTON**—I think you will find it is today, 21 October.

**Vice Adm. Crane**—but I can tell you that it is still a matter of active consideration.

**Senator JOHNSTON**—Chief of Navy, I am surprised that I know these things and you do not.

**Vice Adm. Crane**—Senator, I will take you back to the issues that you have raised if I may.

**Senator HUTCHINS**—I would be interested in whether the Chief of Navy knows whether or not this report is due today.

**Vice Adm. Crane**—I will get the absolute date checked.

**CHAIR**—We would appreciate it if you could find out and advise the committee in due course.

**Vice Adm. Crane**—Yes. Following an incident in HMAS *Success* on 21 April of this year, the commanding officer of *Success* initiated an internal investigation into equity and diversity issues on board his ship. That investigation raised a number of matters relating to inappropriate behaviour by members of the ship's company. Due to the personal and serious nature of these matters, the commanding officer of the ship requested external assistance to provide an accurate assessment of the culture of equity and diversity in his ship. On 10 May 2009, the commanding officer of *Success* landed four personnel for return to Australia in order to ensure the priority of the safety and welfare of his ship's company. These personnel are among those subject to administrative inquiry and potentially disciplinary investigation.

An investigation of elements of the allegations is still being conducted by the Australian Defence Force Investigative Service under the Defence Force Discipline Act, while other elements of the allegations are the subject of an administrative inquiry by a Navy inquiry officer. I can advise the committee that the Navy administrative inquiry into allegations of inappropriate behaviour in *Success* is now completed and that the inquiry initiating officer is considering what action to take in response to the inquiry officer's recommendations. I can also advise that a number of associated ADF Investigative Service allegations into alleged disciplinary offences on HMAS *Success* have also been undertaken. Once all the ADF Investigative Service investigations are completed, any briefs of evidence will be provided to the relevant authorities for consideration and, if appropriate, initiation of Defence Force Discipline Act action. No charges have been laid at this stage under the Defence Force Discipline Act. The member of the ship's company of HMAS *Success* have been thoroughly supported throughout this investigation—that is, the members of the ship's company remaining in place as well as those who have been landed.

**Senator JOHNSTON**—They dispute that.

**Vice Adm. Crane**—A number of personnel assisted Navy with inquiries into this investigation. I will make a couple of other points. It is important to note that at no stage in this process did Navy ever suggest that a sex ledger existed.

**Senator JOHNSTON**—But you did not deny it.

**Vice Adm. Crane**—This was speculation generated by the media when reporting the matter in July 2009.

**Senator JOHNSTON**—And you left it at large. You commented on the four sailors as if they had done it.

**Vice Adm. Crane**—On 5 July, I put out a press release. I can read the introduction if you like. It said:

In May 2009, the Navy was made aware of allegations of misconduct by members of HMAS SUCCESS. These allegations were identified during the conduct of a proactive Navy equity and diversity health check ... Four members of the ship's company were returned to Australia from Singapore ...

So there was a press release put out on 5 July to clarify what had actually occurred. Crew members had raised, in this incident, a number of concerns with the commanding officer of HMAS *Success* and, given the nature of those allegations, he had no option other than to act. The commanding officer acted in a positive and forthright manner whilst ensuring procedural fairness was afforded to all members of his crew. His actions go to two of our core signature behaviours in Navy that relate to our people. That is, we respect the contribution of every individual and we will promote the wellbeing and development of all Navy people. The actions that the commanding officer took go to the core of those signature behaviours and the values of our Navy. He was presented with sufficient information relating to alleged inappropriate behaviour to warrant him to return a number of personnel to Australia and initiate associated investigations. The commanding officer had a responsibility not only to those alleged to have been involved but to those who had brought the matter to his attention.

If I could reinforce the time line of activities. There has been a suggestion that Navy was reacting to press or political pressure. This is about looking after our people. The time line involved in this incident was, as I indicated earlier: in early May, an equity and diversity health check took place. On 10 May, four sailors were landed. On 13 May, the *Success* quick assessment commenced. On 15 May, the fleet headquarters administrative inquiry into inappropriate behaviour commenced. That was appointed by a one-star or a commodore level appointing officer. On 30 June we had an approach from media in relation to what had occurred. On 20 August, the fleet headquarters administrative inquiry into inappropriate behaviour was completed and it is now subject to consideration.

If I could address your earlier comments, Senator, you suggested that the inquiry was complete. That is incorrect. I am aware of some press reporting suggesting that some papers were available. My understanding is that those papers were dated 30 July. The only document that has been released at this stage—and it was released to those personnel potentially affected by the inquiry—was from the inquiry officer. That was a minute titled ‘Notification of proposed inquiry findings’ and included three enclosures which proposed findings against each of the sailors in question. This was part of the process to allow those sailors who had, potentially, findings to be made against them—

**Senator JOHNSTON**—Have you seen that document?

**Vice Adm. Crane**—No, I have not, Senator—

**Senator JOHNSTON**—I have got a copy here.

**Vice Adm. Crane**—nor would I expect to.

**Senator JOHNSTON**—I have a copy here, and there is nothing in the nature of a ledger, there is nothing in the nature of a physical assault against any woman.

**Vice Adm. Crane**—That was provided to the sailors who were potentially affected by the outcomes of the inquiry officer’s investigation so that they would have an opportunity to provide their input to his inquiry.

**Senator JOHNSTON**—It is the media reports I am concerned about. They are accused of running a sex scandal ledger. You have just left that at large.

**Vice Adm. Crane**—Having taken the input from those sailors, the inquiry officer will complete his report and include the information from those sailors. At that stage, the final report is provided to the initiating officer of the investigation. My ultimate desire and wish is that activities such as these are not the subject of press speculation. Regrettably, on occasion the press will launch with particular lines of story.

**Senator JOHNSTON**—And you have participated in it.

**Vice Adm. Crane**—Senator, I would suggest to you that my press release on 7 July, after the initial report, sought to tell the Australian public that there was an issue that we were investigating. I was not going to speculate on what did or did not occur. My desire was—

**Senator JOHNSTON**—Even today, are you aware of a ledger? Are you aware of the existence of a ledger?

**Vice Adm. Crane**—I have not yet seen the investigation report and I will await the outcome of the investigation report to tell me what actually has occurred. My hope and desire are the outcome of the investigation will suggest that this did not occur. But I need to ensure that we take our process seriously and that we provide our people, both those who make the allegations and those whom the allegations are made against, with an opportunity to respond. That will happen in the outcome of the investigation report.

**Senator Faulkner**—I stress what I was saying a little earlier, which is a very important principle: it is important that witnesses at the table do not speculate. I hope that you would accept that.

**Senator JOHNSTON**—I do not accept that.

**Senator Faulkner**—We should do all we can to answer questions about the process that you acknowledged were important from your perspective.

**Senator JOHNSTON**—You and I know they should have said, ‘These allegations are unsubstantiated and should not be taken as true.’ They should have rejected them.

**Senator Faulkner**—In your question is a value judgment that I am not in a position to make. I cannot, and you would not expect me to, speculate on these issues, and I will not until I have reports before me. I was very frank about this. I said that I am not in possession of the full facts about this matter. It would be silly for me to suggest to you that I was.

**Senator JOHNSTON**—I am going to give you some facts that will assist you to understand—

**Senator Faulkner**—But I do not know that they are facts.

**Senator JOHNSTON**—that these three men, who have an aggregate of 40 years service, have been absolutely disgracefully defamed in the media for no good reason, and Navy sat back and watched it happen in the full knowledge that the allegations on Channel 7 were totally untrue.

**Senator Faulkner**—I do not want to see anybody defamed—

**Senator JOHNSTON**—That is what has happened.

**Senator Faulkner**—Let me finish. I do not want to see anybody defamed in the media or elsewhere.

**Senator JOHNSTON**—The chief cannot even get the date right when they were landed. They were not landed on 10 May. They were landed on the 9th. For goodness sake! I want to take the chief through what actually happened.

**Senator Faulkner**—That is fair enough—by all means. But I stress with you that the question you asked earlier contained statements which I am not in a position to confirm, and I think Chief of Navy has been saying to you that he is not in a position to confirm them. The process issues are fine but—

**Senator JOHNSTON**—How long do you expect the families of these men to put up with this sort of treatment, when it is untrue?

**Senator Faulkner**—Of course it does have an impact on all the people involved. That is true.

**Senator JOHNSTON**—But we do not care about that.

**Senator Faulkner**—No-one has suggested that.

**Senator JOHNSTON**—That is the inference of the conduct we have seen.

**Senator Faulkner**—It is an inference you should not draw.

**Senator JOHNSTON**—Navy should have rejected these allegations as unproven and untrue, because they knew within two days there was no ledger.

**Senator Faulkner**—As I say, I do not know what the full facts are in relation to this. I doubt that even you do.

**Senator JOHNSTON**—I can give you the name of the ADFIS inquiry officer who told these men that within two days they knew there was no ledger, no sex scandal. In July all this comes out and we do not even say anything. If it had been your name you would be pretty browned off.

**Senator Faulkner**—I would be, and I actually drew the analogy of what happened with the SIEV 36 situation. I was being roundly criticised by some in the media and some in the parliament about not taking a course of action that, if I had taken a few days later, would have seen me strung from the yardarm. That is why I stress with you the importance of process, however difficult it might be. The judgments that you have made may be right, but I do not know that. I am not in a position to make those judgments. I cannot be any more frank or honest with you than I am being. I would urge caution on this until those reports are available.

I suppose I am a little different to you in this sense, Senator: when I was on that side of the table, I tended to ask questions and not necessarily be as confident about all the information that people might care to provide me. But, certainly, we, on this side of the table, should do our absolute level best to give you all the information surrounding the process in relation to this. That is absolutely fair.

**Senator JOHNSTON**—Why would you not say this to your Prime Minister and your Deputy Prime Minister, who weighed into this and treated these men as guilty until proven innocent? All of this homily is very well. You and I both know that with everything we get

from Defence there needs to be a cooling off period. We have seen it with Kovco, we have seen it with children overboard, we have sent it so many times, but we have not seen it with your Deputy Prime Minister and your Prime Minister. They have weighed into this and said that these four men are unsuitable for Navy because Navy has left these allegations swinging out there for everyone to think they are guilty.

**Senator Faulkner**—I do not know if that is fair or not. I do not think it is fair.

**Senator JOHNSTON**—Read the media.

**Senator Faulkner**—All I am suggesting is that you should consider this: you would argue that if parliamentarians are to make a comment, they should qualify their statements. That is a fair enough point to make. I am suggesting that perhaps you should apply that same level of caution.

**Senator JOHNSTON**—I am suggesting to you and to the Chief of Navy that when these media reports were published from about five different outlets the appropriate, diligent course would have been to call for a report as to what actually happened. It is clear that that has not occurred and that allegations of sexual misconduct have been allowed to remain at large, unchallenged for months and months. If I can ask the Chief of Navy—

**Senator Faulkner**—Please do, but let me just say this. I hear your suggestion to me. I hear everything you have said, Senator, I can assure you of that. But what I am saying to you is that I will make my judgments. I have made no public comments on this in the nature that you are talking about. I think you would have to acknowledge that. I will make my comments on the basis of the full facts when I receive the report. I am stressing that I will not be speculating on those matters until I do. I am saying that I think that that is the proper process. I would urge everyone to take a similar approach.

**Senator JOHNSTON**—Can I ask the Chief of Navy this: did you provide a report to the junior minister, Minister Combet, as to what occurred when these men were landed, given that Minister Combet has made remarks that they were ‘discreetly removed from the ship’ because I want to put to you what actually happened? I will be very surprised if you do not know what actually happened.

**Vice Adm. Crane**—I provided advice to Minister Combet on 7 July.

**Senator JOHNSTON**—Are you aware that when the three petty officers, one of whom is a chief, were removed from the ship, the ship’s company were instructed by the coxswain in a loud voice, as were other senior officers on board, ‘Do not to look at these men; turn your backs on these men,’ as they were marched off the ship in humiliation?

**Vice Adm. Crane**—I am aware of that allegation.

**Senator JOHNSTON**—Are you aware that when they were tabled in the captain’s cabin they were told to shut up and were given a document that said, ‘Certain allegations have come to my attention’—the rest is superfluous—and they were given half an hour to pack their bags and get off the ship, in the manner that I have described: ‘Do not look at these people; turn your backs on them’? Is that discreet?

**Vice Adm. Crane**—I am aware of that allegation.

**Senator JOHNSTON**—Yet the minister said it was discreet.

**Vice Adm. Crane**—I am aware of the allegation and I have taken action to ascertain the veracity of that allegation.

**Senator JOHNSTON**—Are you aware that this whole matter has its genesis in the fact that an exchange sailor from the Royal Navy had a problem that related to some of these matters and was removed from the ship; that fleet command was unhappy with this skipper; that all of these allegations have come from a subordinate petty officer who was to be reviewed by the chief petty officer involved in this matter and was disgruntled; and that he himself has been landed and has several other serious charges against him? Are you aware of those things?

**Vice Adm. Crane**—You are going to what I would expect to be in the full report.

**Senator JOHNSTON**—I can guarantee to you it will not be in the report. I will be very surprised if the complainant is put in the light that I have just put him in.

**Vice Adm. Crane**—I will take those allegations on board.

**Senator JOHNSTON**—This is why I am giving you the allegations—so that when you get the report you do not swallow it whole and malign these three good men and their families in the way that you have allowed it to occur to this point in time.

**Vice Adm. Crane**—That goes to the point of the process. Right now the initiating authority for the investigation is in the process of considering what further action will be taken. In relation to that, he will need to provide to those potentially affected people the full report. They will have an opportunity to respond to any allegations that may be contained within the report. That is the process that we follow; that is the process that we are required to follow to give everybody a fair go.

**Senator JOHNSTON**—Are you aware of the nature of the administrative findings?

**Vice Adm. Crane**—No, I am not.

**Senator JOHNSTON**—Let me give you an example.

**Vice Adm. Crane**—I have not seen that report yet.

**CHAIR**—The committee will take morning tea and we will resume at 10.45 pm.

**Proceedings suspended from 10.31 am to 10.47 am**

**CHAIR**—Senator Johnston will resume questioning.

**Senator JOHNSTON**—Admiral, on 6 August 2009, you received an email from the wife of the chief petty officer concerned. It went on for some two pages and it set out in detail what flaws, injustices, maladministration, bias and other breaches of process had been perpetrated against her husband. You actually replied. Do you now still tell the committee that you have no understanding of what occurred in May and that your position in July—when confronted with media reports about a ledger, a violent physical assault on a female soldier, in the background of a sex scandal—was that you had no understanding that that was completely and utterly untrue?

**Air Chief Marshal Houston**—All of this is subject to an investigation. That investigation is still ongoing—the aftermath of it.

**Senator JOHNSTON**—Why would I have any confidence in that investigation? Why would I have any confidence at all?

**Air Chief Marshal Houston**—The point is you cannot make any judgments. There is a real risk here that you are prejudging an outcome without being party to all the facts. Have you seen everything?

**Senator JOHNSTON**—I have seen it before. I have seen it with an SAS soldier who went to a hearing and no evidence was called and the prosecuting officer went outside to the media and said he got off on a technicality. That is one. I have seen it again and again and again. This is another example. No amount of resorting to ‘let the process take effect’ when the process is so corrupt along the way that I have to step in here and now—and thankfully I am educating the Chief of Navy as to what has actually occurred.

**Air Chief Marshal Houston**—I just think it is very unfair to ask questions of the Chief of Navy in terms of the fact that there is an investigation, there is a process. We respect that process and we do not want to undermine that process, and we do not want to be in a position where we are making prejudgments without having all the facts to hand.

**Senator JOHNSTON**—CDF, can I suggest to you one of the proposed findings against one of these men is that he neighed like a horse. That is one of the proposed findings.

**Senator Faulkner**—Senator, the point here is you have used highly inflammatory language to describe an inquiry process that has not been completed as corrupt. That is a very serious allegation to make.

**Senator JOHNSTON**—I don’t use it lightly.

**Senator Faulkner**—I would hope not, because it is a very serious allegation—

**Senator JOHNSTON**—The matters I have told you have been factual. I am waiting to be challenged upon them. I am not getting challenged. Navy was told two days after these men were landed that there was no ledger and yet, today, you are still hiding behind the process.

**Senator Faulkner**—I am not hiding behind the process.

**Senator JOHNSTON**—You are.

**Senator Faulkner**—No, I am not, Senator. I am making the point to you that the process has not been concluded. You have already branded the process, to use your terminology, as corrupt. I do not know what the outcomes will be. I have stressed that with you on a number of occasions this morning. I think would you acknowledge—

**Senator JOHNSTON**—I am hopeful the outcomes will change after today.

**Senator Faulkner**—I think you would acknowledge that that is the case. I hope that the outcomes of any inquiry would not ever be affected by questioning at a Senate estimates hearing. So I have a very different view to you. The inquiry processes should be of such internal rigour that that would not be the case. So I would strongly disagree with you on that point too. I can only say to you what I believe is appropriate here. I think process questions, as I have said to you, are perfectly reasonable. I have asked them myself on many occasions

and I would be a hypocrite to suggest no other senator should ask them. Of course you should. To jump to conclusions or to speculate about what outcomes might be becomes a little risky. I cannot, as the minister—I stress with you again—speculate on outcomes. I personally think it would be improper for me to do that in these circumstances before these inquiries have been concluded and certainly before they are on my desk. Do I treat these issues seriously? Yes, I do—as I always have. But I am also going to defend proper process, and I would urge you to do so too.

**Senator JOHNSTON**—I have told you about the process—it was five months before being advised in writing as to why they were landed, the vast majority of evidence held from them, never seen the original complaint, never been given access to the equity and diversity health check, never received a copy of the complainant’s evidence, prohibited from obtaining witnesses, an inquiry officer that refused to interview witnesses corroborating the defendants’ story. How could I say any other word than ‘corrupt’ in the face of that stuff?

**Senator Faulkner**—Because, Senator, what you are saying—

**Senator JOHNSTON**—Do you think Navy will tell you they have conducted the inquiry in that way? Do you believe that?

**Senator Faulkner**—My responsibility when I receive the inquiry reports is to examine them thoroughly and critically—which I will—to satisfy myself as to process and outcomes and to act in accordance with my responsibilities. That is what I will do, I hope that is what you and every member of this committee would expect me to do and of course I will take account of ensuring that proper and rigorous process has been followed. But I cannot speculate at the moment on whether the issues that you are raising are accurate or not. I do not say they are not accurate; I do not know whether they are accurate or not. I do not know whether it is the full story or not. I do not have that information available to me. I think, as you have heard from some of the evidence from the Chief of Navy, that although he is able to comment on some parts of the process he, too, is unwilling to speculate in areas where he might not necessarily have information before him. That is an appropriate level of caution in these circumstances. I commend the approach that I am taking to you. I would expect that if you and not I were sitting in this chair I would expect—

**Senator JOHNSTON**—I would have called for a report in July and I would have got to the facts a long time ago. With respect, you would not be sitting here asking these questions if I were the minister.

**Senator Faulkner**—I would not ask those questions that contain those sorts of allegations, regardless of who the minister was. I never have. I have asked questions that glean information. I have never asked questions that contain those sorts of allegations—and you know why.

**Senator JOHNSTON**—I go back to the Chief of Navy. Admiral, you do not recall the email to you from Mrs Thomas of 6 August?

**Vice Adm. Crane**—I do not recall the details.

**Senator JOHNSTON**—You are a busy man and I think that is fair enough. What I want to put to you now—I am getting to the end of this issue, because other people have important

things they want to raise with the chief—is that the lawyer who has been managing these men has been treated very badly. His requests for information have been ignored. He has been ostracised within his office. He has been told, ‘Do not consider them as your clients.’ I have to say to you that in seven years as a senator military justice has focused on precisely this issue and, when he talks to me, we have not come forward; we have gone backward. It is unbelievable that in 2009 he is being punished in the chain of command. He is being threatened with movement and posting to Perth. His wife is a serving police officer in New South Wales. Are you going to take some action regarding that?

**Vice Adm. Crane**—Clearly I will look into that. That is an allegation that surfaced this morning and I have asked some questions in relation to what occurred. My initial advice is that there was a professional discussion between the legal officer representing these individuals and the fleet legal officer on a professional basis, but I have asked for some more detail in relation to that to satisfy myself that there has not been anything inappropriate occurring.

**Senator JOHNSTON**—As you know, as a result of what I have said here this morning there will be one hell of a lot of ducking for cover. I simply put that into the mix for you. I have faith in your capacity to get to the bottom of this in the end.

**Vice Adm. Crane**—I have confidence in my organisation. I think the integrity of the people involved is important. I trust their integrity. I value their integrity. I will ask the question and find out what did occur there but, as I say, my initial report is that there was a professional discussion but it did not go to the allegations that you have now made.

**Senator JOHNSTON**—In closing: were the Senate to conduct an inquiry into this matter, would we have your full cooperation?

**Vice Adm. Crane**—Absolutely.

**Senator JOHNSTON**—Thank you, Chief. I appreciate that. CDF?

**Air Chief Marshal Houston**—Of course.

**Senator JOHNSTON**—And that means that the witnesses will be able to present before the Senate, they will be able to give their evidence without victimisation and without any notation upon their records, and they will be paid and assisted to appear before us, so that we can get to the bottom of this?

**Senator Faulkner**—Some of the issues that you just raised would be breaches of Senate privilege, apart from anything else, if they did not occur, and you are as well aware of that as I am. I make this point to you: if the Senate were to conduct such an inquiry, I would ensure that it would receive full cooperation. But—and there is a ‘but’ here, and I hope you would acknowledge the ‘but’—I would be mindful of any other processes that were taking place.

**Senator JOHNSTON**—I accept that.

**Senator Faulkner**—I do not know—I have no idea—but do not write off the potential for some civil legal proceedings. I am just not in a position to judge that. I hope you would acknowledge that the Senate and the minister, who would be making a decision in relation to how the government would approach such an issue, would need to have a mind to those sorts of matters. Again, I hope you would accept and understand that.

**Senator FERGUSON**—I want to follow up on a few questions that Senator Johnston asked. A lot has been said about processes, and, Minister, you have commented yourself about processes that must run their natural course. What concerns me most is this. Senator Johnston asked a question of the Chief of Navy in relation to Minister Combet's comments about four men being discreetly removed from the ship. He then made the allegation that these men were not discreetly removed from the ship but, in fact, men turned their backs on them. They were told not to look at the men as they left. The Chief of Navy, you said that you were aware of these allegations. When did you first become aware of these allegations?

**Vice Adm. Crane**—It is difficult to recall the exact date.

**Senator FERGUSON**—But about when? The week after?

**Vice Adm. Crane**—No, it would have been longer than that—perhaps six to eight weeks.

**Senator FERGUSON**—That is why I am very wary of your processes, quite frankly. You stand by the processes, which you say 'hold you in good stead'. I think that the minute you heard of those allegations, even if it was six weeks after, which seems an awful long time for that sort of information to get out, you could have easily found out whether those allegations could be substantiated by having someone question the people on the ship immediately. You should be able to tell us now, five months after it happened—nearly six months. You say you were aware of allegations, but you cannot even substantiate whether or not the sailors on those ships turned their backs on the men as they left in what Minister Combet says was a discreet removal from the ship. I am amazed that you cannot answer that question.

**Vice Adm. Crane**—As a result of my becoming aware of those particular allegations, I commissioned, through the fleet command, a second inquiry to inquire into the treatment of those personnel who were landed, how they were landed and their ongoing treatment. That is an inquiry that is being run separate to the current inquiry into the alleged incidents. That inquiry is ongoing. It is due to deliver its report to the commissioning officer of the inquiry this week.

**Senator FERGUSON**—Surely you can see that if the allegations are substantiated and this did in fact happen, it is too late. These men have already suffered from this treatment. It has taken the Navy and the defence forces six, eight, 10 months to even establish whether or not the sailors on the ship turned their backs on these sailors as they were forced to leave the ship 'discreetly', as the minister says. The damage is already done to those sailors, and I do not know what you can do to redress it.

**Vice Adm. Crane**—As you might imagine, an allegation such as that is something that I would take very seriously. I have some information that suggests to me the outcome of that, but I hesitate to get to a position until I understand all of the facts.

**Senator JOHNSTON**—Have you interviewed the chief and the petty officers as to their treatment?

**Vice Adm. Crane**—That was the core, if you like, of this second inquiry.

**Senator JOHNSTON**—Has it happened?

**Vice Adm. Crane**—Yes, I believe it has.

**Senator FERGUSON**—So why does it take so long? These men could be quite adversely affected by an allegation which is either true or not true.

**Vice Adm. Crane**—The ship has been deployed throughout this period of time. There has been a need for people to access various people in the ship. When you put that together, it does take time. It takes longer than I would like, obviously. But, regrettably, to follow the process properly, it takes time.

**Senator FERGUSON**—Sadly.

**Senator FIELDING**—Vice Admiral Crane, what was the date of the inquiry? When did that second inquiry that you mentioned start?

**Vice Adm. Crane**—I will have to get back to you on that.

**Senator FIELDING**—Could you table the terms of reference to that inquiry?

**Vice Adm. Crane**—Yes, I can have a look at that.

**Senator FIELDING**—Thank you.

**CHAIR**—As there are no further questions on this issue, we will continue with matters arising out of opening statements. Senator Trood has some questions.

**Senator TROOD**—CDF, I want to ask some questions about your remarks in relation to Afghanistan. By way of preliminary observation, I know that on previous occasions when you have appeared before the committee you have remarked on the responsibility and role that Australian forces in Afghanistan have for supporting rural reconstruction activities and on our broader humanitarian aid activities. Could you clarify to what extent the mission that Australian forces are undertaking in Afghanistan is directed towards that end?

**Air Chief Marshal Houston**—Currently we have deployed the Mentoring and Reconstruction Task Force. I guess the mission they are performing is twofold. They do reconstruction and they do training and mentoring. I think you would be aware that we currently have two Operational Mentor and Liaison Teams deployed. They are deployed forward and partnered with the Afghan Kandak that is in our part of the province—that is, the second Kandak of the 4th Brigade. Essentially, they work together and patrol together, and we provide assistance to those communities within which our OMLTs are located. It is very small-scale assistance, but we facilitate the delivery of small projects.

The reconstruction task force, as you would be aware, has done a lot more in terms of delivering major projects to the population. Probably the most notable of those projects has been the trade training school. The trade training school continues to train tradesmen, and we have now trained hundreds of young Afghans to be tradesmen. It is working very well. In fact, some of the tradesmen we trained are now back in the trade school delivering the training. So it is a very pleasing outcome.

We have also done a large number of projects in and around the broader Tarin Kowt area. We have built bridges, we have built causeways, we have refurbished schools and health centres and we have done a lot of good work. I can give you the whole list of that; in fact, later today I would like to table the full set of programs that we have completed. But we continue to manage those sorts of projects as we speak. As we go forward, though, our focus

is very much on transitioning into training. I think that as time goes on we become more engaged in training the Afghan National Army and the Afghan National Police.

The other aspect of the aid we deliver is that our special forces are out there also delivering small projects into local communities. Where they find a community that has a particular issue, they are dealing with that particular issue. Just to give you an example, in one village there was a real problem with water. Our special forces took it upon themselves to deliver a suitable water pump to provide the necessary water to the community. There are lots of other examples of those small-scale projects that are delivered on a day-by-day basis by special forces as they go about their business. It is all part of our approach at the moment, which is to protect the people, engage the people and basically improve their lives and protect them from the Taliban.

**Senator TROOD**—As I understand it this is part of the broader counterinsurgency strategy, which was given greater emphasis as a result of the review that took place earlier in the year. Is that correct?

**Air Chief Marshal Houston**—We were already doing a lot of that stuff—

**Senator TROOD**—I understand that.

**Air Chief Marshal Houston**—but it has been well and truly reinforced with the arrival of General McChrystal, who has put a very high priority on protecting the population. This is really the central part of the direction that he has given all coalition forces within Afghanistan. He wants all of the coalition forces out there amongst the people, working with the people and the Afghan security forces and delivering better services where that is a practical proposition. That is exactly what we are doing, and I might add that we have been doing that for a while through our Mentoring and Reconstruction Task Force. We have been out there working with the people all the way through and, in fact, General McChrystal told me that the way we are doing our mentoring in Afghanistan is a model for the coalition.

**Senator TROOD**—I think I was aware of that; in fact, I have always been aware of the fact that a strong element of the operational procedures in the Australian Defence Force is a capacity in counterinsurgency which has been ahead of the kind of capacity that the American forces have had on occasions. Just remind me what size the two OMLTs are? How big a force is that?

**Air Chief Marshal Houston**—Essentially, each OMLT itself comprises about 70 people but, of course, there is an awful lot of enabling support that basically ensures they have got everything they need when they do their job.

**Senator TROOD**—I am particularly interested in discovering the extent to which the deployed Australian force is required to protect—because it is an insecure area, obviously—these kinds of activities which are, of course, so important to the overall mission in Afghanistan, as distinct from the role that other elements of the force have with regard to taking the fight up to the Taliban. Is it possible at all to disaggregate those numbers and give us some sort of idea about the proportion of the force that is actually committed to assist with the aid activities and the reconstruction and training?

**Air Chief Marshal Houston**—It is getting harder all the time, because one of the other things that General McChrystal has asked that we, and indeed all members of the coalition, do is partner with the Afghans. We are partnered with the Afghans in the MRTF, the Mentoring and Reconstruction Task Force, obviously through our activities with the OMLTs, but we are also partnered with the Afghans with the Special Operations Task Group. We are working with the Provincial Police Reserve with the Special Operations Task Group. The Special Operations Task Group are not only doing some of the things that they traditionally have done but they are actually getting out there and working with the people where there is a need to do that. To some extent all of our people are involved in protecting the population and working with the people in all of the communities.

In terms of the breakdown between the SOTG and the MRTF: with the MRTF it is in excess of 400; with the Special Operations Task Group the numbers vary with the time of year. During, I suppose, the campaign season we have over 300, but we vary that depending on the climatic conditions that we are experiencing.

**Senator TROOD**—You referred to General McChrystal's review in your opening remarks and you said that you endorse his widely supported focus on protecting the population and training for the Afghan forces to take responsibility. He, of course, has requested a substantial increase in the American forces that are deployed in Afghanistan. Do you also support that request for further support?

**Air Chief Marshal Houston**—I think we need to be very careful here, because essentially the McChrystal report is under consideration by both NATO and the US administration. I think it would be inappropriate of me to get into any detail on resourcing of the McChrystal report or anything like that. These are matters that are under active consideration at the moment in Europe, at NATO headquarters, and also within the US administration.

**Senator TROOD**—I see. Once these deliberations have been completed within NATO and within Washington, which will lead to a conclusion about whether or not the Americans take one of various options that are available to them with regard to their forces, that will presumably be applied to the situation in Afghanistan. It may change the mix of the NATO force and the ISAF force in Afghanistan to some extent; it may change some elements of the roles that various countries are playing. Is it intended—Minister you may wish to comment on this—that the Australian government, or you, CDF, will then undertake a more comprehensive review of Australia's own commitment in light of the decisions that are made in Washington and in NATO?

**Senator Faulkner**—I can assure you that the government keeps these issues—I certainly do as defence minister—under constant review. I think you would be surprised if anything other than that were the case.

**Senator TROOD**—I would.

**Senator Faulkner**—It is true, of course, that there is heightened interest in this matter because of General McChrystal's 60-day report and the fact that, as you quite rightly point out, the US administration is currently looking at the contents of that report, giving close consideration to General McChrystal's recommendations and views on strategy in Afghanistan. I suppose I would say, in relation to that, that while that is certainly occurring at

this time—close consideration is occurring—at this stage it obviously has not been finalised. I was saying this morning that I constantly have Australia's contribution and approach under review. It is a matter of very regular discussions between myself, CDF, the secretary of the department and Defence more broadly. I would argue very strongly that that is as it should be, Senator.

**Senator TROOD**—Thank you for those remarks, but the thing that strikes me about the American position—and, of course, they are in a rather different position to ourselves—is that in the space of six months or so the Obama administration has undertaken a very comprehensive review of its commitment to Afghanistan, involving all aspects of the mission and the aspirations that exist there. Whilst I am sure it is true, Minister, that you have this matter on your desk every day, there does not seem to have been an occasion when the Rudd administration has undertaken a comprehensive review of all of our commitments. Perhaps you can clarify that for me. That may be incorrect.

**Senator Faulkner**—It is incorrect, Senator. I think that the outcomes of the last very major consideration of our approach were made public. My recollection is that it was on 29 April this year when the Prime Minister announced a very significantly increased enhancement to our ADF presence in Afghanistan to the 1,550 level, and you are probably aware of the components of that contribution. I think many of the ISAF countries are, of course, very engaged in making their own assessments, as is the US administration, of the 60-day report that General McChrystal has brought down. This is obviously going to be very much front and centre on the minds of defence ministers as they meet in Bratislava literally within a matter of hours now, and of course it is something that I as Australia's Defence minister also take seriously. I think it is probably fair to say that a lot of ISAF contributing countries will be awaiting with very close interest the response of President Obama to the report that General McChrystal has provided. I think we all understand and acknowledge that that is the case.

I would stress with you that, regardless of those processes, our mission in Oruzgan province remains very focused on our objective to train the kandaks and the 4th Brigade of the Afghan National Army. I would say to you, Senator, that that focus and objective will not change.

**Senator TROOD**—It is also true that there has been some suggestion from American commanders in the field that they would like the Australian force to have a greater degree of flexibility in the way in which it conducts its operations within Afghanistan, and more particularly greater flexibility to operate outside the Oruzgan province on occasions.

**Senator Faulkner**—CDF has actually had quite recent discussions on this. I think he can probably help you.

**Senator TROOD**—I would be grateful for those insights.

**Air Chief Marshal Houston**—I think we have probably the most flexible force available to the coalition in a province. We have a capacity building capability, we have a training capability and we have a special operations capability. I might add that last year our special operations capability was 25 per cent of the ISAF special operations capability. This is the largest special operations capability within the coalition. You might say, 'What about the Americans?' The Americans actually have some different command and control

arrangements, but in ISAF we are the largest special forces element. That gives us great flexibility and the way we are employing our forces in the province is very flexible, very adaptive and very effective.

In terms of going outside the province, we regularly go into the contiguous zones. Indeed, if you look at Operation Aabi Toorah, which was conducted back in March, you will find it was a very successful operation into northern Helmand in the Kajaki area and we achieved all of our objectives. I might add that in a very recent operation you are probably aware of we successfully destroyed a huge cache of armaments and weapons in an area that was close to the border but in another province.

I might also remind you, if we go back a little while, that we have had two occasions in Zabul province to repair bridges that had been destroyed on highway 1—that is the big ring-road that we rely on for resupply—and on another occasion two bridges, one in Zabul and one in Ghazni province. Ghazni is in regional command east. I would suggest to you very strongly that we have always come up to the plate in terms of being flexible. I might also add that our Chinook helicopters fly all over regional command south. We also have other people who are involved in other activities which support the coalition effort. We have a lot of embedded officers who are held in the highest regard by the coalition. Coalition commanders have said to me on several occasions: ‘We really like the high quality of your people. Could you send more?’ We are doing well. We are doing what we should be doing. We are very flexible and very adaptive to the requirements on the ground in Afghanistan at the moment.

**Senator TROOD**—CDF, what if there were to be an increase in the Australian commitment in relation to civilian aid activity—and this is obviously not the particular responsibility of Defence? I see some remarks by Minister Smith, for example, in which he said, ‘Were a request to be made, we would give consideration to it.’ The point I am seeking to explore here is if there were to be an increase in Australia’s civilian aid activity, and obviously there would be questions of size et cetera, would that necessarily place further demands on the Australian Defence Force’s role in Oruzgan or anywhere else?

**Air Chief Marshal Houston**—First of all, we would obviously support an increase in civilian activity. As part of the 29 April announcement the Prime Minister indicated there would be an increase in the civilian contribution, and there has been an increase in the civilian contribution. What is required of us? If we have civilians in the province and they are going out into the outlying areas, we will provide them with force protection. That is part and parcel of the job that we do.

**Senator TROOD**—You think you can do that with the existing force?

**Air Chief Marshal Houston**—On 29 April the Prime Minister announced a 40 per cent increase to a cap of 1,550. We think we can accomplish the requirement for force protection of a reasonably substantial civilian contribution.

**Senator TROOD**—Have we reached 1,550 yet?

**Air Chief Marshal Houston**—Not at this stage. We are under the cap at the moment. If you want the precise number I can give it to you.

**Senator TROOD**—That would be helpful.

**Air Chief Marshal Houston**—I will take it on notice. It is changing because of the way we are doing business at the moment.

**Senator TROOD**—Do you have a plan to achieve the cap or is that essentially the level at which you are operating, knowing that you can go that high if you actually need to? Are you planning to reach that cap at some stage?

**Air Chief Marshal Houston**—The cap gives us a planning limit. As we deploy and redeploy elements, the numbers change all the time. We also have to cater for the leave that people take through their deployment. For example, our Rotary Wing Group deploys for the period from February through to October. Rotary Wing Group has recently ceased operations for this year and will return home to reconstitute.

**Senator TROOD**—How big a force is that?

**Air Chief Marshal Houston**—That is about 75, so that 75 comes off the total. The number moves around all the time, but the 1,550 gives us the capacity to do the job that the government expects of us.

**Senator TROOD**—Analysts, officials, politicians and everybody who has had any interest in Afghanistan acknowledge that this is a long-term enterprise and that the ambitions and the objectives that ISAF have in Afghanistan are not going to be accomplished in a short time, unless there is a very dramatic change in the strategic environment. In that context, I was interested in remarks you made on radio this morning, Minister, in which you referred to the fact that you were investigating how the Australian forces could accomplish their ends in the shortest time frame possible. I am not sure what you meant by that and I would be grateful for a clarification. At least one interpretation that is possible—and it was the impression that I got listening to the interview—is that you and the government overall were involved in contingency planning to run down Australia's commitment to Afghanistan, that you are actively engaged in deciding when this commitment could be terminated and that the commitment would be terminated perhaps more quickly than you might otherwise have intended. Was that the intent of your remarks or have I misunderstood what you were saying?

**Senator Faulkner**—I do not know that you have misunderstood my remarks, Senator. What you did not have the advantage of—nor, I suspect, did anyone who was listening to the news report; I have not seen the news report—was the question that I was asked and that I was answering. I made the point—and I again stress to you the point I made earlier—that of course our mission in Oruzgan province is to train the Kandaks of the 4th Brigade of the Afghan National Army. That is our objective. I remain very much focused on that objective. I was talking this morning about seeking advice from Defence about achieving that objective; that is certainly the case. I am focused on that objective, and I think Defence is very much focused on that objective.

I have also said when I have been asked this—and I have been asked it, as I think you would appreciate, Senator, very many times—that I do not want to see Australian troops in Afghanistan a day longer than is necessary. I have said that on so many occasions that I am bored with hearing myself say it again, even to you this morning. You have heard the time frames. I think the one that is most often quoted is the one that CDF has provided. In an interview he said that the three- to five-year time frame that has been referred to in the past is

an estimation of the time it would take to train the Afghan National Army in Oruzgan province so they can take on and conduct those complex brigade-level operations in Oruzgan province. What I was saying this morning is that I will remain actively engaged with Defence in ensuring that at all times we look at the best way that we can meet the objective that we have set in relation to our mission in Oruzgan province. It is a difficult mission—I think we know that—but, that said, we have a clear objective. We want to meet that clear objective, but I will say again, as I have said so many times in the past, that I do not want to spend any more time than is necessary in meeting that very important objective.

**Senator TROOD**—I am sure that is the objective of all countries that are contributing to ISAF. I doubt there are many governments around the world—particularly in Europe, of course—that are keen to have their forces deployed in Afghanistan longer than need be, so we share that view with everybody. Every government is making a commitment there. But what troubles me about this—

**Senator Faulkner**—That is probably right, but it is something that is always worth saying. You would expect the defence minister, the ADF, Defence and the government to be focused on the best ways of meeting that objective. As I said earlier—I think you agreed strongly—obviously these things need to be kept under constant review.

**Senator TROOD**—What troubles me about this remark is that it is at precisely the same time as the commander in Afghanistan has asked for additional forces. There are various accounts. I have not seen the McChrystal report, but I have certainly seen the coverage of it. There are suggestions that the force increase that he has asked for is somewhere between 20,000 and 60,000 troops. Whatever the number is, it is a further large increase in the American commitment. At precisely the same time as the commander there is seeking an increase in the American force, the Australian government is reiterating its determination and anxiety to run down the Australian commitment in Afghanistan. That seems to me to be inconsistent with the obligations we have undertaken there.

**Senator Faulkner**—What I said—and I have just had it provided to me—is this, and I will quote myself, which is a strange thing to do:

I have spoken to the Australian Defence Force and our military advisers in the ADF in great detail about these sorts of issues. Obviously this is to some extent also associated with the response to General McChrystal's 60 day assessment of operations in Afghanistan which will be another issue that's going to be discussed at NATO, and there are implications for the way Australia will approach our task.

I think it is best to look at my words as opposed to what the compere might have said. I think you have raised a very important issue, Senator, about how a whole range of nations which are contributing to the International Security Assistance Force in Afghanistan are approaching their task. You know in relation to Oruzgan province that we have a situation where the lead nation in the province, the Netherlands—and I should publicly acknowledge the outstanding job that the Dutch have done in Oruzgan—have talked about a withdrawal date of August 2010. You will have heard about other countries; for example, the Canadians are contemplating withdrawal in 2011. You will have seen recent comments, as I have read in the newspapers in the last couple of days, from the French President about not increasing their commitment to ISAF. We have also seen from the United States itself, and the Secretary of Defense, Dr Gates, saying that he is looking for real progress over the next 12 to 18 months.

My comments very much go not to whittling away the cap of 1,550, but giving anyone who would like to hear absolute assurance that we are focused on that critical objective we have set ourselves in Afghanistan: training the Kandaks of the 4th Brigade of the Afghan National Army so they can take responsibility for security in the province. I will not apologise to anyone for keeping those sorts of considerations front and centre in my mind. I think they are critically important for Australia, but they are also things that are very much issues that the ADF and Defence are considering closely. We have an objective, we have set ourselves an objective, we intend to meet that objective, but at all times we need to make assessments about how we can best meet that objective. Let me say additionally to that, of course, I want to see that objective, as I am sure every member of this committee and the parliament agrees, in the shortest time frame possible.

**Senator TROOD**—No-one would expect you or the Defence Force to do anything other than focus on its objectives.

**Senator Faulkner**—Sure.

**Senator TROOD**—And I do not have any doubt that we are doing it extremely competently. I am very pleased to have the assurance that we are making good progress in that regard. But it will avail us nothing, in the context of the overall strategic objectives that we have in Afghanistan, for us to be entirely successful in achieving our objectives in Oruzgan if other countries run down their forces. It seems to me we are facing a serious challenge if in August 2010 the Dutch do withdraw their forces. That will require very serious consideration of the capacity of the Australian Defence Force to conduct its mission, I would think. That seems to me to be an issue which certainly requires some forward planning and contemplation. I would be grateful if you could assure me that that is taking place.

**Senator Faulkner**—You are right: of course it is a critically important issue. You would be aware that I acknowledged in an opening statement that I appreciate the committee's forbearance that I, the secretary and CDF will be heading off to Bratislava this afternoon to raise this issue, amongst a range of others, directly with NATO. I am sure you understand this, but for the record I have to make absolutely clear that the provincial lead nation arrangements in Afghanistan are the responsibility of NATO. As far as Australia is concerned and Australia's defence minister is concerned, obviously this is an issue that I have to address with my NATO counterparts. I intend to do this over literally the next couple of days. Because it is an important issue that you raise, let me state again that the Dutch have been magnificent partners for us in Oruzgan province. I have always been assured of that by CDF and other advisers within the Australian Defence Force, and I publicly acknowledge that yet again. A final decision by the government of the Netherlands on any type of military commitment that they might maintain after 2010 is still an open question.

Australia and I as Australia's defence minister will be very much encouraging the Dutch to maintain a role in Oruzgan. The provincial reconstruction team that the Dutch have been responsible for in Oruzgan has done an outstanding job. This is acknowledged very widely and I certainly acknowledge it. We have, as I say, an excellent relationship with the Dutch in Oruzgan. I personally hope that we will continue to see a continued role by them in whatever form. That of course is a matter for the Netherlands government, as you would appreciate. Regardless of that, the issue of lead nation status in Oruzgan is one that is a responsibility of

NATO, and it is one that NATO will need to address in the near future. I will be speaking very directly to my counterparts about this, and CDF has already spoken to his counterparts about this issue in the lead-up heads of defence force meeting that preceded the Bratislava meeting. We will be stressing on behalf of Australia the critical importance of this. I am very confident that we will get an outcome, but you know—and I stress—it is a NATO responsibility at the end of the day.

**Senator TROOD**—We will no doubt explore this sometime in the future. I anticipate we will succeed in the training of the 4th Brigade and it will be deemed fit for combat or fit for the tasks that you are training it for. If that involves the 4th Brigade in operational activities outside Oruzgan province, will there be Australian forces accompanying the 4th Brigade in those activities? Will there be an embedded Australian force to some extent participating in those activities?

**Air Chief Marshal Houston**—Are you talking about when it is fully capable?

**Senator TROOD**—I presume there is a likelihood at the very least that elements of the 4th Brigade might be engaged in operational activities while the training is taking place. The question is in two parts. The first is whether or not during the course of training there is a possibility that 4th Brigade elements might be deployed outside the province and whether Australian forces would be involved in those operational activities. Secondly, once the training has been completed and the brigade itself has completed its training, is it intended that Australian forces would accompany the brigade on its activities later on?

**Air Chief Marshal Houston**—If I come back to the fundamental counterinsurgency strategy that is being employed here—you have probably heard the terminology ‘shape, clear, hold and build’—fundamentally, in terms of the Tarin Kowt bowl area we are into what is called the ‘hold’ phase of that strategy. In order to hold the ground in the various areas that have been cleared in the province of Oruzgan, you need forces to hold the ground. So while we, along with the Dutch and the French, are training and mentoring the 4th Kandak—the French are providing one OMLT—we are also holding the ground. It is vitally important that those kandaks remain holding the ground in the province of Oruzgan as they are mentored and as we go forward. Eventually, when we reach the stage of the kandaks achieving capability milestone 1, which is the milestone that has been established within the system to determine their achievement of operational capability to perform operations at a battalion level, at that stage we might see transfer of lead security responsibility to the 4th Brigade if this were to apply right across the brigade. At that stage the brigade would then take over the hold function within the province of Oruzgan.

In terms of your question, it is probably unlikely, given the tactical situation on the ground in Oruzgan at the moment, where we are dealing with an ongoing insurgency within the province, that those kandaks would be moved out of the province. They have a job to do in Oruzgan at the moment. In fact, the kandak that we trained is holding the ground from the Chora Valley all the way down through the Dorafshan to just to the east of Tarin Kowt. That is a huge tract of territory about 30 kilometres long, and there are seven different locations within that where we have parts of an OMLT and parts of that battalion. The Dutch have another battalion, which is out at Deh Rawood. Deh Rawood is another area where we have a kandak being mentored and trained, this time by the French. Then there is another kandak that

has gone into the Mirabad Valley. That ground is being held by that kandak. I put it to you that if one of those kandaks were moved out from the area it is in at the moment we would cede the ground back to the Taliban. So it is going to be very important to continue to hold the ground and start the building process—delivering the projects and so on—to improve the lives of the people in the province of Oruzgan.

That is the way I would see it. Clearly, these forces are not under our direct control. COMISAF controls all of the forces within Afghanistan, coalition and Afghan, and ultimately he decides the dispositions that are maintained. But, given the reality I have just described to you, that is what I would anticipate.

**Senator TROOD**—So the essence of your explanation is that you think it unlikely that there will be a need, for the moment, for the 4th Brigade to move outside the province, because there is plenty of work for them to do inside the province; and, to the extent to which the Australians, along with the other countries, are involved in mentoring, they will support that activity inside the province?

**Air Chief Marshal Houston**—I think it is very early days yet in terms of the mentoring process.

**Senator TROOD**—I understand that.

**Air Chief Marshal Houston**—There are two Kandaks that we are training. One is an infantry Kandak; the other is a combat support Kandak, and neither of those is anywhere near the capability of milestone 1. They still have a long way to go. They are doing a good job, and we are working very closely with them. I would imagine that it is going to take a while before we get them up to the standard where they are left to do it on their own.

**Senator TROOD**—Allowing that this is a process that takes some time to accomplish—and I think that is more than a sensible observation—once the capability has been achieved, is there anything in Australia's rules of engagement which would prevent or preclude Australian forces supporting Kandak activity or 4th Brigade activity outside the province, if that were deemed necessary as an operational requirement?

**Senator Faulkner**—Senator, rules of engagement are one thing—and, as you know, there has always been reluctance to talk about rules of engagement—but let me assure you that we are very much focused on the task that we have set ourselves in Oruzgan province, the objective that you and I have been addressing in this exchange at this estimates committee. That is very much Australia's objective. You have heard CDF give some evidence today about some of those operational activities that occur outside the province. Having said that, it is also very appropriate that I say to you: our efforts are focused on the province and training the 4th Brigade, because the objective is to see the ANA itself responsible for security within the province. That is the task we have set ourselves, and that is where we are very focused. I think that is the answer to your question.

**Senator TROOD**—I do not doubt that there is a job of work to do in the Oruzgan province. I do not think anybody questions that.

**CHAIR**—Are you about to finish, Senator Trood? I have other senators wanting to ask questions.

**Senator TROOD**—I have not finished but this is my last point. I do not doubt that there is a job of work to do in the Oruzgan province. We are involved in a conflict for the future of Afghanistan. In the context of that, I would have thought that there needs to be a measure of flexibility in the way each of the countries contributes to that overall effort. There have certainly been plenty of observations in the press and analysis, official and otherwise, that one of the limitations on the strategy that is in place at the moment is the lack of flexibility in moving forces around the country. That is an observation that American commanders have made. It is an observation which strikes me, in my limited understanding of strategic issues, as an issue which is critical to success in Afghanistan.

**Senator Faulkner**—I think you are aware that, in relation to our force elements in Afghanistan, we do have some flexibility outside Oruzgan province. I will not go through it again but the CDF has outlined that to you in answer to an earlier question you asked today. I have stated very clearly what our primary objective is and how focused we are on achieving our primary objective, which is the training of the 4th Brigade in Oruzgan province. That is a commitment that the government has made and has made publicly. It is very much where we are focused.

We are making a very significant contribution. We are the largest non-NATO International Security Assistance Force contributor. We are, as CDF has said, the largest contributor of special forces to ISAF. This is a very significant contribution for a non-NATO nation. It is a very significant contribution from a country that has a defence force the size of Australia's. It is proper that the government keeps its objective and its focus very much in mind. That is what I can assure you we intend to do. I want to reinforce with you that that focus is, as I have said, Oruzgan province. It is training the Kandaks of the 4th Brigade and it is to ensure that the Afghan national army in Oruzgan province can take responsibility for good order and security and protect the Afghan citizens in that area. It is a worthy and important objective. We intend to meet it and keep it very much front and centre in our minds as we fulfil our role.

**Air Chief Marshal Houston**—Can I just add: Regional Command South is the highest priority area for the coalition. Helmand, Kandahar, Oruzgan and Zabul are really the key provinces. I put it to you that holding the ground in all of those provinces is absolutely key to succeeding in this counterinsurgency that we are embarked on at the moment. So, again, I would not envisage a need to move Kandaks out of Oruzgan. I just state that quite strongly, because there is a hell of a job to be done in our province. We see this every day. There are violent incidents every day that I see. Our troops are handling it very, very well. But to remove a Kandak from the province—let us say, the 2nd Kandak that we are looking after—means all of that ground from the Chora Valley all the way down to Tarin Kowt. So, I just do not see that that would happen.

**Senator FIELDING**—Thank you. I have a question on the opening statement. I was hoping for a bit more of a feel from your statement about: are we winning the war? How much more time do we need? Can you just talk me through that a bit? That must be on the top of your mind.

**Air Chief Marshal Houston**—Yes. But, in fact, a lot of this is in General McChrystal's assessment. Essentially, what he has come up with, as you have seen in the media, is that we have to do better. Things have not been going as well as they might, and there is a need to

embrace a full counterinsurgency strategy. There needs to be more emphasis on protecting the people. There needs to be more emphasis on getting out amongst the people. There needs to be more emphasis on working very closely with the Afghan national security forces, both the army and the police. One of the big things that he is very focused on is increasing the rate of Afghan training so that we end up with a larger Afghan national security force. At the end of the day, what is vitally important here is to train a sufficient Afghan national security forces to take over the task of securing the country of Afghanistan so that all of the coalition can leave.

**Senator FIELDING**—America's top military officer, Admiral Mike Mullen, has said that there needs to be more time to win the war in Afghanistan. Do you have a time frame yourself—your view of when that would be? We are saying that you are saying 'near to medium term'. Is that three to five years? We have three to five years in what we are doing—that is the objective we have got. But is that the time frame you think it is going to take to win the war in Afghanistan? Or are we going to pull out before everyone else pulls out?

**Air Chief Marshal Houston**—The three to five years, as the minister just articulated, relates to the training of the 4th Brigade in Oruzgan.

**Senator FIELDING**—I think what the minister was also saying, and I hope the minister can correct me here, is that three to five years is what we envisaged it would take us to do our job. I get the feeling, and you can correct this, that we are out of there after that three to five years, because the job will have been done.

**Air Chief Marshal Houston**—Essentially, once we have transferred lead security responsibility to the 4th Brigade—and the 4th Brigade has been fully trained—it would, obviously, take over the security of the province of Oruzgan.

**Senator FIELDING**—Is that the three to five years you envisage?

**Air Chief Marshal Houston**—That is the three to five years. But you asked a very broad question: how long is it going to take? How long it is going to take, I think, depends very much on the US Administration's and NATO's response to the McChrystal report and the associated resource estimates that McChrystal will put on the table. If it is resourced fully, that would probably shorten the time frame. If the number of troops remains at about where it is now, it will take longer. I am not prepared to put a definitive time on how long it will take, because at the end of the day there are a lot of complex factors at play here. I am not prepared to make hypothetical statements in regard to that at a hearing such as this.

**Senator FIELDING**—So is three to five years long term or near to medium term? I am trying to work out what terminology you would put on it, roughly.

**Air Chief Marshal Houston**—You mean on the whole war?

**Senator FIELDING**—No, on the three to five years—the reference that the minister and you yourself have been using.

**Air Chief Marshal Houston**—I am prepared to say three to five years, because there are a lot of factors at play here.

**Senator FIELDING**—Admiral Mike Mullen went on to say that it probably needs more troops to win the war. These are statements made around 16 September. Also, Mike Mullen was asked whether, under any reasonable scenario, there is a prospect that trained Afghan

security forces can handle the bulk of the fighting over the near to medium term, and his answer was categorically 'No'. I think near to medium term is three to five years. Are we saying that we think we can get this area up and running and defended in three to five years with the local people when the admiral in the US—

**Air Chief Marshal Houston**—Let me just give you an example of a similar sort of activity. Looking at Iraq in 2005-06, things were going very badly. But while all this was happening the coalition was seized with a need to train the Iraqi security forces and the Iraqi police. In a very short space of time the coalition was able to train sufficient Iraqi security forces to take over the bulk of the security tasks within about two or three years. The Americans are now drawing down in Iraq, and most of the security tasks are now being performed by the Iraqi security forces. That was 2006, and we are now in 2009. That is three years. The Americans are still there, but they are drawing down. They will probably be out of the country within the next 12 to 18 months—five years.

So what I am saying is that, if you draw a parallel, we are talking probably three to five years in terms of getting the sufficient Afghan forces trained, mentored and basically provided with the sufficient combat enablers for them to work completely on their own. If you are looking at the whole thing, we are probably talking five years to get to that sort of circumstance.

**Senator FIELDING**—But do you see what I am getting at here? I will just go through it again. In some pretty specific questioning in the United States Congress—and this is recent—the question was put to America's top military officer, Admiral Mike Mullen:

Is there any, under any reasonable scenario, Admiral, prospect that trained Afghan security forces can handle the bulk of the fighting over the near to medium term?

The answer was:

Admiral MULLEN. No, sir.

I am getting a bit nervous about the fact that we seem to think they can.

**Air Chief Marshal Houston**—There are a large number of Afghan Kandaks—I have not got the number in front of me—that are at capability milestone 1, which means they are fully capable of conducting battalion operations. They are being used in the fight in Afghanistan as we speak, and they are doing well. There are just not enough of them. The issue is training sufficient forces to be able to take over the whole job. At the moment the target that General McChrystal is suggesting is not a great increase over and above the current targets. The current target is 134,000 for the ANA, and what is probably envisaged is an increase to 240,000.

**Senator FIELDING**—Do you think there is a need for more troops—not from Australia but generally speaking—to win the war in Afghanistan?

**Air Chief Marshal Houston**—More Afghans, absolutely.

**Senator FIELDING**—You think that we definitely need more troops?

**Air Chief Marshal Houston**—Absolutely. Yes, I do. I think the figure of 400,000—that is, Army and police—is a realistic target, and I think that is the best way to go in terms of the short- to medium-term that you talk about.

**Senator FIELDING**—That is obviously consistent with America's top military officer's statement that the US probably needs more troops as well in that regard. What will happen if there are not more troops forthcoming? I am just talking across the board, not from Australia per se. Will that place the Australian troops at less risk, more risk or the same risk, given that we know that the insurgency is getting stronger, things are getting worse—that is quite clearly the consensus—and more troops are needed.

**Air Chief Marshal Houston**—We are getting into a number of hypothetical questions here. I just remind you that last year the only province that had a reduction in violence was Uruzgan Province. That was the only province that had a marked reduction in violent incidents, and I put that fairly and squarely because we had a highly effective Special Operations Task Group providing enhanced force protection for both our people and the Dutch and Afghans who are doing the very important capacity-building tasks: the reconstruction and the training. They were able to achieve that by completely disrupting the Taliban in all of their activities. We still have that very large special force on the ground in Uruzgan province, and to some extent that reduces the risks that would otherwise be there. So, in terms of your question, I am very comfortable with the fact that we are managing the risk effectively by having our special forces deployed where they are deployed at the moment and on the sorts of activities they are employed on at the moment.

**Senator FIELDING**—Do you think we are on the right strategy—and I will ask some questions here that I think were asked in the US—and how many tanks does the Taliban have?

**Air Chief Marshal Houston**—Are you going to go the same way with this questioning as—

**Senator FIELDING**—I just have two questions. How many tanks and how many aeroplanes do the Taliban have?

**Air Chief Marshal Houston**—I heard the questioning in the US Congress

**Senator FIELDING**—So the answer to those questions is none that they know of.

**Air Chief Marshal Houston**—The Taliban are conducting an insurgency campaign using asymmetric techniques.

**Senator FIELDING**—Come back to the questions. How many tanks—

**Air Chief Marshal Houston**—The answer is zero.

**Senator FIELDING**—Zero of tanks, zero airplanes.

**Air Chief Marshal Houston**—As were the answers in the United States.

**Senator FIELDING**—So my question after that is—before you pre-empted it, because I have two questions—how many tanks and how many aeroplanes—

**Air Chief Marshal Houston**—Zero.

**Senator FIELDING**—Correct on both. Why do we think we are going to win it when we have been there so long and what is going to change?

**Air Chief Marshal Houston**—What has been conducted up to now is what is called an economy of force operation and there has not been a sharp focus on counterinsurgency. What

General McChrystal is proposing—and I strongly support it—is a properly conducted counterinsurgency campaign. A counterinsurgency campaign requires a fully integrated approach. It requires not just a military approach; it also requires a properly resourced civilian approach. What we need to be able to do is conduct that shape, clear, hold, build strategy that General McChrystal has been talking about a lot in recent times. If you are able to do that across Afghanistan we will succeed in taking the oxygen out of the insurgency. In order to do that you need sufficient forces and if you look at classical counterinsurgency theory—that is in all the doctrine—you need 20 to 25 troops per thousand head of population in the really hot areas of the insurgency.

**Senator FIELDING**—When did you come to your view that more troops were needed? Have we underestimated what resources are required for this war and are we catching up along the way? In other words, have we really looked at it and have we underestimated the opposition? Have we underestimated what was required? When did you come to the view that more troops were needed?

**Air Chief Marshal Houston**—You have to have a look at what has happened in Afghanistan since 2001. Fundamentally, what we saw—

**Senator FIELDING**—Have the Taliban grown in size? Have they grown in tanks and aeroplanes? I am trying to work it out. What has changed for us to come to believe that we need a massive increase again in troops such a short distance after the previous ones we have just given?

**Air Chief Marshal Houston**—Go back to 2001. The Taliban were chased out of Afghanistan in very short order in 2001-02. NATO were then given the job of stabilising Afghanistan and for two or three years they conducted a stabilisation operation in various parts of Afghanistan. The Taliban were not very active. There was the odd attack but not many and then in 2006 we started to see the Taliban insurgency gain momentum. It has gained momentum each year since and what we have seen each year is a marked increase in the number of violent incidents.

**Senator FIELDING**—Have we underestimated that, then? We must have?

**Air Chief Marshal Houston**—No, I think that the insurgency has gained momentum in a short period of time and, essentially, there have been increases in force levels. The Obama administration has increased the number of American forces by 21,000 and a lot of the NATO forces increased force levels for the election. The actual election campaign was, from a security point of view, highly successful. There were not as many incidents as there might have been had not the necessary steps been taken to provide for the security of the election. Of course, the inner circle of that security was provided by the Afghan National Army and the Afghan National Police.

While all of this has been going on, we have had a training program going on to raise sufficient Afghan national security forces. The number of Afghan forces available has been increasing all of the time, the coalition forces have been increasing all of the time, and it is quite clear that there is an increasing need for more numbers.

**Senator FIELDING**—We are sending our sons and daughters to Afghanistan—I have a son in the defence forces and he may find himself deployed there as well—and we have

already had soldiers coming back, killed. They are placed at risk, and for someone to actually put their life at risk to keep us safe and sound is part of being in the defence force—there is no doubt about that at all—but I am worried about whether we are placing them at risk beyond because we are short of troops generally over there. Does that make sense? I am really concerned that the danger goes up even higher because of the lack of troops. If we need more troops then there needs to be something done about it urgently. If we are placing our people at higher risk by not having the troops there, that debate needs to be had. I am picking up the sense that Australians are asking, ‘What is going on after eight years? It seems that we have underestimated things all the way along here—they don’t have aeroplanes, they don’t have tanks. We seem to have a lot more resources and we don’t seem to be winning.’ This is the concern that the general public has, and I do not think that the statements today are going to help them understand it any further.

It is a real concern for many Australians. We are thankful the defence forces do a job and put their lives at risk for us, but I am worried about whether we are actually returning the decency by making sure that we provide them with the right resources and making sure that we limit those risks.

**Air Chief Marshal Houston**—Are you talking about Oruzgan province, or are you talking more broadly?

**Senator FIELDING**—Broadly as well as in that province.

**Air Chief Marshal Houston**—Let me start with the broader question: I think you just need to be patient. General McChrystal has done a full-blown assessment of the whole situation in Afghanistan. I have been briefed on that, in fact, this last weekend I sat through a very long briefing by General McChrystal. I know his thinking and I know the thinking of Admiral Mike Mullen, who was also at the meeting that I went to. It is all on the table, and it requires a decision by the US administration and a decision by the NATO Council—the North Atlantic Council. We are party to those discussions, which involve 43 nations—the NATO members plus the other participating countries.

I think you just have to understand that the minister and I cannot go around saying: ‘McChrystal says this. McChrystal says that. This is option 1, 2, 3, 4 or whatever it is.’ We cannot discuss that. But let me assure you that I have the greatest confidence in General McChrystal. He has put, I think, a very good assessment on the table. We now await the decision of the US administration. The US administration, according to the media reporting in the last couple of days, has said it will probably await the outcome of the second round of the Afghan election. So we need an outcome from the Afghan election and then we need to wait for the Obama administration and NATO to make their decisions.

**Senator FIELDING**—I am thankful that we are going to be catching up in the next week or two, hopefully, to canvass this further.

**Air Chief Marshal Houston**—Yes, I look forward to it.

**Senator FIELDING**—I want to put this on the record. Are you aware that I have asked to travel to Afghanistan? I feel as if I am being blocked from doing so. This is such a huge issue for Australians. I have not got tickets for myself, but I am a senator and I am finding it hard to understand. Reasonably, if someone is flying to Afghanistan, I have asked whether I could tag

along, so there would be very little extra cost to get there. So far I have had nothing but resistance to that happening in some reasonable amount of time. The Leader of the Opposition went. I am not saying that I am anywhere near the Leader of the Opposition in importance; I understand that. But as an Australian in the Senate I am finding it hard to believe that there would not be, over a two- or three-month period, someone I could tag along with to get to Afghanistan to start to see and talk to troops firsthand to see what is going on there.

**Air Chief Marshal Houston**—Senator, I am aware of your request. The minister and I have discussed that. I am also aware, obviously, that I am going to get a chance to brief you. I think that, if I brief you in detail, we would then have another discussion with the minister.

**Senator Faulkner**—Senator, you are right: you are not the Leader of the Opposition.

**Senator FIELDING**—Correct.

**Senator Faulkner**—You are also right that you are not the shadow defence minister or the shadow foreign affairs minister. I made quick and urgent arrangements for those three office holders to visit Afghanistan soon after I became defence minister. I have also had a couple of private conversations with you about this issue. I am not in the habit of retailing private conversations, as you might know. I have raised the broad issue in relation not just to you but to a range of parliamentarians, not only in the Senate but also in the House of Representatives, who are keen to visit Afghanistan.

There are logistical issues here. It does have an impact on our operations on the ground. I have to take account of our personnel's safety as well as, of course, the safety of the visitors. As I have told you privately, I have spoken to Defence about this, and we are making arrangements to increase the numbers of Australian parliamentarians who can go to Afghanistan. We are making a significant increase. However, these arrangements have to be made properly. I am going to ensure that when it happens it is done with minimal risk for our troops on the ground; I am sure you would appreciate that and would also accept the responsibility I have to ensure the safety of visitors. I have indicated to you that those processes are underway, beyond saying what I have said to you now. I have talked about the increase at some length with CDF. With all the considerations that I am willing to state in a public arena at this committee—and other considerations I am not willing to canvass at this committee, which you might appreciate too—nevertheless there will be a significant enhancement to the numbers who visit, in accordance with the sorts of conditions that I have outlined.

It is true that the Prime Minister, the defence minister and their respective counterparts in the opposition are in a different position to some other parliamentarians in terms of their responsibilities. Obviously we always try to facilitate those sorts of visits, but there are operational, safety, security and other concerns. As I have said to you privately—and I do not want to canvass this any further publicly—we will, in accordance with the way that has been outlined to you, significantly increase the numbers who can undertake a visit. I intend to leave it there.

**CHAIR**—The committee will suspend and continue business on Afghanistan after lunch.

**Proceedings suspended from 12.31 pm to 1.31 pm**

**CHAIR**—We are still dealing with matters arising out of opening statements, and we are continuing with Afghanistan.

**Senator JOHNSTON**—I would like to go to a matter we discussed last time round: kitchens and cooks. I note that in an article on 14 September quite celebrated defence writer Ian McPhedran said:

DOCTORS have raised fears of malnutrition among frontline Australian troops in Afghanistan, who continue to lose dangerous amounts of weight despite the arrival of new field kitchens.

He went on to say:

Nutrition is a major challenge for the taskforce and doctors at the Tarin Kowt hospital have expressed serious concerns about malnutrition among troops spending weeks outside the wire.

Some troops have lost 15kg in a month. “There are some serious nutritional issues out there,” one medico said.

How is our new kitchen coming along, and is there any substance to that?

**Air Chief Marshal Houston**—In terms of the new kitchen, we are going to take over the whole catering contract in the not too distant future, around November. Once that happens, it will be Australian food that is dealt up. I am absolutely certain that our people will be sustained. The issue really relates to people out at the forward operating locations. As you know, we took steps to provide regular fresh rations to them. That was not all the time, but we wanted to ensure they got sufficient fresh rations in their diet from time to time. That was part of the rationale for deploying the additional cooks. In terms of the issues that you raise about weight loss and so on, people do lose weight in the operational environment. It is what I would anticipate. But I would like to come back to you on the issue of nutrition.

**Senator JOHNSTON**—Fifteen kilos sounds a lot to me. I think there might be a healthy dose of licence by the journalist.

**Air Chief Marshal Houston**—Fifteen kilos is something that I would be concerned about.

**Senator JOHNSTON**—I could lose 15 kilos and would not know where they went!

**Air Chief Marshal Houston**—I would like to come back to you on that in detail because it is an important issue. I am not across the detail of that at this stage and I will come back to you later.

**Senator JOHNSTON**—But we are standing up our kitchen in November.

**Air Chief Marshal Houston**—Yes, I have the details here. In the new contract, it is by 1 December. A phased transition will occur with a combination of fresh rations and preprepared food during the transition period until the refit of kitchen facilities is completed in early 2010.

**Senator JOHNSTON**—If I put it in terms of initial operating capability, we are expecting February, are we?

**Air Chief Marshal Houston**—Again, I will come back to you in more detail, but the advice I have is early 2010. Can I just give you some of the things we have done. We have deployed 14 additional Army catering staff to support the MRTF. We regularly expend additional funds to purchase supplementary rations. We have installed deep freezers, fridges and barbecues in the patrol bases to facilitate fresh meals. We have a local purchase of bread

for the patrol based personnel, when available, and the MRTF conduct a weekly fresh-ration run to patrol bases to replenish consumed fresh rations.

We are addressing all the issues you have raised in the past. We are already part of the way through the implementation and hopefully, come the next estimates, we will almost be there. I will come back to you on the issue of weight loss. We have been working very hard to ensure that our people have the required rationing to keep them fit and healthy.

**Senator JOHNSTON**—Very good. With the transition relating to the Dutch, as you know we have lost one man due to a very unfortunate rocket. What is the current counter rocket artillery system at Camp Holland and what are we looking to do in the future after the Dutch have left?

**Air Chief Marshal Houston**—First of all, our Singaporean friends have recently deployed a sense and warning radar—

**Senator JOHNSTON**—That is ARTHUR, I believe.

**Air Chief Marshal Houston**—Yes, it is ARTHUR. That gives us a small amount of warning of any incoming rounds of rockets, mortar, artillery—

**Senator JOHNSTON**—How long is the small amount of warning?

**Air Chief Marshal Houston**—A limited time. I would prefer not to go into the precise time.

**Senator JOHNSTON**—If it is anything less than 24 seconds I would be very concerned.

**Air Chief Marshal Houston**—It is less than 24 seconds. The minister has directed me some time ago to develop a capability proposal for a suitable system to provide warning and, if practical, intercept of incoming rounds. Having said that, we are developing the proposal. The only really practical options available to us at the moment are sense and warning systems. The counter system is still developmental and, as you are probably aware, if you were to have a counter rocket artillery munitions system, you also have to factor in such issues as collateral damage because in sending out the munition to intercept the incoming rocket, mortar or artillery round, there is always the danger of the whole lot falling on the civilian population. So there are a lot of issues here. But, suffice to say, we are complying with the minister's directive to develop a capability proposal to get an Australian system into Afghanistan as soon as is practicable.

**Senator JOHNSTON**—I thank you for that. I understand the situation as this: there is no viable interception. Close-in fire support that intercepts an incoming rocket or artillery or mortar shell will provide too much risk of collateral damage and no camp has such an interception capability in theatre. The obvious outcome is one of warning. I am told the British have spent £30 million or somewhere around that sum for five camps to be protected with a lights-and-alarm system that provides 24 seconds notice. I would have thought that we would be following that up so fast that today you could tell me when you anticipate that will be in service to protect our people in Camp Holland.

**Air Chief Marshal Houston**—I can assure you we are following this up very rapidly. I guess two things have happened. Shortly after he came to the job the minister directed me to do a force protection review. Part of that force protection review looked at all of these issues.

That force protection review identified the system you refer to. It also looked at some other systems. We are seized with the need to develop a capability proposal and we are doing that as fast as we can. If you can take my assurance, we are doing everything we can to field a suitable sense-and-warning system as soon as possible. That said, one issue is that most of the indirect fire is going into the patrol bases, not to the main base at Camp Holland, but most of our people are at the main base at Camp Holland, and that is something that we have to factor into our consideration, because as we expand the area that we hold we create more patrol places and forward operating bases and that increases the number of places that need to be defended.

**Senator JOHNSTON**—My concern is that we do not have a schedule.

**Air Chief Marshal Houston**—I can come back to you. We do have a very good idea of how long it is going to take to introduce a system, but there are processes that we have to run through and those processes do take a little bit of time. We initiated this thing not that long ago and it always takes time. Add to that the lead time that is associated with fielding the equipment and we are talking about fielding something probably sometime next year at the earliest.

**Senator JOHNSTON**—The concern arose from the fact that at Camp Smitty we had a system, and I know a fair deal about ARTHUR. They are not adequate in terms of the level of technical capability available in the marketplace today. I think that is a given in view of what I see other joint force members, our partners, utilising. I am concerned that we have lost one man. I would feel derelict in my duty if I did not sit here and say this to you. Obviously I will raise this at the next estimates.

**Air Chief Marshal Houston**—I appreciate that, and we deeply regret the death of Private Sher. As you know he died at one of our patrol bases well forward. If we have a look at the number of indirect fire attacks we have had at the main base, from October 2006 to November 2007 we had 13 attacks. On 28 June 2008 we had one attack. From March to October 2008 we had several attacks. Coming to this year, from January to April 2009 we had nine attacks. From May to August 2009 we had several attacks but no casualties. From September 2009 to the present—the last two months—we had two attacks.

**Senator JOHNSTON**—Hence my concern, depending on the capability of each of those attacks. There is a broad spectrum of danger in those; as I am given to understand, some of them are relatively non-threatening or at the lower end of the threat scale and some of them are very threatening.

**Air Chief Marshal Houston**—I accept all of that.

**Senator JOHNSTON**—Can I talk to you, CDF, about the RAAF pay issue with respect to No. 2 Squadron that has been stood up adjacent to the SAS?

**Senator Faulkner**—You can, Senator, but perhaps Chief of Air Force also might be able to assist you with this issue.

**CHAIR**—Are we still on opening statements?

**Senator JOHNSTON**—I think so, unless anyone else wants something on opening statements.

**CHAIR**—I have had an indication from other senators that want to raise matters.

**Senator JOHNSTON**—Afghanistan matters?

**CHAIR**—Yes.

**Senator JOHNSTON**—This has a nexus to Afghanistan because they are being stood up to go to Afghanistan.

**CHAIR**—Okay. Proceed.

**Senator JOHNSTON**—I hope you appreciate the way I hooked that in. CDF, do you want to tell me about the situation with No. 2 Squadron, I think it is?

**Air Chief Marshal Houston**—No, first of all I think the unit you refer to is No. 4 Squadron.

**Senator JOHNSTON**—I stand corrected.

**Air Chief Marshal Houston**—Essentially, we have a situation of administration within Air Force, and I would ask the Chief of Air Force as the accountable officer to speak to you about that.

**Senator JOHNSTON**—Please.

**Air Marshal Binskin**—I think you are talking about No. 4 Squadron, but you are talking about a particular flight within No. 4 Squadron: Special Tactics Flight.

**Senator JOHNSTON**—Special Tactics Flight is the target identification group that has been established to make sure that we get our targeting right?

**Air Marshal Binskin**—It is. Special Tactics Flight has a number of tasks. One of them is joint terminal attack control, which is the traditional forward air control role that you are talking about. They have other tasks as well, but I think that is not relevant to where you want to take the discussion at the moment.

**Senator JOHNSTON**—The first point I want to ask about is this: was there a CDF directive promising these men a level of remuneration if they came into No. 4 Squadron?

**Air Marshal Binskin**—Yes, there was. It is a complex situation. If I were to take you through the steps that got to that direction, that might better inform the committee and help the questioning process. Would you like that?

**Senator JOHNSTON**—Yes.

**Air Marshal Binskin**—First of all, I put up-front that the decision that delayed the payment of the special forces disability allowance to the Special Tactics Flight within No. 4 Squadron was taken at the Air Force level because there was a level of confusion and complexity about eligibility entitlements to individual members relating to their special forces disability allowance.

**Senator JOHNSTON**—Was that before or after the directive?

**Air Marshal Binskin**—I just want to put that up-front. Had we not taken that decision, I would be sitting here now telling you that we were about to take debt recovery action. I do not want to do that with my people.

**Senator JOHNSTON**—SAS-pay-style debt recovery?

**Air Marshal Binskin**—No, not SAS style, because that was caused by a different situation which has been resolved. No. 4 Squadron was stood up on 3 July this year. It was stood up from elements of the Forward Air Control Development Unit and included standing up this brand new Special Tactics Flight. Special Tactics Flight personnel are specialists who, as you just alluded to, control, coordinate and integrate air power during ADF operations. In the sense of their operations with the special forces in Afghanistan, that is the joint terminal attack control role. They are Air Force personnel who undertake specific training to enable them to conduct a range of activities, including operations with special forces. However, they are not a special forces unit. In April 2009, CDF directed how special forces disability allowance would be applied to those members who have been appropriately trained and who are deployed.

**Senator JOHNSTON**—Could you say that again, please?

**Air Marshal Binskin**—Chief of Defence Force provided direction in April 2009 on how special forces disability allowance is to be applied for those members in Special Tactics Flight who have been appropriately trained or who are deployed.

**Senator JOHNSTON**—That was in April?

**Air Marshal Binskin**—The direction was in April as part of a brief to stand up No. 4 Squadron. The approval was to stand up No. 4 Squadron and look at remuneration of one particular flight within No. 4 Squadron, the Special Tactics Flight.

**Senator JOHNSTON**—Will they get the disability allowance that the SAS were receiving, because they were working with them?

**Air Marshal Binskin**—They are not a special forces unit. If you let me keep going through it, I can hopefully take you through to where we are now. Remuneration under the provisions of SFDA was for periods of operational employment and associated training. Importantly, they are not categorised as special forces members and, therefore, the intent and the direction of this allowance would be for it to be on an ‘on occurrence’ basis, not continuous.

**Senator JOHNSTON**—So when they are away serving they would get paid it, but they would not get it otherwise.

**Air Marshal Binskin**—That is the easy part. For the associated training, if you are in 2 Commando or the SAS the fact that you are posted to that unit means that you would continuously be on various operations; therefore, you would get it continuously. As a stand-up organisation with 4 Squadron at the moment and as we grow them to be a mature organisation, they are not in the same situation, where the whole flight is always working up for Afghanistan. In fact, they are working up for a number of potential operations. That associated training statement means that we have to have very robust business rules to define when you are, if you are in that flight, entitled to allowances and when you are, just as importantly, not entitled to allowances. It is quite complex, as you would see if I were to go through what we went through to get to those business rules that we are developing. We needed to understand the intent of the direction—that is, it was not continuous but on

occurrence. It requires clear definition around that associated training. Four Squadron Special Tactics Flight is not like an army special forces unit; therefore, the personnel are not always on the associated training.

**Senator JOHNSTON**—Are you rotating people through it?

**Air Marshal Binskin**—In a maturer state we will. We have not got to the mature state yet, which is adding to the complexity. The Air Force personnel who are in STF have a majority of the SF courses at the commando level, plus they have a couple of Air Force courses that they need to be able to do their role, and that needs to be wound into it. It required the unit and Headquarters Air Combat Group to define what these business rules were. Again I have to emphasise we are breaking new ground here. This is the first time we have a unit outside of SF that will be qualifying for this pay. Unfortunately, in developing the solution the unit and the force element group lent more towards the army model—that is, if they were in that flight, they were to be deemed to be doing associated training. Therefore, while the business rules were coming up for approval at my level, they went at the unit level and enacted what they thought was the interpretation. Unfortunately, that interpretation was down a continuous route. Had that been implemented, it would have been incorrect and it would have meant that they were getting a rate that they were not entitled to; therefore, we would have had to go into a debt recovery situation.

I take the welfare of my people very seriously and I do not take decisions lightly that may affect them. In this particular situation the ADF pay system worked, because when this was entered into the computer it flagged at two levels that in fact we were about to pay our people at the wrong entitlement rate, which is good. The fact that we had to temporarily stop it was not good but was probably the lesser of two evils. It allows us to tighten up the business rules so that they are implemented correctly. When I first became aware of this on 3 October, which was the time that the processing had occurred for pay week this week, I took action directly with Headquarters Air Combat Group to provide a brief to me on the business rules by the end of last week. I received that brief on Saturday. I was not happy at that stage that it had fully covered everything and made it tight so that there would be no confusion. I held a videoconference with them and Air Command on Monday just after lunch and provided clear direction and intent on what these business rules need to address, and they are providing those business rules to me by the end of this week. Once I have those and sign off on them, the pay will be actioned as soon as practical.

**Senator JOHNSTON**—Do the business rules that you have set out as of last Monday accord with the directive of April from CDF?

**Air Marshal Binskin**—They will.

**Senator JOHNSTON**—That is not the question. This is very important. Do they accord with the directive? These men are some of your elite forward air controllers. They have joined 4 Squadron as a result of the directive.

**Air Marshal Binskin**—Correct.

**Senator JOHNSTON**—You can see where I am going here.

**Air Marshal Binskin**—I can, and the business rules that were provided to me from the unit and the force element groups did not abide by the CDF direction, which is why I am now seeking to tighten them up and clarify them.

**Senator JOHNSTON**—So when they complete their tier 3 training—

**Air Marshal Binskin**—Close. When they are on their commando training they are allowed to get tier 3 SFDA.

**Senator JOHNSTON**—Thank you. Have they got it?

**Air Marshal Binskin**—No, because to packet this just for that would have been quite difficult and increased the complication of the situation.

**Senator JOHNSTON**—I am starting to feel that I know why they are upset.

**Air Marshal Binskin**—I am also frustrated that this is taking as long as it has to sort out; but, in fact, by not tightening the business rules at the commencement of this, as we were trying to do, it has created confusion and it has delayed the pay by a couple of pays.

**Senator JOHNSTON**—A couple of pays?

**Air Marshal Binskin**—A couple of pays. But at the end of the day that is better than being paid and then going into a debt-recovery situation.

**Senator JOHNSTON**—Six of one, half a dozen of the other. I have seen what happens in debt recovery and I have seen what happens when you are promised money and you do not get it; they are exactly the same thing at the end of the day. These guys were stood up and joined because they were given promises.

**Air Marshal Binskin**—Correct.

**Senator JOHNSTON**—Now we have to live up to them.

**Air Marshal Binskin**—And we are.

**Senator JOHNSTON**—So that in two pays time those entitled to their training instalment will get it.

**Air Marshal Binskin**—Two to three pays time.

**Senator JOHNSTON**—Two to three pays time?

**Air Marshal Binskin**—Yes. If you go through the process now, once I have signed off on those business rules, for that to be entered into the system and then for that to link with the banking system will take a number of pays. In fact, if I were to do it today the earliest pay that would be affected would be either 12 November or 26 November. So you can see through the system that would be what we would get to.

**Senator JOHNSTON**—Are you happy with our system?

**Air Marshal Binskin**—With the ADF system? I am happy at the moment that we have tightened it up. It is still clunky. I am happy that we are working to improve it, but I would like to emphasise that in this particular situation the ADF pay system was the system that flagged the situation we were in and it worked as it should have.

**Senator JOHNSTON**—How long have these men been without their money?

**Air Marshal Binskin**—There have been 13 on training and it has ranged, I think, from about the end of 2007, through mid 2008 to now.

**Senator JOHNSTON**—So for some months they have been hanging out for their dough.

**Air Marshal Binskin**—They have been. The issue, again, is that we are breaking new ground. The fact is that it is an Air Force unit and Air Force personnel getting what has traditionally been an SF pay. It has taken a while to work that.

**Senator JOHNSTON**—This pay system must be the most complex pay system in the world with the way we see these blokes delayed and mucked around. If they are not getting overpaid they are getting underpaid or not paid at all. I just do not get it.

**Air Marshal Binskin**—In the GOPS situation that was introduced and introduced effectively, most of these personnel gained a pay increase. There were some that were already at a different level and did not. The pay side of it has been implemented with the new scales for these people. It is purely the allowances and whether in those allowances they were entitled or not entitled to that rate.

**Senator JOHNSTON**—But surely when in April we were going to stand them up and give them access to the allowances in parity with who they were working with we knew this would be a problem.

**Air Marshal Binskin**—The question in April as we stood the unit up was whether they would get allowances in parity, as an Army SF unit would get, or they would get what we are implementing with the current system. It does take time. It is a complex situation.

**Senator JOHNSTON**—So it take six months—from April to now.

**Air Marshal Binskin**—From the time the unit was stood up in July was the—

**Senator JOHNSTON**—In April and May we should have prepared all these things. Surely we should have had this nailed down so that everything went like clockwork.

**Air Marshal Binskin**—And I alluded to that earlier on. In the development of the business rules the confusion at a couple of levels meant that it was not as quick as it should have been. That is an Air Force issue and we will take the hit for that.

**Senator JOHNSTON**—And usually I have very few Air Force issues. The point is that in two to three pays time it will be fixed.

**Air Marshal Binskin**—In two to three pays time it will be fixed.

**Senator JOHNSTON**—And there will be no debts and those who were entitled and promised in the directive will have received their money.

**Air Marshal Binskin**—That is exactly correct.

**Senator LUDLAM**—I have a couple more questions on a couple of different subjects relating to operations in Afghanistan. Chief, can you tell us your understanding of whether any of our coalition partners in Afghanistan are deploying, or have deployed since operations began there, depleted uranium munitions in Afghanistan?

**Air Chief Marshal Houston**—To my knowledge no, but I would like to take it on notice just to double-check.

**Senator LUDLAM**—I would greatly appreciate that. I have never seen any strong confirmation but there is, as there often is with these kinds of weapons, a lot of rumour and speculation around that—that DU munitions certainly are deployed regularly by the United States. Is that something you might be able to confirm for us today?

**Air Chief Marshal Houston**—I will see what I can do. We will do our best.

**Senator LUDLAM**—I would appreciate that. Given that I suppose you would agree there is at least a possibility that they have been deployed at some time during and after the invasion of Afghanistan, what kinds of health precautions and protections are Australian personnel trained in and what health testing and monitoring are underway while they are in that theatre?

**Air Chief Marshal Houston**—Again, I do not believe that depleted uranium munitions are used in Afghanistan, so essentially I do not think the issue exists.

**Senator LUDLAM**—So we are not routinely screening personnel while they are there for exposure to DU contamination?

**Senator Faulkner**—What CDF has offered to do is to confirm in the negative the issue that you have raised.

**Senator LUDLAM**—There are two separate questions there. I understand that it is ambiguous as to whether those munitions are being used there. It is quite another thing to know—

**Senator Faulkner**—Let's just deal with that first of all. CDF I think has indicated to you that he believes they have not been used, but to be absolutely certain of it, to provide absolute clarity, he has taken the issue on notice to give you an absolutely clear and categorical response.

**Senator LUDLAM**—Thank you. To move to the second issue: are our personnel stationed in Afghanistan being routinely tested for exposure to chemical or radiological contamination from such munitions?

**Air Chief Marshal Houston**—I will be quite categorical here. No chemical or radiological weapons are used by the coalition in Afghanistan.

**Senator LUDLAM**—By 'radiological' I mean depleted uranium munitions.

**Air Chief Marshal Houston**—Again, I do not believe they are used and we will just double-check.

**Senator LUDLAM**—That is the first question, and I understand it will maybe take some time to confirm the answer, but are our personnel in Afghanistan being screened for exposure?

**Air Chief Marshal Houston**—No, they are not, because we do not believe those weapons are being used. We do have a voluntary regime where people, if they wish, can be tested.

**Senator LUDLAM**—So it is not mandatory—

**Air Chief Marshal Houston**—No.

**Senator LUDLAM**—but people can submit themselves to such testing if they believe they have been exposed?

**Air Chief Marshal Houston**—If they have a concern.

**Senator LUDLAM**—Do our personnel in Afghanistan carry personal dosimeters or anything that would indicate radiation exposure?

**Air Chief Marshal Houston**—No, they do not.

**Senator LUDLAM**—It is not part of standard issue equipment?

**Air Chief Marshal Houston**—No.

**Senator LUDLAM**—You will be familiar with what was described as Gulf War syndrome after the first Gulf War. I do not know that there was ever any satisfactory explanation, but chemical exposure on the battlefield was certainly postulated as one cause of that syndrome. Are our personnel screened for exposure to other forms of chemical contaminants in the course of their duties there?

**Air Chief Marshal Houston**—No, they are not.

**Senator LUDLAM**—Staying in the broad area of exposure to radiological or chemical contaminants, are there any testing or monitoring programs underway for troops who are brought back to Australia and rotated out of Afghanistan?

**Air Chief Marshal Houston**—They are not tested for any exposure to radiological or chemical contaminants other than on a voluntary basis.

**Senator LUDLAM**—The voluntary testing ability exists on return as well?

**Air Chief Marshal Houston**—If you want, you can be tested.

**Senator LUDLAM**—I look forward to your answers to confirm whether those munitions have been used.

**Air Chief Marshal Houston**—Sure.

**Senator LUDLAM**—What advice does the government or the ADF offer to Australian non-government organisations working in Afghanistan?

**Air Chief Marshal Houston**—Are you talking about Australian NGOs rather than international NGOs?

**Senator LUDLAM**—That is right.

**Air Chief Marshal Houston**—If we are approached by an NGO, we will provide the best advice that we can. To my knowledge, we have not had a lot of inquiries. Again, I will take it on notice.

**Senator Faulkner**—To add to what CDF has said, obviously we can only answer in relation to approaches made to defence. I know you appreciate that. But let us just be absolutely clear that in taking that on notice we can only speak for ourselves in that regard.

**Air Chief Marshal Houston**—Certainly, at my level I have had no approaches from NGOs about Afghanistan, say, in the last two to three years.

**Senator Faulkner**—And I am not aware of any at the ministerial level. We will check that for you, but I stress it will just be in relation to defence, which is all we are able to do.

**Senator LUDLAM**—Thanks, I might put that to AusAID as well. Can you tell me the number of civilian personnel? Are you responsible for any civilian personnel in Afghanistan or would I put these questions elsewhere?

**Air Chief Marshal Houston**—We have some of our own civilian personnel deployed in Afghanistan and we also look after a number of other personnel. For example, there are AusAID people in Afghanistan and there are Australian Federal Police in Afghanistan, and we look after them at Tarin Kowt.

**Senator LUDLAM**—Could you give us a rough breakdown of the number of civilians whom you would consider you are responsible for in some regard and the areas where they are deployed?

**Air Chief Marshal Houston**—What we have at the moment is a growing number of civilian personnel. The number has increased quite markedly in recent times in line with the Prime Minister's announcement 29 April. In broad terms, we are talking about probably 15 personnel at Tarin Kowt whom we look after. Over time, I would expect that number to grow.

**Senator LUDLAM**—No others anywhere else?

**Air Chief Marshal Houston**—We have our own civilians embedded in some of the headquarters around Afghanistan.

**Senator LUDLAM**—A rough number?

**Air Chief Marshal Houston**—Very small numbers.

**Senator LUDLAM**—Can I ask you to take that on notice to get an idea of the numbers?

**Air Chief Marshal Houston**—It varies from time to time. For example, in the intelligence function, some times we will deploy a military person; other times we might deploy a civilian.

**Senator LUDLAM**—It is a handful, and 15 at Tarin Kowt is the largest number?

**Air Chief Marshal Houston**—About 15 at Tarin Kowt and far fewer that we would be responsible for elsewhere, and those would be our own people.

**Senator LUDLAM**—Okay, thank you. I am just wondering if you can tell us something from your point of view. Are Australian personnel in Afghanistan, or have they been in recent times, in negotiations with the Taliban in Afghanistan?

**Air Chief Marshal Houston**—Absolutely not. Nobody has been in any negotiations at all with the 'Taliban'.

**Senator LUDLAM**—I noticed the inverted commas there. I gather it is a very diffuse grouping of people who are very difficult to define. Would that be a correct characterisation?

**Air Chief Marshal Houston**—I think that is a correct characterisation. Clearly when you are out amongst the population it is possible that you may end up talking to somebody that could be a member of the Taliban. We probably do not know them to be a member of the Taliban, though.

**Senator LUDLAM**—They do not issue membership cards, do they? I will come back briefly to where I was before. You mentioned that there is voluntary testing available for personnel in theatre or on their return home.

**Air Chief Marshal Houston**—I will let General Alexander, our Commander Joint Health, address that issue.

**Senator LUDLAM**—Thank you.

**Major Gen. Alexander**—There is a policy in place in relation to depleted uranium—a health directive—and that has two triggers that can result in testing. One is if the organisation has assessed that an individual has been exposed. The organisation would then recommend that testing be done on an individual or group.

**Senator LUDLAM**—Sorry; which organisation?

**Major Gen. Alexander**—Defence.

**Senator LUDLAM**—As a whole? Okay.

**Major Gen. Alexander**—And there is the ability for anybody to report and request a test, so there is self-testing.

**Senator LUDLAM**—Are troops trained as part of their regular training to recognise DU munitions if they might have been used against them or by—

**Major Gen. Alexander**—That is a question that I think a doctor probably should not answer.

**Air Chief Marshal Houston**—Again, I do not believe it is possible to discriminate when you are out there on whether a certain bomb that has been dropped is depleted uranium or not. We would not know from what we see on the ground.

**Senator LUDLAM**—I think that in some cases, with armour-piercing munitions, you can tell if it is DU as opposed to tungsten munitions or other forms.

**Air Chief Marshal Houston**—If you are talking about weapon effect, yes. But what I am talking about is the sort of work we are doing, which is not conventional warfare; this is counterinsurgency. Most usually, those sorts of rounds would not be needed in a conflict such as this. Again, I do not believe they are being utilised in our theatre.

**Senator LUDLAM**—I was not trying to press you on that point. We will wait for your confirmation once you have had time. Can you give us some figures on what number of personnel, in theatre and post return to Australia, have requested those forms of voluntary testing?

**Major Gen. Alexander**—I can give you the figure for the total number of tests within Defence.

**Senator LUDLAM**—That will not be a breakdown for people who have been deployed to Afghanistan, then—or will it?

**Major Gen. Alexander**—No, I cannot say that they have or have not deployed. My thoughts would be that anybody who has been tested would have had some thoughts that they had been exposed at some stage.

**Senator LUDLAM**—We know, for example, that these munitions were deployed in some quantities in Iraq.

**Major Gen. Alexander**—No, I cannot say that.

**Senator LUDLAM**—It is a matter of record.

**Major Gen. Alexander**—I can say that we have had a certain number of people that have been tested, either by self-request or by direction. But the vast majority is self-request.

**Senator LUDLAM**—Okay, let us start there. Could you give us those figures, please.

**Major Gen. Alexander**—There have been 140 over the last four years. There is a single laboratory that does the testing in New South Wales.

**Senator LUDLAM**—Can you name that one for us, please.

**Major Gen. Alexander**—No.

**Senator LUDLAM**—Why is that? Is it because you do not know?

**Major Gen. Alexander**—No, I do not know the name of the lab.

**Senator LUDLAM**—Is that something you could undertake to find for us? I am presuming that is not classified.

**Air Chief Marshal Houston**—No, that is fine.

**Senator LUDLAM**—So there have been 140 over four years.

**Major Gen. Alexander**—They have all been negative, and they have all been below 20 parts per trillion.

**Senator LUDLAM**—So that is just background.

**Major Gen. Alexander**—Absolutely. So they are all negative results. We have not had any positive results.

**Senator LUDLAM**—I want to get down to the fact that you must know internally how many of those personnel would have been deployed to Afghanistan. We will get to whether you are able to tell us that in a moment, but you must be able to ascertain that.

**Major Gen. Alexander**—We would be able to get the names of the individuals that have been tested and then, through the PMKeyS process, determine whether they were deployed and when they were deployed. Whether that is something that would be on a medical record that went to the laboratory is another matter. In other words, there would be a list of individuals we could obtain from the laboratory, so we would then have to go through a process of matching up to determine their PMKeyS numbers and where and when they were deployed.

**Senator LUDLAM**—That all sounds very complicated. I presume that, if any of the tests had proven positive, you would have made a bit of an effort to match up deployments.

**Major Gen. Alexander**—Certainly.

**Senator LUDLAM**—Can you confirm that the results were for DU contamination—that is, a radiological test, not referring to the chemical exposures I was asking about before?

**Major Gen. Alexander**—These are urine tests. It is a urine screening test for depleted uranium.

**Senator LUDLAM**—I will leave it there. I might come back later if there is time.

**Dr Watt**—I wonder if I could qualify that comment. To save you a bit of work, do you want to know whether they have been deployed to Afghanistan or whether they were deployed to Afghanistan before they came in and were tested? In other words, are you asking if there was there a cause and effect or are you asking two separate things?

**Senator LUDLAM**—That is a sensible question. I am interested to know whether service personnel have been deployed to Afghanistan and then returned and tested positive.

**Dr Watt**—So you want the ones who were in Afghanistan and then were tested and not the other way around?

**Senator LUDLAM**—Subsequently; that is correct.

**Senator TROOD**—Secretary, I want to ask you questions with regard to remarks you made about base security matters in your opening statement, which for some reason I have misplaced.

**Dr Watt**—I am sure we can find you another one, Senator.

**Senator TROOD**—No, as always the secretary of the committee is at hand. It is with regard to base security matters. You referred to the Holsworthy event in your statement, I think. Can you tell me when the department first became aware of the danger or threat to the Holsworthy base that was perceived, please.

**Dr Watt**—I will pass that question to Mr Merchant, who is the Deputy Secretary of Intelligence and Security and knows a bit more about this than me. I was actually not in the department at the time of the issue. While I should know—I acknowledge I probably should—it is something I have not caught up with yet. So I will pass to Mr Merchant, at least in some respects.

**Mr Merchant**—We were advised at an early stage of the potential threat to Holsworthy. I think that was in April.

**Air Chief Marshal Houston**—It was 2 April.

**Senator TROOD**—At that stage did you take any action in light of the information that you had or the intelligence that you had received?

**Mr Merchant**—Yes, we did. We upgraded the security alert level for the Liverpool military district to Safe Base Charlie.

**Senator TROOD**—Which includes Holsworthy, I assume.

**Mr Merchant**—Which includes Holsworthy.

**Senator TROOD**—Did you do that in relation to any other bases around the country?

**Mr Merchant**—No, we did it specifically with regard to the Liverpool military district.

**Senator TROOD**—What does that mean in practical terms?

**Mr Merchant**—There are a number of defence establishments apart from Holsworthy in that area, so it included the adjacent areas such as Steele Barracks in Moorebank. It was the Liverpool military district.

**Dr Watt**—It was a sensible precaution against loose language, I suspect, and imprecision.

**Senator TROOD**—Indeed, but what does upgrading the alert mean? What does it mean in practical terms in relation to providing security for defence assets?

**Mr Merchant**—It means that we strengthen the precautionary arrangements that are in place at the establishment. For example, it means that there is a requirement to positively identify people wishing to enter the base to inspect vehicles and review and restrict as necessary access privileges and planned activities. So it is a tightening up of the arrangements that are in place as a matter of standard practice.

**Senator TROOD**—That was 2 April?

**Mr Merchant**—That is correct.

**Senator TROOD**—That was some four months prior to the arrest, at least, of these individuals.

**Mr Merchant**—That is correct. On 4 August.

**Senator TROOD**—Was there any further advice that you received as to their activities prior to the arrest of the individuals?

**Mr Merchant**—We were in very regular contact with both intelligence and law enforcement agencies throughout that period and we were being regularly updated as to the progress of the investigation and also advised, and we reached our own judgments on the level of threat and risk that applied.

**Senator TROOD**—Mr Merchant, was there any upgrade of the alerts in those four months?

**Mr Merchant**—As I said, in April we upgraded the alert level for the Liverpool military district.

**Senator TROOD**—But subsequent to that.

**Mr Merchant**—Subsequent to that, actually in May, following the detention on unrelated charges of one of the members of the group who had done the reconnaissance at Holsworthy we were advised that this had put a significant impediment in the path of the individuals and we reverted to Safe Base Bravo at that point.

**Senator TROOD**—What I would like from you is some explanation as to the way in which the security threat to the base, as you were advised of it by the intelligence group and the AFP or whoever was involved, was reflected in the activities you took around the base to provide that greater security. You increased the alert in April and May. Did anything else occur between May and August when the arrests took place?

**Mr Merchant**—We continued to work closely with the intelligence agencies and law enforcement monitoring the level of threat. We reached the view, though, that the existing security alert system through the period May to August remained appropriate and we then reviewed our security alert levels following the arrest of individuals following the police action on 4 August. One of the questions that we were most concerned about was whether there was a residual level of threat or a residual element that continued to pose a threat to any Defence establishment and the advice we received was that there was none, and so we have reaffirmed the security alert level at Safe Base Bravo.

**Senator TROOD**—But would it be accurate to say that between May and the arrests in August you formed the view that any threat to the base, any likely attack if that was what was going to take place, could be repelled by the existing arrangements that were in place?

**Mr Merchant**—As I said, we upgraded the level of alert in April to Safe Base Charlie which resulted in a higher level of security precautions being in place at the base which we judged was appropriate to the level of threat that then existed. Following the detention on an unrelated matter of one of the alleged people who were plotting the attack, we were advised and we formed our view that that had resulted in a reduction in the level of threat. So throughout this we were working in close consultation, monitoring the level of the threat, making sure that our alert levels were appropriate to the judgments about the threat level that pertained to the particular point in time.

**Senator TROOD**—Are there any physical barriers apart from that which you might have to transit going through the front gate around the Holsworthy base? Does it have a wire fence around it or is there a moat or something that provides a measure of physical protection from the base for people who might want to get onto the base?

**Mr Merchant**—There is a fence. There is no moat.

**Senator TROOD**—Is the fence in good repair?

**Mr Merchant**—It is one of the issues we are now looking at. As a result of this issue, the government has directed us to undertake a comprehensive review of our security arrangements at defence establishments. We have that review now well underway. One of the first steps in that review is to conduct a security risk assessment around all of our defence establishments. As those risk assessments are being completed they are informing the development of a program which we will undertake over the next five years to improve our physical security arrangements and a range of other security measures at defence establishments. Improvements to security at Holsworthy will be part of that program.

**Senator TROOD**—I noticed the secretary made some observations about the review and I was going to ask him some questions about that. Going back to Holsworthy for the moment; given the notice you had received of the threat, did you give any contemplation to the possibility of increased patrols around the perimeter of the base, or planting pickets around the base that might provide a measure of protection? Did you give any consideration to any kind of practical measure that might actually provide the kind of security that those on the base might have expected to be given, in light of the situation?

**Air Chief Marshal Houston**—Safe Base Charlie, one of the additional security measures put in place, has additional security patrols.

**Senator TROOD**—How much more regularly do those patrols take place than they would normally do under Safe Base Bravo?

**Air Chief Marshal Houston**—We put in place a regime of additional patrols. I guess it depends on the circumstances. I will hand over to Steve Merchant to continue.

**Mr Bowles**—As we go to Safe Base Charlie we increase a range of things on base. Some are checking on the way in through the front gate, with a lot more positive identification of

people coming through, and the increase of patrols around the perimeters and the like of the base.

**Senator TROOD**—Does that mean patrols actually took place, Mr Bowles? Or does that mean there is an increase in the frequency of patrols? I am not quite sure—

**Mr Bowles**—There has been an increasing frequency.

**Senator TROOD**—So they are a part of security for the base and Safe Base Charlie necessitates an increase in the frequency of these patrols. Is that right?

**Mr Bowles**—That is correct.

**Senator TROOD**—Is the base still at Safe Base Charlie?

**Mr Bowles**—No, it is Bravo.

**Senator TROOD**—It has been stepped back. So we are back to the usual status of the base? Is that correct?

**Mr Bowles**—That is correct. We may still have some additional patrols in—we are probably just keeping some of those things in place—but we are back at Bravo.

**Senator TROOD**—Are the patrols responsible for checking possible breaches to the perimeter or do they essentially set out to identify intrusions of people? What particularly is their mission?

**Mr Bowles**—It is increased monitoring of what is actually happening on the base. If there were intrusions there would be action taken, but it is about having a greater surveillance, if you like, a greater awareness, of what is actually happening.

**Senator TROOD**—From May to August, were there any unusual incidences which were exposed as a result of these increased patrols? Did anything come to light that caused you any alarm?

**Mr Bowles**—To the best of my knowledge, up until the events of the arrest, there was not anything particularly different.

**Mr Merchant**—I might add that the issue that caused us to go to Safe Base Charlie was an alleged reconnaissance. At that point, those were the types of activities for which we were particularly alert—to observe whether there were further observations at Holsworthy. However, the advice we had was that the group was not in a position to undertake an immediate attack against Holsworthy. Obviously, if the threat had increased such that an attack was assessed to be imminent—we operate a five-tier security alert system and Charlie, as the name implies, is the third tier—we could have moved to Delta and Echo if the threat had become more immediate and imminent.

**Senator TROOD**—You obviously did not feel the need to do that in light of the intelligence advice you were receiving.

**Mr Merchant**—No, exactly.

**Senator TROOD**—I see. Subsequent to the arrests and the exposure of this plot, a review was undertaken. Dr Watt, when did that begin?

**Dr Watt**—I think, from memory, immediately after the arrests.

**Mr Merchant**—That is right. The government directed that on 4 August, so it was the same day that the arrests took place.

**Senator TROOD**—And that was a review of all defence bases?

**Mr Merchant**—It was a review of our security arrangements at bases. We have completed the initial part of the review and reported back to government. Government has now directed us to get on with the implementation of the recommendations. As I said earlier, one of the key parts of that is to complete the security risk assessment across defence bases and establishments and use that to inform a program of upgrades to our physical security arrangements.

**Senator TROOD**—I see. There were 33 recommendations from the review. Dr Watt, are you intending to release the review to the public or not?

**Dr Watt**—That is not a matter for me; it is a matter for government. At this stage I do not think the intention is to release the recommendations, partly because we do not normally release too much in the security field. I will ask the minister if he has a different view.

**Senator TROOD**—I could ask the minister, if I could attract his attention. Minister?

**Senator Faulkner**—I am sorry; I had a little aside with the CDF.

**Senator TROOD**—I am sure it is a matter of national security that you and he were—

**Senator Faulkner**—It actually was, Senator, but I know I will not convince you of that.

**Senator TROOD**—No.

**Senator Faulkner**—Thank you for asking me that question. The one-word, one-syllable, two-letter answer is no, but that is for very good reasons which I think you would probably appreciate. There are good reasons for not releasing such a review going to issues relating to base security. The sorts of questions that you have asked and the answers you have received in estimates today do give you a good picture of how the government and Defence have responded to the important issue of enhancements of base security. I think that on those sorts of issues there are obvious and logical reasons why the details of these sorts of matters are not in the public arena.

**Senator TROOD**—I see. I am sorry to have disturbed your deliberations with CDF—

**Senator Faulkner**—He is probably not sorry.

**Senator TROOD**—for what was an entirely predictable response, I must say.

**Senator Faulkner**—Often, as you know, at estimates committees we deal with issues going to the release of certain material, but there are significant issues here of safety of people on bases and there are security issues. There are national security issues involved, and recent events point to the importance of these things being dealt with in a sensible way. I think most people acknowledge that a report on base security might well be very different to many of the other things that government deals with. I hope you would acknowledge that.

**Senator TROOD**—Yes, I appreciate the point.

**Senator BOB BROWN**—What role is Australia playing in ensuring that the 7 November election is less fraudulent and that the outcome will be more representative of the Afghani people?

**Senator Faulkner**—Senator Brown, you would be aware that, in relation to security pertaining to the election, an Australian Infantry company of around 120 personnel, which is termed the Australian Election Support Force and has been in Afghanistan since late July as part of an about 8,000-strong international election support group which supported the Afghan National Police and the Afghan National Army in the provision of election security, will remain in Afghanistan for the runoff election. The Election Support Force will obviously continue to contribute to security in the province.

**Senator BOB BROWN**—Is there going to be some effort to get past the winner takes all thing? For example, if President Karzai wins with 60 per cent of the vote and his rival gets 40 per cent of the vote, will some form of shared responsibility for Afghanistan be looked at?

**Senator Faulkner**—I think that is a hard question to ask of me or of other witnesses at the table at the moment. Obviously I can say to you that the announcement of the result of the 20 August presidential election is welcomed. It is important that we acknowledge the patience shown by all the candidates in that election and commend them for following the legal and constitutional processes in Afghanistan. I can assure you that Australia will assist the Afghan election authorities to carry out the second-round election. As I mentioned, there is the security issue, and our 120 combat troops will be critically important for that. This will be a very challenging process, Senator. I accept the principle, which I know that you share, that the results must reflect the will of the Afghan people. The second-round election, which you talked about specifically, as I understand it, constitutionally is a first-past-the-post election.

**Senator BOB BROWN**—It is?

**Senator Faulkner**—I believe that you will find that that will be contested by President Karzai and Dr Abdullah Abdullah, as the runner-up in the 20 August election. That is certainly my understanding of how the process will work. As you would appreciate, the primary responsibility for the conduct of the election remains with Afghanistan's independent electoral commission.

**Senator BOB BROWN**—I am just wondering whether any alternative model such as the Swiss model where cabinet is shared proportionally by the parties who are elected to the parliament rather than the winner takes all Westminster option has been looked at in the process of the evolution of the Afghan constitution.

**Senator Faulkner**—I am certainly not aware of that. I am not sure that it is, if you like, core business for defence. What I can say to you is that the Afghan authorities will actually run the process. You would appreciate that this experience is the first we have had with Afghan institutions conducting a presidential election. Obviously, from Australia's point of view—and I am sure you would also reflect this strong imperative—we would urge the two candidates, Mr Karzai and Dr Abdullah and of course their supporters to follow the Afghan laws and to obviously respect the proper process. I think we have seen a situation where the authorities have dealt thoroughly with claims of fraud in the first round of the election and we need strong processes to apply in the subsequent round.

**Senator BOB BROWN**—Do we know how many forces the Taliban have in operation and what their potential is in calculating future combat in Afghanistan?

**Senator Faulkner**—That is one I might ask CDF to respond to you on if you are happy with that.

**Air Chief Marshal Houston**—We have estimates of the Taliban strength across the country.

**Senator BOB BROWN**—What are those?

**Air Chief Marshal Houston**—I cannot go into the detail of that.

**Senator BOB BROWN**—Why not?

**Air Chief Marshal Houston**—Because it is a figure derived from intelligence assessments and we do not generally—

**Senator BOB BROWN**—But ought we not as parliamentarians know what we are up against with our defence forces in—

**Air Chief Marshal Houston**—I will tell you what I will do, I will come up with a broad figure if you wish—

**Senator BOB BROWN**—Thank you.

**Air Chief Marshal Houston**—If I could take that on notice, I will come back to you probably fairly quickly.

**Senator BOB BROWN**—Thank you, I would appreciate that.

**Senator Faulkner**—This information is highly classified. It is highly sensitive. I would ask you to take account of that.

**Senator BOB BROWN**—Yes I do and I appreciate that, but I think we also have the reality of an enormous commitment by our Defence Force personnel and this nation.

**Senator Faulkner**—Of course, Senator, and that is why I think CDF's response to you was a very fair and measured one in the circumstance. After giving this some thought, let us provide as much information as we can to you, but I ask you—and I know you will respect this because you have in the past—to respect the fact that some of this information is classified and sensitive and you understand why particularly when we have Australian service men and women serving in a very difficult and dangerous environment. Of course, we are careful and I think CDF's response to you is very proper in the circumstance. We will try to assist you in every way we can without in any way compromising the important elements that I speaking to you about.

**Senator BOB BROWN**—You might also then like to attend the answer with a response to the question as to why the number of Taliban at present engaged or potentially engaged ought not to be part of the public debate about the future of Afghanistan. Minister, you are aware that we have had no parliamentary debate on Afghanistan and that the efforts of the Greens in that direction in the Senate have been voted down by both government and opposition.

**Senator Faulkner**—You would be aware that since I became defence minister I have made what I think is a very detailed ministerial statement on Afghanistan in the parliament. I have

indicated, and I will reinforce this with you, my intention to continue to be as open and transparent as I can and as frank as I can on these issues. It is my intention, and I can assure you I will make it happen, that those regular statements be made to parliament. They will be detailed, they will be exhaustive and they will be frank. They will not just stress the good news, if there is some, but both strengths and weaknesses. And, of course, those matters are open for debate in the parliament, which I participate in myself, as you know, and I commend the importance of these issues to others—

**Senator BOB BROWN**—That is very different to a parliamentary debate. In the last fortnight Taliban representative have said that they pose no threat to any Western country, naming the US and European countries. What credibility do you give those statements, and what relevance does that have to future engagement with the Taliban in trying to reach agreements which might shorten this conflict?

**Senator Faulkner**—I have not seen those comments that you refer to specifically, and I do try to keep across most of these issues in the public debate. There are, I think, very good and cogent reasons why Australia, as part of the international community, under a United Nations mandate, is in Afghanistan. I know you have heard me talk about these issues before, and I do not want to delay the committee by going into that level of detail today, because I know there is a lot of business before us.

But concerns remain, not just in Australia but throughout the international community, about Afghanistan being a place which has been used as a training ground for terrorists and which became a safe haven for terrorists. I think many of us are aware of the role the Taliban has played. I have heard and read a lot of statements made by the Taliban over a long period of time. I find them extraordinarily unpersuasive and self-serving in a whole raft of areas. CDF has seen the statement that you refer to, and he might care to comment on it. I would certainly be happy, after that, to deal directly with the issue of negotiations with the Taliban if you would like me to.

**Senator BOB BROWN**—Okay.

**Air Chief Marshal Houston**—I would just like to add that reconciliation and reintegration is very much a matter for the government of Afghanistan. They lead on all of those matters. The conditions that are placed on the Taliban in order for there to be negotiations are, first of all, that the Taliban must accept the Afghan constitution, and also that the individuals involved must not have a criminal record.

**Senator BOB BROWN**—So the speculation that there would be some benefit in talking to what is called the moderate Taliban is not one that the Australian defence forces—or, indeed, the government, as you are both there—would entertain?

**Air Chief Marshal Houston**—There is much discussion in Afghanistan at the moment about reconciliation and reintegration, but at this stage—

**Senator BOB BROWN**—Is Australia involved in that discussion?

**Air Chief Marshal Houston**—We are aware of the discussion, but we have nobody who is intimately involved in the development of how that might be done. This is something that is

clearly a matter for the Afghan government and one that is probably a little bit further downstream.

**Senator BOB BROWN**—I do not want to prolong this debate, but it does seem to me that the Afghan government is reliant very much on the defence forces from other countries, including Australia, who are in that country. I know that the United States has had spokespeople who have indicated that there may be merit in talking with the moderate components of the Taliban. Maybe I cannot get a definitive answer here, but I would be concerned if Australia were not involved in that process, as it is involved in having our defence forces in Afghanistan at every bit as much risk as the United States and other countries that are there.

**Air Chief Marshal Houston**—One of the things I should mention at this stage is that part of a counterinsurgency strategy is the need to reintegrate people like the Taliban. If you go through any counterinsurgency campaign that has ever been conducted, eventually there is a need for reconciliation and reintegration. Clearly, if the coalition, the US administration and NATO sign up to the McChrystal proposal to conduct a full-blown counterinsurgency campaign, reconciliation and reintegration would be part and parcel of that campaign. To that end, I am sure we would have some involvement in that. Again I stress that the only way that can be effected is by leadership from the Afghan government. It really is a matter for the Afghan government. They are the sovereign government. It is up to them to lead that process. They have laid conditions down that require, if you like, at the highest level, the reconciliation part of it, that there be an acceptance of the Afghan constitution.

**Senator Faulkner**—I think this arose because there had been some debate. There may have been comments—and I stand to be corrected—by General McChrystal about a level of comfort with low-level insurgent commanders and perhaps fighters reintegrating into the Afghan political process. I think those were probably some of the comments. I stand to be corrected if they were made by General McChrystal. That is my recollection. I am only going on recollection now. I think that might have been said in an interview about that type of reintegration into the domestic Afghan political debate and process, if you like.

**Air Chief Marshal Houston**—I have a couple of things that I agreed to take on notice. I have two things. I have some images of the reconstruction work that we have been doing in Afghanistan. I can go through each of those projects in detail if Senator Trood wants me to. The other thing I have got is the condition of soldiers wounded in Afghanistan since June 2009.

**Senator TROOD**—I will not ask you to go through them in detail. I would be delighted to have the material though.

**Air Chief Marshal Houston**—I will table these because I think the images speak for themselves. I will run through the individuals. I think the best way for me to do this is to indicate what has happened to each individual. The first individual's condition was satisfactory. He had facial lacerations to the left cheek and lip and some referred pain. That was a consequence of an IED blast incident. He returned to duty on 11 September. The next one is a corporal whose condition was concussion and tinnitus secondary to an IED blast. Essentially he returned to duty on 11 September. The next one is a private who was also

satisfactory. His condition was concussion and tinnitus secondary to an IED blast. He returned to duty. The next one is the same: again, concussion and tinnitus secondary to an IED blast. He also returned to duty on 11 September.

The next one is a private whose condition was satisfactory. His condition was concussion and tinnitus secondary to an IED blast, small shrapnel wound in the right axilla and he returned to duty on 11 September. The next one is a private whose condition was satisfactory. He had concussion and tinnitus secondary to an IED blast. He returned to duty on 11 September.

The next one is a private. His condition is satisfactory at the moment. Essentially his condition is an inversion injury to the left ankle sustained while patrolling on 10 September 2009. The next one is a lance corporal. A hand grenade was thrown from the roof of a compound and he suffered excessive pain to his jaw. He is in a satisfactory condition. The next one is a gunshot wound to the left forearm acquired during enemy contact. I actually visited that soldier in hospital at Tarin Kowt. He was in extremely good spirits. His condition was satisfactory as at 10 October.

The next one is a private. He received superficial lacerations to the face and bruising to the right elbow as a consequence of an IED attack. He is in a satisfactory condition. That is as of 12 October. The next one is a corporal. He is in a satisfactory condition. We do not have the details of the circumstances of his wounding. The last one is a private whose condition was satisfactory as at 20 October. Again there is no detail. For those last two we have not actually received any notification of what the medical circumstances were, so I suggest the wounds are relatively light.

**CHAIR**—Thank you for that information. Seeing that the three senior officers at the table are required to be absent post 5 pm, we will now depart from the formal agenda as such and deal in order with Black Hawk issues, recruitment, JSF and helicopter tender, in particular the AIR 9000 Phase 8. When that discussion is concluded, we will then return to the agenda proper and attempt to work through that because a range of senators have indicated interest in other matters later on the agenda.

**Air Chief Marshal Houston**—Just one thing—General Alexander is now prepared to answer the questions on depleted uranium.

**CHAIR**—Do that, General, then we will go to Black Hawks.

**Major Gen. Alexander**—In relation to the questions on depleted uranium, all 140 tests were self-referral tests. In other words, they were all persons that sought the tests of their own accord. None were considered by the organisation to be at risk—in other words, none were within 100 metres of an explosion or had recovered damaged equipment. All tests were negative, as previously stated, and all were conducted at the Australian Nuclear Science and Technology Office laboratory at Lucas Heights.

**CHAIR**—If the officers who are going to deal with Black Hawk matters could come forward now, we will hand over to Senator Johnston.

**Senator JOHNSTON**—Thank you, Chair—I am obliged to you and to the witnesses. General Gillespie, I think it is you who I want to talk to regarding the three warrant officers who have been stood down in Townsville—yes?

**Lt Gen. Gillespie**—I am very happy to talk to you about Black Hawk maintenance and safety this afternoon. I happen to think that this is actually a good news story for Army. Could I set the scene by saying that when I came to the command about 15 months ago now, I had a concern that Army aviation had a high operational tempo, that we were maintaining an aircraft that was getting long in the tooth and required more maintenance, and that we had some significant issues to do with the lack of skilled workforce and the size of the workforce to handle the asset that we were dealing with. From my first day in command I worked with my compatriot here, the Chief of Air Force, and the Chief of the Defence Force, on the issue of our Black Hawk safety.

One of the reasons I did this was I had a view that in the past we were good at learning lessons after an accident and it was my intention that during my command we change the way that we looked at aircraft safety so that I could predict when I thought we may have been heading down a dangerous path. On the issue of Black Hawk safety there has been a considerable amount of command overview.

At the present time, our Black Hawk fleet in the 5th Aviation Regiment is under additional surveillance for maintenance, under the guise of the Chief of Air Force and me, because we continue to have some concerns about the work-life balance of the workforce, the operational tempo and the size of the maintenance teams there. That means that the aviation fleet in Army at the present time is getting a high level of oversight. Certainly, since we raised forces command, the Forces Commander, General Morrison, has been the lead in that area in helping me not only provide that level of oversight but in rejigging the way, potentially, we handle aircraft safety in the Army.

The Chief of Air Force, with the support of the CDF, helped both me and Navy earlier on this year—and this will take full effect in the posting cycle at the end of this year—with a lack of sufficient maintenance people to maintain the size of the fleet and the tempo that we have got at the present time. Air Force has provided me with 15 aviation maintainers to start working in the 5th Aviation Regiment from the Christmas cycle.

I think the issue you would want to talk about to me today is the one that appeared in the papers this morning?

**Senator JOHNSTON**—Eventually. I would rather talk about the three warrant officers who have been stood down.

**Lt Gen. Gillespie**—There are three issues currently running for aviation safety in Army at the present time. The first of those issues is to do with the article in the paper this morning where there were some allegations made that maintainers were swapping passwords and that this had sort of been ignored by the system. The complaint, when it was made, was investigated by Headquarters 16 Aviation Brigade. The outcome of that investigation is undergoing legal review at the present time for the administrative actions we might take. But the key takeaway from it is that, whilst there were some handling issues to do with passwords, the right people maintained the right parts of the airframe and the net result of that

investigation was that, while we had some administrative processes to fix, we certainly did not have an aviation safety impact as a result of those actions.

The second of three issues that we have running currently is that we had what we call a confidential incident report—or CONFIR—that works through the aviation safety regime that the Chief of Air Force maintains. This is anonymous reporting for people who want to remain anonymous in the process. One of those reports, on 15 September, made some allegations that we had not completed some maintenance actions on a helicopter. Specifically, this related to a helicopter that had supposedly been signed off as having undergone an aircraft corrosion wash—when the allegation was that in fact it had not. During that process, because it is a pretty serious allegation that maintenance is being certified as having happened that has not happened, we certainly did stand down three people who were potentially involved in that, while we got to the bottom of the issue. Subsequently, all of those people have returned to work. Again on an aircraft safety issue, the fact that the aircraft was not washed was not directly related to airworthiness or the safety of the aeroplane. In fact, it was a misguided set of actions is the view that I am forming at the present time—again, I hasten to say that I do not have the official report on this—where people with a high operational tempo were simply trying to turn around aircraft quickly, and it was a misguided set of actions rather than a precalculated maintenance issue.

The third of the three issues that we are running at the present time is that, again, through the CONFIR system, on 30 September, there were some allegations made that were essentially around the issues that I spoke to you about of my concerns when I was the Chief of Army, coming to power—about the work-life balance, the workload for the maintenance teams, the shortage of maintenance and the allegation that potentially people were not listening to people on the ground about the issues of safety that were concerning them. In that regard, I met with the Chief of Air Force—in fact, the Chief of Air Force alerted me to this issue because it comes through his system—and in conversations with the Forces Commander, who is my safety man for aircraft on the ground, we decided that the only way to deal with this issue was to conduct a very formal aircraft safety inquiry into this particular allegation. That inquiry is ongoing at the present time. I expect that towards the end of this month or early next month I will get some feedback on what that means—whether or not I have some issues in that area.

I guess what I am doing here is laying out to you an environment where there will always be ongoing safety issues—they are raised. I said I thought it was a good news story. Its good news is that there is command oversight. It is good news that, on each of the issues that we have investigated, we have been able to determine that the actual safety of the airframes in the sky and the way that we are operating them has not been the route cause of the problem. More importantly, the CONFIR system—the confidential reporting system—that we have is working and people are not paying any penalty for using that system. It is just the opposite. For the reports that come through, command is showing that it takes them all in a very serious fashion. I have taken some time to explain the situation, and it is now over to you.

**Senator JOHNSTON**—I thank you very much for the frankness of your answers. When did you commence additional surveillance in terms of oversight?

**Lt Gen. Gillespie**—Since my time, each six months, the Chief of Air Force has been looking at the issue of Black Hawk certification et cetera. We were under a 12-month surveillance regime. I do not have the exact date here that the chief advised me that he had some additional concerns, but we have now put the aircraft under a six-month surveillance regime.

**Senator JOHNSTON**—When did he advise you of his concerns?

**Lt Gen. Gillespie**—He will get us that date shortly.

**Senator JOHNSTON**—Do we have a similar level of concern with any other airframes? Are you monitoring six-monthly or 12-monthly, or overlooking additional surveillance of any other aircraft to the level of the Black Hawk?

**Air Chief Marshal Houston**—If you want a response on all other aircraft types, we have a very well developed airworthiness management system, and I would like the Chief of Air Force to respond.

**Senator JOHNSTON**—The question was asked from the perspective of whether the level of the surveillance of the Black Hawk equates to the level of surveillance of other aircraft? My understanding is that this area has been and continues to be a problem, and I think the answer that General Gillespie has given me supports that. I am just trying to keep it in context.

**Air Marshal Binskin**—Both 5 Aviation Regiment and Army Aviation SPO have been placed under a heightened level of surveillance by Directorate General Technical Airworthiness, a part of the airworthiness system.

**Senator JOHNSTON**—Since when?

**Air Marshal Binskin**—I am just chasing those dates. I will have those for you before close today.

**Senator JOHNSTON**—Why precisely?

**Air Marshal Binskin**—I will get those details for you. The Chief of Army covered a lot of the reasons. There was the potential stress on the organisation and that is something that Army are trying to address at the moment.

**Senator JOHNSTON**—You will come back with when and why in a moment.

**Air Chief Marshal Houston**—Are you aware of how the airworthiness management system works? The Chief of Air Force is the ADF airworthiness authority. He has a complete systemic approach to the airworthiness of all flying platforms in the ADF. He conducts annual airworthiness boards on each and every flying system that the ADF have. If one of his boards finds something a little untoward, it is not unusual to increase the surveillance level on that particular platform. This is part and parcel of the way the system works. I just wanted you to be aware of that. This is not the first time that we have had heightened surveillance. It has happened many times before.

**Air Marshal Binskin**—As CDF said, each platform is reviewed annually and sometimes a platform will be put on a heightened level of surveillance or a part of that platform system—the system program office, the wing or the squadron that operates it. In this case, 5 Aviation

and ASPO are on heightened surveillance. Out of the recent airworthiness for the Black Hawk, they have a conditional service release and will be going back for an airworthiness board to address all these issues that have been raised. I think it will be in March next year.

**Senator JOHNSTON**—We will come back to how long and why in a moment. If we could come to three senior NCOs. What was their role? What were their technical qualifications?

**Lt Gen. Gillespie**—The three individuals we are talking about in the aircraft watch incident were the people who had been directly involved in the maintenance chain and supervision of that chain.

**Senator JOHNSTON**—Do they have a formal title?

**Lt Gen. Gillespie**—They probably do, but I do not have it.

**Senator JOHNSTON**—Are they maintenance technicians?

**Lt Gen. Gillespie**—They are aircraft technicians.

**Senator JOHNSTON**—Are they aircraft engineers?

**Lt Gen. Gillespie**—It is unlikely that they are engineers. They are NCOs in the process. The engineers are generally officers, so they are generally avionics technicians and supervisors who come up through the artisan trade.

**Senator JOHNSTON**—They have been reinstated, and you are happy with all of that. Why were they stood down?

**Lt Gen. Gillespie**—Because immediately we had notification of a potential safety brief in an aircraft fleet that is so busy, with the potential downsides, we took an operational pause and stopped the aircraft flying so that I, the Commander 16 Brigade and the forces commander could understand whether or not we had a safety issue that was likely to cause aircraft to malfunction.

**Senator JOHNSTON**—But surely they were not the only technicians involved in the maintenance of these aircraft?

**Lt Gen. Gillespie**—Probably not, but they were the supervisory technicians.

**Senator JOHNSTON**—What were they doing, allegedly?

**Lt Gen. Gillespie**—The allegation was that this particular aircraft had had its documents entered to say that it had had some maintenance undertaken—an aircraft anticorrosion wash—when, in fact, the aircraft had not been washed.

**Senator JOHNSTON**—Right. The allegation—

**Lt Gen. Gillespie**—Falsification of documentation was the allegation. Falsification of documentation is something that I have to take seriously right from the moment—

**Senator JOHNSTON**—Absolutely. Did this include signatures?

**Lt Gen. Gillespie**—It included signatures.

**Senator JOHNSTON**—So we had forged signatures as the underlying allegation.

**Lt Gen. Gillespie**—No, not necessarily forged signatures—signatures on an activity that had not happened.

**Senator JOHNSTON**—So someone was signing to say it was done, but it had not been done.

**Lt Gen. Gillespie**—Yes.

**Senator JOHNSTON**—Do we know yet how long we have had heightened surveillance and from when?

**Air Marshal Binskin**—The dates I have at the moment are that 5 Aviation Regiment was from 7 August—

**Senator JOHNSTON**—Is that 7 August this year?

**Air Marshal Binskin**—Yes, this year. Army Aviation's System Program Office was from 10 August this year. I am getting the exact details as to why.

**Senator JOHNSTON**—Okay. What were the dates of the suspensions of the warrant officers?

**Lt Gen. Gillespie**—The allegation was raised on 30 July. We took action on that day, so 30 July and the day following were the two—

**Senator JOHNSTON**—So it is a fair bet that the heightened surveillance arose because of the allegations against these three technicians—or is it just coincidence?

**Lt Gen. Gillespie**—No. As I said to you right at the start, I have had a heightened surveillance sense of the stress on the aviation component of Army since I became the chief. It is to do with operational tempo, the age of the airframe and the structure of the workforce—the shortages that we had in technical skills in that workforce to keep the airframes going with the operational tempo that we had. They are the same sorts of issues that the CDF, the Chief of Air Force and I have discussed often—about making sure that our overview of this set of circumstances was such that we kept a close eye on it and it was not allowed to develop to the point where we could have an accident.

**Senator JOHNSTON**—I am obliged to you for that answer. Save for those issues, Air Marshal, were there any certification issues?

**Air Marshal Binskin**—I will go back. The Chief of Army's heightened surveillance is from a command perspective for his people. The formal heightened surveillance from DGTA, the Director General Technical Airworthiness, was a part of the airworthiness system which was also running. The aircraft wash issue was raised internally as a part of the confidential instant report at a similar time. So, rather than this all being one system, there are about three or four different systems at work. As a part of the airworthiness system you have the Airworthiness Board, which sits annually. While the recommendations from the Airworthiness Board led to some activities that needed to be carried out on the Black Hawk fleet, it did not recommend that a conditional airworthiness release be put on the aircraft. As the airworthiness authority for the ADF, I looked at that. I looked at everything else that was going on the time. I was the one who imposed the six-month conditional release on the

aircraft so that it would go back to another airworthiness board to revisit in March next year all of the things that had been brought up.

**Senator JOHNSTON**—What were those things?

**Air Marshal Binskin**—I would have to go and get the minutes of the Airworthiness Board and take that out of session.

**Senator JOHNSTON**—I would be obliged if you let me know what those things were—those highly technical airworthiness issues. Were any of them related to maintenance?

**Air Marshal Binskin**—Yes, some were maintenance, and there was the stress of the organisation, which the Chief of Army is taking in order to address it.

**Senator JOHNSTON**—Are you aware of how many times previously there was a conditional release, from an airworthiness perspective, with respect to Black Hawk helicopters?

**Air Marshal Binskin**—I would have to take it on notice to find out if it has happened before with the Black Hawk. I can tell you that it is not the first platform in the ADF that has had that happen.

**Senator JOHNSTON**—No, that is good. I am only really concerned with the Black Hawk.

**Air Marshal Binskin**—I would have to take that one on notice.

**Senator JOHNSTON**—So we have had a signature issue with respect to the warrant officers that I mentioned. You mentioned the password issue. What precisely are the steps through which the passwords have become a problem or were a problem?

**Lt Gen. Gillespie**—I caution you here that the report has not come through to me. I am dealing with a broad brief for today.

**Senator JOHNSTON**—When is the report due?

**Lt Gen. Gillespie**—It is a report belonging to the Commander 16 Brigade and it is undergoing legal review. It could be anywhere from a few days to a month or so away yet. The point that I would make here is that, throughout our security and maintenance system, the requirement for people to protect their passwords so that the entries placed on our computer systems are accurate and accountable to the person is pretty paramount. As I am led to believe, what we found when we looked at this is that there had been some swapping of passwords, but what had not happened was those passwords being used to put false information into the system. In other words, it was an expedient move by some people to keep the production line running and the aircraft going and to meet operational tempo. So we are looking at this as an administrative issue at the present time, and it is administrative outcomes that are subject to legal review because of the swapping of the passwords. The air safety aspect of it was: did the swapping of these passwords lead to a diminution in the maintenance regime, dishonesty in the process or fraudulent documents? The answer was no.

**Senator JOHNSTON**—Let me ask you this: isn't the password system designed for a fail-safe of three inspections by individual qualified maintenance personnel such that if the work is carried out by person A then person B and person C inspect that work and provide and access the documentation using their passwords to certify that the work has been done? What

we had here was people using the passwords of other people not to have three inspections but, in some circumstances, simply to have one person sign off for the three as if the three had done the inspection. That is the problem, isn't it?

**Lt Gen. Gillespie**—That was the allegation. I am assured that that was not the end outcome, but you are right about the fail-safe system in that process. I will not pretend to be an expert on it, because I am not an aircraft maintainer, but the basis is right.

**Senator JOHNSTON**—But, if you are waiting on the report, aren't we in a precarious position? What if the report says, 'Yes, there was widespread use of passwords'?

**Lt Gen. Gillespie**—I am not concerned in that regard, for two reasons. One is that I have a considerable amount of command faith in the forces commander and the Commander 16 Brigade, who I know emphatically would, if I had an aircraft safety issue, have no difficulty in grounding the aircraft until we ran that to ground. Their advice to me is that I do not need to do that.

**Senator JOHNSTON**—Okay. Just tell me why and how it is that, in terms of this particular aircraft's maintenance, we rely upon the CIRs, the confidential incident reports—is that right? Why are the confidential incident reports the basis of the two matters that you have given rise to? What is the problem with people coming forward and saying: 'I am unhappy. My name is Fred Bloggs, I'm a maintenance technician and I am unhappy with the practices used in this workshop.'

**Lt Gen. Gillespie**—There is absolutely nothing wrong with that.

**Senator JOHNSTON**—Then why do we have this confidential thing there?

**Lt Gen. Gillespie**—Because throughout our history we find that not all commanders are equal and not all are willing to share and listen, so what we have with the confidential system is a fail-safe where, if people feel that the commander or the chain is not listening to them, they can still get their views through in a confidential way without thinking that punitive action is going to be taken against them. So, yes, absolutely; I would much prefer people to take it to their chain of command.

**Senator JOHNSTON**—Hang on. If they have a legitimate concern, are you suggesting to me there would be punitive action against them?

**Lt Gen. Gillespie**—No, what I am saying is that in our past those allegations have been there and we have had commanders who have not applied the best standard of leadership to those things. So the confidential system is a fail-safe to make sure that, if all is not equal, the point that you have just made can be sent through the system to somebody who will listen.

**Senator JOHNSTON**—So we have to provide a system where there is a lack of identity to complainants about helicopter maintenance concerning Black Hawks.

**Air Chief Marshal Houston**—I think that is drawing the wrong conclusion from a longstanding system. This was introduced many years ago. The CONFIR confidential reporting system is designed to ensure that every incident that happens within the aviation community is captured. It prevents any form of cover-up and it works very well. It does not happen very often that people have to use it, but it ensures that if somebody has a real concern that their flight safety concern is not being addressed they can put in a confidential report, and

that confidential report is taken very seriously. It comes in through the flying safety system and the ADF Director of Flying Safety takes action against it. I have to say it is not something that is unique to Black Hawks; it is something that is used right across the whole aviation community.

**Senator JOHNSTON**—Okay.

**Lt Gen. Gillespie**—I will give you another example of how that sort of process flows on. You might recall that you and I have had discussions over SF pay over time, and you might recall my—

**Senator JOHNSTON**—Yes, we have. I do recall that!

**Lt Gen. Gillespie**—disquiet with the fact that I was not allowed, through the process that was being played out, to apply leadership as the Chief of Army, because neither the chain of command nor other people dealt with me in that way. As a result of that, on the Defence website there is a sign that says, ‘Contact the Chief of Army direct.’ We do this in everyday life in Army: if the chain of command does not work to individuals’ requirements and they feel like they have not been heard or their fears are being pushed down, exactly the same confidential system can come directly to me so that I can apply leadership to it as we have in this aviation field. So it is not just for aviation.

**Senator JOHNSTON**—Okay. You have an inquiry into aircraft safety; who is conducting the inquiry? I do not want the name; I just want the rank of the person who is conducting it.

**Lt Gen. Gillespie**—An Air Force air commodore—

**Senator JOHNSTON**—An air commodore; a one-star?

**Lt Gen. Gillespie**—Right—supported by an Army colonel.

**Senator Johnston**—When was that inquiry commenced?

**Lt Gen. Gillespie**—A fortnight ago.

**Senator JOHNSTON**—Why?

**Lt Gen. Gillespie**—Because the second issue that had been raised through the CONFIR talked about those things that I mentioned: work-life balance, the rate of maintenance, the high workloads and the fact that people were not listening. More importantly, it contained some allegations that people in the aviation command chain were not listening.

**Senator JOHNSTON**—You have a term of reference for that inquiry?

**Lt Gen. Gillespie**—Yes.

**Senator JOHNSTON**—May I have it? Can you tell me what the terms of reference are?

**Lt Gen. Gillespie**—No, not at this time, because it is a formal inquiry process. I would not share that with you under normal circumstances. At the end of the process, when we understand what the outcomes of it are and the minister has been advised, if he decides that we should release the inquiry report then I am happy to do so. But we have some water to flow yet.

**Senator JOHNSTON**—I am not so much concerned with the report. I am actually concerned about why we have had the inquiry. I know you have said work conditions, work-

life balance issues, people not listening and so on and so forth, but it seems to me that when you have an inquiry into this particular aircraft—which is a very important aircraft in our overall construct—

**Lt Gen. Gillespie**—Can I give you some of the key facts from the CONFIR? Maybe that would help. Again, I am very happy to be transparent here.

**Senator JOHNSTON**—I am sure it will help, but I am not sure I will be satisfied.

**Lt Gen. Gillespie**—The basis of the allegations were that the report infers that increased flying hours and ongoing deployment commitments could act as a catalyst for creating pressure on maintenance staff to take shortcuts.

**Senator JOHNSTON**—So shortcuts by maintenance is the first issue.

**Lt Gen. Gillespie**—To keep up with the operational tempo. It was alleged that it could lead to that, not that it has led to that.

**Senator JOHNSTON**—We have a one-star looking into that.

**Lt Gen. Gillespie**—Yes. It was also alleged that the higher command structure within Army aviation is not being responsive to the concerns raised—an allegation against the command chain.

**Senator JOHNSTON**—That is pretty serious stuff, isn't it—no maintenance and no-one listening?

**Lt Gen. Gillespie**—Yes, it is serious stuff, and to appoint a one-star and an inquiry into the whole process shows that I agree with you.

**Senator JOHNSTON**—Absolutely—good. And what was the date of the confer?

**Air Marshal Binskin**—I do not have the exact date of the confer, but it was raised with me quite quickly.

**Lt Gen. Gillespie**—I can give you the exact date: 30 September.

**Senator JOHNSTON**—It relates to a confer on 30 September?

**Air Marshal Binskin**—So it was raised on 30 September, it was brought to my notification on 30 September and I passed it to Chief of Army on 30 September.

**Senator JOHNSTON**—And when is the report due? We do not know.

**Lt Gen. Gillespie**—At the end of the first week of November the Air Commodore is due to come back to us with his initial report.

**Senator JOHNSTON**—So we are talking five weeks?

**Lt Gen. Gillespie**—Yes, and I have to tell you that the basis of the inquiry he is doing is not a once-over-the-top issue. It involves interviews with several hundred people involved in the aviation field and the Army, from the lowest-level maintainers through the command chain through to General Frazer's people and the DMO. So there is quite an exhaustive set of interviews going on based on these sorts of issues.

**Senator JOHNSTON**—Absolutely, and I am very pleased to see that you are conducting that in the circumstances that you are. You are convincing me that everything that can be done

is being done. What is the important fail safe here with respect to the terms of reference such that if at any point during the duration of the inquiry our one-star Air Commodore comes to the conclusion that the safety of the aircraft is prejudiced ? Have we put in writing that he is to immediately notify you?

**Lt Gen. Gillespie**—He certainly has a very clear understanding that he has an obligation to report weekly, if there are no serious issues, to the Forces Commander and, if he finds issues like that, to give an immediate response. I am trying to get across to you that our system at the present time is very proactive. If I find issues that mean we need to stop flying, then that is exactly what we will do.

**Senator JOHNSTON**—We are not bound by the fact that we are going to wait for the report? If there are issues in the report that go to airworthiness, you will know instantly?

**Air Marshal Binskin**—Absolutely. And on top of that, I provided the one-star involved. He is a very experienced pilot. The way the aviation works across the board is that if you highlight something like that up-front you do not wait, you action it straight away. I can provide you the details on 5th Aviation Regiment and the Army Aviation System Program Office on the height and surveillance details, if you would like.

**Senator JOHNSTON**—I would appreciate that.

**Air Marshal Binskin**—5 Aviation Regiment was placed on a heightened level of surveillance with effect 7 August 2009 by DGTA, who was concerned with their compliance with technical airworthiness regulations, especially given their ongoing high-maintenance tempo, and reduced levels of workforce staffing experience.

**Senator JOHNSTON**—That was 7 August?

**Air Marshal Binskin**—7 August 2009. 5 Aviation is likely to remain on a heightened level of surveillance until the new brigade-wide maintenance management system is implemented. Sufficient evidence exists that 5 Aviation Regiment technical staff are conforming to the new regulatory-compliant maintenance management arrangements, and the technical workforce numbers and experience are matched to the maintenance tempo, taking into account the number and type of deployed operations. Chief of Army has talked about a lot of the things that are going on to address both of those, from bringing in Air Force personnel to heightened experience within the organisation and all that.

**Lt Gen. Gillespie**—Organisational restructure.

**Air Marshal Binskin**—You also asked about the Army Aviation System Program Office. It was placed on a heightened level of surveillance with effect 10 August 2009 as a result of concerns with current critical shortages of tertiary-qualified design engineers across all three AASPO-managed platforms, and a notable reduction in the effectiveness of the internal quality management system to monitor and manage compliance with the technical airworthiness regulations.

**Senator JOHNSTON**—I thank you for the way you have answered the questions, and I am satisfied. My last question: does the contractor, with respect to this aircraft's maintenance, have a confidential incident for the confer—a system whereby the contractor's technicians

can make such a complaint as the confidential reporting that you have outlined that our in-service technicians make?

**Lt Gen. Gillespie**—I do not really know the answer. I do not see any reason why not, but I cannot sit here and say to you that they positively have.

**Senator JOHNSTON**—I would have thought that was pretty important, just quietly.

**Major Gen. Frazer**—Anyone involved with military aviation has access to the same means of reporting confidential reports.

**Senator JOHNSTON**—Civilian contractors?

**Major Gen. Frazer**—Civilian contractors, military personnel or exchange personnel from other nations have that same access.

**Senator JOHNSTON**—Thank you Chair. I have no further questions. Thank you, gentlemen, for the answers.

**Committee suspended from 3.35 pm to 3.51 pm**

**CHAIR**—We now turn to issues dealing with recruitment, and in particular Chandler Macleod. Before I hand over to Senator Johnston, I welcome to the table Senator Stephens, who will be filling in for Senator Faulkner, who has been called elsewhere.

**Air Chief Marshal Houston**—Chair, just before we go, General Alexander has the answers to a couple of questions asked by the good senator earlier today.

**Major Gen. Alexander**—In relation to the SIEV 36 Ashmore Reef update: there were 17 individuals identified as ‘at risk’ following the incident. Those have all been followed and, as of 21 October, two personnel who had suffered psychological injury were on a temporary restriction basis and had returned to work. There is one individual who remains downgraded and unable to deploy at this stage but remains at work.

**Air Chief Marshal Houston**—Just another one for the senator. I mentioned that we had no details on the last two Australian soldiers who were wounded in Afghanistan. I can confirm that the press release that went out this morning, 21 October, has the details of the last soldier. Essentially, it confirms that one of our soldiers is suffering temporary hearing loss due to an IED blast. He is currently on restricted duties but is expected to return to duty once his condition improves.

**CHAIR**—Thanks, CDF. Senator Johnson.

**Senator JOHNSTON**—Mr Minns, how did we come to give Chandler Macleod the job?

**Mr Minns**—I will go back and recap some of the history leading into the awarding of the contract in July last year. We first moved to this model of outsourced recruiting for defence in early 2000 as a result of recommendations of the defence efficiency review. We did some market testing, we selected a partner to perform a trial, that trial was extended, the trial was evaluated in 2002 by Deloitte, and the ANAO performed an audit on the contractual arrangements in 2003 and said, ‘Yes, keep doing this.’

**Senator JOHNSTON**—That was Manpower.

**Mr Minns**—Yes. So then we rolled out a national model for partnership based recruiting from February to June of 2003 and the initial Manpower contract ran from July 2003 to July 2007. In May to September of 2006, we worked with Ernst and Young to evaluate the success of that long-term contract and to look at options for improving the outcomes that we were getting from the relationship and from the outsourced model of recruiting. That led to the development of the notion of the new DFR service delivery model. We worked with Manpower to extend their contract on an interim basis to trial and implement that new interim model.

**Senator JOHNSTON**—To when?

**Mr Minns**—That was occurring in July 2007 and there were two Manpower extensions before they finally transitioned out after the tender process in January 2009.

**Senator JOHNSTON**—So January 2008?

**Mr Minns**—Yes, January 2008.

**Senator JOHNSTON**—You said 2009.

**Mr Minns**—January 2009 is when they finally transitioned out. There was a seven-month transition period for the new supplier. So if we talk about the tender process itself, we started around about July 2007. We engaged KPMG to work with us on developing a new procurement model to deliver that new DFR service delivery approach.

**Senator JOHNSTON**—What were the essential ingredients of the model? What were we seeking?

**Mr Minns**—There are some characteristics of the new DFR model and then there are some characteristics of the new contract that we were seeking to agree. The new DFR model was essentially to see whether we could make the process a lot more client focused rather than Defence focused. Could we generate—

**Senator JOHNSTON**—Sorry, who is the client?

**Mr Minns**—The clients being candidates. Could we generate an effective front and back office arrangement where there was a shared service approach to a candidate relationship management centre that did all the processing of materials, applications and details.

**Senator JOHNSTON**—So we were going to do more?

**Mr Minns**—We were going to create that under the joint Defence and supplier partnership contract. That was also designed to create more time for our uniformed people to work in the front office—meeting and greeting and explaining an ADF career to candidates, and then performing the selection decisions. They were the features of the new DFR. The features of the contract that we were seeking to—

**Senator JOHNSTON**—Just before you go to the contract, did the recruitment phase see a greater involvement of Defence in the front and back office?

**Mr Minns**—Do you mean increased?

**Senator JOHNSTON**—Yes, increased.

**Mr Minns**—Yes. When you look at the comparative costs of the contracts under the original Manpower contract and then the contract as awarded, the costs do go up. If I can go to the contract issue, I will explain that a little bit. The two principal things we wanted to achieve in the new contracting model were some certainty about Defence's expenses, because the original contract with Manpower reflected a small or low fixed fee, a performance based fee per head recruited, and then a mechanism for reimbursing their costs. We were having two problems with that initial contract. The first one was that we were not always sure what the cost of the recruiting operation would be year to year, so the reimbursables amount was hard to pin down. The second issue was that the way the contract was structured probably suggested to the then provider, Manpower, that they could maximise their profit margin somewhere around the 80 to 85 per cent of achievement level. This goes to the issue of the difficulty of recruiting some of our trades and some of our professional occupations.

**Senator JOHNSTON**—Which would be in that 15 per cent that was not covered.

**Mr Minns**—Yes. So the rate of effort associated with getting those difficult candidates was not paying off for our partner. It is a commercial environment so they do the optimising thing. When we looked at the new contracting model, Defence again sought extensive advice. We sought advice from Cordelta. They designed a pricing model for us. That was further developed by KPMG as they worked with us in the procurement process. What we were trying to see was if we could get to a different contract structure that produced more incentive for our provider to get closer to 100 per cent achievement of target. As a result, when we went to tender we had KPMG working with us and, because we were in a situation where we knew the incumbent would tender, we had to have an external probity adviser. That was Deloitte. We had legal advisers, Clayton Utz, because this is complex contract to let with an incumbent performing the role.

The way the tender process operated was in two phases. We ran an invitation to register interest in September and October 2007. We had 11 responses from organisations and consortiums. We evaluated those candidates and came up with a short list at the end of 2007 of three organisations and one consortium. As part of that invitation to register and the selection of the short list, we did quite a detailed financial assessment. The ITR required that the parties registering interest had to submit audited financial statements for the previous three full financial years including profit and loss statements, balance sheets, cash flow statements and notes to the accounts. We received that from all of the groups. In the case of CMG we received it from them and also from their marketing provider, a subcontractor to them, Daemon group. The assessment looked at financial stability of the organisation including profitability, liquidity and gearing, the Dunn and Bradstreet credit risk report, the ability to provide insurances and details of any current or pending litigation. At that time—

**Senator JOHNSTON**—What was that time?

**Mr Minns**—The process commenced in October 2007 and took until the end of 2007, so the evaluation of the invitations to tender was October to November 2007, the decisions to short list were announced in December. As a result of that process CMG, as were the others, was assessed as being of low financial viability risk with strong revenue and profitability as well as strong net assets and a satisfactory liquidity position.

From that point we then issued the request for tender to the short listed candidates. That was done in February and they had until April to respond. There were a few changes that happened in that time frame—some of them were about Defence changing the scope of work. We withdrew one package of service that we were not seeking them to provide any more and the consortium operation withdrew from the process. The tender evaluation process happened in the period April to May 2008. We had three competitive tenders. They were from three prime contractors, CMG, Manpower and Talent2. They were evaluated by a seven-person core evaluation team comprising single service representatives, Defence Force recruiting subject matter experts and an independent sourcing specialist from KPMG.

When all the bids were considered at that time they were asked to respond to a standard scenario so that we could compare apples and apples. We said, 'Here is a scenario, this is how many people Defence wants to recruit by type and volume over the next five years, please price your contract over that five-year period.' It included a requirement to indicate their transition in costs and detailed templates asking for costs in respect of facilities, IT, labour costs for the team and the marketing piece of work. They were about eight categories of cost templates that were provided. We assessed all of those responses. We had four critical criteria. These were the proposed approach to both understanding and meeting the requirements of Defence's needs for Defence Force recruiting, the capability and experience of the organisation in providing similar services to those specified within the RFT, transition in services without significantly affecting operational performance—so their ability to manage a complex transition in—and the total contract cost. From that process we conducted a normal value for money assessment. We ranked the available providers and then we performed a process of risk analysis on those that we thought were qualifying bids.

**Senator JOHNSTON**—Are there only three left at this stage?

**Mr Minns**—Yes, there are three left. We ended up with a top two, and CMG at the end of the day were assessed as being the strongest candidate. This was because of the mixture of price and innovation that they brought to the task in their bid and the fact that the risks we thought were associated with either their organisation or their ability to run a transition-in were assessed as manageable. We had three tender responses and, in reality, the scenario we gave them involved them all responding with an amount over \$300 million with a spread of 4.75 per cent between the highest bidder in the lowest bidder.

With all that background, context and advice, we felt it was appropriate to enter negotiations with CMG, which we did in June. Over the course of those negotiations, we sought to clarify some areas where we thought they had possibly misunderstood the requirement of the statement of work. For example, one of the jobs of the evaluation team and our external advisers was to compare cost baskets and raise the issue, 'This prospective supplier has a very different view to this candidate on the costs of providing these sorts of medical testing services. What is that about?' We pursued those issues in the negotiation process and ended up increasing the fixed fee component for Chandler MacLeod in their final bid as a result of those sorts of conversations. In the end, we assessed Chandler MacLeod as offering the best value for money for the Commonwealth, and we reached agreement with them. All the issues of concern we had that were of a compliance nature with the contract requirements were removed, and we signed a contract.

**Senator JOHNSTON**—When did you sign the contract?

**Mr Minns**—That is an obvious question. I think it was on 1 July. I will just check.

**Senator JOHNSTON**—On 1 July in what year?

**Mr Minns**—It was on 2 July 2008.

**Senator JOHNSTON**—When were they to commence?

**Mr Minns**—They effectively commenced immediately, engaged in transition-in activities. They commenced earning some of their fixed fee at that time. Progressively until 1 February 2009 they are meant, according to a transition plan, to take on board and release from liability for certain functions the previous supplier, Manpower.

**Senator JOHNSTON**—So they were solely liable in February of this year?

**Mr Minns**—That is correct.

**Senator JOHNSTON**—But by September the whole thing had fallen over. They were begging for mercy, by the look of it.

**Mr Minns**—To some extent, this goes to the nature of Chandler MacLeod's bid. By our moving to a performance based contract—

**Senator JOHNSTON**—They got it wrong?

**Mr Minns**—Here is what I would suggest is a fair treatment: they had to price risk and they had to value the business and how it would contribute to their overall business strategy. They were decisions that they took, and they tendered on that basis. Our job was to see if we thought that the things they were offering were sustainable. We went through processes in that regard, and we thought that they were.

**Senator JOHNSTON**—We thought they were. They thought they were. We were all wrong. Everyone was wrong.

**Mr Minns**—A couple of things happened between July and January or February of this year. I guess the most significant one was the impact of the global financial crisis on this sector. Speaking from previous private sector experience, recruitment is the first sector that winds down and the first that recovers in the economic cycle. The first thing that happens in large organisations, when they start to hurt in an earnings sense, is that they put a cap on replacing roles and recruiting. If you look at all of the people who might have been in the mix to win this contract, all of them suffer some share price haemorrhaging from about October 2008 until quite recently.

**Senator JOHNSTON**—I am looking at a share price graph of the eventual winner. In June 2001, they were \$3.64 a share. Today, they are 7c. In October 2007, they were 66c. That is a sizeable, trackable graph that indicates a perpetual downward trend, if I can put it in market terms.

**Mr Minns**—That is indeed why we do a financial risk assessment as part of the tender process, and we did that.

**Senator JOHNSTON**—I want to show you the graph. I will hand it over to you.

**Mr Minns**—I have graphs as well.

**Senator JOHNSTON**—Right; if you have the graphs, you will be aware. I have to tell you that I am not a chartist but that come October 2007 I would have been saying, ‘These guys have had one hell of a long drop and the last seven years through the boom have not been good.’

**Mr Minns**—Yes, and if you talk to them, as we did—we had conversations with their board chair and with one of their significant shareholders in December 2008, when we started to have some concerns about what was going on with their share price—then they will tell you that—

**Senator JOHNSTON**—When did you have those concerns?

**Mr Minns**—We did an assessment, again through KPMG, in September 2008 to ask—

**Senator JOHNSTON**—So they had not even taken over and we were already worried about them?

**Mr Minns**—No, they were in the transition period and, because they were in the transition period but their share price had softened, we had a conversation with them to say, ‘What’s going on?’ It is not really for me to defend their business—that is a job for their board—but the story they told was about restructuring their business, dealing with some of their balance sheet issues, getting rid of some businesses that were underperforming and actually acquiring other businesses.

**Senator JOHNSTON**—They are doing some pretty significant restructuring right now, aren’t they?

**Mr Minns**—They also did some significant acquiring of businesses in the 2007-08 period. In their business strategy, they saw the defence contract as part of their overall growth and recovery model. All we can do in this matter is ask the relevant experts to assess their risk. When we selected them as the tenderer, we were told they were a low financial risk in both the short term and the medium term.

**Senator JOHNSTON**—So there are three people who got it wrong—the relevant experts, us and them.

**Mr Minns**—Yes.

**Senator JOHNSTON**—Jeez! Did anyone get it right?

**Mr Minns**—The point I was going to make to you about share prices is that I can show you graphs with all the other competitors and they all follow quite a similar trajectory. Some of them are almost shadows of CMG’s share price. It is not quite as significant for one of the other players. As a sector, recruitment relies upon earnings that are very much this-quarter-based in the economy.

**Senator JOHNSTON**—Okay. They say in their press release:

... the contract was unable to deliver the revenue outcomes we had anticipated and we also discovered a number of costs which were previously unanticipated.

What were they talking about? What are the costs?

**Mr Minns**—They first raised that with me in December 2008 and I said to them, ‘If you think that you can validate and prove for us that there are some costs that were not known at

the time of the tender and were unknowable and therefore would affect any of the three contestants for the contract, we will seek to validate that ourselves and we will respond with our view about that.' Between us and Chandler, we refer to that as the 'commercial plea' process. We sought the advice of Defence legal counsel, Clayton Utz, who had been our advisers on the contract, and the Australian Government Solicitor. We got approval for this kind of approach. We went down the path of resolving their commercial plea by about 1 May.

**Senator JOHNSTON**—What were the costs?

**Mr Minns**—I think I need to be careful here about commercial-in-confidence information. Can I talk in terms of percentages? They presented some issues over the five years of the contract that were more extensive than the gap I described as 4.75 per cent in the tender process. We indicated that we would be bound by the procurement process—both the Defence process and the Commonwealth Procurement Guidelines—and that we would have to operate in a way that was fair to all of the tenderers. We looked at their material and eventually responded, saying: 'There are a couple of areas where you have claimed that a cost was not known and not knowable, even given the requirement for the tenderers to complete due diligence. We have put a value on recognising those.' We indicated that there were some areas of liability that perhaps the Commonwealth should accept rather than expect them to deal with them. Some of these issues related to security and IT in particular. So we tried to resolve the commercial plea and came back to them with our view of what an offer would be.

**Senator JOHNSTON**—So the tender documents were deficient?

**Mr Minns**—There were some gaps in the tender documents, and we said to Chandler, 'If you can demonstrate that there was a gap, we will review it and, if we validate it, we will address it.'

**Senator JOHNSTON**—And they did.

**Mr Minns**—I will give you an example. They are things like leasing costs. In the data room that all the tenderers were asked to review and look at the data—was it full and complete and did it have the most recent lease price schedule in it—there were gaps in a couple of cases. Where they have produced that information, we have addressed it and offered through the commercial plea process to meet their costs.

**Senator JOHNSTON**—They are going to take off as of February next year—they are going to try and hang on until then?

**Mr Minns**—In response to them requesting that we start negotiations on termination by agreement, we met with them on 5 June. We had a conversation at a high level about what it would take to reach a decision to terminate the contract. At that point they were pressing to see if they could transition out by 1 December. It took some considerable time to resolve a range of issues about the termination deed. Despite best efforts all round—and some of these matters were legal in nature—we reached the agreement to terminate in the mid-September period and—

**Senator JOHNSTON**—On the 16th?

**Mr Minns**—Yes. And we finally signed a deed early October. We knew by 16 September that transition out by 1 December was not practical. Throughout this whole process, the thing

that we have tried to place at the front is the ongoing achievement of recruitment activity within DFR, and I have to say that that has been achieved. Our target performance in the first three or four months of this year is better than last year. It is a testament to all of the people working in DFR.

**Senator JOHNSTON**—And our targets have not been reduced?

**Mr Minns**—Some of our targets have recently been reduced.

**Senator JOHNSTON**—So it has been easier to achieve the targets?

**Mr Minns**—That is true, but they are still by absolute volume higher levels of performance than last year.

**Senator JOHNSTON**—What has it all cost us?

**Mr Minns**—As part of the termination agreement process we tabled some of our costs of early termination—well, we tabled all those that were direct costs. As part of the negotiation we have received an agreement for many of our costs to be paid. We have done a negotiation here. Again, it is something that is subject to the commercial nature of the deed.

**Senator JOHNSTON**—So we should not ask because of commercial in confidence what the actual bottom line cost to us is? I am happy to accept that if that is the case.

**Mr Minns**—That would be my preference, Senator.

**Senator JOHNSTON**—Is it a bit of a moving feast as to cost? We have contingent conditions precedent as of 1 February 2010.

**Mr Minns**—Yes.

**Senator JOHNSTON**—So the agreement is subject to certain things being done in conformity with the terms and conditions of the settlement deed.

**Mr Minns**—That is true.

**Senator JOHNSTON**—So we should come back in February and talk about the overall costs then?

**Mr Minns**—We did our best to forecast our costs of termination and early-out to the 1 February date. This issue of maintaining the adequacy of performance of Defence Force recruiting through this period is critical—it is our peak period. So we are trying to manage a transition process while we also do our peak recruiting. This is a tough job all round. To date, we are quite pleased to see that everyone is working very hard at that. There will be some issues that will need us to continue talking about the operative date of the condition precedent. The condition precedent is really about defence having a viable third or second alternative to Chandler continuing.

**Senator JOHNSTON**—Do we have one?

**Mr Minns**—We are working on that. We, again, are working on a procurement process that we have sought to have approved by the Australian Government Solicitor as a fair way forward under all the circumstances.

**Senator JOHNSTON**—So as of now, beyond 1 February 2010 we have no plan for recruitment into the Australian Defence Force.

**Mr Minns**—No, we have the ability to say that the condition precedent is not met so we need Chandler to continue.

**Senator JOHNSTON**—Are they going to be able to do it? I tell you what, there is red ink all over their balance sheet.

**Mr Minns**—Right from April of this year we have worked on a contingency plan that was designed to address a situation of administration over the weekend if it were to come about. We have had a sort of catastrophe plan for managing to step in and deal with recruitment. It continues to be developed as a fallback option.

**Senator JOHNSTON**—When do we anticipate starting the tender process again? Indeed, are the other two interested?

**Mr Minns**—At the moment we are doing a procurement process for an interim contract.

**Senator JOHNSTON**—When do you anticipate that will be decided? If it is commercially in confidence, just cut me off. I do not mind.

**Mr Minns**—We hope to have responses quite soon. The date has been slightly extended by some of the complexity around information not being available until the deed was signed with Chandler. But we will have it within the next 10 days, so then we have the task of evaluating that response as quickly as possible. The original notion of the condition precedent date on 6 November was based on the idea that we might know the answer by then. We may need to move it slightly to the right, but it is our expectation that we will know it in early to mid-November.

**Senator JOHNSTON**—So we will know a bottom line cost of this false start in February?

**Mr Minns**—Yes, as things currently stand. It will be the cost of early exit that was not planned plus what they have been paid pursuant to the contract for the years they have been complying with the terms.

**CHAIR**—How much have we paid this agency since the contract was signed off some years ago?

**Mr Minns**—We have only been paying Chandler Macleod since July of last year. I have that with me.

**Dr Watt**—That is for delivery of services. They have been delivering the service in order to get paid.

**Senator JOHNSTON**—Based on five years, though.

**CHAIR**—Shortages in both recruitment and retention was a topic that was receiving a lot of attention about four years ago, and the previous government came up with a very comprehensive plan which it brought down, from memory, about halfway through the last term of government. Also from memory it was to be implemented over 10 years with gradations of both hiring and retaining and particular niche areas in recruitment and retention were going to be the addressed. Am I hearing Mr Minns saying that Chandler Macleod is no longer going to be carrying out the principal task that was the 10-year plan?

**Mr Minns**—Chandler was the party that won a contract where one part of the so-called R2 funding, retention and recruitment funding, was about a boost to the recruitment expenditure

of Defence. Broadly, that extra expenditure on recruitment was about two things. It was about financing the new DFR model, so reaching a contract for a supplier to offer a new contract of work that had an enhanced statement of work in it. The second feature was a significant increase in our advertising revenue. We have been expending the advertising revenue in the last two years and we think it is one of the reasons we are seeing such significant increases in applications. If we move to another supplier on an interim contract basis we will be in a position to continue the work of the new DFR. The last point I want to make is that the new DFR is starting to show some signs that it works.

**CHAIR**—Mr Minns, I read in the paper some time ago that the particular company wished to withdraw from the contract. I have been following the relative improvements in both recruitment and retention over the last two or three years arising out of the problems we had four, five or six years ago. What I am trying to get to is, with the contract likely to be terminated and you having to find a new sole or major supplier, are we going to be back in the situation of starting ab initio in terms of the recruitment and retention issues?

**Mr Minns**—No. The approach that we have taken to the procurement we need to do in our current situation has been heavily informed by the requirement to have sustainable achievement in recruiting. That really goes to the issue of risk of transition. Without saying any more about who we are seeking to procure, we are taking a low-risk route.

**CHAIR**—It might be better adjourned till February or next year when you have resolved the situation. Secondly, at the beginning of your comments you made a reference to payment for the contract in terms of the final 15 per cent of employees delivered and said there were continuing problems in the high-value technical areas. When the contract was negotiated and drafted, did it contain a provision that in those difficult recruitment areas of high technical specification or particular parts around Australia there would be additional reward or higher incentives for the more difficult type of person to attract and retain?

**Mr Minns**—Yes. When we offered the tender to the market we said that no more than 50 per cent of the total contract fees can be fixed. There is a small amount that might be reimbursable, but the balance of the contract fee for five years is associated with performance. To earn all they would like to earn they would have to achieve 100 per cent and that would mean meeting both our volume targets in terms of—

**CHAIR**—Numbers.

**Mr Minns**—the easier to recruit areas like infantry in Army, as well as the technical trades in all three services.

**CHAIR**—Was there a different or a higher reward for the more difficult and more technical areas?

**Mr Minns**—My understanding is that there is. There is both an incentive fee to achieve target and then there are so-called directed targets that DFR gives to the supplier.

**CHAIR**—I am interested in whether we have been successful in those high-value technical areas which were an ongoing problem in the last seven or eight years. Did the contract address that issue specifically?

**Mr Minns**—The contract did address that issue. Commodore Tim Barratt can talk about performance.

**Cdre Barratt**—Specifically within the contract yes, there were incentive payments around specific areas. We would set where those incentive payments were made against priority targets. They were aimed predominantly at technical trades et cetera. The contract itself is not the only solution to find those issues. Within the new Defence Force recruiting model, the new DFR model, we also established specialist recruiting teams and a number of other initiatives to generate interest and hopefully an increase in applications for those areas.

**CHAIR**—The only reason I pursued that issue is that Mr Minns addressed it in his opening remarks. I just wanted to bed that down.

**Mr Minns**—A question was asked about the potential value of the contract. I would like to have the opportunity to correct these if they are plans rather than actuals, but under the contract structure there was an opportunity for Chandler to earn, in financial year 2008-09, up to about \$36 million and, in financial year 2009-10, the potential to earn up to about \$75 million. If you would like to know their actual earnings for the year to date et cetera—

**CHAIR**—No, that just confirms my memory that we had been talking about serious numbers over the life of that 10-year plan.

**Senator JOHNSTON**—Can I correct the record briefly, because I think we have all finished with this particular subject. I said the company's value at the moment is 7c. It is actually 17c. That is just to make sure that I do not malign them any more than I already have.

**Mr Minns**—Chair, could I also make one point. There was always a plan by the Australian National Audit Office to do a review of the Defence Force recruiting performance—the contract itself, the tender process and its performance in the first period of time. That has had to be modified somewhat due to the issues that have unfolded. But still the ANAO will be in a position—I think it will be early in the second quarter of next year—to table in the parliament their view of the tender process itself and the way transition in and out was managed and the way Defence dealt with the unfolding issues under the contract. They will have to place an end point at some point on where they stop, but that is their intention.

**CHAIR**—We will now turn to JSF.

**Senator JOHNSTON**—In talking about this particular project, I want to get some definition and figures with respect to terms. Do we have a current flyaway cost?

**Dr Gumley**—We have a current flyaway cost. It is an approximate one, as it depends from year to year. We have discussed this several times previously that the longer you wait the cheaper they get in real terms. The early aircraft are expensive. So there is a profile year by year of what the contract price would be for each of those years.

**Senator JOHNSTON**—We have indicated what year we want to receive the first aircraft. Do we have an average figure for the 100 we have proposed to acquire?

**Dr Gumley**—That is a decision for government as to when we acquire those 100 aircraft. When government makes its decision on which profile it chooses then we can come out with an average price.

**Senator JOHNSTON**—What price can you give us in terms of a flyaway cost?

**Dr Gumley**—This time last year I put on the record a figure of A\$75 million at a 92c exchange rate in 2008 type dollars. At this stage there is no reason to change that number.

**Senator JOHNSTON**—Please define flyaway cost.

**Dr Gumley**—It is the basic aircraft as it comes out of the factory, without weapons, without the ferry cost to Australia and without spare parts.

**Senator JOHNSTON**—So unlanded and no weapons?

**Dr Gumley**—Unlanded and no weapons.

**Senator JOHNSTON**—Can you give me a weapons system cost on top of the \$75 million?

**Dr Gumley**—That equates to a lot of decisions still to be made by government, including which weapons the aircraft is going to carry, the split of the cost between the acquisition phase and the sustainment phase, how many spare parts you buy initially and so on.

**Senator JOHNSTON**—This will be in addition to the \$75 million per aircraft?

**Dr Gumley**—Yes. It also includes all the other project costs. Again, I emphasise that the number I have given is very much exchange rate dependent.

**Senator JOHNSTON**—The weapons system includes tech data, publications, contract to services, support equipment, training equipment, and factory training.

**Dr Gumley**—Yes.

**Senator JOHNSTON**—Then we have a procurement cost. Does that include initial spares?

**Air Vice Marshal Harvey**—I assume, Senator, you are working your way through the build-up of costs to the aircraft.

**Senator JOHNSTON**—That is right. I want to get down to total ownership cost per aircraft. I hope we have a figure for that.

**Air Vice Marshal Harvey**—We do not necessarily break it down in exactly the same way as the US do in this figure, but at the end of the day we get to the same figure. Dr Gumley has given an estimate for the unit recurring flyaway cost, the cost of the basic aircraft. The total project cost for acquisition—the total project price which includes the testing, the ferrying, the project office operation and the facilities that go with the aircraft—is approximately 50 per cent on top of that. On top of that, you then add the through life cost to operate the system for the estimated 30-year life.

**Senator JOHNSTON**—So we are talking about \$110 million per aircraft?

**Air Vice Marshal Harvey**—Yes, in approximate terms, if you work as the average across 100 aircraft fleet in that order.

**Senator JOHNSTON**—In approximate terms?

**Air Vice Marshal Harvey**—Again, as Dr Gumley said, it is very sensitive to exchange rates.

**Senator JOHNSTON**—I have got a white paper that talks about all of these things, and I am just trying to get a handle on where we are travelling here—on how we go over the horizon. With the through-life support costs and the total ownership costs, do we have a figure?

**Air Vice Marshal Harvey**—Again, it is in very approximate terms because it is dependent on the actual flying rates and the number of years we operate it et cetera. But typically the operating cost of a system is 1½ to two times the acquisition cost over about a 30-year life.

**Senator JOHNSTON**—The acquisition cost?

**Air Vice Marshal Harvey**—Yes. If you start off with the unit aircraft cost, you pay 50 per cent more to buy it as a system, and then through its life—

**CHAIR**—So 1½ is 110 is it?

**Air Vice Marshal Harvey**—Times that throughout its total service life.

**Senator JOHNSTON**—About \$250 million for the total ownership of each aircraft?

**Air Vice Marshal Harvey**—If you multiply that by 100 you get the operating costs for a fleet across about 30 years of life.

**Senator JOHNSTON**—I am happy with those numbers. Thank you.

**CHAIR**—So, at current dollar value, it is around \$260 million over the 30-year life per craft all up?

**Air Vice Marshal Harvey**—If it is averaged out and we assume a 100-aircraft fleet and no other fleet is operating, it would be that brand of numbers, yes.

**Senator JOHNSTON**—Dr Gumley, I am told that the hangars on board the AWD will not take one particular aircraft and will take another. That strikes me in the tender process as an irregularity. What can you tell me about that?

**Dr Gumley**—I do not think it is an irregularity at all. You have two aircraft that have got different dimensions.

**Senator JOHNSTON**—We are building a vessel that will only take one of them. It hardly sounds like a fair contest.

**Dr Gumley**—I would not put it that way at all. You might recall that when the decision was made—

**Senator JOHNSTON**—Firstly, is that true?

**Dr Gumley**—What we have done is asked both potential aircraft builders to give us full dimensional details and we are looking at what they fit in and what they do not fit in. They have been given the opportunity to present their data and it is being analysed virtually as we speak.

**Vice Adm. Tripovich**—The project you are talking about, Air 9000 Phase 8, is a pre first pass activity, and I have carriage of developing the information for government to consider. The two contenders are the NATO Helicopter Industries NH90, which is one of the helicopters you are referring to and is marketed locally by Australian Aerospace, and the Sikorsky Lockheed Martin MH-60 Romeo. The helicopter under this project will be required

to operate from the Hobart class air warfare destroyer and the existing Anzac ships. You might recall that the air warfare destroyer is an off-the-shelf design, a Spanish F100, and we are in contract for it. It is important to set that scene so that when we are evaluating the two helicopters which are the contenders for Air 9000 Phase 8 we assess and present the government the cost, risk and schedule implications of both helicopters for the platforms they have to go in.

One of the key things, obviously, is that the helicopters have to be able to integrate with the ship and, indeed, fit in the hangar. We have, in close consultation with Dr Gumley, been keeping in close personal contact with both providers, one being the US Navy and the other Australian Aerospace—and with Dr Goennemann, the CEO of Australian Aerospace, who has been very cooperative—gathering all of the information we need to be able to do that assessment and present that to government for their consideration at first pass. Not surprisingly, because both of those ships are either in service or under contract, if there are changes that need to be made for either helicopter to those two ships, that will need to be assessed and the cost risk and schedule impacts, not only for Air 9000 Phase 8 but for the air warfare destroyer program itself, will have to be assessed.

**Senator JOHNSTON**—So you are telling me that it is easier to change the structure of the aircraft than it is to change—

**Vice Adm. Tripovich**—No, not at all. We are currently assessing what the implications are of each of those aircraft with each of those two ship types.

**Senator JOHNSTON**—It is a chicken and egg situation here, isn't it? If you are going to hold a tender, and part of the tender is to perform a function and it is actually impossible for one of the tenderers to meet the requirement because you are building something that will not accommodate it, I would have thought the process looks a bit suspect.

**Vice Adm. Tripovich**—Not at all, Senator, because those two ships are already in service or under contract. When we do the analysis and we present it to government, we will have to explain what the implications will be. We looked at a number of other helicopters early on in the stage that are far bigger than both and were immediately set aside for a variety of reasons, one of which was that it is much, much larger. These are not the only helicopters that are affected by size. It goes to issues such as if you have a force already in being or in contract and another project comes along later in the sequence, it has to deal with what is, if you like, already in existence or already in contract.

**Senator JOHNSTON**—Okay. How many helicopters are we seeking to buy.

**Vice Adm. Tripovich**—The white paper says we will buy at least 24 naval combat helicopters. The white paper is quite specific.

**Senator JOHNSTON**—When are we buying them?

**Vice Adm. Tripovich**—The public defence capability plan says that the initial operating capability, which is defined as the first fully accepted flight at sea embarked in a ship, will be between 2014 and 2016.

**Senator JOHNSTON**—The capability plan attaches a dollar figure to the project—does it not?

**Vice Adm. Tripovich**—Correct.

**Senator JOHNSTON**—What is that figure?

**Vice Adm. Tripovich**—The capability plan uses bandings. It is in the top band. It is ACAT level 1. The DCP says that it is greater than \$1.5 billion, which it certainly is.

**Senator JOHNSTON**—Greater than \$1.5 billion, 24 helicopters.

**Vice Adm. Tripovich**—At least 24 helicopters is what the white paper says.

**Senator JOHNSTON**—And you have indicated we have two potential contestants.

**Vice Adm. Tripovich**—That is correct.

**Senator JOHNSTON**—Do both helicopters fit into the Anzacs?

**Vice Adm. Tripovich**—That is the process we are going through now of getting very high fidelity information from both manufacturers so we can make that accurate assessment and provide that advice to the government.

**Senator JOHNSTON**—Both helicopters fit into the Adelaides?

**Vice Adm. Tripovich**—They are not required to operate in the Adelaide class FFGs and we are not assessing them against those ships because those ships will start to decommission when these helicopters come in.

**Senator JOHNSTON**—But they are required to fit on the air warfare destroyers?

**Vice Adm. Tripovich**—That is correct.

**Senator JOHNSTON**—We are looking to the providers to fit their helicopters to the vessels?

**Vice Adm. Tripovich**—No, we are assessing what would need to be done. The advice we will give to government will be based on our assessment of what the issues are—as you have described, whether the helicopters fit into hangars, if you just want to look at that very thin slice of the requirement. We will do measurements based on high fidelity CAD drawings provided—

**Senator JOHNSTON**—I would have thought someone might have spotted the fact that we have limited our potential helicopter selection by drawing up a hangar that is capable—

**Vice Adm. Tripovich**—In 19-something or other, many years ago, the then government selected the Anzac class. A couple of years ago, the government selected the air warfare destroyer.

**Senator JOHNSTON**—I think you might find it was the 1980s, actually.

**Vice Adm. Tripovich**—Shortly, the government will be considering which helicopter might be, at first pass, considered for further development to go into those two classes of ships. They do come in sequence.

**CHAIR**—Will they go into the LHDs as well?

**Vice Adm. Tripovich**—No, they are designed to operate with AWDs and Anzacs in the full sense—live on board, operate out of the hangar. They will operate to and from other ships in the fleet.

**CHAIR**—Onto but not in?

**Vice Adm. Tripovich**—Yes.

**CHAIR**—Right.

**Senator JOHNSTON**—What is the timetable for this particular project?

**Vice Adm. Tripovich**—The public DCP says that first pass approval will occur between financial years 2009-10 and 2010-11. The second pass year of decision will be between—

**Senator JOHNSTON**—2009-10 and 2010-11, that is two years?

**Vice Adm. Tripovich**—In keeping with the format used in the DCP, it does depend on when we have the right information to take to government. It is very close to being finalised and provided to government for first pass.

**Senator JOHNSTON**—Right.

**Vice Adm. Tripovich**—Depending on the outcome of the first pass consideration by government, we will then return to government for second pass when we have gathered the second pass quality information, which as you know is colloquially termed ‘tender quality’, for year of decision in 2010-11 or 2011-12, depending on the amount of data we have to get and how long it takes to get.

**Senator JOHNSTON**—Thank you for that. We have a fair few helicopters—excuse my ignorance. We have Chinooks, Black Hawks, Seahawks. Have we got MRH 90s?

**Vice Adm. Tripovich**—MRH 90s, yes, entering service.

**Senator JOHNSTON**—Can you tell me off the top of your head what our helicopter complement is comprised of and what uniformity there is between their generic brand? What have we got?

**Vice Adm. Tripovich**—I will defer to the service head. He would be more across it.

**Air Chief Marshal Houston**—I think General Tony Frazer is probably best placed to answer that question.

**Major Gen. Frazer**—If we could start with the Army platforms that we currently have: 41 Kiowa light observation helicopters being replaced by Tiger.

**Senator JOHNSTON**—Who makes the Kiowa?

**Major Gen. Frazer**—Bell. It is an end of Vietnam era helicopter.

**Senator JOHNSTON**—Replaced by the armed reconnaissance helicopter?

**Major Gen. Frazer**—Yes.

**Senator JOHNSTON**—Which is made by the French—

**Major Gen. Frazer**—Correct. Eurocopter, sold to us through Australian Aerospace. We have 34 Black Hawk helicopters made by Sikorsky, being replaced by the Eurocopter through Australian Aerospace MRH 90—

**Senator JOHNSTON**—This is the composite aircraft?

**Major Gen. Frazer**—It is, and there are 46 of those—40 being for Army and six being for Navy under AIR 9000 Phase 6 for Navy and for Army AIR 9000 Phases 2 and 4.

**Senator JOHNSTON**—What are the six for Navy?

**Major Gen. Frazer**—They are a utility aircraft to replace the current six Sea Kings, which are being taken out of service.

**Senator JOHNSTON**—What vessels will they operate off in the future?

**Major Gen. Frazer**—Essentially the LHD, *Kanimbla*, *Manoora*—

**Senator JOHNSTON**—The two big ships we are building in Spain?

**Major Gen. Frazer**—Yes. They are a utility type, not designed to embark from the fighting ships which the sensor type platforms—

**Senator JOHNSTON**—The frigates. They are not a frigate helicopter.

**Major Gen. Frazer**—AWD and Anzac.

**Senator JOHNSTON**—I am with you. The six that I am talking about are, again, European?

**Major Gen. Frazer**—That is correct. We have six Chinook, which you referred to, and they, in accordance with the white paper, will be replaced by seven CH-47F model—the new standard US army model of which they are going to 452.

**Senator JOHNSTON**—We are getting seven to replace six.

**Major Gen. Frazer**—Correct.

**Senator JOHNSTON**—Good. Who makes those?

**Major Gen. Frazer**—That is a Boeing product.

**Senator JOHNSTON**—We have got Boeing. We have Sikorsky and we have got the Europeans.

**Major Gen. Frazer**—That is correct.

**Mr JOHNSON**—Is that the lot?

**Major Gen. Frazer**—No. We also have currently 13 Squirrel helicopters. We started with quite significantly more. We have downsized those and they are now in Navy for training purposes.

**Senator JOHNSTON**—Who makes those?

**Major Gen. Frazer**—It used to be an Aerospatiale but is now a Eurocopter product—a French type product. I will be in trouble if I leave out one of these aircraft types. We currently have 16 Seahawk for Navy and they are being replaced under this AIR 9000 Phase 8 program.

**Senator JOHNSTON**—They are a Sikorsky?

**Major Gen. Frazer**—They are a Sikorsky product. Correct.

**Senator JOHNSTON**—How many MRH90s are we getting—46?

**Major Gen. Frazer**—Forty-six. That is correct.

**Senator JOHNSTON**—So they are the dominant helicopter.

**Major Gen. Frazer**—Currently. It is a Hawk fleet of Black Hawk and Seahawk migrating across to a European product for the Army version and yet to be determined for the Navy system. From where your questioning is going, under the AIR 9000 construct the rationale was to try to reduce the number of helicopters to the minimum number of different types that we could, but considering all of the issues of cost—whether it is economic, whether it is right to do so, and interoperability and those sorts of aspects.

**Senator JOHNSTON**—Okay. We will come back to this in February. I thank you very much, General. I am pleased with that. Chair, I have no further questions.

**Senator ADAMS**—As part of the ADF parliamentary program I spent some time at the Army aviation training centre at Oakey, so my questions are based around that. General Gillespie, has a decision been made on the proposed transfer of the Kiowa and Bell 412 helicopter training from Oakey to Nowra?

**Lt Gen. Gillespie**—Thank you for the question. I know that the soldiers at the aviation training centre certainly appreciated your visit and they put up to you a number of questions that they hoped you might raise with me. Could I just record on *Hansard* that you certainly have done that so that they can see proof of the value of the program and that interaction. Thank you for that.

Yes, there have been some decisions made on the issue that you raise. On 10 October 2007 the then minister, Dr Brendan Nelson, publicly announced the government's decision to base the Helicopter Aircrew Training System, acquired under project Air 9000 Phase 7, at HMAS *Albatross* at Nowra in New South Wales. This decision has since been endorsed by the Rudd government through the auspices of a statement by the previous defence minister on 9 April 2008.

**Senator ADAMS**—So that decision is in concrete?

**Lt Gen. Gillespie**—So far it is a decision in concrete, yes.

**Senator ADAMS**—Is the proposed transfer a budget saving initiative?

**Vice Adm. Tripovich**—I will give you the context. This is Project Air 9000 Phase 7, which is in the public DCP. The scope of the project is to provide helicopter aircrew training for Navy and Army. At first pass the government agreed, as the Chief of Army said, and it has since been confirmed by the current government, that the best place for the combined Army and Navy aircrew training was at Nowra.

In the lead-up to first pass we looked at three locations: Oakey, Nowra and Wagga as a satellite for some operations. Oakey and Nowra had similar capabilities but there were some discriminators in the differences in operating costs and resources involved. One of the significant considerations was the increased need to train both Navy and Army pilots on maritime operations with the introduction of the LPAs, *Manoora* and *Kanimbla*, to be replaced by the LHD and the increased role of Army pilots operating in a maritime environment. There is an increased amount of training required in a maritime environment.

About 2,000 hours per year are required as an element of maritime training for both Army and Navy pilots. We looked at the implications of doing that at Oakey versus doing it at

Nowra. Clearly, there would be reuse of capacity at Oakey if we were to remain at Oakey, but that was not able to offset the additional cost of about a thousand hours needed to transit between Oakey and sea to be able to do the maritime training.

There were a number of other, smaller differentiators. We looked at splitting the training between Oakey and *Albatross* at Nowra. That would obviously duplicate a lot of infrastructure, so that also was not considered. On balance, Defence recommended and the then government agreed, which has since been confirmed by this government, that Navy and Army training for helicopter aircrew would be located at Nowra.

**Senator ADAMS**—I gather the Keatsdale report recommended that the weather conditions far west of the scarp are far more suitable for flying. You are talking about those extra flying hours, but could you comment on the weather conditions at Oakey versus the weather conditions down in the southern area.

**Vice Adm. Tripovich**—Weather was certainly one of the many considerations taken into account on location but, on balance with all of the other elements that were considered, Nowra was deemed to be the most suitable for all of the issues examined for the location.

**Lt Gen. Gillespie**—One of the issues that is important to note here—and I know you will appreciate this point—is that, if you spent some time at Nowra, Navy would have given you very good reasons why the shared facility ought to be at Nowra, as would Army at Oakey. There is a long tradition of living in those two locations. As part of this deal, Army is about to with the new MRH aircraft and the new LHDs have more participation at sea, in the maritime environment, than they have had in the past. One of the factors taken into account in deciding on a location would be the requirement to spend time in the maritime environment. That was part of the business equation, if you like, as to which base we should select for the shared facility.

**Senator ADAMS**—With the transfer from Oakey to Nowra, how many flying personnel and maintenance personnel will be involved?

**Vice Adm. Tripovich**—I do not have those figures.

**Lt Gen. Gillespie**—We will have to get back to you on that.

**Senator ADAMS**—You can take that on notice then.

**Vice Adm. Tripovich**—There is a caveat. We will come back to you, but we will only be able to give it to you broadly. It will depend on the system that is offered when we go to industry and ask them for their proposal. Clearly, it will depend on how industry proposes to supply the training, the maintenance and the like. In very broad terms we will be able to come back to you with some information.

**Senator ADAMS**—And will simulators be used for training at Nowra?

**Vice Adm. Tripovich**—Certainly simulation is a key part of not only this training project but most other training projects in the DCP because simulation can generate real efficiencies, effectiveness and indeed savings by moving training from expensive aeroplanes flying through the sky burning fuel to much more effective training in a simulator where you can repeat over and over at little cost.

**Senator ADAMS**—Is there a simulator at Nowra that will be used?

**Vice Adm. Tripovich**—In the Air 9000 phase 7 system the simulators will have a large part in the training.

**Senator ADAMS**—At Nowra?

**Vice Adm. Tripovich**—Yes.

**Senator ADAMS**—It does not look as though I will get anything budging in that direction, which will certainly disappoint people at Oakey. I want to ask about air traffic controller recruitment at Oakey. They are very short and there are contractors there. I am wondering what is going to happen because they were having problems while I was up there.

**Air Marshal Binskin**—Air traffic control at Oakey is my responsibility and is currently a mix of uniform and Australian Public Service air traffic controllers. There are 18 positions at Oakey: currently 11 positions for uniform members and seven positions for APS. Of those, there are 12 against the 11 military positions and three APS members of the seven and within the next six months we will have a total of four. So in six months time we will be looking at 12 uniform and four APS with the current posting plot.

**Senator ADAMS**—Is that enough to keep the base going?

**Air Marshal Binskin**—For sure. Effectively, in the aviation game my responsibility is to make sure that air traffic services are provided around all the airfields—Air Force, Navy and Army.

**Senator ADAMS**—I think that is all about Oakey. I want to ask about the department's drug and alcohol policies for contractors. That was in the tenders. I was following this up several years ago. The department was very hesitant about developing a drug and alcohol policy for contractors. At that stage, in 2005, they did not have one, but they now do. I am wondering how that policy is being accepted now compared to when it was first introduced.

**Mr Bowles**—We have introduced that into all of our garrison and maintenance contracts now. As we have renewed all of our contracts, we have made sure those clauses have gone in, so they are all running as we speak.

**Senator ADAMS**—Are you having any problems? I know Defence were worried about it at that stage, because they felt it was not necessary and that it could have caused problems with contracts.

**Mr Bowles**—We have had no feedback from the contractors themselves that there have been problems.

**Senator ADAMS**—As far as an evaluation is concerned, as you aware as a department of any problems that arise through people that are employed by contractors?

**Mr Bowles**—I am not quite sure what you mean.

**Senator ADAMS**—I mean that, if there is a problem somewhere on a base and it is within the contractor's staff, does that come back to you? Are you advised that there have been problems there, because you often have a mix of uniform personnel plus your contractors and civilians?

**Mr Bowles**—We have a very close working relationship with our contractors. Generally speaking, at a lot of our bases we are now trying to co-locate the contract management with our own staff to make sure we do pick up any issues, whether it relates to this or any contract issue. We are trying to move to a more mature contract model whereby we work together to get the outcome. I have not heard of any specific issues in relation to the drug and alcohol policies that have been a problem out there. Given that I do hear of issues on different things that happen at a base level and on contracting on a regular basis, I would expect that I or my people would definitely hear about them. I think that process is working reasonable well these days.

**Senator ADAMS**—Thank you very much. I am very happy about that.

**CHAIR**—Senator Payne has questions on Outcome 2: Pacific Partnership 2009: Kiribati. I welcome Senator Evans.

**Senator Chris Evans**—It is a pleasure to be here. The only thing that makes Defence look attractive as a proposition has been the immigration minister, so I am looking forward to the next hour!

**CHAIR**—We all live and learn, Senator.

**Senator PAYNE**—I promise for the minister's benefit to make this gentle, painless and nothing like immigration estimates if I possibly can. I saw on 23 September a media release from the department concerning the humanitarian assistance mission in the Pacific and its conclusion indicating that the ADF had been involved in a reasonably extensive program in the Pacific, particularly in Kiribati. I want to get a better idea, if I can, of the activities undertaken in the Pacific Partnership 2009 humanitarian assistance mission in Kiribati.

**Major Gen. Power**—We have been doing this in conjunction with our other partners inside the region since 2006. It is an initiative which kicked off after the 2004 tsunami. Pacific Partnership 2009 delivered humanitarian relief to five Pacific island countries: Samoa, Marshall Islands, Solomon Islands, Tonga and Kiribati. It involved people from five different countries: the United States, Canada, Australia, New Zealand and the Republic of Korea. We were in the Kiribati archipelago for 14 days, from 23 August to 5 September, providing humanitarian support to local communities. The mission's largest project involved the multinational team of engineers, including 12 Australians, who replaced the 215-metre cyclone-damaged bridge, reconnecting North and South Tarawa. Other projects included the repair of a local hospital, including its water and plumbing supply; refurbishment of a primary school; and the construction of a new sports complex. Health aid provided during the mission included general examinations, dental, optometry, paediatrics, preventive medicine, public health and veterinary services. In Kiribati, ADF medical teams saw over 5,000 people.

**Senator PAYNE**—Thank you. What is the usual ADF presence in Kiribati?

**Major Gen. Power**—I am not sure that there is any.

**Mr Jennings**—I can add to that. We have a small defence cooperation program with Kiribati, which for this financial year is valued at \$942,000. The bulk of that is associated with providing support to the Kiribati Police Maritime Unit. Of that \$942,000, some \$310,000 is related to support of the Pacific patrol boat. Kiribati has one Pacific patrol boat: the RKS

Teanoi. Our defence association is, for the most part, associated with maritime security and the support of the patrol boat.

**Senator PAYNE**—At about the same time as I noticed the information about the humanitarian assistance mission—which is of particular interest to me in my opposition portfolio responsibilities in development assistance—I also had drawn to my attention a DVD and some United States reports about this DVD entitled *Return to Tarawa: the Leon Cooper Story*, which is about a United States servicemen who was part of the battle for Tarawa in World War Two. He is obviously a returned veteran. The DVD raised significant concerns about the state of Red Beach, as it is known. According the DVD and what seem to be other reasonably reliable reports, the beach has basically turned into a garbage dump. There are some very significant concerns about the nature of that degeneration, given that it is effectively a gravesite for hundreds of service personnel. I wonder whether the ADF had any connection with those issues, either in the most recent humanitarian assistance mission or more generally speaking, given our regular presence there in Kiribati.

**Mr Jennings**—I will have to take that on notice. I am not aware that we have been involved in any clean up work, for example, associated with the beach, but I will look at that and see if we can provide you with some further information.

**Major Gen. Power**—I cannot add to that either.

**Senator PAYNE**—I would appreciate it very much if that could be taken on notice and any information given to the committee as part of that. Is the department able to tell me if there is any awareness of the activities around the efforts to secure a clean up of Red Beach and the preservation of those World War Two remains?

**Mr Jennings**—We will take that on notice as well.

**Senator PAYNE**—Thank you. Can you also then advise me—if it is appropriate, of course—whether there has been any approach from the United States, either through military or other channels in relation to these issues in Kiribati, particularly with regard to the remains of those servicemen and the state of the battle for Tarawa site?

**Mr Jennings**—Will do.

**Senator PAYNE**—Thank you.

**Senator TROOD**—Mr Jennings, since you are at the table and you have answered those questions for Senator Payne, I ask you to elaborate on reference in the communique from the Pacific Islands Forum to bilateral security partnerships, which the government apparently intends to negotiate with Pacific island countries. These seem to be a new phenomenon, and I wonder whether or not you can fill the committee in on precisely what they are, whether any have been negotiated and what they are intended to cover. Such information would be helpful.

**Mr Jennings**—Sure. We have some fairly long-established relations with many countries of the South Pacific through our defence cooperation program, which has been running for many years and which, for the 2009-10 financial year amounts to some \$57 million for the countries of the South Pacific. A large part of that—some \$33 million of that \$57 million—relates to patrol boat assistance.

In other respects, most of the defence cooperation funding goes into training, a large part in relation to the military, paramilitary or police forces of these countries where those exist. As I understand it, the security arrangements that were talked about at the forum have a broader approach than simply within the defence area. In essence, what we are looking at is an overarching approach towards a broad concept of security which will bring in other agencies, including the AFP, for example. Defence will be a part of that process and the defence cooperation program will represent a component of those arrangements.

**Senator TROOD**—None of these partnerships have been negotiated as yet, is that correct?

**Mr Jennings**—That is my understanding, yes.

**Senator TROOD**—Is there a list of countries with whom it is intended to negotiate first off or have any decisions been made about that?

**Mr Jennings**—I am not certain about that. I would need to get further information to provide to you.

**Senator TROOD**—That is fine. I would be grateful if you would take that on notice. I assume from what you have just said that you do not have any dates set for the commencement of negotiations or anything of that kind.

**Mr Jennings**—This is essentially driven out of the Department of Foreign Affairs and Trade. We will be a component of it, but the lead agency for this program is the Department of Foreign Affairs and Trade.

**Senator TROOD**—No doubt they are listening and preparing for tomorrow.

**Senator PAYNE**—On that matter, Mr Jennings, I note you said there at the end that Foreign Affairs is the lead agency. Is there an understanding on your department's part of a link between the existing Pacific partnerships for development process that AusAID and Foreign Affairs are prosecuting and these particular relationships?

**Mr Jennings**—The best way to talk about that is to say there is a strong developing link between the Department of Defence and AusAID which will enable us to better coordinate our efforts in the South Pacific region. This relates to the Defence-AusAID strategic partnership agreement which we signed earlier this year. The primary focus of this agreement so far has been to talk about how Defence and AusAID can better coordinate their work in Afghanistan. That has been, up until now, the large part of our engagement with AusAID. But this provides us with a mechanism for regular consultation with AusAID and through that I would expect us to essentially better align our efforts in the South Pacific region as well.

**Senator TROOD**—I would like to move to problems afflicting our submarines.

**CHAIR**—Will the submarine people come forward please.

**Senator TROOD**—Gentlemen, I am sure the article that appeared in the *Australian* this morning regarding our submarines would not have escaped your attention. I hope and trust that none of this is news to you. The first question I have—maybe this is a Dr Gumley question—involves the status of these projects as 'projects of concern'. Dr Gumley, there is an observation in this article this morning that they have gone to the top of the projects of concern list. Is that accurate?

**Dr Gumley**—That is accurate. We are very concerned with the status of the Collins class submarines. What the projects of concern list means is that it goes to the top of management attention within DMO. We are putting the best team we can on improving the situation.

**Senator TROOD**—How long have they been at the top of the list?

**Dr Gumley**—Probably the last three to six months.

**Senator TROOD**—That is quite a space of time.

**Dr Gumley**—Yes, but some of these items take quite a while to sort out.

**Senator TROOD**—Can I take it that some of the concerns that you now have with these boats have only recently become clear or have you recently been able to confirm the extent of the difficulties they are experiencing?

**Dr Gumley**—Yes, that is a good way of putting it, Senator. We have known about the issues on the submarines for that six months. In some ways the newspapers have flagged the attention we have been giving them.

**Senator TROOD**—Are these difficulties affecting all of the boats?

**Dr Gumley**—The overall TLSA contract, the through-life support contract, obviously affects all six boats, yes.

**Senator TROOD**—Are the problems the same? These are engine problems, is that right? I know there have been other difficulties with the submarines but I am specifically concerned at the moment about the difficulties with the engines of the boats.

**Dr Gumley**—The Hedemora diesels have been a complicated and difficult part of the submarines ever since they were launched. We have ended up so far getting about 12 years good use out of the diesels to date. There have been issues from time to time and we deal with them from time to time.

**Senator TROOD**—I understand that. Perhaps you could tell me whether these are common problems, across all the boats, or the problems affect only some of them. If it is only some of them, which are the boats that are affected?

**Dr Gumley**—I would prefer not to get into areas that involve giving away operational capability. I would prefer, if that is okay with you, to answer generically.

**Senator TROOD**—Well, if you answer generically, please do. I do not necessarily need the names of the boats.

**Dr Gumley**—Recently, we had difficulty with one particular boat. A couple of the diesel engines were damaged shortly after a maintenance period and that has caused us some repair issues that we are going through now. It will not be long before that boat is off and running again.

**Senator TROOD**—The diesel engine was damaged as a result of undertaking normal operational activity—is that what you are saying?

**Dr Gumley**—It went into a maintenance period. We got an independent investigator in to look at what was the cause of the damage. The engines were damaged a couple of days after the boat went back in the water.

**Senator TROOD**—May I just stop you there. When you say ‘damaged’, what I am seeking to understand is whether or not they were damaged in any way other than during the course of their normal operation. Did they break down? I am not an engineer so I am not sure I have got the right words here, but did the engines fail in the course of normal operational activity or was something done to the engines that caused them to be damaged? When you say ‘damaged’ it sounds to me as though something has been inflicted upon them or something has occurred beyond the normal operational activity. Can you clarify that for me please?

**Vice Adm. Crane**—If I may help, the one in particular that the CEO of DMO is referring to was a catastrophic failure during normal operations for the submarine. There was not a particular incident that occurred. It was a failure during a submarine transit.

**Senator TROOD**—Presumably this particular submarine had undertaken this operation on numerous occasions previously and the engine had not failed.

**Vice Adm. Crane**—That is correct.

**Dr Gumley**—Perhaps it might be helpful to add that we do not expect the same catastrophic failure on the other five boats.

**Senator TROOD**—Why would you have that hopeful expectation, Dr Gumley?

**Dr Gumley**—Because the report we have to date indicates that it was a bearing change that may have been done incorrectly during the maintenance period. It might be human error on a particular boat in a particular maintenance period.

**Senator TROOD**—By ASC or someone on their behalf?

**Dr Gumley**—Yes. At this stage we are waiting for the independent report on who did what and we hope to have that in the next week or two.

**Senator TROOD**—So you are undertaking an inquiry in relation to this particular incident or this catastrophic failure, as the Admiral has said. And this catastrophic failure in relation to this particular vessel may be the result of some failure in relation to some repair activity. Is that what you are saying?

**Dr Gumley**—That is correct.

**Senator TROOD**—I see. Have you assessed the cost of this catastrophic failure and the repairs yet?

**Dr Gumley**—Admiral Robinson, do you have that?

**Rear Adm. Robinson**—I do not have those details to hand. We have not finished repairing those engines so we do not know the cost of that.

**CHAIR**—Can I just get a handle on this? I had a very different take on that article this morning. Do we have a repair problem relating to the engine in one platform or do we have a systemic problem across all of the subs?

**Rear Adm. Robinson**—There are two issues here that I think that article explored. One is the failure of engines in a particular submarine, and Dr Gumley has spoken of that. But you would be aware that for many years now there has been commentary about the Hedamora diesel engines. So when you say systemic issues, there have been some issues and some years

ago one of the projects following the build of the Collins was to improve the diesel engines. That was not in the areas of this failure; that was in areas related to some vibrations, some turbochargers, safety to do with exhaust gases and that sort of thing. There has been work done on these diesel engines over many years to improve their performance.

**CHAIR**—I will slightly rephrase the question so I have got a handle on the discussion. Human failure by the mechanic, no matter how expensive or how disastrous, happens and can be fixed. That is a different issue to ongoing, systemic problems with the engines across all of the subs. Are we talking about the former or the latter?

**Rear Adm. Robinson**—The current problems are caused by the failure in these diesel engines—the bearing issues that have been mentioned. They will be repaired and these engines will be serviceable.

**Senator JOHNSTON**—On one boat.

**Rear Adm. Robinson**—On one boat. Obviously there are maintenance routines and every time these boats are in a full-cycle docking the diesel engines are stripped back and certain repairs are made. That is a standard practice. Each time there is a failure, we learn a bit more. So we might examine whether those maintenance routines need to be changed. That is standard engineering practice. The other issues with the Hedamora are simply about an engine of that size in a submarine. That has been an ongoing project. It is well documented that we have worked to improve those engines across the class.

**Senator TROOD**—I understood all of you gentlemen to be saying that there was one boat with a specific problem as a result of this bearing change, which has caused a catastrophic failure as Chief of Navy has said, and all of the others have what might be regarded as generic faults in the engines which are longstanding. The boat which has this catastrophic failure may also have this problem because it is one of six. Is that right?

**Dr Gumley**—No, anything that is generic is not related to this catastrophic failure in one boat.

**Senator TROOD**—I understand that.

**Dr Gumley**—The engines came into the submarines back in 1996. There have been gradual improvements of the engines, as Admiral Robinson has said. That is fairly well documented over the years but what has happened this specific time is that one boat had—

**Senator TROOD**—I understand that, Dr Gumley, I appreciate that. What I want to know is, independent of the problems this boat has now experienced, whether its engine presumably has the same problems as the other five boats.

**Rear Adm. Robinson**—Yes, that is fair.

**Senator TROOD**—Thank you, Admiral. This article asserts the possibility that because of the generic failure or the continuing problems with the engines there may be a need to replace them. Is that a possibility?

**Rear Adm. Robinson**—I would not categorise it as generic failure, there are generic issues in the engines that we have worked to improve.

**Senator TROOD**—Thank you, Admiral

**Rear Adm. Robinson**—There have been suggestions that there are better engines around perhaps but replacing engines in these submarines is a major undertaking and costly. We want to avoid that and hence the project has been—

**Senator TROOD**—I can appreciate that position, but are you giving any serious thought to the possibility that you may be confronted by the need to replace the engines? I well understand why you would want to avoid it.

**Rear Adm. Robinson**—The answer is that we are not giving serious thought to it at this point because there is no evidence that that is even close to being required. But, clearly, we approach these things as they develop.

**Senator TROOD**—So you have every expectation that the difficulty and the problems with these engines can be repaired. It will be costly presumably but they will be repaired through the life of the boats.

**Rear Adm. Robinson**—That is our current expectation. Obviously, there is a lot of life left in these boats.

**Senator TROOD**—Have you made any estimate of the likely cost of these repairs at this stage?

**Rear Adm. Robinson**—I do not have that information for the current repairs. We will be finished in December. It is not cheap repairing engines of this size and type. There would be, I imagine, some millions of dollars involved in that.

**Senator TROOD**—Is there any provision for that in the forward estimates of the department?

**Rear Adm. Robinson**—I am sorry I misunderstood your question. The engines will be repaired in December which is the current financial year. If you are mentioning forward estimates, I am not sure what—

**Senator TROOD**—Maybe I have misspoken. Within the existing budgetary arrangements for the fleet—

**Dr Gumley**—We have enough money, if you like, in the forward estimates in the routine maintenance budget to do our routine maintenance on the engines over the next four years. We are not planning within our budgetary estimates to have the capital cost of replacing engines inside that period.

**Senator TROOD**—Is the failure which is now apparent, which you said earlier, Dr Gumley, has been confirmed, within the maintenance budget?

**Dr Gumley**—That will come out of this year's maintenance budget.

**Senator TROOD**—You are comfortable with the fact that financial provision for that is already available?

**Dr Gumley**—Yes, it is within the budget.

**Senator TROOD**—But if we have to go to something more serious such as the replacement of any of the engines then that is a whole different situation.

**Dr Gumley**—That is a very different situation and if ever the submarine fleet was to get to the stage where you would need to re-engine whole fleet then that would be a capital project. It would be a DCP project in some future DCP.

**Senator TROOD**—But you do not see a need to make any assessment about that need at this juncture.

**Dr Gumley**—Not at this stage.

**Senator TROOD**—Dr Gumley, you have referred to the fact that the particular boat that was suffering this catastrophic failure would appear to have suffered this failure as a result of some breakdown in the conduct of maintenance, and I assume this goes to the question of the ASC contract, which is in the process of negotiation. The article alludes to the fact that there is some disquiet within Defence about the way in which ASC has conducted its contract over a period of time. Is there anything to report in relation to that matter, or are the contract negotiations proceeding in a normal fashion?

**Dr Gumley**—I think it was in November 2003, but it might have been in December, that the contract was signed. We call it the TLSA, the through-life support contract for the submarine. Over the last few years—probably the last two or three—we have found that as a contractual mechanism it has not worked as well as it should have. It is a cost-plus contract, and when you have cost-plus contracts they often drive the wrong behaviour. So, with the agreement of ASC, at the moment we are sitting down to negotiate a performance or availability type contract. Those negotiations are underway, and I expect to have them concluded by about Easter, or perhaps a few weeks after that, ready for the new contract's terms and conditions to start on 1 July 2010.

**Senator TROOD**—I see. In light of this recent failure of maintenance, are you insisting that ASC undertake an inquiry in relation to that particular activity?

**Dr Gumley**—Absolutely. The DMO people and the ASC people have been working together to ascertain the cause of the catastrophic failure of the diesel engines. Once we have come up with the cause, we will have the solution and will get the engines fixed. But we are certainly doing it in cooperation with the company and not in isolation from them.

**Senator TROOD**—Is that being done through an independent assessment, or is it being undertaken by Defence in conjunction with ASC?

**Rear Adm. Robinson**—It is joint; it is Defence and ASC. We have engaged another diesel engine contractor to ensure that we get another perspective on it. They will review it and put a report together. Meanwhile, we are repairing it. We know what we have to do to repair it; we just want to confirm that we understand what caused the failure. That is what the report will do.

**Senator TROOD**—I hope so on both counts—that you are repairing it and trying to understand what caused the problem.

**Rear Adm. Robinson**—Yes, that is correct.

**Senator TROOD**—When do you expect that investigation to be completed?

**Rear Adm. Robinson**—I cannot answer that. It is imminent, I would imagine.

**Senator TROOD**—So there is no date set for you to have a report on your desk or Dr Gumley's desk?

**Dr Gumley**—I expect a report to be out within the next week or two, reaching the DMO then. Then clearly we will sit down with ASC and talk about what it all means.

**Senator TROOD**—If, indeed, your suspicions about this are confirmed—that is, it was a result of some failure in relation to maintenance—might that attract some kind of penalty for ASC for failure of maintenance activity or something of that kind or not?

**Dr Gumley**—That is a commercial discussion still to be had.

**Senator TROOD**—I see. Just tell me whether or not there is provision in the contract—

**Dr Gumley**—There are limited warranty provisions within the contract. The warranty provisions are cost capped. We will be discussing with ASC whether those provisions should be enacted or not.

**Senator TROOD**—I see. It is something we may take up next time we meet, perhaps.

**Senator JOHNSTON**—When the engine failed, was the submarine in Australian waters?

**Rear Adm. Robinson**—Yes, it was.

**Senator JOHNSTON**—What was the depth at the time of the failure?

**Rear Adm. Robinson**—I do not know.

**Senator JOHNSTON**—Was it very deep?

**Rear Adm. Robinson**—The submarine does not operate its diesel engines except when it is at snorting depth—periscope depth.

**Senator JOHNSTON**—Were there any great safety hazards as a result of the failure?

**Vice Adm. Crane**—I will take that question, if I may. I think I understand where you might want to head. The submarine was transiting in the Great Australian Bight at the time, so water depth was quite significant, but it was within 24 hours of, in this case, Adelaide and was able to complete its transit to Adelaide.

**Senator JOHNSTON**—So the vessel was headed for a cycle maintenance?

**Vice Adm. Crane**—No, the vessel was heading for an exercise activity off the east coast.

**Senator JOHNSTON**—It has two engines.

**Rear Adm. Robinson**—No, it has three.

**Senator JOHNSTON**—Did all three engines fail or just one?

**Rear Adm. Robinson**—I understand two failed.

**Senator JOHNSTON**—One bearing or two bearings?

**Rear Adm. Robinson**—I do not profess to know that. I understand there was more than one bearing involved, but I do not know.

**Senator JOHNSTON**—So there was a systemic failure, allegedly in the maintenance.

**Rear Adm. Robinson**—As we said earlier, I do not believe it was a systemic failure. There was an issue with maintenance—

**Senator JOHNSTON**—Whatever was done was done wrongly twice.

**Rear Adm. Robinson**—That is correct.

**Senator JOHNSTON**—Yes. Sorry, I should have been clearer. Were the crew at any risk at any time?

**Rear Adm. Robinson**—Not that I am aware of.

**Senator JOHNSTON**—I would like to think, Admiral, that you would be aware if they were.

**Vice Adm. Crane**—That is probably a question for. They were not at any unreasonable or unacceptable risk at the time. The commanding officer made a decision based on what he was confronted with to bring the ship alongside and he was comfortable with that passage.

**Senator JOHNSTON**—Was it a Navy ship alongside?

**Vice Adm. Crane**—To bring the submarine alongside, into port.

**Senator JOHNSTON**—He managed to do the distance to get to a safe port?

**Vice Adm. Crane**—Correct.

**Senator JOHNSTON**—On one motor.

**Vice Adm. Crane**—He had a diesel motor available to him.

**Senator JOHNSTON**—In this morning's article that has been put to you by Senator Trood there are a number of assertions. I think it is important that we understand where we are at with respect to what is a very important force element group.

Some senior engineering experts now contend that the Swedish-supplied Hedemora diesel engines may have to be replaced—a major design and engineering job that could cost hundreds of millions of dollars and take years to complete.

Is that true?

**Rear Adm. Robinson**—We have answered that question. We have no plans to replace those engines.

**Senator JOHNSTON**—Thank you.

One senior Defence source characterises the level of concern in senior government ranks about the availability of the Collins submarines as “extreme”.

Will anyone comment on that?

**Dr Gumley**—I will comment on that. If it is on the top of our projects of concern list then it is obviously heading up towards the extreme area. That means we put the maximum effort we can into getting the problem solved.

**Senator JOHNSTON**—I am pleased with your frankness there. We are talking about the class of vessel. We are not just talking about one vessel; we are talking about the class: the Collins class. It is on the top of your list as most concerned and you are extremely concerned. Am I putting words in your mouth?

**Dr Gumley**—I am quite happy to state those words. I am very concerned about the Collins class. We have a lot of work to put into it. I am concerned that we have to come up with a new contracting formula and we have to give, as the supplier to the Chief of Navy, a lot more available sea days than he is achieving. We have to increase the availability and reliability of the class. We have a lot of work to do and it is our job to do that.

**Senator JOHNSTON**—Are you providing monthly updates to the minister?

**Dr Gumley**—The minister does get an update on all of the projects of concern, yes. They go to Minister Combet, to be specific.

**Senator JOHNSTON**—In your understanding, has a Swiss consultant been called in to provide long-term advice as to a remediation plan?

**Rear Adm. Robinson**—I am not aware of a Swiss consultant.

**Senator JOHNSTON**—I quote again from the article:

While ASC believes they can still last the expected life-of-type and has called in a Swiss consultant to advise on a long-term remediation plan, other external experts believe there may be no option but to start planning for their eventual replacement.

**Rear Adm. Robinson**—We have engaged experts with ASC but I do not know whether they are Swiss or not.

**Senator Chris Evans**—Perhaps I could make some inquiries for you, Senator, and check their passports!

**Senator JOHNSTON**—Chief of Navy, we have one boat available; correct me if I am wrong.

**Vice Adm. Crane**—We need to be careful about the definition of availability.

**Senator JOHNSTON**—You tell me how many we have got to carry out operations that would qualify as a unit ready day.

**Vice Adm. Crane**—As you would understand, the operational availability of our submarines is a very sensitive issue. As the minister outlined this morning, what we can say is that three of the submarines are manned. One of those three is in Adelaide conducting urgent maintenance—that is the one we have spoken of. The other two are currently in routine maintenance activities alongside at HMAS *Stirling* in Western Australia. They at various levels of operational availability. One of the two is scheduled to sail towards the end of this week; the other one is at a level of operational availability but within a routine maintenance activity.

**Senator JOHNSTON**—I know that I cannot go any further, but you have got something coming up in New Zealand, have you not?

**Vice Adm. Crane**—With the submarines?

**Senator JOHNSTON**—Yes.

**Vice Adm. Crane**—Not that I am aware of.

**Senator JOHNSTON**—I think you have, and I think that has to be of some considerable concern in the circumstances that we are confronted with, doesn't it?

**Vice Adm. Crane**—It would be if I had a program for a submarine in New Zealand, but it is not something I am aware of. I will check that for you

**Senator JOHNSTON**—All right. Give me some hope here.

**Vice Adm. Crane**—As Dr Gumley explained, I am very concerned about the availability of our submarines. As the minister mentioned this morning, we have turned a corner in terms of getting people into our submarine workforce. Since the last time we spoke here, we have managed to increase our submarine workforce by 23—that is over a fairly short period of time. I am encouraged by the number of people that I see coming in and I am encouraged by the retention rate. We are not out of the woods—we still have a lot of hard work to do.

**Senator JOHNSTON**—We are paying a retention bonus but no-one can go to sea.

**Vice Adm. Crane**—What I need now is submarines at sea. That is what the focus needs to be, as Dr Gumley explained. It is to get our submarines to sea so that the 119 trainees that I have, as at today, can get to sea and get qualified. I am encouraged in terms of the people space and the workforce but, as we have indicated, we need to get these submarines back to sea.

**Senator JOHNSTON**—Explain to me what our current status is in terms of unit ready days. If you do not want to tell me, that is fine, I will move onto something else, but I note that we have discussed this in the past and in the annual report we have seen a frank disclosure of a significantly steep decline since 2005. What have we declined to now?

**Vice Adm. Crane**—If you bear with me, I can dig it out.

**Senator Chris Evans**—Here you are, Admiral, I have it

**CHAIR**—There is a table on page 45 of the PBS, Admiral—

**Vice Adm. Crane**—That is where I was heading.

**CHAIR**—about the unit ready days for the Collins class submarines—at line 4—for the period of the forward estimates. It was also the subject of a question by Senator Johnston in question time some time ago. Is there any reason to depart from the figures there as an accurate guide of current unit ready days for the Collins class because of matters arising out of the more recent discussion?

**Vice Adm. Crane**—Those figures are still broadly accurate. We have had an extension to one of the submarines. The one that is due to sail towards the end of this week has been extended slightly in a maintenance activity. That will cause a minor change but, broadly, we are aiming to achieve the 916 unit ready days that are currently budgeted.

**CHAIR**—So they are broadly accurate and not really affected by problems arising out of the engines as per this latest discussion. Is that correct?

**Vice Adm. Crane**—Correct.

**Senator JOHNSTON**—Are you defining unit ready days as vessels going to sea with reduced capability?

**Vice Adm. Crane**—I am sorry?

**Senator JOHNSTON**—If a boat goes to sea with reduced capability, because of its maintenance issues, you would describe that as a unit ready day?

**Vice Adm. Crane**—It is a unit ready day because it is able to contribute to the training of the squadron and the programmed sea days that we had anticipated some time ago.

**Senator JOHNSTON**—But can it still be a unit ready day if it is tied up at the jetty at Stirling?

**Vice Adm. Crane**—Yes, it can be if it is available.

**Senator JOHNSTON**—What is the terminology I need to work out whether we are getting a fully operational submarine so that we can benchmark the dramas that we are hearing about tonight?

**Vice Adm. Crane**—That goes to full operational availability—

**Senator JOHNSTON**—Have we got figures for that?

**Vice Adm. Crane**—which is a figure that—

**Senator JOHNSTON**—Is classified?

**Vice Adm. Crane**—We need to be very careful about it.

**Senator JOHNSTON**—So we need a private briefing on that. Okay, at least we know and I thank you for that.

**Senator TROOD**—With the submarine that experienced this failure, Chief, how long will it take for those repairs to be effected?

**Rear Adm. Robinson**—I can answer that: they will be completed in December. In December this year that submarine will go back to Western Australia.

**Senator TROOD**—That submarine had completed a process of maintenance and was leaving its maintenance, presumably to undertake operational activity, and it is now no longer available for that operational activity because it is tied up at a dock because it is having its engines repaired. Is that right?

**Rear Adm. Robinson**—That is correct.

**Senator TROOD**—We are now in October. When did this occur?

**Vice Adm. Crane**—I think it was July. I would have to check that for you.

**Senator TROOD**—Anyway, we have lost about half a year's operational capability as a result of this maintenance failure. Is that right?

**Vice Adm. Crane**—In that submarine, yes.

**Senator TROOD**—That submarine would otherwise have been available. Isn't that going to affect your numbers for ship ready days et cetera?

**Vice Adm. Crane**—It will affect the numbers. You can see that note 4 in the PBS talks about *Collins* remaining alongside Fleet Base West in the training role from late 2009. There will be some adjustment to that to try and recover some of it, but there will be a slight reduction.

**Senator TROOD**—It is only slight because it is averaged across the fleet, presumably?

**Vice Adm. Crane**—Yes, we will adjust it across the fleet as best we can.

**Senator TROOD**—I see. Okay.

**Vice Adm. Crane**—I have just had advice that there is nothing in the fleet activity schedule for New Zealand.

**Senator JOHNSTON**—Very good, thank you.

**CHAIR**—Are there further questions on the submarines? No? What was the next item you wished to address?

**Senator TROOD**—We might turn to the land—some bases issues.

**CHAIR**—Bases issues, please?

**Lt Gen. Gillespie**—Chair, while the seats are swapping over, could I read a couple of things into the record, please?

**CHAIR**—You may, General.

**Lt Gen. Gillespie**—Firstly, Senator Brown asked if we could provide an estimate on the number of Taliban. We have gone back and checked our records and we do not have an unclassified answer to that.

There was a question from Senator Johnston, I believe, on nutrition and weight loss. The question was in relation to reports that a soldier in Afghanistan had lost 15 kilograms and it was: ‘Can you please provide details on the nutrition program for our deployed soldiers?’ The response is that the Australian Defence Force deploys suitably qualified catering experts to advise on dietary requirements and food standards.

The food available to Australian personnel provides an adequate intake of kilojoules for assigned tasks. ADF ration packs are designed to provide adequate daily calorie and required nutrient intakes, although compliance over an extended period cannot be guaranteed as boredom with the same food does set in. Additionally, the increased mentoring role of the MRTF does see ADF personnel deployed outside the wire in remote areas for longer periods. Nutrition studies by DSTO of Special Operations Task Group personnel in Afghanistan have not demonstrated any detriment to weight, stamina or ability to recover quickly following their deployments as a result of food intake during deployment and strenuous workloads also during that deployment. The studies are ongoing.

I, too, visited the troops in Afghanistan a week ago and particularly in the forward operating bases where some of these concerns were raised it was a particular question I asked soldiers. By and large they have Australian cooks with them. They have fresh rations to do one meal a day. They live on official ration packs apart from that and in terms of energy and those sorts of things the sorts of foods that I saw packed their fridges suggests to me that they are looked after pretty well now, and in fact that was the answer that I got from them every time I asked.

I have to read one final one there. I think Senator Trood asked the question about what the exact number of ADF personnel in theatre in Afghanistan is at the present time. The response is multiparted. The baseline cap is 1,550. The live OMD positions, the manning document

positions, at the present time are 1,390—that is, of the 1,550 cap we have authorisation for 1,390. Personnel reporting from JTF633 indicates that at any one time approximately 157 Afghanistan based personnel are absent from Afghanistan on ROTL or other leaves—that is, remote, out of theatre leave travel. The OMD reporting also indicates fluctuating numbers but around 80 people are in Afghanistan at any one time for force assigned temporary duty. They are the sort of people who go in to modify a piece of equipment, introduce training on new mine detector equipment, those sorts of things. As at 12 October the total personnel in Afghanistan was 1,313.

**Major Gen. Power**—When CDF was going through the list of injured soldiers we have been looking after since June of this year, the inference could have been made that the soldier who recently got the hearing loss was in the same IED incident in which we lost an ANA soldier and another ANA soldier was wounded. There were three separate IED incidents in very short order. The ANA soldiers who were killed and wounded were in one of those and the hearing loss occurred in one of those other two incidents. CDF wanted to make sure that that was correct for *Hansard*. Senator Johnston asked the question about 5 Aviation Regiment and AASPO being on heightened surveillance. This is the first time that those two organisations have been placed on heightened surveillance.

**Senator TROOD**—I want to ask a question about RAAF Base Amberley. It relates specifically to the accommodation of the Air Force Cadets there. There are several wings and squadrons based at Amberley and my understanding is that their accommodation is being demolished to make way for a new medical facility there in which they will eventually be accommodated but it is some time down the track because the new building will not be completed for three years or so. Is that correct?

**Mr Bowles**—I do not know specifically about the timing of the cadets issue but there is significant redevelopment and development work at Amberley that has been going on for a little while and will go on for quite a number of years, so it is possible that they are in that process. I will have to take on notice specifically where they fit within that program.

**Senator TROOD**—My advice is that their accommodation is being demolished as part of a redevelopment of the base and they will eventually be accommodated as a result of this multiuse facility being created.

**Mr Bowles**—That would be correct. There is significant work happening there.

**Senator TROOD**—Which causes me no particular grief. What does cause me some concern—and I think this also causes the cadets some concern—relates to the temporary accommodation. Mr Bowles, you may not be able to answer this question.

**Air Marshal Binskin**—The plant program would have had the accommodation being demolished. I have put in a request to DSG to have two of the blocks that they currently use remain open until the new accommodation comes in. Last I heard, it is being looked at to be able to occur. I share the same concern you have with accommodation for cadets. With respect to working accommodation, there is a temporary accommodation at Frogs Hollow—I think that is what it is called—and then we are looking to have permanent accommodation in the future as part of the redevelopment program.

**Senator TROOD**—Perhaps you would investigate this matter for me. I understand that Frogs Hollow accommodation is inadequate.

**Air Marshal Binskin**—It is inadequate for a long-term solution as it currently stands. We will take it on notice, but I do not think there is an intention to have it as a long-term solution.

**Senator TROOD**—That is my understanding as well, but there is an alternative in relation to the Amberley Primary School, which is closing, as you know. The Queensland state government will vacate those buildings by the end of the year. I of course do not have any knowledge of the lease arrangements with regard to those buildings, but my understanding is that they would be a much more appropriate form of accommodation, if they are available, rather than the Frogs Hollow—

**Air Marshal Binskin**—That is also being looked at as a temporary facility. I cannot remember the exact issues there, but it is a more convenient position because it is close to the mess and easier for the cadets to get around.

**Senator TROOD**—Precisely.

**Air Marshal Binskin**—It is an issue that we are looking at very, very closely.

**Senator TROOD**—Perhaps you could, in light of the fact that I have raised this matter—somewhat parochial for a Queensland senator, I appreciate that, but it is a matter of some concern to the cadets and I think it deserves some close attention. So I would be grateful if you would regenerate your interest in the matter.

**Air Marshal Binskin**—Being an ex-cadet, it is of concern to me as well. We will take that on notice, noting the time, and we will get back to you with an answer on that.

**Senator TROOD**—Thank you very much.

**Lt Gen. Gillespie**—The sort of action there is that we will investigate the issue and come back to you personally through the parliamentary secretary with a response.

**Senator TROOD**—I would be grateful for that. Thank you very much. I also want to raise a question about RAAF Richmond, which is undergoing, as I understand it, a redevelopment program of some \$10 million. I understand also that the facilities there have been approved by the parliamentary works committee. Is that correct?

**Air Marshal Binskin**—I would have to hand to Martin on this.

**Mr Bowles**—I am not aware of anything specifically at Richmond.

**Senator TROOD**—In any event, the critical question is: can you advise me whether, in light of the strategic review and the assessment of bases that is taking place, there has been any contemplating of shutting down the Richmond base any time in the near future?

**Mr Bowles**—No decision has been made about any rationalisation of any base across the country. As you would know, Richmond was one of the bases in the force disposition program from a number of years ago. That has not progressed anywhere at this stage. Part of the process of the white paper was around trying to develop a set of strategic basing principles on which to make decisions in the future—not only in how we would look at force disposition across the country but also how we place new capability as it comes in.

The five strategic basing principles are things like strategic alignment with our required military outcomes; fewer larger bases; close proximity to industry and infrastructure, so making sure that we can keep those things aligned; building-in family friendly places to aid recruitment and retention; and a mixture of urban and rural-type arrangements, which, again, deals with reserves and with recruitment and retention issues. They are the strategic principles, and that is effectively what the white paper delivered for us. The job we will have over the next period of time will be to apply those strategic basing principles and have a look at what a future base footprint might look like. At this point, no decisions have been made, and there are no recommendations around closures.

**Senator TROOD**—Do you have a sense of when the first cut might be available in relation to this?

**Mr Bowles**—I think it will take some time, because what we have to do is to assess against each of those criteria. In a strategic sense, we need to make sure that we are aligning everything with the white paper, so we will have to go through quite a significant amount of work. Then, a business case for closure, if that was an outcome, would need to be established. We have to look at the socioeconomic impacts of all of those things. It is not as simple as saying, ‘We don’t have this here.’ There are social and economic impacts on a community, but, equally, we cannot just say for budget or economic reasons only, ‘That thing’s got to go.’ There are military-strategic reasons that we have things in certain places, so we have to do that work. I would suggest that we are quite a way away from that yet.

**Senator TROOD**—Do those principles also apply to Borneo Barracks in Crows Nest?

**Mr Bowles**—Yes, they do.

**Senator TROOD**—Is it correct to say that no decision has been made about those barracks, and none will be made independent of this wider review that is taking place?

**Mr Bowles**—That is the intention. As you would know, Borneo Barracks was also in that force disposition group from a number of years ago. The strategy now is that we have got the strategic principles, and we now want to assess the entire basing structure of the country against those strategic basing principles and to understand the socio-economic aspects of that. We will need to develop a business case for change into the future. As you would imagine, there is a good deal of work in that. We have about 70 major bases across the country, and, if we count reserve depots, we have got something like 500 little things around the countryside. So it is a significant amount of work.

**Senator TROOD**—I see. Thank you, Mr Bowles.

**CHAIR**—That now brings our examination of officials from Defence and DMO to a conclusion. We thank you for your attendance and your assistance today.

**Lt Gen. Gillespie**—Chair, thank you for your forbearance today, and thank you to the members of the committee for the spirit in which the day was conducted.

**CHAIR**—Thank you, General. We will see you again.

[6.05 pm]

### **Defence Housing Australia**

**CHAIR**—We now proceed to examination of Defence Housing Australia.

**Senator KROGER**—I would like to ask you some questions about the Breeanna Till issue and the concerning circumstances that were raised in the media rather extensively back in September, I think. For the record, Breeanna Till is the lady who sadly lost her husband Brett, who was killed in Afghanistan early on in the year. I understand that the CDF personally intervened and has extended the tenure on her house. Could you just go through the circumstances of the whole situation and explain what happened and the process. We will go from there.

**Mr Del Gigante**—I was overseas when all this happened. As background, the policy around death in a family and so on, is driven by Defence, not DHA. There is an existing policy in place which allows widows and dependents to stay in DHA houses for a definite period of time but Defence has the authority to extend that. They notify DHA of the length of the extension. In the current situation we have been advised by Defence that she is allowed to stay in that residence until September next year. The house is not actually owned by DHA but it is leased by DHA and we are in the process of talking to the owner to get an extension of the lease to—

**Senator KROGER**—So it is not on the base.

**Mr Del Gigante**—It is off base; yes. We have a backup plan if the owner refuses to extend the lease. It is another house in the same area, which we will have available.

**Senator KROGER**—Can you just explain to me your policy on it. What is the policy? What are the entitlements?

**Mr Del Gigante**—Let me just check. The current policy is that they can stay in the house for three months, but invariably those are reviewed, case by case, by Defence personnel, who determine how much longer they can stay in a residence. There have been numerous cases where the three-month policy has not been applied; it has always been extended. The length of time is usually determined by the Department of Defence.

**Senator KROGER**—When was that policy first set?

**Mr Del Gigante**—I do not know. That is something we would have to ask the Department of Defence. As I said, the policy around that kind of situation is not set by DHA; it is set by Defence.

**Senator KROGER**—What communications took place—and normally do? What is the process? I am just trying to get my head around what the process normally is and who speaks with the family and so on during these times.

**CHAIR**—About what?

**Senator KROGER**—After a partner has been killed in service.

**CHAIR**—That is the point I was going to raise before. These matters of policy as to rights or benefits that apply to personnel or their dependents, arising out of a death or injury, are policy matters for Defence, and implementation is by either Defence personnel or DVA, as

appropriate. The Defence Housing Authority is an agency of the government, that provides housing. It is an implementation arm; it is not a policy-creation or policy-determining unit. The way you are heading suggests to me that those questions might have been more appropriately directed to Defence, because it is not the responsibility of this set of officials.

**Senator KROGER**—Thanks, Chair, for that assistance. If I may follow on, how do you determine whether or not someone has the capacity to stay in the house for three months or for a further period of time? What process do you have to actually consider each individual case which you referred to?

**Senator Chris Evans**—Can I just interrupt there? Sorry to be rude, Senator Kroger, but, Senator Bishop, if I could have your indulgence, it struck me that you were perfectly correct to indicate the responsibilities here and to be fair to Defence Housing Officials. But I equally accept that Senator Kroger is pursuing an important line of questioning about a concerning case. It just so happened that Major General Craig Orme, the head of people capability, was still in the audience so I thought that, with the committee's permission, we would bring him to the table and between the two of them they might be able to combine to answer the questions.

**CHAIR**—Good on you. Thank you.

**Senator KROGER**—Thank you very much, Minister.

**Senator Chris Evans**—We were just lucky that he was sitting there!

**Senator KROGER**—He obviously did not have a good dinner waiting for him!

**Mr Del Gigante**—In normal situations the rules are quite clear. DHA takes the lead in determining what the entitlements of a family are viz a viz housing. In particular situations like this one, Defence take the lead and they talk to the family and then advise DHA as to what the conclusion of the discussion is.

**Senator KROGER**—I understand—because that would be a very difficult discussion to have—that you have specialists who are trained in sitting down and having those discussions with the family concerned. Is that right?

**Mr Del Gigante**—No, it is a question of authority. I do not have the authority on my own and DHA does not have the authority to go a Defence member and say that they can stay in their house for a year, two years or five years. Defence has that authority. That is why I say that in special circumstances Defence personnel step in, have all of the discussions with individuals and then they inform DHA as to what the outcome is and we implement it.

**Senator KROGER**—What is the definition of special circumstances? I am just trying to understand what the process is and, between the two, how the process takes place.

**Senator Chris Evans**—Maybe we will let Major General Orme have a crack at it, and you can go back and forth. I think he is probably going to be more helpful at the moment, with all due respect to DHA.

**Major Gen. Orme**—For a start, DHA and Defence work very closely in this relationship, but the policy in the sorts of questions you were asking relates to Defence policy where we set the policy. What are special circumstances? To begin with, I would say the death of any loved one—any partner, any father or any mother—is a special circumstance by definition. We are

already in a very difficult situation, which we recognise. The policy sets the parameters around which decisions can be made. Every death is special, so the things we have in place around a three-month entitlement are merely to start the process going. In each death the circumstances can be quite complex and quite different. So, for example, in Army's case, in the 1st Brigade in Darwin, most of our people there come from down in the south. So when a partner dies there is every chance that the family would seek to move back to where they have come from, in the south-eastern seaboard somewhere. In those circumstances people would tend to want to go home and go back where they came from. In Perth, especially with our special forces and our SAS regiment, we have a lot of soldiers who have stayed for a long part of their careers and have built a life with their families in Perth—and it may be the same in Sydney. So each one is quite different. When the family goes through the trauma of a death they are confronted with a whole range of decisions, and one of the aims that we have in working with not only DHA but our Defence community organisation is to have trained counsellors who come in the immediate stages with both our uniformed chaplains and the Defence community organisation, who do a remarkable job in the support of families in these difficult circumstances. They sit down and work through their circumstances and work out what is best for them.

The critical thing there is that the family are going through a trauma: it is highly emotional and highly emotive. It is very difficult to make hard, difficult and rational decisions around those sorts of things. Where the family have a need to stay in a place longer we are very comfortable in extending the time out to allow the family to do what they need to in their grieving process and in their administrative process, so the three months is simply a guide. At the very early stages, if there is an assessment that they need to stay longer then we have no problem at all in extending that accommodation out.

The difficult part from a policy sense is at what point does that stop? In some cases—in this particular case—we decided that due to the nature of the circumstance of the impending birth and the issues that go with that, the best situation was to extend it out until the length indicated and then review it at that point. Each case is different; each case is unique, sensitive and difficult. The policy sits there as a guide, and as a result of this we are looking to review that to see what the right length of time is. We will inform DHA, and DHA do a fine job. In this case, the complexity around the length of the lease on the house and the owner throws another degree of complexity in there. Again, DHA have worked hard to produce an effective solution so that if that house is not retained in the DHA portfolio then we are able to find a solution in the region to support Mrs Till in this case.

**Senator KROGER**—In this case, am I right in presuming that there was, after discussion with the family, an agreement that she could stay in the house for six months?

**Major Gen. Orme**—Yes.

**Senator KROGER**—Then we had the situation where that, for whatever reasons, had created some trauma. What are the options for a review of that? What is the process from there?

**Major Gen. Orme**—Generally in the first instance, the Defence Community Organisation sends the counsellors who have to go to the family to do that liaison and find out what their

issues are. Then they are brought back to Defence to say, 'Here is a situation.' They offer us advice, and a decision will be taken by the Service Chief—or in this case the Chief of Defence Force made the decision—to extend that entitlement out at his discretion. We try not to make it a hard decision that we put to somebody, to say, 'You have got to stay or go,' but through the process of the grieving, counselling and the communication with the family those sorts of issues are brought out. Generally, what is possible would be worked out by the liaison team and then those options would be put to the individual to find out what they want to do. In this case we have a great deal of flexibility in what people want to do.

In some cases people want to leave the area fairly quickly and re-establish. The longer term issue is about how we effectively support the family in the period beyond the service period and how we integrate them into the community where they want to be. How do we assist them to rebuild what are, really, shattered lives—what is best for them? I think each case is going to be quite different. So we have the hard edge of policy that sits there, but that only informs our decision making. We then have the reality of what those people are going through and how we can help and support them through this transitional period to assist them to build resilience. Our Defence Community Organisation is working to build a resilient model of support to help people and to support them to begin their transitional space in that very difficult period.

**Senator KROGER**—Would it be highly unusual for the CDF to get involved in something like this?

**Major Gen. Orme**—No, the CDF gets involved in every death—certainly the operational deaths, but we also have a significant number of deaths just during training. In fact, today of course, we have a very sad reminder of the challenges we face in a training environment. There are also road accidents and other issues. The CDF gets involved and the Service Chief becomes involved, but only as a watching brief over the top and the engagement. We have a very effective organisation that responds well, and the team effectively comes together. The lead, primarily, is the Defence Community Organisation, supported by the soldier, sailor or airman's unit. They work together hand-in-hand. We also have significant support from the ex-service organisations, the local community and the families. Some families do not want that support and some families appreciate that support; each time we have this sort of situation we come together to bring that together. We work with our partners: DHA, the Department of Veterans Affairs, ComSuper and all the agencies that come together to provide the support the family needs at that particular time.

**Senator Chris Evans**—Could I just say that I had some experience when in opposition. CDF Houston did actually engage with most of the tragic circumstances that came up during that period. He was very good. I think it is a bit of a philosophy of his. People find it very reassuring if the CDF or the chief takes a personal interest. During the Senate inquiry into military justice he did get engaged with most of the difficult cases. So I think there is a history of that within the Defence Force. Whether that should be necessary in terms of the administrative arrangements is a reasonable question but I think the ADF has learnt that that sort of engagement is really helpful for the families.

**Senator KROGER**—I think it is highly commendable that the CDF has it so high up on his list of priorities that he gives it his personal attention.

**Senator Chris Evans**—Yes.

**Senator KROGER**—I think it is something for him to be complimented on. Thank you for your explanation in terms of the fact that there is a guideline and that it is very much on a one by one basis. Would there be many instances where the situation is being reviewed in terms of housing tenure?

**Major Gen. Orme**—In every case that has come up it got reviewed. So if the family have a need to stay in an area then we accommodate that. It does not always come up. Each case is quite different. As I said it depends on the member's unit and the family of their partner and where they want to go to settle. They might want to go back to where they have been before. They are all different.

There are two aspects to this. We have not had any other cases that have come to our attention, that I have been aware of, where there has been a particular problem with this. Highlighted by this is the fact that we are reviewing our policy approach to this to look at ways of providing people with the time—even taking away the harder edge of three months and looking at whether it should be 12 months or two years. We are looking at the various policy options that are available to us.

The other issue in there is what is best for the family—I am not sure what the right words are—in how they transition from having a partner to not having a partner and the pressures that that brings, getting through that period of grief and that rebuilding phase that has to go on. We are looking at how we can assist people to do that. This is giving us another queue to rethink how we are doing things and to look at what the policy options might be to support our people in the best way that we can.

**Senator KROGER**—From my observation, the extensive media coverage seemed to highlight an issue of communication and support—whether there were ways in which that could be more effective.

**Major Gen. Orme**—I do not really want to go into this particular case very much—

**Senator KROGER**—I understand.

**Major Gen. Orme**—except to say that Defence is extremely confident that we provided a significant amount of support. How much is enough? Never can you give enough in such a case. My assessment of the media reporting was that it did not describe the amount of support that was provided at all with any kind of accuracy. It did not give you the complete picture of the range of things that Defence have provided. As I said, and I will just reinforce, we do not think you can ever do enough, but all sorts of things were put in place to support the family and work was done, particularly by DHA and the Department of Veterans Affairs, who responded and were able to work things through very quickly and provide support, particularly to the children and the issues around that. The whole team came together. I would characterise the media reporting as not being complete. As I said, I think the team came together and provided effective support in a very difficult set of situations and circumstances. Beyond that I really do not want to go.

**Senator KROGER**—I understand that.

**Major Gen. Orme**—I think Mrs Till has been through a difficult piece and I do not think we really need to be drawing her into this.

**Senator KROGER**—No; we do not. We do not need to go into the individual personal circumstances but I am very heartened by the assurances you have just given us. Thank you.

**CHAIR**—I thank the officials from DHA for attending tonight and for being of assistance. Also, Major General, thank you for being around to help Senator Kroger. That is much appreciated.

#### **Proceedings suspended from 6.24 pm to 7.32 pm**

**CHAIR**—I welcome the Defence Force Ombudsman, Professor McMillan.

**Senator JOHNSTON**—How do you think the redress of grievance system is working in terms of it being in a timely manner? Can you help us with that, because I am very worried about it. I think it is really bogging down. There is a lot of stuff happening over a long, long period of time.

**Prof. McMillan**—In a way the redress of grievance system has been a long-standing concern of the Defence Force Ombudsman and it is an issue we have taken up in the past. The redress of grievance system can now have three stages. Firstly, when a person complains the matter can be allocated to the unit commander. Then if the person is dissatisfied they can seek a review by the service chief or delegate and then if the person is above warrant officer level they can seek a further review by the Chief of the Defence Force. To go through each of those stages, in the first stage review by the unit commander there is now a 90-day limit that applies to assessment at that stage. In our experience that has made a substantial difference and matters are dealt with within that time limit. Secondly, if a person then takes the matter to the service chief—and without knowing the exact figures it would seem that that would occur in anything up to 50 per cent of cases—there is no time limit applying at that stage.

**CHAIR**—Is the second stage an appeal or a review?

**Prof. McMillan**—It is a further review by the service chief or delegate. On the last figures we had, it was taking 10 to 11 months at that second stage. Most of the delay occurred in the allocation of a case to a case officer. Once the matter was allocated to a case officer, it was often assessed within about two to three months. That goes through a number of stages. A brief then goes to the service chief or delegate. From our experience, that tends to be dealt with promptly enough. So the real problem is the allocation to the case officer. I will come back to that in a moment. Then if the person goes to the Chief of the Defence Force, there is no time limit applying but it is generally dealt with within a 90-day period and there is not the same problem.

We raised this with this committee, which made a recommendation for a 90-day limit at each level. We raised it with the review conducted by Sir Laurence Street, who made a similar recommendation. I then wrote to the Chief of the Defence Force, drawing attention to it and expressing the view that the delay at that middle stage was undermining the integrity of the redress of grievance system and was itself productive of further grievance. He responded positively, saying that their view is that the delay was really in the allocation stage and that

that was probably a resource problem more than anything. So he committed to allocating further resources to appointing more case officers.

In response to the recommendation of the Street review, he proposed imposing time limits at that second and third stages, and the time limits would be of three kinds. One, if the case was assessed as having priority—for example, a termination case—there would be a 90-day time limit applying. If the case did not have priority, there would be a 180-day time limit applying to finalisation of that second stage. Then, if the matter went further, to the Chief of the Defence Force, there would be a 90-day time limit. Those time limits have only recently been imposed, so we have no figures yet on success. However, the CDF also agreed to another suggestion that I made—that we establish a joint ombudsman-ADF review of the delay in the redress of grievance system, particularly at that second level. That review has recently commenced. It will involve a file review of recent cases, an analysis of complaints and consultation with case workers and with other officers in complaint resolution and perhaps some consultation with members of the ADF as well.

**Senator JOHNSTON**—So, for a sergeant, he has only got the two avenues? I have a case where the redress of grievance has been on foot, unattended, unresolved, for 12 months. I get the impression that that is pretty commonplace.

**Prof. McMillan**—The average figure that we had was 10 to 11 months for that second stage, and we have seen cases where there has been a similar delay. I have concentrated on this issue of resources, appointment of more case officers and quicker allocation. In my letter to the CDF, I suggested that other options should be explored, and they will be explored in the joint review. I suggested that there may be a need for an earlier risk analysis of the case to gauge, for example, the nature of the issue, whether there was money involved, the urgency of the case and whether it is likely to be taken further—and the quality of the time allocated may vary.

This is one of these conundrums. It seemed to us that one of the reasons for the delay was that there was this greater commitment to ensuring a bullet proof second stage before it went to a service chief and, while the quality of the analysis at that second stage was admirable, nevertheless, delay is another objective in any grievance process. Interestingly, the imposition of the 90-day time limit at the first level did not seem to have impaired the quality of the assessment done at the unit commander level, so we thought hard questions need to be asked about whether there is a pursuit of perfection at too high a level in that second stage. Obviously there is reluctance by any government agency to accept that, particularly when it is subject to oversight and review by others, including courts. However, that is an issue that does need further discussion in this review that has just commenced.

**CHAIR**—Are 50 per cent still going up from a unit officer to the service chief from stage 1 to stage 2?

**Prof. McMillan**—Yes. The last figures that I have from May this year is that there were 107 cases at unit level and just on 100 cases at service chief level.

**CHAIR**—That is a lot, isn't it?

**Prof. McMillan**—The unit level is dealing with them within the 90 days; the service chief level is not, so that does suggest that there is a high figure going from the unit level to the service chief level.

**CHAIR**—Those sorts of figures suggest that far too many are going from the unit level up to the service chief level.

**Prof. McMillan**—Yes.

**CHAIR**—Secondly, I am not surprised, with the workload the service chief or their officers and delegates carry, that they do not have the serious amount of time required to devote to a proper review of hundreds of cases coming up from command level.

**Prof. McMillan**—There are many but two immediate possible explanations for the high number that go up: one is a degree of dissatisfaction with the quicker justice administered at the unit commander level and the other possible explanation is a higher expectation because of confidence in the process. Our initial impression is that it is probably more the second factor than the first factor. This is something that needs more detailed analysis.

**Senator JOHNSTON**—My particular complainant gets a minute every 60 days in exactly the same terms, advising that the redress of grievance is still awaiting allocation of an available CR case officer—and I am not sure what a CR officer is—

**Prof. McMillan**—Complaint resolution officer.

**Senator JOHNSTON**—and, in each instance, he is told a variable date—that it is unlikely to occur before such and such a date. That date is just a standard roneoed figure that is altered, usually to be approximately three to six months into the future. This has been going for four of these letters, I think. If this is one person—and you tell me there are 200 floating around out there—this is obviously a system that is breaking down.

**Prof. McMillan**—It is obviously a system that is not working well. It is unsatisfactory that a person faces that delay. It is commendable that they have been given regular advice, but the advice is not leading to any quicker resolution. We are in the dilemma that, if a person complains to us, we can inquire as to the delay and, if it seems appropriate, recommend that a higher priority be given to a case. But we are well aware that that may have the effect of disadvantaging somebody else who is in the line.

**Senator JOHNSTON**—The point is that this committee has identified the timely resolution of redress of grievances as one of the fundamental underlying military justice issues and problem drivers. From what I understand, which you are helping us with, Professor, is that we are heading in the wrong direction here.

**Mr Merchant**—It might be helpful if we set out the measures that we are taking within the department to try to turn this situation around. I have asked Major General Orme to come to the table. He has some information about the work that we have underway to try to turn this situation around.

**Major Gen. Orme**—In People Strategies and Policy Group we have the Fairness and Resolution Branch, which works to deal with this. As you are aware, Professor McMillan has given you a very clear rundown of the redress of grievance process and the stages that go through that. I have comments I would make on that to begin with. The complaints and

grievances that are dealt with at the unit level tend to be simpler and turned around much more quickly. One of the key reasons complaints then go to stage 2 is not so much timeliness at unit level but tends to be because of the complexity of the cases themselves. They involve a range of agencies in some cases and a range of issues that are beyond, if you like, the ability of the unit to deal with in a simple and effective way, so they are referred up to that stage two process that Professor McMillan has described.

The Street-Fisher review that we had highlighted this issue of delays, and Defence has acknowledged that. The key issue has been one of resourcing of the Fairness and Resolution Branch, which was only relatively recently stood up as a result of the Senate inquiry into military justice, which I know you were very personally engaged in and involved with to a significant level, Senator Johnston. The complaint numbers that we have had over the last three years have been fairly consistent, at around 300 redresses of grievance each year—a rate of about five per 1,000 ADF members. The benchmark of 180 days is the one we are using, as recommended by the Street-Fisher review, and it was agreed as part of those recommendations earlier this year when Sir Laurence Street and Air Marshall Fisher presented their review.

The key problem from a Defence perspective is a lack of case officers who have been allocated. We have taken significant steps to address that problem very recently. The case officers that we have tend to be reserve officers. We do not have the full-time complement to allocate at this stage, so we rely very heavily on reserve officers who come back for a period of days per year to undertake this work on our behalf. Just recently, we had four case officers allocated in September. They have undergone a period of training and are now dealing with the cases. We have already seen early improvement in case handling times.

I take your point, Senator, that a year is too long. We have only four cases across the ADF that have gone over a year. None of those are older than 14 months. Prior to the Fairness and Resolution Branch being formed, there was a backlog of complaints that had been waiting up to four years. That was clearly unsatisfactory. Fourteen months is clearly unsatisfactory as well, but we are addressing that with the four people we have brought on recently and we have another three people starting in early 2010. They will do a period of training about handling the cases and what to prepare and then will address those additional 79 cases that are currently outstanding and the throughput that comes through. So we have not addressed the issue to our satisfaction. We have taken steps to provide the four new case officers and an additional three in the new year and we expect that that will start to deal with the problems of the backlog in a more efficient manner.

**CHAIR**—With regard to the amendments that the government is bringing forward to fix up the problems with military justice, there are the problems arising out of the court case and also a whole range of matters arising out of Street-Fisher and the Senate review. The government had indicated that it was going to accept. When does the government anticipate that bill will come forward? Next year?

**Major Gen. Orme**—The bill that takes the immediate solution to re-establish the trials by court martial?

**CHAIR**—No, that has gone through. CDF is going to brief us some time next week on the government's intent with regard to forward process in military justice. Do you know when the government intends for that amending bill to come before the parliament?

**Major Gen. Orme**—I do not have that information. I would have to take that question on notice. I do know that there is an issue around the technicalities involved in the establishment of a chapter 3 court and the likelihood that Attorney-General's would lead that process rather than Defence.

**CHAIR**—The reason I ask that question is this: when the government has finalised its position on the amendments it needs to bring to the act, both with regard to the chapter 3 court and the other matters arising out of Street-Fischer, it will have the material drafted, a bill we be presented to either house and then I anticipate it would be referred to a Senate committee some time early next year for examination. That might be an appropriate time for your officers to update us on the progress of the redress of grievances issue, it being the case that you have recently appointed four case officers and you have another three coming in early 2010. By the time we come to examine that bill, you might have some indicative figures in terms of addressing Senator Johnston's issues. I just put that on the table for consideration. I do not direct you to do anything.

**Major Gen. Orme**—I think that would be a very reasonable outcome.

**CHAIR**—It may not suit Senator Johnston.

**Senator JOHNSTON**—The Major General has assisted me and corrected me in my assumption that we are heading in the wrong direction. I am satisfied that we are, albeit relatively slowly, heading in the right direction. With regard to our 200 outstanding matters, given that we get 300 a year, have we got an estimate as to when the 200 are going to be eliminated?

**Major Gen. Orme**—I believe that the 200 that you are talking about are not 200 at the stage 2 level. My understanding is that there were around 110 at the end of April and we had reduced that to 79 by the end of September. The additional case officers will need to be brought on. I do not have a clear assessment of the rate at which we will bring those cases down, but I can take that on notice and provide a response.

**Senator JOHNSTON**—I am probably asking too much. It is a clear that we are, in a determined way, going forward to reduce the 79 and it may take some time, but we have to reconcile the growth with the 79 reduction and hope that we get down to something in line with the 180 days, which is what I think we are looking to achieve.

**Major Gen. Orme**—The 180 days is a benchmark. The other point that I highlight, which Professor McMillan has mentioned, is that there is a priority system, particularly for redresses of grievance that relate to termination that need to be dealt with. All redresses need to be dealt with in a timely fashion, but those that have a time imperative for an individual soldier, sailor or airman who may be looking to separate and in need of some clarity around the redress of grievance process have that priority.

**Senator JOHNSTON**—So they knock your schedule for six pretty well if you get a whole lot of those at short notice.

**Major Gen. Orme**—We can adopt some business processes that accommodates that ongoing requirement. Again, as I highlighted, it is one of the issues that I would not like to underestimate, because there are people doing some quite excellent work in this area but on some quite complex issues. As it becomes more complex, the timelines blow out and so does our capacity as a case takes longer to deal with because of the complexity of individual circumstances, the range of issues covered in the grievance and, in some cases, the range of agencies covered with an overlay of operational tempo that may include people and witnesses being unavailable due to deployments and a whole range of other issues. All of that has to be comprehended within a solution that we come up with. None of them are an excuse for delays, but we are working in a direction to fix those.

**Senator JOHNSTON**—I thank you very much for your assistance and have some confidence that we are headed in the right direction.

**Proceedings suspended from 7.54 pm to 7.59 pm**

**CHAIR**—I welcome Mr Campbell and the officers of the Department of Veterans Affairs. We will open up with outcome 1, compensation and support.

**Senator JOHNSTON**—Mr Campbell, forgive me if I am not fully across what compensation and support means but I want to talk about some of the contracts the department has entered into. Is that relevant or not?

**Mr Campbell**—Let's see what the contracts are and we'll see what we can do.

**Senator JOHNSTON**—We have a contract from January this year to January 2011 to design, develop, deliver and evaluate an executive leadership development program worth \$1.255 million with an addition to that to the same people for \$70,000. It is worth \$1.3 million and it only goes from 1 January 2009 to 1 January 2010, so it is for a shorter duration. The contractor is Yellow Edge Pty Ltd for \$1.3 million. What is that all about? The second part of it is, again, a leadership development program.

**Mr Campbell**—I will give a little bit of history. The department embarked three years ago upon quite a dramatic structural change which was called 1DVA. At the same time we have been downsizing because of the decrease in the veteran population. As a result of that and as a result of surveys, including the State of The Service survey which the Public Service Commission does every year, it became apparent to us that we had some issues with regard to skills base and training and development, so we have embarked upon a three stage process.

**Senator JOHNSTON**—What sort of issues?

**Mr Campbell**—How we are responsive to claims from veterans; how we manage in an environment where our direct supervisor may not be in the same office because, as you know, we are getting smaller and we have a line of management model which means that sometimes our direct supervisor is not in the same location; and the whole change process when you know you are going to become a smaller organisation. So we have over the last 12 months embarked upon three stages, one is the group that you are talking about, Yellow Edge, which is training and development for EL1s and EL2s. There is a similar exercise being undertaken for APS1-6s.

**Senator JOHNSTON**—EL1s and EL2s are the top, are they?

**Mr Campbell**—No, they are the top of the non-SES. Then APS1s to APS6s are the rest of that grouping and then there is a further exercise being undertaken with a group called Nous consulting which is working with the SES.

**Senator JOHNSTON**—I have them here.

**Mr Campbell**—It is really staff training and development.

**Senator JOHNSTON**—What is the objective?

**Mr Campbell**—The objective is to have a department that is efficient, effective and provides responsive services and which at the same time is operating in an environment where change is quite significant, because we are becoming a small department. We are maintaining all our locations; we are providing services right across the country. Yet, as you know, with the unfortunate decline in the number of World War II veterans and widows in particular our resource bases are becoming smaller.

**Senator JOHNSTON**—Efficient, effective—I would have thought that is why you employ people. You do not employ people who are not efficient.

**Mr Campbell**—Perhaps I will put it the other way. Are you questioning whether we have a need for staff training and development in an agency such as ours which has 2,000 people spread around locations?

**Senator JOHNSTON**—I am simply questioning when I see that, for instance, the War Memorial has had to go and find a sponsor for \$1.3 million and I am seeing a staff training and development program worth exactly that. I am just trying to make sure that in terms of the expenditure, which is my responsibility, everything is kosher.

**Mr Campbell**—I am not sure what you mean by that.

**Senator JOHNSTON**—In terms of value.

**Mr Campbell**—I am not sure what you mean by that.

**Senator JOHNSTON**—In terms of value.

**Mr Campbell**—I think there is value. I suppose the point I am making, as a person who is a CEO of an organisation of 2,000 people of varying levels working in various organisations, is that I think anybody who has responsibility for organisations will say that staff training and development exercises where they learn new things and learn how to operate in different environments, particularly a smaller environment, are very valuable. I do not think there is any comparison you can draw between that and the War Memorial situation.

**Senator JOHNSTON**—How do we need to learn things about being smaller? Is that a greater workload on individuals, is it?

**Mr Campbell**—As I said, we now have people who work in various states around the country whose direct supervisor does not work in the same office. That is not the norm in the Public Service. We are not the only agency that does that but that is not the norm. We are an agency, very unusual in the Commonwealth, that is going to get smaller and will continue to get smaller.

**Senator JOHNSTON**—In the nature of getting smaller, I believe there is an addition to your SES service personnel, though.

**Mr Campbell**—No.

**Senator JOHNSTON**—No? Numbers have not increased since last estimates?

**Mr Campbell**—No, they have decreased, Senator.

**Senator JOHNSTON**—From what to what?

**Mr Campbell**—I do not have the exact figures here but, in the course of the last 12 months, there has been a decrease of three or four SES out of a base of about 34. I can get the exact figures for you, but there has certainly been a decrease.

**Senator JOHNSTON**—I would like to know that. The Nous contract is \$306,000. It goes from 19 May to 31 October next year—so for a year and a bit. It is developing a collaborative collegiate SES culture. What is a collaborate collegiate SES culture?

**Mr Campbell**—As I said, we are getting smaller more than other agencies. In an environment where you are getting smaller, where SES officers are not necessarily working in the same environment as they might have traditionally in terms of hierarchy and where, in terms of staff surveys, staff are saying to the SES, ‘We think you can work a little bit better together’—and that is what the staff surveys are saying—I think it is a good investment.

**Senator JOHNSTON**—What does Nous actually do?

**Mr Campbell**—Nous has undertaken a series of exercises—in particular, a 360-degree performance appraisal of all the SES in the department—and are working with each of the individuals.

**Senator JOHNSTON**—Appraisal and a face-to-face outcome.

**Mr Campbell**—Yes.

**Senator JOHNSTON**—How do we benchmark that?

**Mr Campbell**—We are undertaking a quarterly survey—once every three months—within the department. We do have the Public Service Commission’s *State of the service* surveys, which are annual. But 2½ months we started surveys every three months. What that will tell us over a 12- to 18-month period is your benchmark, because we will be asking the same questions over the period of time and we will see whether there has been any change from survey 1 through to 2, to 3 and to 4.

**Senator JOHNSTON**—You have a contract with ODS Management Consulting for \$144,000 for June this year to March next year. That contract is to enhance leadership skills for APS4 to 6.

**Mr Campbell**—That is the third prong of what I mentioned to you at the beginning. You started out with a group of the EL2s. Then I think I mentioned the 4s to 6s are the second and the SES is the third tranche. So it is all part of the package.

**Senator JOHNSTON**—Then we have got another contract from 10 June 2008 to 23 May 2009 for \$10,131 to plan and coordinate the DVA sports carnival. I am interested to know how that works. Is that for veterans or is that for staff?

**Mr Campbell**—No, it is for departmental staff.

**Senator Stephens**—I think the veterans participate in the masters games.

**Senator JOHNSTON**—I get the feeling that they have missed something.

**Mr Campbell**—Senator, can I take that on notice for the next half hour or so and I will get you some more details on that contract?

**Senator JOHNSTON**—Ron has obviously got some sports carnival arrangement skills. The other contract I want to talk about is one for \$15,290 from 17 June 2009 to 17 June 2009—one day—for an in-house training course from Rushworth Consulting for up to 20 participants called Managing Writing for the Australian Public Sector, delivered by Francis Walsh. Am I right in saying that this cost \$15,290 a day? Nice work if you can get it!

**Mr Campbell**—I do not have the detail of that one in front of me.

**Senator JOHNSTON**—I really would like you to tell me what is going on there, because I think that needs some answers. Next, there is a contract for a corporate planning day, delivered by ODS Management Consulting Pty Ltd from 28 May 2009 to 28 May 2009. It cost \$10,120.

**Mr Campbell**—I know what that is, Senator. That was a planning day for several hundred people in the corporate division. It was not for one day. I see what you are saying about the terms of the contract, but there would have been a lot of preparatory work by ODS for that.

**Senator JOHNSTON**—How much preparatory work? Two days? Three days? Four days?

**Mr Campbell**—I would have thought that it would probably have been somewhere between one and three days.

**Senator JOHNSTON**—It is still not a bad result!

**Mr Campbell**—You are talking about them working with several hundred people. A large number of people.

**Senator JOHNSTON**—It could be 700 people; it could be one person.

**Mr Campbell**—No, not 700 people.

**Senator JOHNSTON**—It seems a lot to me, but anyway. There is also a contract for \$24,905 to HorizonOne Recruitment Pty Ltd from 5 December 2008 to 5 December 2008—one day. I take it that that is a commission.

**Mr Campbell**—Again, I would have to check that one, but my guess is that that is the date of the invoice. That is probably a firm assisting with recruitment action. I would have to check it.

**Senator JOHNSTON**—I really would like to know about that.

**Mr Campbell**—I will check it, Senator.

**Senator JOHNSTON**—On the face of the contract, that is \$25,000 for a day's work.

**Mr Campbell**—I suspect it is an invoice for a period of time.

**Senator JOHNSTON**—Hang on. Let me see if I can help you, because I have got the contract here, I think. It is for recruitment services from Mr Graham Rochow of HorizonOne Recruitment Pty Ltd. I take it that that is an SES recruitment job.

**Mr Campbell**—That was the recruitment for the chief finance officer. It would not be for one day; it would be for the whole process of assisting with the short listing, the write-up, being in the interviews and following up with referees.

**Senator JOHNSTON**—What is the basis for a fee like that? Just help me, because I am not in the habit of paying those sorts of fees.

**Mr Campbell**—I think you will find that most departments have these sorts of contracts.

**Senator JOHNSTON**—What do you do? Is it a percentage, an agreed fee or—

**Mr Campbell**—No, it is usually an hourly rate, but the hourly rate covers—

**Senator JOHNSTON**—It covers a lot of hours.

**Mr Campbell**—Yes.

**Senator JOHNSTON**—Okay, I think that is fine.

**Mr Campbell**—Without looking at the contract, my guess is that it is an hourly rate.

**Senator JOHNSTON**—If you could help me further with it, I would be obliged. For the period from 1 July 2008 to 10 August 2008, \$24,420 was paid to Marisa Gerussi Consulting and Associates for the development of a communication guide.

**Mr Campbell**—I was not secretary at that time, so I cannot help you with that one, but I can get details about it.

**Senator JOHNSTON**—For the period from 5 May 2008 to 31 December 2008, \$364,315 was paid to TGF International for the provision and design of strategy services under a panel arrangement.

**Mr Campbell**—That is an organisation called the Friday Group. They did quite a bit of work on benchmarking the costs of our services against those of other organisations. In this case, from memory, they were benchmarking three types of services: our income support services, our compensation services and our provision of health services. We are an organisation that is getting smaller, but our overheads are remaining the same. Being spread across a smaller number of transactions, we are very concerned to ensure that we are operating at a reasonable cost basis compared to comparable organisations with similar business, and the Friday Group was contracted to do that.

**Senator JOHNSTON**—All right. Lastly, there is the period from 1 December 2008 to 31 March 2009, where Taylforth Consultants were contracted for \$76,787 to conduct a review on the implementation and effects of the introduction of One DVA.

**Mr Campbell**—That report was discussed here in an earlier hearing. That is the report that was done by Ian Lindenmayer. You might recall that we talked about it. That was the one where we then had some changes flowing through it. I talked about it in the previous estimates hearing.

**Senator JOHNSTON**—So the ones we want to know about, if you can assist us to further enhance our understanding, are the Rushworth Consultancy one for \$15,000 for the day; the corporate planning day by ODS, as to how many days and the basis for payment; the recruitment fee and the basis for the payment; and the sports carnival for \$10,000. How many SES personnel do we have? Is it 35?

**Mr Campbell**—I think it is 34 but I would have to double-check.

**Senator JOHNSTON**—Do they all have FOXTEL?

**Mr Campbell**—I do not know. Certainly the ones in Canberra have it connected as part of our total connection in the building, because we have connections for here; it is a total package that we have. I do not know about the states; I would have to check.

**Senator JOHNSTON**—Just tell me about the total package. Whom do you have a package with?

**Mr Campbell**—It would appear that nobody behind me knows, and I certainly do not. We will have to come back to you on that one.

**Senator JOHNSTON**—How much does DVA spend on health services per annum?

**Mr Campbell**—In the current year, just under \$5 billion. The estimate is just under \$5 billion for 2009-10.

**Senator JOHNSTON**—What does that comprise in terms of its break-up? Is it direct services, pharmaceutical services?

**Mr Campbell**—There are hospital services, medical services, pharmaceutical services, aids and appliances, transport, allied health, community nursing, veterans' home care, and aged care where we make payments to the Department of Health and Ageing for veterans and widows who are in aged-care facilities.

**Senator JOHNSTON**—Do we have a rough number of how many clients/patients we would deal with per annum? I would expect it to be several hundred thousand.

**Mr Douglas**—I do not know off the top of my head, but the numbers are published in our annual report.

**Senator JOHNSTON**—Mr Douglas, the best part of today is that I have asked a question that you do not know the answer to, because it is the first time it has ever happened, to the best of my memory!

**Mr Douglas**—Thank you, Senator.

**Senator JOHNSTON**—You've always been able to answer everything else, I have confess. So, if I go to the annual report, I will be able to spell out how many patients and interfaces you have had as DVA with people using health services?

**Mr Douglas**—What it is more likely to tell you is the number of treatment services provided, which probably will not give you the number of people who actually received the services because an individual will visit a doctor on more than one occasion. If an individual is then referred to a specialist, they will have perhaps have four or five visits with that specialist as they go through pre-surgical procedures and recovery et cetera. What I can tell

you in numerical terms is that we had 221,405 people with a gold card as at March 2009 and 50,676 people with a white card. The difference, you will recall, is that a gold card is for all conditions and a white card is for those accepted disabilities. But we do not track how many of those gold card holders would have accessed a health service in the course of a year. The likelihood is that they have accessed something over the course of the year, whether it be a visit to a GP or a prescription issue for a pharmaceutical.

**Senator JOHNSTON**—Who is the primary provider of those health services?

**Mr Douglas**—The health model on which we arrange access for services to veterans and war widows is predicated on what we at this end of it call the local medical officer. It is a term we apply to a general practitioner. So, in essence, once you are in possession of a health card, you make an appointment with your general practitioner and present the gold card for payment in the same way that you would a Medicare card. The card is swiped and the payment is then made on our behalf by Medicare Australia. All of the health services that we offer are provided by contracted health professionals or contracted health organisations. In the case of private hospitals, for example, we have contracts with, in round terms, 220 private hospitals plus day procedure centres, and of course there are arrangements in place with each of the state and territory governments for veterans and war widows to be able to access public hospital services.

**Senator JOHNSTON**—Quite a huge undertaking.

**Mr Douglas**—Indeed. On top of that, of course, are all of the allied health professionals. There is an implied contract every time someone goes to a pharmacist and presents a prescription for issue under the Repatriation Pharmaceutical Benefits Scheme and so on. We have a huge range of suppliers of aids and appliances. The total catalogue is in the order of some 2½ thousand items.

**Senator JOHNSTON**—Has the department had any dealings with a firm or business called Humana?

**Mr Douglas**—The department, as far as I am aware, has no contract for service provision by Humana.

**Senator JOHNSTON**—I am obliged to you for that answer. Have you ever had any dealings with them? I do not mean commercial dealings; I mean: have you ever come into contact with them?

**Mr Douglas**—We have assisted the minister in responding to inquiries made by principals of that company inquiring about delivery of government services.

**Senator JOHNSTON**—Right. What about NIB health? Have you had any contact with them?

**Mr Douglas**—My recollection is that the two go, if I can use the vernacular, hand in glove. The only involvement that we would have had with Humana and NIB would have been in the same context.

**Mr Campbell**—I could maybe come in and assist here. There was some exchange of correspondence, as Mr Douglas pointed out, about helping with preparation of responses. I think it was all in 2008, probably somewhere between September and December. It was

between NIB and our minister. There were two letters from our minister back to NIB. I am quite sure that the minister would be happy to have all of that correspondence given to the committee.

**Senator JOHNSTON**—Thank you for that. Did you meet with NIB and Humana?

**Mr Douglas**—My recollection is that we attended a meeting with the minister at the minister's office at which representatives of Humana and NIB were present.

**Senator JOHNSTON**—Which minister's office?

**Mr Douglas**—My recollection—and I stand to be corrected—is that it was our minister, the Minister for Veterans' Affairs.

**Senator JOHNSTON**—Mr Griffin.

**Mr Douglas**—I really would like to take that on notice. It may have been in Mr Snowdon's office.

**Senator JOHNSTON**—Can you tell me who 'we' are? Was it you, Mr Douglas?

**Mr Douglas**—No, it was not me.

**Senator JOHNSTON**—Was it an SES member?

**Mr Douglas**—It was.

**Senator JOHNSTON**—How many of them were there?

**Mr Douglas**—There was one SES officer, to my recollection.

**Senator JOHNSTON**—Why did he come up to the ministerial wing of Parliament House to the minister's office?

**Mr Douglas**—It is a usual arrangement when the minister or his office meets with particular individuals. Depending on the meeting, the office will seek departmental representation. Sometimes it does; sometimes it does not.

**Senator JOHNSTON**—And your understanding is that there was a requisition from the minister's office for a meeting here in Parliament House?

**Mr Douglas**—No, my understanding is that the minister or his office were asked to be present at a meeting and they then sought departmental representation to support the office at that meeting.

**Senator JOHNSTON**—So the minister was asked to be present at a meeting.

**Mr Campbell**—No, I think we have to be very careful of our language here.

**Senator JOHNSTON**—I am sure we do.

**Mr Campbell**—A lot of what we are talking about is on the public record.

**Senator JOHNSTON**—Some of it is on the public record.

**Mr Campbell**—That is why I am arranging for the letters to be brought in now so that they do not wait for questions on notice. I was not at the meeting. Mr Douglas was not at the meeting. The officer who was at the meeting has now left.

**Senator JOHNSTON**—Where has he gone?

**Mr Campbell**—He transferred to a position in the Department of Health and Ageing.

**Senator JOHNSTON**—So he probably could assist the committee if we needed him to.

**Mr Campbell**—My recollection of the events is that the meeting was in Mr Snowdon's office and that one of our officers attended. As Mr Douglas said, when people are making representations—in this case NIB were making representations about access to data, and that is on the public record—it is quite appropriate for our minister and his office to want to make sure that they have appropriate advice from the department.

**Senator JOHNSTON**—I think that is absolutely, perfectly correct.

**Mr Campbell**—When you see the letters, I think you will see that in respect of the issues that were being raised Mr Griffin said no in both responses that he sent.

**Senator JOHNSTON**—What I want you to tell me is if Mr Griffin was present in either his or Mr Snowdon's office. Your recollection is that it was Mr Snowdon's office.

**Mr Campbell**—I will have to check that, because this was some time ago.

**Senator JOHNSTON**—Yes, please. It was a year ago.

**Mr Campbell**—I am sure I will have that answer before the end of the hearing tonight.

**Senator JOHNSTON**—Representations were made to your minister.

**Mr Campbell**—There were two letters from, I think, the managing director of NIB.

**Senator JOHNSTON**—What was the relationship to your understanding? Were you on board in September?

**Mr Campbell**—I was on board for the second part of the process but not for the first part of the process.

**Senator JOHNSTON**—When was the first part of the process? June or July?

**Mr Campbell**—I think it was July, and I became secretary on 22 September.

**Senator JOHNSTON**—I think 24 September was one of the important dates. What was your understanding of the relationship between NIB and Humana?

**Mr Campbell**—I did not have an understanding of the relationship between the two of them.

**Senator JOHNSTON**—Mr Douglas?

**Mr Douglas**—I concur.

**Senator JOHNSTON**—You had no understanding?

**Mr Douglas**—No.

**Mr Campbell**—It was NIB that wrote the letters, and we were responding to the issue being raised by the managing director of NIB.

**Senator JOHNSTON**—You know who Humana is, don't you?

**Mr Douglas**—We know who Humana is on the basis of subsequent reporting.

**Senator JOHNSTON**—So, when the name Humana was mentioned to either of you, you did not know who they were?

**Mr Douglas**—The name, Humana, to my recollection, was not one that was mentioned in connection to the meeting. My recollection is that we were asked to represent the department in a meeting between ministers and NIB.

**Senator JOHNSTON**—So Humana was not the focus?

**Mr Campbell**—The focus for us was NIB requesting access to data so that they could build and provide efficient health models. From our position, it was all to do with access to data, and that will be clear from the letters that you are going to see.

**Senator JOHNSTON**—That is very good. What sort of data did they want to access?

**Mr Campbell**—From memory, it was a very broad request. The request took less than a page. I think in both cases there was a letter of a page or less.

**Senator JOHNSTON**—Did you see the lawyer's legal advice in support of the request?

**Mr Campbell**—Which lawyers?

**Senator JOHNSTON**—Malleasons, I think it was.

**Ms Spiers**—I do not have a copy of the letter with me, but I do recall that we did receive the legal advice that was annexed to the letter from the law firm Malleasons Stephen Jaques. It was a very generic legal advice about the operation of the Freedom of Information Act—

**Senator JOHNSTON**—Privacy Act.

**Ms Spiers**—and the Privacy Act. The departmental response focused on the fact that, to provide the level of interpretation of the data necessary to provide any useful analysis, it needed a very full understanding of the DVA client group and how we provide services and that we would have to tag the data to allow individual clients to be recognised.

**Senator JOHNSTON**—An analysis of unit costs.

**Ms Spiers**—It was a very generic request, from memory.

**Senator JOHNSTON**—Did you need to go and get legal advice to deal with their legal advice?

**Ms Spiers**—I provided in-house legal advice.

**Senator JOHNSTON**—Very good. I love it when in-house counsel is able to do that. What on earth is going on here? You have been called up to the minister's office, someone is making requests to see cost models supported by legal advice to provide answers to privacy and information legal obligations of the department. What was going on?

**Mr Campbell**—In respect to the words 'what was going on', the minister received a letter. He responded to it. Then he received a subsequent letter, which he responded to. In that context, there was the one meeting that we have referred to to the best of our memory. That is not unusual when a person writes to a minister seeking something. Our advice to our minister—

**Senator JOHNSTON**—What were they seeking?

**Mr Campbell**—Data.

**Senator JOHNSTON**—Why?

**Mr Campbell**—It was a very general comment; I would have to go back and look it up. But it was to build some form of health models.

**Senator JOHNSTON**—They were scoping the department out for a commercial offer, were they not?

**Mr Campbell**—That is not what was in the letter, and we took the request on its face value because we had legal advice that that was not at all possible. So we handled it down that line.

**Senator JOHNSTON**—I am glad you did.

**Mr Campbell**—Our minister wrote twice to NIB—I think it was to the managing director—and in both cases said no. One letter was dated 31 October and the other one I have here somewhere, and we will give copies of it to the secretariat.

**Senator JOHNSTON**—Mr Campbell, I am inclined to say that the department has conducted itself in an exemplary manner. What I am concerned about is that the minister aided and abetted a commercial scoping operation.

**Mr Campbell**—I do not see it as being anything akin to a commercial scoping operation. They might have had some long-term goal, but I do not think it is fair to say that the minister aided and abetted them.

**Senator JOHNSTON**—Well, tell me what they wanted.

**Mr Campbell**—The minister said no both times.

**Senator JOHNSTON**—I don't care what he said. Tell me what they wanted—such that you had to call your lawyer in to respond to it.

**Senator Stephens**—Senator Johnston, please. This is over a year old. It is an issue that only peripherally involved the department, and we are trying to respond to your questions in a reasonable way. Please do not berate the staff.

**Senator JOHNSTON**—I am sorry, Senator! It is only \$5 billion!

**Senator Stephens**—And the minister wrote, quite clearly and definitely, saying no.

**Mr Campbell**—Senator Johnston, I presume that you have the letters, because you obviously have the legal advice.

**Senator JOHNSTON**—I don't.

**Mr Campbell**—The letter which had the legal advice attached to it—which is why I thought you had it—

**Senator JOHNSTON**—As much as I would like to have it, I have not got it.

**Mr Campbell**—basically says that, based on his US experience—and the other company is not named—they suspected there may be potential for cost improvement. The letter went on to say:

An example we think has great potential would be DVA's claims adjudication and payments process. On a consultancy basis, we can then confine our initial research to the nominated area and report back to

you. Based on our legal advice, Commonwealth procurement policy actually contemplates such circumstances.

If I could just add to the record—

**Senator JOHNSTON**—Are you going to table that letter for us?

**Mr Campbell**—Yes.

**Senator JOHNSTON**—Beautiful.

**Mr Campbell**—No problem. We have checked the record now. We were not anticipating these questions, as the issue had been worked through some time ago. The minister, Alan Griffin, attended one meeting in committee room 1R6 on 27 August 2008. As far as we know, there were two departmental officials in attendance. One was a Mr Richard Bartlett, who was the SES band 1 that we mentioned who has gone to health and ageing. The other one was the then deputy president, Mr Ed Killesteyn. There was a request to the minister to attend a subsequent meeting. That was refused, and he did not attend any other meetings, as I understand it.

**Senator JOHNSTON**—When was the second request?

**Mr Campbell**—I do not have that date in front of me, but it was obviously after August and before 31 October. But that date would be on the public record.

**Senator JOHNSTON**—Could you take that on notice as to when the second request came to the minister, whether he refused in writing and who the request was from?

**Mr Campbell**—Certainly. I will check whether it was in writing or not.

**Senator JOHNSTON**—The 1R6 meeting yielded a request from NIB, addressed to whom?

**Mr Campbell**—I think the two letters that came from the managing director of NIB were addressed to the Minister for Veterans' Affairs, Alan Griffin. He responded to both of those, and we will give you copies of that letter.

**Senator JOHNSTON**—Both letters.

**Mr Campbell**—Yes.

**Senator JOHNSTON**—Including the legal advice?

**Mr Campbell**—Yes.

**Senator JOHNSTON**—Did you see the request for the private information that was the subject of the legal advice?

**Mr Campbell**—The first bit of correspondence was before I became secretary. I saw it subsequently and I did see the second set of documents.

**Senator JOHNSTON**—What, precisely, was the documentation seeking?

**Mr Campbell**—They had an attachment to the letter with information of 17 September 2008—this is the letter we will give you. They were seeking schedule data requirements from us: hospital services, residential care services, medical services, other healthcare services, pharmaceutical services, home and community care services, counselling services and all

other. And they wanted to receive three to five years of longitudinal data for the entire covered DVA population.

**Senator JOHNSTON**—Sorry—say that again?

**Mr Campbell**—They also wanted to received three to five years of longitudinal data for the entire covered DVA population.

**Senator JOHNSTON**—What is ‘longitudinal data’?

**Mr Campbell**—Over a period of time; not a snapshot, but over a period of time. You might have it at 1 January, 1 June—that sort of thing.

**Senator JOHNSTON**—Your forward projections were being asked for, were they?

**Mr Campbell**—No, looking at this I suspect that it is what has happened; historical, rather than projected.

**Senator JOHNSTON**—Historical data as to your costs incurred in service provision?

**Mr Douglas**—And the treatment provided.

**Senator JOHNSTON**—Right.

**Mr Douglas**—In other words, they wanted three to five years of data which gave every instance of service, what that service was, what the cost was and what the nature of the service was.

**Senator JOHNSTON**—How long have you been with the department?

**Mr Douglas**—Six years.

**Senator JOHNSTON**—In that six years, how many requests addressed to the minister have you received from organisations seeking that data?

**Mr Douglas**—I could not say off the top of my head, but I would venture a number larger than one—

**Senator JOHNSTON**—One! That is a beautiful answer—that is the answer of the day!

**Mr Douglas**—and fewer than about 10.

**Senator JOHNSTON**—And fewer than 10 over six years. That is good!

**Mr Douglas**—I think I have covered my bases fairly widely there.

**Senator JOHNSTON**—Did you have any indication as to why they wanted that data?

**Mr Douglas**—There is a mention of why they sought the information in the letter. In essence, as the secretary previously outlined, they believed that they would be in a position to make an offer to the government, where they could provide these services at a lower cost than what the government was currently incurring.

**Senator JOHNSTON**—They were looking to prepare a commercial offer to the government based upon the statistical facts going back five years, if you were to provide them.

**Mr Douglas**—That would be an imputation, not a factual finding.

**Senator JOHNSTON**—They were looking to make a commercial offer?

**Mr Douglas**—That would be an imputation, not a factual finding.

**Senator JOHNSTON**—A commercial offer; yes. How long would it take us to prepare that longitudinal data back to comply with that request? Is it a big job?

**Mr Douglas**—Yes, a large job.

**Mr Campbell**—But I stress that we did not get past the first hurdle about whether we—

**Senator JOHNSTON**—And hallelujah to that. I am just working out what the commercial realities here were when the department was confronted with this request. We then went to the lawyers, our in-house counsel, to analyse the legal advice that they had obtained. Did we ever see a cost of their legal advice?

**Mr Douglas**—No, it is not attached.

**Senator JOHNSTON**—How many pages is the advice?

**Mr Douglas**—4½ pages.

**Senator JOHNSTON**—Is it by a partner solicitor or is it by independent counsel?

**Mr Douglas**—By a partner.

**Senator JOHNSTON**—Is he a Senior Counsel or a QC?

**Mr Douglas**—He is listed simply as a partner.

**Senator JOHNSTON**—On the front of the document do they have a list of their partners?

**Mr Douglas**—No, it is just a list of the single partner.

**Senator JOHNSTON**—And you are going to table all that for us?

**Mr Campbell**—Certainly. Can I clarify one point. We are obviously getting information as we are here talking.

**Senator JOHNSTON**—As long as you allow me to take any question on notice, I am happy for you to ask me a question.

**Mr Campbell**—This is clarification of something I have just said rather than a question. To the best of our knowledge back in the office there was only one request for a meeting, there were two written requests and there was not a second meeting request, as I mentioned. That was an error.

**Senator JOHNSTON**—There were two written requests for the first meeting?

**Mr Campbell**—As I understand it. That is the note I have just been given.

**Senator JOHNSTON**—Who were the written requests from?

**Mr Campbell**—I would have to take that on notice. I have just been given that note here as advice.

**Senator JOHNSTON**—If you can provide us with the written requests, the dates of those requests, the addressee and the addressor, I would be obliged.

**Mr Campbell**—Yes.

**Senator JOHNSTON**—I am happy with that. We can move on to something else unless anyone else has any questions.

**Mr Campbell**—I have now got the information you were seeking about Foxtel.

**Senator JOHNSTON**—Beautiful.

**Mr Campbell**—We have 12 licences that are mainly used in the ACT within our national office in Woden. We pay for seven channels: they are the news, current affairs, Sky, CNN, BBC and those sorts of things for our parliamentary and media area. There are seven licences. We then have 12 licences for access to the parliamentary channel and we have a couple of other licences for the media people, me and the deputy president.

**Senator JOHNSTON**—What is the cost of all of that?

**Mr Campbell**—We are finding that out. I will take that on notice. But what we pay for is the news channels.

**Senator JOHNSTON**—That is good.

**Senator KROGER**—I want to turn to the disturbing case of Rex Crane, who we have read frauded the government for some significant time. First of all, what was the total value of payments to him from the Australian government, including pensions and any one-off payments?

**Mr Campbell**—I have a couple of comments about the case of Mr Crane. First of all, Mr Crane is yet to be dealt with in any court of law, so I will choose my language carefully. We do not have a final figure of the amount of money that has been paid by the department to Mr Crane and Mrs Crane in respect of direct payments as income support or compensation payments because we do not have the final tallying of all the health costs that we have paid.

**Senator KROGER**—I presume that assessment is currently underway.

**Mr Campbell**—That is certainly underway. Mr Crane has been in receipt of the special rate of pension for over 20 years and in receipt of service pension for over 20 years. From memory, the amount of money that that would add up to is approximately—all this is approximate, and we have the health costs—\$640,000. But I would also stress that it is possible that for part of this time the Cranes would have been eligible for the age pension, so if they had not been receiving this they might have been receiving the age pension.

**Senator KROGER**—Thank you. Going on from your earlier comment, are there plans underway to initiate proceedings?

**Mr Campbell**—That is a matter for the Federal Police. We referred it to the Federal Police on the day that we became aware of it—about 10 hours after we became aware of it—and my understanding is that the Federal Police are taking action, yes.

**Senator KROGER**—How did you become aware of it?

**Mr Campbell**—The deputy commissioner in Queensland rang me at about ten to nine on the Thursday morning, which would be three weeks ago tomorrow. I do know Mr Crane, by the way. The deputy commissioner said that Mr Crane had just walked into her office—he had made an appointment the day before—and made certain claims about such things as POW status, and so she rang me. That is how I found out.

**Senator KROGER**—It would have been a very surprising call.

**Mr Campbell**—Life is full of surprising calls.

**Senator KROGER**—It has obviously attracted much attention in the media, and that attention includes suggestions of other fraud cases. Are there any other cases being considered at the moment?

**Mr Campbell**—There are probably two things to handle here; I will handle one and then I will ask Ms Spiers to handle the other. This occurred, as I said, 20-odd years ago, but we are now going back and having a look at a number of cases to make sure that this is the only one and for that sort of context. We are doing that, you would expect us to do that and that is proceeding. I think, however, that the media allegations relate to a particular website, the ANZMI website. I think that is what the media commentary is about. At last count I think there were 118 cases. I might ask Ms Spiers to give you a bit of background on that.

**Ms Spiers**—The ANZMI website is the Australian and New Zealand military impostors website. We understand that the site has been active for some time. We have looked at the cases listed on the ANZMI website, and the level of detail is very specific in some cases and very general in others. It can be as general as saying, ‘Veteran Mr Smith lied about his service.’ That is how unsubstantiated or unspecific it can be. We analysed the 116 cases that were on the website on 16 October against our databases in terms of investigation. Forty of those named people were not known to DVA at all; they were not on our investigation database or our general departmental databases. There were 11 that were not on our investigation databases; they were known to the department and were on our general database, but they were not in receipt of a payment from the Department of Veterans’ Affairs.

**Senator KROGER**—Sorry, Ms Spiers; I will just pick you up for clarification on the 40. When you say that they are not known to you—

**Ms Spiers**—They are not known clients of the department.

**Mr Campbell**—They are not in receipt of any—

**Senator KROGER**—Not in receipt of any entitlement.

**Mr Campbell**—No, they are not in receipt of any benefit. They might be entitled—in other words, they might well be a Vietnam veteran, for example—but they have not come to us for any benefit: health care, pension et cetera. So there are veterans out there whom we do not have on our books because they have not come to us for any service.

**Ms Spiers**—The other large group was that for 26 of the 116 where we had previously undertaken compliance investigations on the named individuals and those investigations are closed.

**Senator KROGER**—Are the investigations a departmental internal review? How do you undertake that process?

**Ms Spiers**—There are a departmental internal reviews which are quite separate. That is a review of entitlement administratively. When I mentioned the word ‘investigation’ I meant that we had a compliance investigation. There are three stages to our compliance investigation. If, for instance, we receive an anonymous allegation about an individual, we

will do a desk check to see whether that person is known to the department and in what capacity. Sometimes it can be that there is an anonymous allegation that a person has a gold card and should not have a gold card—a younger person. We might look on our system and find that we know that individual and they are entitled to a gold card. That is the end of that level of investigation.

If it gets through the first pass of our compliance investigation and there might be something that we need to tease out further, we will do a full file review. We will obtain any material that we can obtain about the individual from sources such as Centrelink, if that is appropriate, the Australian tax office, if that is appropriate, the Department of Immigration and Citizenship, there might be issues of whether they are in Australia or not—those sorts of issues. If we get to the end of our desk review of the case and there still seems to be an issue that we need to investigate further, it goes formally to our fraud investigation area who will do the full investigation. But by that stage there is a body of information to support what started off as an anonymous allegation. At any point in that process a case can be closed due to lack of evidence to support the allegation or specificity or due to the finding that it is an appropriate payment to an appropriate person under our act.

**Senator KROGER**—So other than ANZMI are most of the questions in relation to the validity of an individual's claim through vets themselves? How do you become aware of them? Is it through what you consider to be internal inconsistencies in what you are seeing?

**Ms Spiers**—There are a variety of ways that we gather information about what we consider potentially noncompliant activity. We do receive anonymous tip-offs. That is not necessarily from members of the veteran community. It can be from anyone. We have had incidences where schoolteachers have disclosed details of what a child at the school has said at show and tell about their parent, for instance. It can be neighbours. It can be all sorts of things. We do not necessarily have a context for where or who the anonymous tip-off is from. That is one source of information that we receive and we are required to actually test the validity or veracity of that information and determine whether it requires further treatment in terms of an investigation.

The compliance group more broadly has a tactical element to it. A large part of their work is reviewing the service delivery of our health service providers, so looking for any issues in the size of billings, number of clients seen on a particular day, and also any particular groups of service providers that might need some more attention in terms of drilling in. They might, in that group, look at a particular region of service providers or a type of service provider in a region and say, 'We want to see what is the average number of claims or services, they provide and for what sort of thing.' There might be anomalies from that review that then fall to our operational group who will then look into the detail potentially of individual service providers. That is the other source of information that we get.

We also get referrals from staff who may be doing, for instance, a pension assessment and there is something odd about the claim form that does not look right, the signatures do not match, all of the above, or the information is wrong. They will go through the first stage of inquiry to actually validate the information. So we have multiple sources for that information; I could not say there would be one.

**Senator KROGER**—Thanks very much for that. How many potential cases of fraud have you currently got under investigation?

**Ms Spiers**—I will just check the many lists of information I brought with me. I am not too sure I brought that one. Senator, I do not have the actual number with me so I am happy to take that on notice.

**Mr Campbell**—But in terms of quantum we are talking about well and truly less than 100, aren't we, Ms Spiers?

**Ms Spiers**—Yes.

**Mr Campbell**—They are done in several categories, which is why Ms Spiers is having trouble pulling them together. But just to give you a context of a quantum, we are not talking about hundreds or thousands here, we are talking about tens.

**Senator KROGER**—That is fine, Ms Spiers, if you want to provide me with that later. How does that stack up against, for instance, the last financial year—is it on the rise or is it static? How does it compare over the last couple of years?

**Ms Spiers**—I will have to take that on notice. I have lots of statistics here in front of me but those actual statistics I did not bring tonight, I apologise.

**Senator KROGER**—That is fine, no problem at all. Do we have any cases in hand where individuals have been charged with fraud and we are seeking recovery of moneys they have improperly received?

**Ms Spiers**—I can deal with that question. In the last financial year there were two cases we referred to the Commonwealth Director of Public Prosecutions for consideration for prosecution. In that same financial year, five led to a successful prosecution. Those five cases might not have been referred in that financial year but that was the year that they were successfully prosecuted. While I have not brought the specific detail of those five cases with me, it is our practice that wherever there is a prosecution we would also seek recovery of the debt owed to the Commonwealth.

**Senator KROGER**—Over the last 12 months has there been a review of the identification process in terms of this matter, tightening up the process to validate individuals claims?

**Ms Spiers**—You are asking in relation to the first case you referred to when you say 'tightening up of processes'?

**Senator KROGER**—Yes.

**Ms Spiers**—I might refer this to—

**Senator KROGER**—Well, has it precipitated—

**Mr Campbell**—I think there is a bit of confusion about your question. Are you asking: have we in the last 12 months tightened up procedures with regard to identification of individuals?

**Senator KROGER**—Yes.

**Mr Campbell**—No. The case that you referred to earlier is almost unique and there is a very particular way it appears to have come about, if the allegations are true. What happens is

that 99.99 per cent of people who get benefits from us have a service number and we relate that back to their military records with Defence. Therefore, we have a situation where we are drawing upon the Defence records of identification. The more likely false claim that is made is not of false identity but of 'I was there' when in effect the person may not have been there that gave rise to the incident. In the last 12 months, no, the department has not tightened up its procedures and I would argue that we have not seen anything in the last 12 months that means we have to tighten our procedures.

**Ms Spiers**—Having said that, we do comply with the whole-of-government approach on proof of identity in that if a new person walks in the door we do seek their points of identification as part of the claim process. That has not changed. That is part of the Attorney-General's whole-of-government proof-of-identity procedures.

**Senator KROGER**—With those cases that have been successfully prosecuted you seek, I presume, full recovery of moneys that have been paid?

**Ms Spiers**—That is usually the case. I did not bring the details of those five cases. I would talk in the abstract in saying, yes, that is the case in general.

**Senator KROGER**—In general principle it would be full recovery. What would be the success rate of recovery of moneys?

**Ms Spiers**—It would depend on the individual case, the value of the debt owed to the Commonwealth and what liquid assets, if I could put it that way, were available to the individual. Whenever we seek to recover—and this is not just in cases of prosecutions but in debt recovery—we have the details of the people's income and assets and, where it is practical, we seek to get a lump sum payment. Where it is not, we seek recovery on a more regular, fortnightly basis. There is not a one size fits all.

**Senator KROGER**—Thanks, Ms Spiers. That has been very helpful. I have a question in relation to the prime ministerial advisory council. We touched on this briefly at the last estimates and in June we were advised that the composition of the council would be determined fairly shortly.

**Mr Campbell**—No. The composition of the prime ministerial advisory council was determined late last year. Underneath the prime ministerial advisory council and the ex-service organisation roundtable there are four national consultative forums: mental health, operational matters, emerging issues and community and aged care. They were the groups that we were still finalising the membership of.

**Senator KROGER**—Yes, you are right.

**Mr Campbell**—To anticipate your question, I am quite happy to provide the committee with the membership of all four committees. That has been finalised.

**Senator KROGER**—That would be great. How many times has the council met since we—

**Mr Campbell**—The prime ministerial advisory council?

**Senator KROGER**—Yes.

**Mr Campbell**—It has met six times. Since our last meeting here it met on 2 and 3 July and on 15 and 16 October—last week.

**Senator KROGER**—Does the Prime Minister attend those councils?

**Mr Campbell**—He does not attend all of them. He attended one of the earlier ones, but last week he was interstate when the meeting was held.

**Senator KROGER**—Are they teleconference meetings or are they—

**Mr Campbell**—They have had both face-to-face and teleconference meetings on particular issues.

**Senator KROGER**—And the last one was a teleconference?

**Mr Campbell**—No, the last one, last Thursday and Friday, was actually in Canberra in this building and it was face to face.

**Senator KROGER**—Very good. I did not see them in the corridor. Can you confirm whether at the meeting in July the Clarke review recommendations were considered?

**Mr Campbell**—They did discuss outstanding issues relating to the Clarke review, yes.

**Senator KROGER**—And was one of those issues the public release of that review?

**Mr Campbell**—The public release of which review, Senator?

**Senator KROGER**—When will the review be released publicly? Was that actually—

**Mr Campbell**—Not in the sense that I recall it being discussed. The review was put forward by the now government as an election commitment. Submissions were called for, those submissions were received and that matter is now under consideration by government. That will be a report by the minister to his colleagues, and I could make no commitment about making that public.

**Senator KROGER**—Were any recommendations made in relation to the Clarke review at that meeting?

**Mr Campbell**—PMAC put views to the minister on particular recommendations, yes.

**Senator KROGER**—Can you furnish us with any of those details?

**Mr Campbell**—I do not think it is my place to actually provide you with what PMAC were providing—

**Senator KROGER**—I was being a bit cheeky on that one!

**Mr Campbell**—I know you were, but I will put it on the record that is not my place to provide that sort of advice, Senator.

**Senator KROGER**—Were the recommendations accepted?

**Mr Campbell**—The minister is still considering them, because he has had views from quite a range of people and he is still considering the position on all of the outstanding recommendations by Clarke—and the PMAC views will obviously be taken into account in that context.

**Senator KROGER**—At one of those meetings, was the deseal-reseal inquiry up for discussion?

**Mr Campbell**—I would have to go back and check but I am sure that at one of those meetings we certainly would have advised the PMAC what was in the parliamentary deseal-reseal report, and the 18 recommendations. Yes, we would have advised them as part of our process of briefing them on what is going on.

**Senator KROGER**—So there would have been recommendations on that?

**Mr Campbell**—I think, from memory, that that was a briefing provided to them. That is how I would describe that item.

**Senator KROGER**—Thanks. On a separate matter, some veterans have come to me expressing concern about rehabilitation and compensation act payments. Their concern is that, when matters go to the AAT, they feel that they are up against Goliath, with the department pulling out the big guns with their big lawyers, and it is very hard for them to compete in terms of being able to appropriately represent themselves legally. Is that an area of complaint that you have come across a number of times?

**Mr Campbell**—Certainly, I have heard those complaints but I think the data that Ms Spiers will be able to provide you with probably puts the lie to those claims.

**Ms Spiers**—Senator, when you referred to rehabilitation and compensation matters, can I just clarify which act you mean, because the answer differs depending on which act you are referring to. Some of the AAT jurisdictions are costs jurisdictions, so it depends on whether they are looking at Safety, Rehabilitation and Compensation Act matters or Military Rehabilitation and Compensation Act matters.

**Senator KROGER**—I was actually thinking more in terms of income support and compensation.

**Ms Spiers**—Okay. The compensation under the Veterans' Entitlements Act is a non costs jurisdiction. The department is generally represented by in-house departmental advocates at those hearings. The veterans and widows often have solicitors representing them at those matters. They are funded by a legal aid scheme under the Attorney-General's Department which the Attorney-General's Department administers, through the legal aid commissions, which is priority funding for veterans' legal aid matters. So those veterans are entitled to veterans legal aid funding for their AAT matters. It is not, though, for income support matters at the Administrative Appeals Tribunal. It is for compensation matters—but not all—at the AAT.

**Senator KROGER**—You are suggesting that most of your representation is not internal representation?

**Ms Spiers**—With the Veterans' Entitlements Act matters, yes, most of them are. There are some matters that my lawyers handle where the matter has gone to the Federal Court on a point of law and then the Federal Court, after making deliberations on that issue, returns the matter to the Administrative Appeals Tribunal to consider the merits of the case. In those cases—what I call 'remitter' cases—we usually continue with the lawyer who represented us at the Federal Court in the AAT, but that is not the norm.

**Senator KROGER**—Then you would suggest that the line item I have here, where the department spent \$6.1 million on external legal services in 2008-09 was not for representation of the department at the AAT?

**Ms Spiers**—There is a high proportion of that which is for AAT representation for Safety, Rehabilitation and Compensation Act cases—not veteran's cases, but those that are covered under that legislation. The model we use with that group is a panel of lawyers. As you would be aware, these are Comcare type matters, and we use the old Comcare legal panel. That is a different model, and in that sense the AAT is a cost jurisdiction; so if the lawyers representing the individual members or former members for the Safety, Rehabilitation and Compensation Act are successful at the AAT they can seek a cost order against the Commonwealth.

The cost orders are open for either party to receive in terms of a favourable outcome. In general terms, though, the Commonwealth is not usually successful with cost orders at the AAT.

**Senator KROGER**—Many of those families suggest that they have to get there first before they can get the cost order awarded to them in their favour. But we do not need to debate that one today.

**Senator TROOD**—Mr Campbell, I want to ask some questions about the way in which you communicate the entitlements to your veterans. I think I am right in saying that you have a clause in your charter, which says it is the commitment of DVA to:

... keep you fully informed of your rights and entitlements ...

How do you, typically, go about that task?

**Mr Telford**—There are a range of processes that we have. In terms of when a person is successful in respect of a claim that they have made, when we give that determination there is a communication which is given to them outlining what their responsibilities and rights are. They are provided with a booklet, such as *You and your pension*, which outlines what the requirements are. Communications of various sorts and letters also indicate how they have to report back to the department any change in their financial circumstances, or the current situation they are in. There are those sorts of formal requirements to inform people of the obligations that they have to respond and keep us informed of their situation. And, of course, there are other informal, less personally directed communications through *Vetaffairs* and other publicity materials that we have, which just remind people of their requirements and make sure they are aware of changes to circumstances which may have an impact upon them. It is quite a broad range.

**Mr Campbell**—If I can add to this. Yours was quite a general question, and I think we both had to think a little bit about it. In addition to what Mr Telford said, we have a very comprehensive set of fact sheets, available both in hard copy and on the net, which go through particular items—they are not long. As Mr Telford said, we have *Vetaffairs*, which is our magazine/newspaper which goes out to all of our clients.

We also fund the ex-service community because a lot of the claims that are made to us are done through the ex-service community through advocates or pension officers, so we provide a program called BEST funding which provides funding to assist organisations to help veterans and their families. We also provide a TIP program which trains people to assist

people to prepare claims. Generally, we provide support and advice to the ex-service organisations, of which there are a large number, as being one of the vehicles by which we get information to individuals.

**Senator TROOD**—Obviously, there is a variety of means. In some cases where veterans have come to your attention because they have made a claim then they obviously have a connection with the department and you have a means of communicating on a regular basis while for those veterans who may not have a relationship in the sense that they have any particular entitlement or are receiving a benefit the primary connection is then perhaps through the organisations with which they might be connected.

**Mr Campbell**—If they have not been to us the connection often comes through family. It comes through colleagues who they served with and it might come through ex-service organisations.

**Senator TROOD**—Can I take it, Mr Campbell, that your general philosophical approach to this matter is that veterans should be entitled to the benefits to which they are entitled, if that makes sense?

**Mr Campbell**—Most certainly.

**Senator TROOD**—So you are in the business of ensuring that people receive entitlements if they have qualified for those. Is that a fair statement of the situation?

**Mr Campbell**—Yes.

**Senator TROOD**—I have a particular case in mind where a veteran sought advice from the department, and he was advised properly that he was not entitled to a benefit. However, the legislation under which he claimed changed a week later and he then became entitled, but sadly nobody advised him that there had been a change of legislation and so for a long period of time he was not aware that he had qualified for the entitlement and he did not receive a benefit. This seems to me a somewhat unjust circumstance because there clearly was an entitlement. He just happened to ask on the wrong day.

**Mr Campbell**—I think that is an unfortunate circumstance, but unfortunately I can imagine it happening in a very limited number of cases.

**Senator TROOD**—What advice do you have for someone in this situation?

**Mr Campbell**—I would have to know the particular details of the case and I do not know this case. Unfortunately, the person was not eligible when they came to us and they were advised as to that case.

**Senator TROOD**—Which was correct advice.

**Mr Campbell**—I understand that. It is unfortunate that when the legislation changed, be it a week, a day or year later, that there was not a recontact with that person. As I said, it is unfortunate.

**Senator TROOD**—Would the department consider a retrospective case where someone who had not applied has subsequently become aware of an entitlement?

**Mr Campbell**—I think the way the legislation would go here is that under most of the provisions of the VEA the answer would be that we could not because the statute would not

allow it. What the person involved may want to do—and may well have done—is to apply to the department for a defective administration.

**Senator TROOD**—To your department?

**Mr Campbell**—Yes, because that is one of the provisions. Without knowing the circumstances of the case I cannot hazard an opinion as to whether they would get up or not. But I think not telling somebody about a change in legislation, be it a day, a week or year later, would be found very hard to be taken up as being under the defective administration rules.

**Senator TROOD**—So that is generally not a precedent for a claim of defective administration.

**Mr Campbell**—No, it certainly is not.

**Senator TROOD**—I am not at liberty to use the name, so I cannot provide you with the details of this particular case.

**Mr Campbell**—If you wish to do that confidentially and in camera, I would be happy to have a look at it.

**Senator TROOD**—I might do that.

**Mr Campbell**—I am always willing to learn about how we can improve our services. The case you are talking about is very difficult because at what point in time is it that the department does not remember this person came in with a claim. One day and one week might seem okay, but do we have a responsibility 12 months, 15 months and 18 months?

**Senator TROOD**—I acknowledge the potential difficulties of this, but I guess the question is—

**Mr Campbell**—If you send me the details of the case, I will see what background I can get for you.

**Senator TROOD**—I will do that. Thank you, Mr Campbell.

**Mr Campbell**—The minister has now provided some words to me that he would like me to read to the committee in relation to the matter that Senator Johnston was raising early.

**CHAIR**—Mr Campbell, why don't you read those words.

**Mr Campbell**—Do I have the indulgence of the committee?

**CHAIR**—Yes.

**Mr Campbell**—Minister Griffin was requested to attend a meeting on 27 August 2008, which included Defence representatives, in 1R6, as explained previously. NIB was told by Minister Griffin on that day that it did not appear that any proposal they would come forward with would be suitable for Australian veterans and their families. They were told that if they wished to pursue the matter it would need to be put in writing. That request was received and is the first letter in the correspondence tabled. The minister responded in writing that the request could not be granted as set out in the letter. NIB wrote again with legal advice that the information could be provided. The minister wrote back and said no.

On the issue of a company approaching DVA and minister exploring potential services of a commercial nature, DVA contracts out the provision of effectively all of its healthcare provisions through contracts with private hospitals, public hospitals and other commercial or community based providers. I can provide more details if you wish.

In short, commercial approaches to provide better services to the veteran community are something we deal with everyday. The point is this: no data will be provided or has been provided to someone seeking commercial gain that infringes on the privacy of our clients or provides any commercial advantage to a company or individual.

**CHAIR**—Thank you, Mr Campbell.

**Senator BARNETT**—My questions relate to the provision of the Fuzzy Wuzzy Angels Commemorative Medallion and the compensation payable. I am asking for a status report with respect to that and specifically the number of applications that have been made to date, the expressions of interest that have been made to date and the number of medals that have been provided to date. In doing so, I note that a Senate motion was passed without dissent on 24 June last year in my name and the name of Senator McGauran calling for the provision of those medals and calling for the granting of a small ex-gratia payment where appropriate, and I will come to that shortly. Can you provide us with an update?

**Mr Collins**—Four fuzzy wuzzy medallions have been given so far: three to ex fuzzy wuzzy angels and one to a widow of a fuzzy wuzzy angel. Another two have gone through the proof process and are before the New Guinea authorities for final approval. I believe there are about another 20 currently under investigation. The investigation process is essentially that two senior members of their local community in New Guinea vouch for the individuals as being ex fuzzy wuzzy angels because clearly there is no documentation. It is a fairly loose proof of identity process.

**Senator BARNETT**—Thank you for that. Can we now go into the particulars of those four granted to date. Do you have the names and the date of the granting of the medallions?

**Mr Collins**—I do not have the names of them. The first medallion was presented on 23 July, on Papua New Guinea Remembrance Day. The three others were presented—

**Senator BARNETT**—By the minister? I understand the first one was presented by the minister.

**Mr Collins**—The first one was presented by the minister. The three others were presented by the High Commissioner in New Guinea on 2 September.

**Senator BARNETT**—Were they all presented at the same time?

**Mr Collins**—Correct.

**Senator BARNETT**—You will take on notice the names for those?

**Mr Collins**—Certainly.

**Senator BARNETT**—The two you are proofing at the moment: how far away are those? Are you able to provide the names, or is that not appropriate just yet?

**Mr Collins**—I do not have the names for them. They are awaiting the return from overseas of a New Guinea government minister—I think it is a minister; certainly it is a New Guinea

government representative—so they can put those names before him. The New Guinea government have declared that 3 November is Fuzzy Wuzzy Angels Day in New Guinea and there was some thought to try and have these two approved in time so they could be presented on Fuzzy Wuzzy Angels Day, but it does not look like that will occur simply because the New Guinea authority to do the approval is not in the country at the moment.

**Mr Campbell**—If I could add to that, Senator, I do not think it would be appropriate for us to release the names of people who are going through the vetting process.

**Senator BARNETT**—I can understand that, Mr Campbell. That is entirely sensible. But once they have been provided I am sure you will. The 20 under investigation, as it were: can you advise when they were nominated and how long it has taken to investigate their creditworthiness and validity?

**Mr Collins**—I cannot tell you exactly when all the claims came in.

**Senator BARNETT**—You can take that on notice?

**Mr Collins**—We can certainly take that on notice. It is not a difficult process, but what we need to do is be able to get some senior people in the villages to be able to vouch for the individuals.

**Senator BARNETT**—I fully understand. I am trying to get an understanding of how long all this takes. Is it weeks or months? I would like to know when the nominations were made and then how long the investigations take place. I am more than happy for you to take that on notice.

**Mr Collins**—Certainly.

**Senator BARNETT**—I am also interested to know if expressions of interest have been made to the department or to PNG in addition to the 20 that are currently under investigation?

**Mr Collins**—Just off the top of my head, I believe something in the vicinity of more than 120 people have made representations, but many of those very early in the piece were found to be not eligible for consideration.

**Senator BARNETT**—What is the expectation of the number of medallions that are likely to be provided in, say, the next 12 months?

**Mr Collins**—Our own estimate that we put forward fairly recently was up to about 40.

**Senator BARNETT**—Can you advise the committee how many fuzzy wuzzy angels, based on your best estimates, provided support to the Australian services during the Second World War?

**Mr Collins**—Our estimate at the time we were looking to produce the medallion was in the vicinity of 50,000.

**Senator BARNETT**—So we have an estimate of about 50,000 that provided service to the Australian diggers and yet we have granted four medallions, we have got two proofs and we have got 20 under investigation and we have only had 120-odd representations. Does it concern you that we have only received that many?

**Mr Collins**—At the time we looked to do the medallion our estimate was that in the vicinity of 1,200 to 1,500 fuzzy wuzzy angels or their widows may well have still been alive.

**Senator BARNETT**—When was that?

**Mr Collins**—That was in April this year.

**Senator BARNETT**—Was that when it was first announced by the minister that you would proceed with the medallion in accordance with the Senate motion?

**Mr Collins**—Yes.

**Mr Campbell**—Senator, that was an estimate based on population in a country that has different arrangements to us and different health card numbers.

**Senator BARNETT**—I understand that.

**Mr Collins**—I think it was a very, very generous estimate.

**Senator BARNETT**—It was your best estimate. What were the numbers again in April?

**Mr Collins**—I believe the figure was 1,200.

**Senator BARNETT**—Up to 1,200?

**Mr Collins**—Up to 1,200.

**Senator BARNETT**—That was your best estimate.

**Mr Collins**—Yes.

**Senator BARNETT**—You can take it on notice to confirm that. Is there any expectation that we are going to try and track down the family members of the fuzzy wuzzy angels who perhaps have passed away? Of those 50, 000, obviously the bulk of them would have passed away because it is over 67 years since the Kokoda battles in 1942.

**Mr Collins**—The medallion as it stands is eligible to be granted to the fuzzy wuzzy angels or the widows of the fuzzy wuzzy angels who were alive at the time which was 28 April this year.

**Senator BARNETT**—All right. So they had to be alive on 28 April.

**Mr Collins**—That is right.

**Senator BARNETT**—Okay. Let us move to the issue now in the Senate motion regarding the appropriate initiatives including the making of a small ex gratia payment to each fuzzy wuzzy angel in recognition of their contribution over and above the call of duty. Where is the department at with respect to the providing of an appropriate small ex gratia payment?

**Mr Campbell**—It is not a matter for the department to do that. It is a matter for the government to make a decision to do that. Obviously, if there is a decision then payments will be made. The question you are raising, Senator, is really a matter for the government not the department.

**Mr Collins**—The medallion as it stands does not come with any compensation payment.

**Senator BARNETT**—Thank you for that. I am aware of that. What is the position of the government, perhaps Senator Stephens might be able to assist?

**Senator Stephens**—I am happy to assist. When the announcement was made on 28 April 2009 by Prime Ministers Rudd and Somare about the commemorative medal there was an intention to acknowledge the contribution of the fuzzy wuzzy angels. There has been some discussion about the importance of getting the medallions out and understanding just how many of these brave souls or their families are still alive. In terms of your question and your motion in the Senate about compensation, as Mr Collins said, there was never a link between the medallions and any compensation. In fact, in 1986 the PNG government administered payments of 1,000 kina to surviving fuzzy wuzzy angels at the time and that scheme was actually active for three years.

**Senator BARNETT**—Were they one-off payments?

**Senator Stephens**—Yes, it was a payment of 1,000 kina to the fuzzy wuzzy angels.

**Senator BARNETT**—Are you happy to take on notice to provide further and better particulars regarding those 1986 payments as to whether the Australian government made any contributions.

**Senator Stephens**—I can take that on notice. The payments were made by the PNG government. I can say that the minister is on record as saying that he is prepared to further consider the subject of compensation, but he really wants to honour the commitment that was made by the two prime ministers to getting the medallions out in the first instance and understanding what that is all about. If there is a discussion about compensation, that would have to be done, again, in consultation with the PNG government.

**Senator BARNETT**—Thank you very much for the feedback and I thank the government for their efforts for providing the medallions albeit, after 67 years, belatedly; nevertheless, it has happened and for that I am very thankful. The Senate motion did make a reference to compensation, a small *ex gratia* payment, and that was on 24 June last year. We have had over 12 months. Simply saying that the government has not made a decision is not an adequate answer. I would like to know whether a report has been prepared for the minister with respect to the appropriateness or otherwise of making that payment.

**Senator Stephens**—I will let Mr Campbell answer the second part of the question, but you have cited the original number of fuzzy wuzzy angels. These are people living in a country with pretty poor living conditions. In the scheme of things, we do not actually know how many of them are still alive. We are trying to address that through the work that is going into ensuring that the medallions are distributed and that gives us the basis of understanding what kind of compensation might be able to be considered or how to actually administer some kind of a scheme like that.

**Senator BARNETT**—With respect, I hope the numbers that are still alive will not reflect on the appropriateness or otherwise of paying compensation to these men who sacrificed, in some cases, their lives.

**Senator Stephens**—Absolutely not. That would be an offensive suggestion. That is not what I said at all.

**Senator BARNETT**—Could we just have an answer to the question: how many are still alive, to the best estimate, as of today? Do you have that answer with you?

**Senator Stephens**—No.

**Mr Campbell**—No, we do not. It is very hard for us in that society and community there. We can apply some models to how many we think was the base population, because despite the 50,000 estimate nobody really knows how many fuzzy wuzzy angels—

**Senator BARNETT**—I will try to be specific—

**Mr Campbell**—The answer is no. We can do no better than the figure Mr Collins has already given you.

**Senator BARNETT**—As per April 2009, which was up to 1,200. You are sticking with that figure?

**Mr Collins**—That is our estimate by modelling against the 50,000 with the conditions in New Guinea and death rates et cetera.

**Senator BARNETT**—But has that now come down as a result of your recent research?

**Mr Collins**—I suspect that figure was extremely generous.

**Senator BARNETT**—I am just asking if that has come down as a result of your recent research, or do you not wish to answer?

**Mr Campbell**—I think it is early days. We and the high commission are still working hard to publicise this and I would much rather put my energies into that than put them into working out whether the estimate was right. That is not being insulting. I just think it is more realistic—

**Senator BARNETT**—A lot of people are waiting, they are waiting patiently, they have waited 67 years and they would like to know whether this government is going to proceed with making a commitment to providing compensation. That is the key question. So I will ask my question again: do you have a document? Have you provided a report to the minister on the appropriateness or otherwise of making this payment?

**Mr Campbell**—The department has not provided a formal report along the lines that you have asked.

**Senator BARNETT**—Has it provided any such report or briefing paper to the minister?

**Mr Campbell**—I think it is fair to say there have been some discussions with the minister on this and related issues but I think it is going too far to say it is a formal report.

**Senator BARNETT**—Did you provide options to the minister?

**Mr Campbell**—Not to my knowledge, no.

**Senator BARNETT**—When were the discussions?

**Mr Campbell**—I would not put a date on it, but in recent months there have been a number of discussions about this issue and related matters.

**Senator BARNETT**—So you are not saying that there will be no compensation made, you are not saying that there will be compensation made; you are saying it is under active consideration—is that the way you would describe it?

**Mr Campbell**—I would and it is active consideration by the government, yes.

**Senator BARNETT**—Can I draw your attention again to the fact that it was 24 June when that Senate motion was passed, which is well over 12 months ago. I call on the government to act swiftly in light of time moving on. Thanks very much for that feedback.

**CHAIR**—Further questions? Senator Boswell?

**Senator BOSWELL**—Can you give me a very brief, two-minute, potted view of what has happened to the Torres Strait Islanders who were in active service and did not receive pensions? Have they all been fixed up?

**Mr Telford**—I will take that on notice. I do not know that.

**Senator BOSWELL**—They all joined up during the war and I do not believe they received any pension rights. It is a long time since I was involved in it but I understood they were being looked after. Could you take that on notice?

**Mr Telford**—I can certainly do that.

**Mr Campbell**—I have an answer to one question that Senator Kroger asked. As you know, I said the number of cases was not in the thousands or hundreds but in the tens. It is 66 as at 30 September this year.

**CHAIR**—We now move to outcome 2, Health.

**Senator KROGER**—I have some questions but, given the hour of the night, I am happy to put most of them on notice if I can be allowed to ask one question.

**CHAIR**—That is a fair deal.

**Senator KROGER**—The Dunt review into suicide in the ex-service community—and we covered this a little bit last time around as well—reported in February 2009 and said:

The Australian Institute of Health and Welfare investigation into the cause of death of DVA clients by age/sex/conflict with a specific focus on suicide is well-advanced but not complete. Its results will be separately released.

Where is that study at?

**Mr Douglas**—I am advised that it is still in preparation.

**Senator KROGER**—Do you have any idea about time frame or how long the process will take?

**Mr Douglas**—I am not aware of any. Unfortunately, it is probably a question best asked of the AIHW. We will take that on notice and ask them on your behalf.

**Senator KROGER**—I have related questions, which I will put on notice as well if that is okay. That was sort of half a question. Can I go for the second half?

**CHAIR**—Go on.

**Senator KROGER**—I just want an update on Operation Life. How is it going? Where is it at? Have there been many workshops? Is it working?

**Mr Douglas**—It is subject to evaluation, and the evaluation is certainly not yet complete. Workshops are occurring. I am aware of favourable feedback, but I do not have any more specific information than that with me.

**Senator KROGER**—Who is evaluating the program?

**Mr Douglas**—My understanding—and I stand to be corrected—is that it is the Australian Centre for Posttraumatic Mental Health.

**Senator KROGER**—I will add a few little extras on there—in the interests of your sanity, Chair.

**CHAIR**—Good.

**Senator KROGER**—Thank you very much.

[9.41 pm]

**CHAIR**—Now we will proceed to outcome 3, Commemorations.

**Senator TROOD**—I have some questions for Major General Stevens. General Stevens, can you provide the committee with information about the progress of the Fromelles dig?

**Major Gen. Stevens**—I can. At the moment, technically speaking it is the responsibility of the defence department, because the location, recovery, identification and actual physical burial of the remains of service personnel is a Defence responsibility. So it is the defence department that is actually conducting the dig, but it is on the public record that the recovery of the remains is complete. Two hundred and fifty sets of remains were found. Those remains are being checked or measured anthropologically for their defining features. By that I mean their age, their height and anything you can gain by examining them that might give you a clue to identity. For example, did they break a leg in childhood or is there something else that might be on their service records?

**CHAIR**—In fact, Senator Trood, I can help you because there is extensive information, very up to date and current, available on the website from the Fromelles people. I am going to do an up-to-date, current status report speech on Fromelles on adjournment next week. So, if you are happy to stay tuned, you will be brought right up to date.

**Senator TROOD**—I will do that, but I will just clarify some matters with Major General Stevens. When will that measurement be complete?

**Major Gen. Stevens**—As I understand it, it is complete. Then there are DNA processes to go through as well.

**Mr Campbell**—I do not want to be difficult here, and General Stevens is being very helpful, but the reality is that the answers to that are not our responsibility. This is for the Department of Defence.

**Senator TROOD**—Thank you, Mr Campbell. I did hear Major General Stevens say that.

**Mr Campbell**—I am just conscious that departments do speak for their own responsibilities. Questions on this and on the exhumation are really a responsibility of the Department of Defence, not this department.

**Senator TROOD**—I am sympathetic to that position. In light of what you have both said, the point I want to clarify is: at what point do you assume responsibility for these remains?

**Major Gen. Stevens**—The changeover of the responsibility of the remains occurs once the remains are buried. The commemoration of our war dead from the First World War is the

responsibility of the Commonwealth War Graves Commission, of which we are a member nation. So it is the Commonwealth War Graves Commission which is building the new cemetery at Fromelles, and it is the Commonwealth War Graves Commission which will take over responsibility for the commemoration in perpetuity after the burial occurs.

**Senator TROOD**—I see. Now, this may well be in Senator Bishop's speech next week, but do you know when that is going to be?

**Major Gen. Stevens**—The planning is that the interments will occur beginning in February next year. The public ceremony to mark the end of the recovery phase, if you like, and the commencement of the commemoration phase will occur on 19 July next year, which is the anniversary of the battle.

**Senator TROOD**—I have one other question, which is a procedural one. Which element of the Department of Defence should I direct my other questions to on this subject?

**Major Gen. Stevens**—In this case it is the departments of Army.

**Senator TROOD**—Thank you.

**CHAIR**—As there are no further questions, we will go to witnesses from the Australian War Memorial.

**Major Gen. Stevens**—Excuse me, Senator. Can I just clear something up. When I said that the interments would occur in February, I am reminded that they are actually going to start on 30 January, but they will then continue into February.

[9.47 pm]**Australian War Memorial**

**CHAIR**—Welcome, General Gower, and officials of the Australian War Memorial. Senator Boswell will begin.

**Senator BOSWELL**—General Gower, can you tell me what is the budget allocation for the running of the War Memorial per year?

**Major Gen. Gower**—I think it needs to be appreciated that the budget has two parts. The government appropriation and the—

**Senator BOSWELL**—How much is that?

**Major Gen. Gower**—\$38.6 million. The balance, I think, is up to \$42.5 million. That varies from year to year. There is the money we raise from our own efforts, be that from our e-business site, the revenue we get from our shop, the return we get from our food and beverage concession, sponsorships, donations, interest on investments, staff consultancies and so on. So there are always two elements.

**Senator BOSWELL**—How much is your free enterprise sector?

**Major Gen. Gower**—\$3.9 million, I think, this year. That varies. Unfortunately, with the global economic crisis, it is proving very difficult to match what we have raised in previous years. There have been occasions where we have raised over 20 per cent of our total War Memorial budget by our own efforts. There is nothing new about that. That is a longstanding expectation. It goes back even before the Second World War. I think about 50 per cent of our revenue then was raised by sale of photographs, official histories and stuff like that.

**Senator BOSWELL**—You are certainly falling behind, though. You are only raising about 10 per cent. TransACT has taken over sponsorship of playing the last post, and that is very commendable of them. But how much is that sponsorship worth? How much do they pay you?

**Major Gen. Gower**—You would appreciate that we do not normally mention commercial sponsorships, but I am sure TransACT do not mind me mentioning this. The quantity is \$25,000 a year, and the agreement is for three years for that particular activity. Perhaps I can provide some background, if I may, if you would like to hear about the activity. For many, many years, a recording was played at five o'clock. I came to feel that was not good enough for a national institution, so, from 2002, after having tried to get volunteers, after seeing what the Army and the other services could provide, we decided that, if we wished to have that activity seven days a week, we would have to engage professional musicians, be they bugle players or bagpipe players. Since then, the ceremony has a master of ceremonies, who tells people the background to the event. If there is a significant military anniversary, we get a historian to tell the crowd a bit more about that. The musician then marches out centre in front of the Hall of Memory, plays either the last post or the lament and then goes back into the Hall of Memory and the doors close symbolically behind them. So that is the activity, and, with respect to the TransACT sponsorship, it is done very discreetly, in accordance with a policy direction from council, dating from 1988, that such acknowledgement be done discreetly. That precedent was set when the eternal flame was subject to sponsorship by what was then called the Australian Gas Association.

**Senator BOSWELL**—Is that still being sponsored?

**Major Gen. Gower**—Yes, indeed it is.

**Senator BOSWELL**—Thank you. Full marks to TransACT and full marks to the gas company. But it does seem to be commercialising something that is very sacred. When the last post plays, we should not be thinking of TransACT sponsorship—as appreciative as I am of them. The last post is sponsored by TransACT for \$25,000. The gas company sponsor the eternal flame—and I do not know what the gas company pays and I will not even ask, because I think it would cause an outrage out there. Did you ever approach the government and say, 'Look, we're going to be forced into sponsorship, and it will be distasteful'? I put out a press release on this—and you would be aware of it, I imagine—and it caused an outrage, that people would be able to sponsor this. I am not blaming the War Memorial or you, General, but did you ever approach the government and say: 'Look, we are going to have to rely on a gas company or a sponsor. This will be distasteful. It should not be sponsored by anyone. Can you kick in another 25 grand?'

**Major Gen. Gower**—I do not think you will find my disagreement unexpected. I disagree with the statement that it is distasteful; so does the council, who is fully aware of this. The precedent was set in 1988, and there was no reaction by anyone at the time that I can find in my research. It is done with solemnity and dignity. I know some people will make statements like: 'You have sold the bugle', 'You have sold the lament' or 'You have sold and commercialised.' I would disagree with that completely.

**Senator BOSWELL**—You are entitled to disagree—

**Major Gen. Gower**—If I may, please, Senator. I appreciate that there are some members of the community who disagree. It is not the policy of the Australian War Memorial to seek disagreement with people, particularly in terms of commemoration, but we believe that it is conducted in a most dignified, solemn fashion, as indeed it has been for the last seven years. Since this supposed outrage, we have not had one complaint from any of the attendees to my knowledge. In fact, with the publicity we are getting up to 400 attending per night. Previous evaluation indicated people's complete satisfaction with what had been provided in terms of a value-added event to close the visit in the most appropriate fashion. I appreciate and respect those who have a difference of opinion, but I do not share it.

I will turn to your question about why we did not ask the government. For quite some time—this goes back probably 10 years; certainly, we have figures for the last five years—40 per cent of our public programs, which include Anzac Day, Remembrance Day and other activities, have been funded by the money raised by our own endeavours—and I outlined the sources of money—including sponsorship and donations. We saw in this global economic downturn no reason for us to be exempt. We are prepared to tighten our belts. In our budgeting we took some deep cuts across all of our public programs. Given that no-one in management nor council voiced any problem with having this funded by sponsorship, we went ahead. That meant that \$25,000 could be used for some other public program.

**Senator BOSWELL**—I accept that it is done tastefully and I accept that you have done everything necessary to protect the ceremony, but it is commercialised. I know the TransACT sponsorship is discreet, but people believe that sponsoring the *Last Post* or advertising the *Last Post* is offensive. You might not think it.

**CHAIR**—I do not think it.

**Senator BOSWELL**—And you might not think it, Senator Bishop.

**CHAIR**—They do the *Last Post* at the grand final.

**Senator BOSWELL**—Yes, but is it sponsored? Does someone run out and say, 'This is the *Last Post*, which is sponsored by Coca-Cola'?

**Major Gen. Gower**—With respect, I think that is an offensive suggestion.

**Senator BOSWELL**—No, I am answering—

**Major Gen. Gower**—I thought you were referring to me.

**Senator BOSWELL**—I am directing it to a comment that Senator Bishop made.

**Major Gen. Gower**—You have my word that it is done in a very discreet way. The logo is there for probably five minutes at best, and it is a very small one, which you cannot see. We have never had a complaint about the eternal flame and one might argue that that is of equal significance.

**Senator BOSWELL**—Or even more significant. That would cause probably as great a furore as sponsoring the *Last Post*. Senator Stephens, \$25,000 is a pretty insignificant amount of money. Would you consider taking to the government that the *Last Post* not be sponsored by a commercial company? Are you prepared to make a grant of \$25,000? I will not bring this up publicly. You might consider the eternal flame while you are making that inquiry. Whether

you find it offensive, Major General, or not, a lot of people did. It was on talkback. It really did fire a lot of people up, who found it offensive. I am sure the government would be happy to pay the \$25,000.

**Major Gen. Gower**—Senator, I monitored it very closely. I think to start off with there was gross exaggeration, a total lack of knowledge of what was involved—and this is quite often the case with reports. It has entirely settled down, and there were many expressions of support—

**Senator BOSWELL**—Sure, there were.

**Major Gen. Gower**—Many expressions—

**Senator BOSWELL**—And there were many expressions of outrage, and there were—

**Major Gen. Gower**—Yes, and I accept that. I accept that. It is an area which did show some passion from a minority. As I said, we did not wish to upset anyone. We did not act precipitately. We did not immediately take it down. I must say we have been very surprised that since then there have been no complaints about it, while it has been running.

**Senator BOSWELL**—I just think it would be better if the government picked up the bill for both the eternal flame and the playing of the *Last Post*, and I ask Senator Stephens if she would inquire whether the government would be prepared to do this, because I think you would have another outrage on your hands if it became public knowledge that the eternal flame was sponsored.

**Major Gen. Gower**—That has been known for ages.

**Senator BOSWELL**—Well, it has not been known by me, and I am sure it is not known by many people. Has it got a sign on the—

**Senator Stephens**—Yes, it does.

**Major Gen. Gower**—Yes, it does. There are two brass plaques. It was opened, in fact, by the Governor-General at the time, Sir Ninian Stephen, in the bicentennial year, 1988.

**Senator BOSWELL**—Right. Well, I have made my point—

**Major Gen. Gower**—Yes, and I accept and appreciate your point.

**Senator BOSWELL**—and I have asked Senator Stephens if she would make a submission to the government to pay the 25 grand.

**Senator Stephens**—Senator Boswell, I think it is very important that we acknowledge the independence of the Council of the Australian War Memorial. It has been the case under governments of all persuasions that the memorial is regarded as a world-renowned cultural institution—

**Senator BOSWELL**—It is, yes.

**Senator Stephens**—and it is administered by a council of eminent Australians who have the responsibility to make the decisions relating to the memorial's operations, sponsorship and budget priorities, and it is not appropriate for the government to interfere.

**Senator BOSWELL**—Then I will direct the question to General Gower: would you be prepared to ask the government for that sponsorship, to pick up the bill for the \$25,000?

**Major Gen. Gower**—Senator, the budget for this financial year 2009-10 has been endorsed by the Council of the Australian War Memorial; it is their budget. As I said, it includes the appropriation plus non-government sources. I am unaware of any wish to go back to government to seek this amount of money. As I said, we are highly aware of the global economic downturn and we see no reason why we should be exempt at all, and we do not wish to be—

**Senator BOSWELL**—A fair bit of money went out to stimulate the economy. I would have thought 25 grand to do something that would be in the best—

**Major Gen. Gower**—For many years, we—

**CHAIR**—General Gower has answered the question.

**Senator BOSWELL**—General Gower has answered the question. You have been most generous with your time, General Gower.

**CHAIR**—We are now going to move on.

**Senator BOSWELL**—We will now move on. Thank you very much, General.

**CHAIR**—Thank you, Senator Boswell. Now—

**Major Gen. Gower**—Senator Boswell, if you would like to be my guest tomorrow night, I would be most happy to host you at the closing ceremony if you wish to witness it for yourself.

**Senator BOSWELL**—I am certain that it is done tastefully and well. I am not disputing that. It is a fantastic war memorial. I have been there many times, and it is run fantastically. You cannot fault it. I was concerned about the response generated when it became known that the *Last Post* was being sponsored. I would love to come over there, General Gower. I am not sure I can do it tomorrow night, because I think I am going home tomorrow night, but thank you for the invitation and I will get in touch with you and take you up on it.

**Major Gen. Gower**—Good. Thank you.

**CHAIR**—Senator Trood.

**Senator TROOD**—On the matter that Senator Boswell has raised, I must say I have considerable sympathy with his position on this matter and I have listened to this conversation with great interest. Just explain to me, General Gower, precisely how does the sponsor advertise their sponsorship of these two events. In relation to the eternal flame and also the *Last Post*, is it just the plaque or is there something else that draws attention to the fact that they are sponsoring the activity?

**Major Gen. Gower**—For the eternal flame, there are two bronze plaques on the coping of the Pool of Reflection at the same point on either side of where the eternal flame is. For TransACT's sponsorship, the lectern that it brought out for the master of ceremonies at about 10 to five has 'Closing ceremony' in large typeface and down the bottom, in very small font size, it has the TransACT logo and their colours. It just looks like a sweep of colours from a distance, but they were happy with that. We believed that was discreet. It is not there permanently—it is taken away immediately the ceremony is finished. It is the closing ceremony and needs to be looked at in its entirety. Sometimes it is a more elaborate ceremony

if we can get a catafalque party or if there is some particular historical anniversary which a historian speaks on then it lasts longer. It is not just the playing of the *Last Post*, it is a full ceremony.

**Senator TROOD**—Do either one of these sponsors require of the War Memorial that their logo or name is listed on some sponsorship board around the institution as well?

**Major Gen. Gower**—For quite some time, I think for the last 14 years and it might go back before my time, there has been a sponsorship board inside the Orientation Gallery, on the left-hand side. This is similar to what you see in most cultural institutions where they have sponsors and donors. There are various categories of donor and it depends on the amount of money that is given as to where you go in the categories. There are three categories. That is where people are acknowledged.

**Senator TROOD**—So they are acknowledged there?

**Major Gen. Gower**—Yes. I think they would be in the lower category there. Mr Dick Smith, for example, gave us \$1 million and he is certainly in the top one.

**Senator TROOD**—The main point of my questioning this evening, and you will not be surprised about this perhaps, is on the Vietnam official history. May I at this stage acknowledge the letter you sent to the secretary of the committee in July, following our last hearings, in which you sought to correct some of the evidence you had given. That was an entirely appropriate thing to do, of course. But in light of what you said in your letter I just want to clarify the consequences of the letter. You said that the volume was not fully complete in all aspects, or the publication, as I understand it, but you also said that this would not affect the completion date, so I am somewhat unclear about what this means. What I took it to mean was that the volume was not clear but it would not affect the publication date, but perhaps you could clarify this.

**Major Gen. Gower**—Certainly, and I would just like to preface my answer with some brief remarks. I think in trying to answer your question last time I may have given you the impression that I have some responsibility for this official history and its completion. We essentially host it. The person resides at the Australian War Memorial. But in terms of having the writer finish the volume as directed by me, I have no authority nor power because he works free of institution direction or political direction or whatever. The information I gave you was given in good faith.

**Senator TROOD**—I do not doubt that, General Gower.

**Major Gen. Gower**—And as soon as I checked it with the person I let you know immediately. I was quite shocked when I found he had not finished because I was led to believe he had finished. The situation, as I understand it, is that he is still working on the final volume and I can understand the difficulty of that. This is trying to draw together 10 years of a very divisive war and at the same time get the judgments right plus honour those men and women who served there. It has not gone fully to the publisher yet, so I believe. I have, to help him focus more on it, removed him from any other activities at the memorial because—you alluded to it last time—he applied to become our head of military history, the head of the section. At the selection we did ask him how this would affect his official history role. To make sure it is not affecting it, I have taken him off it completely and put in a substitute in an

acting capacity, so he has no distraction. That is the theory, but I cannot make him write, that is up to him entirely.

**Senator TROOD**—Is he now the head of history?

**Major Gen. Gower**—No, he is not. He has been taken off totally to focus on completing this last little bit. I believe it will be an outstanding volume when it is finished, but I do not have the authority or desire to start forcing the issue with an author who works independently of me.

**Senator TROOD**—Except that you do have responsibility for the conduct of the history because it is taking place under the War Memorial's auspices.

**Major Gen. Gower**—It is under its auspices, but—I do not think I can make myself any more clear, Senator—it is a long established precedent going back to Charles Bean that they do have that independence. We host, facilitate and assist, but I cannot physically demand more of the person. He certainly has my confidence. I believe it will be an outstanding volume. I think I mentioned to you last time there is precedent in the past of a single volume taking 10 years. There are overseas precedents of official historians throwing up their hands and getting nowhere. Some countries have produced one volume, I think, for the First World War. I do not try to excuse the fact that it has taken a long time. It has. Professor Geoffrey Gray of the Australian Defence Force Academy said about a year ago that he is not discerning people queuing up for it yet. I do not know if I can say any more than that. I am hopeful that I have done all I can.

**Senator TROOD**—I acknowledge your efforts. What I am interested in, obviously, is whether or not you have been given any indication at this juncture when the volume will be completed and when it might be delivered to the publisher.

**Major Gen. Gower**—I am not going to make a statement on that, Senator, and I think you will understand why I will not. I have made predictions in the past which you will recount have been made on good faith communicated to me by the author at the time. He has been distracted by a number of cases—for example, the missing in action issue where people are repatriated. He wanted to cover that. There was the issue of the Defence and Employment Platoon—I do not know whether you are aware of that particular controversy—that caused quite a lot to delay in trying to resolve it with him and the participants—and there is the question of material on the minefield. He is a very meticulous, conscientious man and he wants to get it right as a tribute to those who served. I would not want it any other way.

**Senator TROOD**—He has been removed from all other duties other than writing on this.

**Major Gen. Gower**—I thought it was the least I could do. He wanted to be the section head and that is a prestigious appointment, but we want to close off that project.

**Senator TROOD**—I think it is about time, frankly.

**Major Gen. Gower**—That is your view. I appreciate what you are saying, Senator, but he is doing his best. I do not know whether his branch head has anything further to add.

**Ms Withnell**—No, I do not have anything further to add. I just reiterate what the director has said, which is that he has been taken off all his other duties and he is focused entirely on that.

**Major Gen. Gower**—He wanted that position. As I said, it is a prestigious appointment. We just do not want to have it distracting from the day-to-day work of the Military History Section, such as conferences, planning for the future, planning publications, directing young staff and summer scholars and all that type of stuff.

**Senator TROOD**—In light of the fact that all those distractions have clearly distracted him from writing the volume, I think that is an excellent move for management. Perhaps in preparation for the next estimates you might invite him to speculate, even if broadly, about when he thinks he might be able to complete the manuscript, because I will surely ask the question again.

**Major Gen. Gower**—You are most welcome to, Senator, and I will be very happy to give you the advice which he will pass on to me. There was probably another limb to your question, about the date of publishing.

**Senator TROOD**—I assume that is contingent on the completion of the volume.

**Major Gen. Gower**—Yes, but it will be subject to discussion with the publisher who has done the other volumes. It may well be that it could be possible to accelerate it. I understand the publisher is waiting for everything to get there before he does anything.

**Senator TROOD**—That would be normal.

**Major Gen. Gower**—There are precedents where sometimes you do not; you start and when the final chapter comes you just wrap that up and away you go. But I have not had that discussion with the publisher. That is something which is our responsibility.

**Senator TROOD**—Maybe you would have that discussion.

**Major Gen. Gower**—Yes, I intend to at some stage later on.

**Senator TROOD**—Perhaps you would do that before February.

**Major Gen. Gower**—With the official history of peacekeeping, the first volume is completed and we have arranged with Cambridge University Press as the successful tenderer. We are finding the money out of our own hide to have that first volume published, because Professor Horner has finished on time and we would like to see that published.

**Senator TROOD**—I think I commented last time on Professor Horner's extraordinary diligence as a writer of history.

**Major Gen. Gower**—Yes. When he was selected, we thought he would perform as he has performed. He has that ability to perform on time. Some of his co-authors are a little bit slower and have not matched his ability, but that is a separate issue.

**Senator TROOD**—Indeed.

**Major Gen. Gower**—It is very hard to set programs and schedules for writing a history, as you probably appreciate better than I.

**Senator TROOD**—I am very familiar with that.

**CHAIR**—Are there further questions to the War Memorial? No? Thank you very much, General Gower and officers, for attending. This concludes our discussions with the War Memorial and the Department of Veterans' Affairs. I thank the staff for being of assistance today. Thank you, Senator Stephens, for attendance this evening.

**Committee adjourned at 10.17 am**