



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## **SENATE**

FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION  
COMMITTEE

ESTIMATES

**(Budget Estimates)**

MONDAY, 31 MAY 2010

CANBERRA

BY AUTHORITY OF THE SENATE

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**SENATE FOREIGN AFFAIRS, DEFENCE AND TRADE****LEGISLATION COMMITTEE****Monday, 31 May 2010**

**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, Marshal, 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 Abetz, Bishop, Brandis, Bushby, Farrell, Forshaw, Hutchins, Johnston, Ludlam, Lundy, McEwen, Parry, Ryan, Trood, Kroger and Xenophon

**Committee met at 9.02 am**

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

Senator Faulkner, Minister for Defence

**Department of Defence**

Dr Ian Watt, AO, Secretary of Defence

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

**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, Deputy Secretary, Strategy

Mr Simeon Gilding, Acting Deputy Secretary, Strategy (Operations)

Mr Brendan Sargeant, Deputy Secretary, Strategic Reform and Governance

Mr Geoff Brown, Chief Audit Executive

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

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

Major General Angus Campbell, Head Military Strategic Commitments

Air Vice Marshal Margaret Staib AM, CSC, Commander Joint Logistics

Major General Paul Alexander, Commander Joint Health

Rear Admiral James Goldrick, RAN, Commander Joint Education, Training and Warfare Centre

Mr Geoff Early, Inspector General, ADF

Major General Steve Day, Head, Joint capability Coordination

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

**Program 1.10 Joint Operations Command****Program 1.12 Chief Finance Officer**

Mr Philip Prior, Chief Finance Officer, CFO

Mr Michael Gibson, First Assistant Secretary Resources and Assurance, CFO

**Outcome 2—Advancement of Australia's strategic interests through the conduct of military operations and other tasks directed by government****Program 2.1 Operations contributing to the security of the immediate neighbourhood****Program 2.2 Operations supporting wider interests****Outcome 3—Support to the Australian community and civilian authorities as requested by government****Program 3.1 Defence contribution to national support tasks in Australia****Outcome 1****Program 1.11 Capability development**

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

Major General Steve Day, Head Joint Capability Coordination

Rear Admiral Rowan Moffitt AO, Head Future Submarine Program

**Defence Materiel Organisation****Outcome 1—Contributing to the preparedness of the Australian Defence 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 AO, Chief Executive Officer, Defence Materiel Organisation

Mr Warren King, Deputy Chief Executive Officer, Defence Materiel Organisation

Mr Steve Wearn, Chief Financial Officer, Defence Materiel Organisation

Mr Harry Dunstall, General Manager Commercial, Defence Materiel Organisation

Ms Shireane McKinnie, Acting General Manager Systems, Defence Materiel Organisation

Mr Graham Eveille, Director General Major Program Control, Defence Materiel Organisation

Rear Admiral Peter Marshal AM, RAN, Head Maritime Systems Division, Defence Materiel Organisation

Major General Grant Cavenagh, Head Land Systems, Defence Materiel Organisation

Brigadier Mike Phelps, Director General Land Manoeuvre Systems, Defence Materiel Organisation

Air Vice Marshal Colin Thorne AM, Head Aerospace Systems Division, Defence Materiel Organisation

Major General Tony Fraser AO, CSC, Head Helicopter Systems Division, Defence Materiel Organisation

Air Vice Marshal John Harvey AM, Project Manager New Air Combat Capability, Defence Materiel Organisation

Air Vice Marshal Chris Deeble AM, CSC, Program Manager Airborne Early Warning and Control, Defence Materiel Organisation

Mr Michael Aylward, Head Electronic Systems Division, Defence Materiel Organisation

Mr Mark Reynolds, Head Industry Division, Defence Materiel Organisation

Mr Peter Lambert, Head Human Resources and Corporate Services Division, Defence Materiel Organisation

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

Mr Anthony Klenthis, Head Explosive Ordnance Division, Defence Materiel Organisation

Mr Tony Hindmarsh, Chief Audit Executive, Defence Materiel Organisation

**Capital facilities and Defence support**

Mr Simon Lewis, Deputy Secretary, Defence Support

Major General Elizabeth Cosson, CSC, Head, Defence Support Operations

Mr Kieran Gleeson, Chief Operating Officer, Defence Support Group

Mr John Owens, Head, Infrastructure Division

Mr Mark Cunliffe, Head, Defence Legal

Mr David Lloyd, Defence General Counsel, Defence Legal

Mr Mark Sweeney, Director General, People Services

Mr Michael Callan, Director General, Defence Community Organisation

Commodore Vicki McConachie, CSC RAN Director-General, Defence Legal

**Outcome 1**

**Program 1.6 Defence support**

**Program 1.14 Defence Force superannuation benefits**

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

Mr Simon Lewis, Deputy Secretary, Defence Support

Major General Elizabeth Cosson CSC, Head Defence Support Operations

Mr Kieran Gleeson, Chief Operating Officer Defence Support Group

Mr John Owens, Head Infrastructure Division

Mr Mark Cunliffe, Head Defence Legal

Mr David Lloyd, Defence General Counsel, Defence Legal

Mr Mark Sweeney, Director General, People Services

**Outcome 1**

**Program 1.13 People strategies and policy**

Mr Phil Minns, Deputy Secretary People Strategies and Policy

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

Mr Steve Grzeskowiak, Head People Policy, PSP

Mr Craig Pandy, Head Workforce and Shared Services Reform, PSP

**Remaining Defence programs**

**Outcome 1**

**Program 1.2 Navy capabilities**

Vice Admiral Russ Crane AO, CSM, Chief of Navy

**Program 1.3 Army capabilities**

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

**Program 1.5 Intelligence capabilities**

Mr Stephen Merchant, Deputy Secretary Intelligence and Security

**Program 1.7 Defence science and technology**

Professor Robert Clark, Chief Defence Scientist

**Program 1.8 Chief Information Officer**

Mr Greg Farr, Chief Information Officer

Rear Admiral Peter Jones, DSC, AM, RAN, Head ICT Operations, Chief Information Officer

Mrs Anne Brown, First Assistant Secretary ICT Development, Chief Information Officer

Mr Matt Yannopoulos, Chief Technology Officer, Chief Information Officer

Mr Clive Lines, First Assistant Secretary ICT Reform, Chief Information Officer

**Program 1.16 Housing assistance****Program 1.17 King's Highway upgrade****Program 1.18 Other administered items****Defence Housing Australia**

**Outcome—To deliver total housing and relocation services that meet Defence operational and client needs through a strong customer and business focus**

Mr Peter Howman, Chief Operating Officer

Mr Robert Groom, Chief Financial Officer

**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 Ken Douglas, General Manager, Services

Mr Sean Farrelly, Executive Manager, Executive

Mr, Mark Harrigan, Acting National Manager, Organisational Change Group

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

Ms Narelle Dotta, Acting General Manager, Corporate

Mr Graeme Rochow, National Manager/Chief Finance Officer, Resources Group

Mr Roger Winzenberg, National Manager, People Services Group



**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 Military rehabilitation and compensation acts payments—income support and compensation**

**Program 1.7 Adjustments to the military rehabilitation and 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 Carolyn Spiers, National Manager/Principal Legal Adviser, Business Integrity and Legal Services Group

**Outcome 2—Health**

**Maintain and enhance the physical wellbeing and quality of life of eligible persons and their dependants 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 Military rehabilitation and compensation acts—health and other care services**

**Program 2.7 Adjustment to the military rehabilitation and compensation acts liability provisions—health other care 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

Mr Wayne Penniall, National Manager, Veterans and Veterans Families Counselling Service

Ms Judy Daniel, National Manager, Primary Care Policy Group

**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 Sean Farrelly, Executive Manager, Executive

Mr Tim Evans, National Manager, Commemorations Group

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 and 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**

Ms Nola Anderson, Acting Director

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

Ms Helen Withnell, Assistant Director, Branch Head, Public Programs

**CHAIR (Senator Mark Bishop)**—I declare open this meeting of the Senate Foreign Affairs, Defence and Trade Legislation Committee. I welcome Senator Faulkner, 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. The Senate has referred to the committee the particulars of proposed expenditure for 2010-11 and related documents for the Defence portfolio. The committee must report to the Senate on 22 June 2010, and 30 July 2010 has been set as the date by which answers to questions on notice are to be returned. Senators should provide their written questions on notice to the secretariat by close of business Thursday, 10 June.

Under standing order 26, the committee must take all evidence in public session. This includes answers to questions on notice. Officers and senators are familiar with the rules of the Senate governing estimate 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 into *Hansard*.

*The document 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 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)

[9.04 am]

### Department of Defence

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

**Senator Faulkner**—The Secretary will make an opening statement and that will be followed by an opening statement from CDF.

**Dr Watt**—This morning I would like to address a range of topical issues with a particular focus on the 2010-11 Defence budget. There are a number of what might be described as ‘myths’ about the Defence budget that appear from time to time and I would like to address a number of them.

First I will refer to the 2010-11 budget. In my opening address at our last meeting, I advised the committee that Defence was not aware of a \$3 billion hole in the Defence budget, contrary to media reporting in December 2009. More recently, there have been some suggestions of a \$25-\$40 billion hole in the Defence budget, and some limited media reporting on the subject. As far as Defence is aware, no such hole exists and we have not been able to determine how the estimate was made.

In the 2009-10 budget, the government implemented a new funding model for Defence, which resulted in an additional \$146 billion in funding over the 21-year period to 2029-30. This model funds the cost of delivering Force 2030, provided those funds are managed efficiently and effectively, and the SRP cost reductions and reinvestments are achieved.

In the 2010-11 budget, the government’s commitment to Defence’s new funding model and the funds needed to deliver Force 2030 has been maintained. Indeed, in a recent article in the *Weekend Australian* Defence Special Report of 29-30 May 2010, Mark Thomson concluded, among other things, that:

So, on balance, there’s no reason to conclude that the government’s long-term plans for the defence force are imperilled as a result of recent funding deferrals, unfunded measures and the uncertainty surrounding the \$20bn savings program—provided that the government makes good on its promise to rebuild defence funding following the return to surplus in three years’ time.

That rebuilding is included in our funding model. Thomson’s conclusion is certainly not suggestive of a budget black hole. There are, however, several other budget issues that I would like to deal with, including those raised by Mr Thomson, and I will deal with them in turn.

The first issue I would like to talk about is unfunded measures: force protection for Australian troops. Defence did fund \$912 million of the \$1,136 million for force protection measures announced in the 2010-11 budget from internal resources. It did it by, amongst other things, drawing on an already existing defence capability plan and minor capital projects that were acquiring the same or similar weapons and equipment, by shifting funding from some DCP projects that were of a lower priority than immediate force protection, and by drawing on funds from elsewhere in the budget. This is the sort of shifting of priorities that is regularly done, and governments have long expected Defence to do similar exercises. It was hardly a surprise. Further, it was done without significantly affecting the delivery of Force 2030.

The second issue I would like to deal with is reduced funding for new projects in the DCP. It has been argued that planned spending for new DCP projects was reduced significantly in the 2010-11 budget. Some of the evidence for the claim is based on the reduction in estimated budget year DCP spending from the \$632 million in the 2009-10 PBS to the \$278 million in the 2010-11 budget PBS. I would start by saying that Defence does not budget for a constant amount of expenditure on new projects each year. Defence budgets on the basis of forecast expenditure required for planned new capabilities in the DCP. This inevitably results in variations of funding for planned new projects each year. It must also be recognised that the projects in the DCP are complex and that during the project development phase the initial project cost, schedule and risk assumptions are continually updated, and that this may result in changes to their costs and programming in the DCP.

The reduction in the budget year forecast for DCP projects from \$632 million in 2009-10 to \$278 million in 2010-11 primarily relates to three factors: firstly, project approvals and the consequent transfer of funding from the DCP which only includes unapproved projects to the Approved Major Capital Investment Program, or AMCIP; secondly, foreign exchange movements, the net receipt or hand back to government of foreign exchange movements, and in the 2010-11 budget there was a hand back; and, thirdly, reprogramming of projects in the DCP.

Prior to the 2010-11 Budget, Defence reviewed the DCP and reassessed its forecast expenditure across the next decade. This is a normal budget activity. This resulted in Defence internally reprogramming \$285 million of previously forecast DCP funding in 2010-11 to later years to better align the DCP capital expenditure with the expected delivery dates of Force 2030. I must emphasise that this reprogramming will not result in less money for DCP projects nor will it put the delivery of Force 2030 at risk.

However, if you want to measure spending on capital projects over the medium term—and this is the best focus for looking at capital projects—this should be done by combining spending on AMCIP, for approved projects, and DCP, for unapproved but expected to be approved projects, for the budget and the three forward estimates years. This avoids the distorting effects of programs moving from the DCP to AMCIP, avoids a potentially misleading focus on one year, with all its potential variability, and gives a better idea of what should count for industry—total capital spending over the medium term.

The 2009-10 Budget PBS shows a total of \$23.8 billion spending on major capital investment projects, across the budget and forward estimates years. The 2010-11 PBS shows a total of \$21.2 billion, a figure which is \$2.6 billion lower. However, this reduction is driven by the increasing strength of the Australian dollar—between the two budget estimates—which has resulted in a hand back of \$3.9 billion of foreign exchange gains, partly offset by additional capital investment of \$1.2 billion across the 2010-11 to 2013-14 period when compared to the planned investment over the 2009-10 to 2012-13 period. Again, I emphasise that the difference was driven by movement of the exchange rate. This hardly suggests a massive reduction in capital spending.

I want to talk a little about the DCP approval information that is included in the PBS. There has been some concern expressed about a lack of guidance for industry on the timing of project approvals. Prior to the 2009-10 PBS, a list of planned project approvals for the year

was published in each PBS. Due to the complexity of the program of projects being managed in the DCP, these predictions were often subject to variation after the publication of the PBS as a result of changes in schedule. Defence therefore decided to move to the provision of a timing band for project approvals when it released the 2009-10 Public DCP in July 2009.

To be consistent with the Public DCP, Defence has adopted timing bands in the 2010-11 PBS. To give a tighter indication of schedule, frankly, conveyed a false sense of precision, and the change was appropriate to align the PBS with the Public DCP. Defence does not believe that the change in the PBS results in any significant reduction of information available to defence industry. Nor does the use of bands more generally in the DCP significantly reduce information, especially when the other forms of contact with industry are taken into account—and those other forms are manifold. It is, however, an advantage to avoid false precision and the resulting inappropriate expectations.

I now want to talk a little about the supposed ‘accounting tricks’ in the SRP savings. The ASPI budget report states:

Around \$4.6 billion of the claimed amount—  
for the strategic reform program—

is an artefact of accounting, involving the reallocation of funds within Defence’s budget that have nothing at all to do with reduced costs or efficiency.

It was always past practice for Defence to retain some central funding to cater for future contingencies. Following a comprehensive and detailed review of Defence funding as part of the white paper, Defence has now included a more appropriate and lower level of funding in budgets because we consider that we should be able to manage with lower levels of contingency. As a result, the central provisions are no longer required and they have been reallocated to remediate the budget and fund Force 2030.

This activity illustrates that Defence has an improved understanding of its budget and is better able to manage and prioritise funding to ensure activities are aligned with Defence and government priorities. I do not consider that prudent management of funds is accounting trickery. Individual budgets have been reduced and the funds have been reinvested elsewhere. The savings have been made.

Finally, I would like to comment on the allegation that industry or suppliers will bear a greater share of the SRP savings than is appropriate. In the 2009-10 budget, the government provided Defence with a new funding model which will result in Defence being provided with an additional \$146 billion over the 21 years to 2029-30. Around two-thirds of the Defence budget is spent on capital equipment and operating costs—nearly all of which are payments to suppliers, including the defence industry. As a consequence of the white paper in the order of \$100 billion in additional purchases from suppliers will be made over the period 2009-10 to 2029-30.

Given the extent of the payments to suppliers, it is not surprising that a major share of the efficiencies and cost reductions sought comes from them. This is all the more likely as Force 2030 involves an increase in ADF personnel numbers, which results in growing salaries and allowances which make up a large slice of the remaining third of the Defence budget.

SRP is, after all, focused on reforming Defence business processes and practices to make it more efficient, allowing those savings to be reinvested in the capabilities required for Force 2030. This will mean cutting back in some things that we purchase from suppliers and working with them to help bring about cost reductions and/or greater efficiencies in other cases. Implementation of the white paper will, however, be an overall benefit to suppliers.

For example, against the figures in the 2009-10 PBS, it will see the following changes to payments to suppliers over the decade, when compared with planned expenditure at the time of the 2008-09 additional estimates: firstly, a 20 per cent increase in payments for equipment, including specialist military equipment; secondly, a 35 per cent increase in payments on housing and facilities; thirdly, a 15 per cent increase in payments on logistics and sustainment; fourthly, a 10 per cent reduction in ICT expenditure; and finally, a 15 per cent reduction in other payments such as travel, building maintenance, professional service providers, consultants, advertising, freight et cetera.

There is no doubt that SRP will drive efficiency in both Defence and the defence industry. Any adverse impact on industry should be easily cushioned because, as indicated, the resultant savings will be reinvested with industry for the new capabilities being acquired under Force 2030.

Let me move on to talk about the strategic reform program and a number of issues that have been raised there. The first is the issue of transparency. In response to recent claims that the strategic reform program—or SRP—lacks transparency, I would point out that several documents relating to the SRP have already been released to date, including: firstly, the Defence white paper; secondly, a booklet entitled *Delivering Force 2030*, which accompanied the white paper; thirdly, a range of detailed information sheets on different aspects of the initiatives that make up the SRP—this was in April 2010; and finally, a new booklet entitled *Making it happen*—also in April 2010. The last two documents were designed primarily to help the Defence workforce focus on where the reforms will have the largest impact and, thereby, raise their awareness of where their engagement is likely to be the most critical for success in the SRP.

Finally, both the CDF and I have spoken to different aspects of our workforce on a number of occasions and will continue to do so. I have spoken publicly about SRP on some occasions since the government approved the package in April 2010. CDF and I had a media roundtable on 16 April which outlined where the department was headed with its reforms and at which journalists were free to ask any questions they wanted to about SRP—and they did.

We have also established several mechanisms to track the progress of SRP, such as regular reporting to government against an implementation plan; oversight by the Defence Strategic Reform Advisory Board, which provides independent, external advice on the progress of reform; internal audit by way of Defence's audit processes, including an annual sign-off from the Defence Audit and Risk Committee, chaired by an independent member; and involvement by the Australian National Audit Office.

Public visibility of progress in the Strategic Reform Program will continue to be provided through the normal annual reporting mechanisms that apply to Defence, including its annual report, in which I expect SRP will feature very regularly, as well as this and other

parliamentary committees, where I am sure SRP will also feature. In short, we are providing a great deal of information. I think people have to temper claims of lack of transparency with an assessment of the amount of reporting we are actually doing.

Let me turn to the cost reductions from SRP. I will provide a brief update on progress for 2009-10. We are on track to deliver the \$797 million in cost reductions programmed for this year, which include: Smart Sustainment program cost reductions of \$263 million through pursuing opportunities to become more productive and eliminate unnecessary spending in maintenance and supply-chain processes through cost-control measures such as deciding to refurbish rather than replace equipment; non-equipment procurement cost reductions of \$172 million through improved demand management of travel, training, professional services and garrison support; and information and communications technology cost reductions of \$49 million through upgrading and consolidating Defence's ageing infrastructure and improving the management and delivery of ICT support. We consider that we are well placed to achieve the target of around \$1 billion in cost reductions for 2010-11.

Let me move to Defence's payroll processes. Defence's payroll processing and projects for the ADF sometimes attract attention. Since February 2010, the Vice Chief of the Defence Force and the Deputy Secretary of Defence Support have been co-chairing the Defence Payroll Remediation Task Force, which was established by the government to improve the management of the ADF pay and allowances system, particularly for troops deployed. The CDF and I issued a joint directive on 15 February this year to give the task force executive authority within the department.

The Defence payroll is very complex, and we have discussed this before. Each fortnight we make in excess of 100,000 payments through three payroll systems, which amounts to a salary expense of around \$270 million and includes around 250,000 manual transactions per month, or over three million a year. I put it to you that no other organisation in Australia has as complex a payroll as Defence, in terms of both the number involved and the number of individual transactions, because of our allowance structure. With a salary and allowance structure as complex as this, errors will arise from time to time; it would be unexpected and unlikely if they did not.

The Defence Payroll Remediation Task Force is addressing these issues. Over the coming 12 to 18 months, the task force will concentrate on the root causes of the problems: poor administration, poor execution of delegated authority, process and procedural weaknesses and inconsistent record keeping. To that end, a payroll assurance framework is being developed, which will be informed by audit findings and analysis and mapping of current processes and which will ultimately lead to a more robust set of controls, greater visibility and better accountability. The task force, via the central Defence service contact centre, has also facilitated increased access for ADF members' families and dependants to members' pay details to allow them to better monitor and understand the fortnightly payments that they receive.

Finally, on 4 May this year a contract was awarded to upgrade the primary Defence HR platform, PMKeys. This will upgrade basic technology and provide a modern platform to stabilise the current system and create a solid basis for the development of a much more robust payroll system. We anticipate that the PMKeys upgrade will take approximately two



years. This will give us a better information technology system, but it will still be only as good as the human input into it. That is why improving human input is the focus of the remediation task force.

I would like to move now to the ANAO report on the lightweight torpedoes project, JP 2070, which was recently tabled. The report shows that this program has had and continues to have significant and serious problems. Defence has accepted all the report's recommendations. As the Minister for Defence stated, the management of this project has not been good enough. To deliver the capability and to address the systemic issues raised in the report, specific measures will be adopted within Defence that will include, but are not limited to, two-monthly reports to ministers on the project's progress, a follow-on ANAO audit in about 18 months and an increase in the intensity of senior manager oversight of the project. We will also undertake a lessons learned exercise on JP 2070, using an external reviewer, and apply these lessons to all other Defence capital projects insofar as they have not been applied already. Many of the lessons from JP 2070 have already been applied. We believe we can get this project back on track, but it will take time and lot of hard work.

I would like to shift to the subject of APS workforce growth. There has been media comment, drawing on data in the portfolio budget statements for 2010-11, suggesting a large and unnecessary growth in the size of the civilian workforce, which is APS plus contractors, in Defence. This is largely misleading because the 1,470 increase projected between 2009-10 and 2010-11 is a product of recruiting shortfalls in 2009-10 and planned and expected jobs growth associated with the white paper. As a result of delays in recruitment in 2009-10, the Defence civilian workforce is expected to underachieve by 663 positions. The budget guidance for 2010-11 reflects the originally planned achievement levels for 2009-10. This means the workforce guidance for 2011 automatically starts out 663 above the current size of the civilian workforce. This underachievement accounts for nearly half of the apparent growth in the civilian workforce between the PBS projection for 2009-10 and the estimate for 2010-11. I have a table, which can be circulated, that might help members understand some of the comments I am going to make. Let me just offer it to someone to run that around.

**CHAIR**—The committee will accept the table outlined by the secretary of the department.

**Dr Watt**—Most of the remainder of the growth in the civilian workforce is due to the creation of new positions that support the implementation of the Defence white paper, contract conversions and civilianisation of the military positions associated with SRP. Let me put it to you in another way. In the 2009-10 PBS, Defence was projecting a civilian workforce in 2010-11 of 16,583, while in the 2010-11 PBS we are projecting 16,790, an increase of 207—not the 1,470 talked about. What is more, we have found in the past that these future numbers—2010-11—are likely to come to down and we are already doing an exercise to review the projected 2010-11 workforce in the light of 2009-10 underachievement. So in summary: while the APS workforce appears to be growing faster than expected, in reality we are simply seeing civilian numbers projected to catch up to where they were planned to be.

The final thing I would like to talk about is SES travel entitlements. Indeed, I would like to clarify the travel entitlements of senior Defence officials. Recent media reporting has suggested that there are 19 civilian personnel in Defence who travel first class when travelling overseas and that their spouses have the ability to travel with them. This is not the case. For

domestic travel, all Defence SES members are entitled to travel Business Class within Australia, except for flights between Canberra and Sydney. In the SES workplace agreements developed in 2006, the entitlement for business class travel between Canberra and Sydney was discontinued. More recently, I have also asked SES members travelling between Canberra and Melbourne to use economy fares. For overseas flights, SES Band 1 and 2 members travel business class. In the past, Defence SES Band 3 members were entitled as a result of workplace agreements to travel first-class on overseas flights. However, since June 2009, this entitlement has been removed for new Band 3s.

I have discussed the need to make savings in our travel budget with the APS senior leadership team in Defence. Since June 2009, Defence Band 3's access to overseas first-class flights has been rare. Defence Band 3 officers will travel Business Class, unless there are exceptional or unusual circumstances—for example, urgently needing to travel internationally when only first-class seats are available. However, we do need to acknowledge that the CDF, the VCDF and the service chiefs are entitled to first-class international travel by decision of the Remuneration Tribunal. Portfolio secretaries' remuneration and travel entitlements are also set by the Prime Minister following advice from the Remuneration Tribunal, and they currently include first-class international travel. Also, the CEO of DMO has an entitlement as part of his employment arrangement.

I would like to address finally the claim regarding Defence spouses accessing travel. The Defence policy on this matter is set out in Defence Instruction (Administrative) 23-5—Overseas Visits, in the Pay and Conditions Manual, and a joint Secretary/CDF directive dated 27 September 2004. These policies apply to the SES and military star-ranked officers, and clearly set out that spouses are not automatically entitled to accompany a partner on short-term duty overseas, let alone first class, unless such travel is in the interests of the Commonwealth and, in accompanying their partner, the spouse would himself or herself be fulfilling a representational role. The authority to approve such travel rests with the minister, the CDF or me, depending on the circumstances of the proposed travel. I would note that in the most recently completed financial year, 2008-09, there were no occasions on which an SES officer was accompanied by their spouse at government expense, and none that I am aware of in 2009-10 to date.

Thank you, Chair, that concludes my opening remarks.

**CHAIR**—Thank you, Dr Watt. CDF, do you have an opening statement?

**Air Chief Marshal Houston**—Good morning Chair and members of the committee. Before I go to my statement you would probably appreciate an update on the soldier who was found unconscious in his accommodation on Friday. He remains in a serious condition. He is still in Afghanistan and is expected to depart for Germany shortly. I am informed that there was a delay in the air movement of the individual and hopefully he will be moved today. Obviously, our thoughts and prayers are with him and his family.

I will continue with some pleasing statistics about our progress in Afghanistan. You are aware that I think the tide is turning in Afghanistan and these statistics reinforce that belief. In a recent ISAF nationwide survey 59 per cent of Afghans polled believed their country was 'heading in the right direction'. Across Uruzgan, in the last three years the number of schools

has more than doubled. There are approximately 43,000 children registered in school, including 4,100 girls, with a further 7,000 students attending secondary or higher education.

In 2006, there was no provincial hospital, surgeons or specialists. Presently, these positions are filled and the Tarin Kowt district hospital has been upgraded to a provincial hospital with a separate women's ward, a new outpatient clinic, a mortuary and blood bank, and a cholera ward. The women's hospital currently assesses and treats 200 patients a day. The number of basic health centres across the province has increased from one to six, and immunisation for children under the age of one has increased from 37 percent in 2006 to 91 percent in 2009.

In terms of our military strategy, ISAF, in conjunction with the Afghan government, continues to conduct clear, hold, build related strategies and sustain operations throughout Afghanistan. As in previous years, the majority of incidents have occurred in the southern provinces of Helmand, Kandahar and Uruzgan, and in the east of the country in Konar and Khowst.

It has been well reported that Operation Moshtarak in the Helmand province went very well and the focus has now turned towards governance and development. COMISAF's operational priority has now shifted to Kandahar. He sees this part of his campaign as a process not an event. There will be a focus on building governance from the bottom up and security operations. Protecting the population and disrupting the Taliban in the province will also be important. Mark Sedwill, the senior civilian representative, has described the security part of the operation as establishing 'a rising tide of security' in and around Kandahar with a heavy reliance on Afghan forces. I anticipate that Australian forces will be involved in supporting ISAF operations in this area.

Additionally, Australian Special Forces and their partners, the Provincial Police Reserve, have been active in targeting Taliban insurgent networks in both Uruzgan and Kandahar. Just a few weeks ago another three IED facilitators were killed. Support was also provided to Gizab locals in April following a community-led uprising against the Taliban insurgents operating in their region. The SOTG has also been very active in conducting high-level shuras throughout Uruzgan Province, as well conducting civil affairs tasks such as providing medical clinics in remote communities.

We are also continuing, in consultation with AusAID and coalition partners, to undertake a significant number of engineering projects in the Mirabad, Baluchi and Chora areas, as well as increased capacity development in Tarin Kowt. Some examples of our efforts are the expected completion in June of the Ministry of Energy and Water compound and the Tarin Kowt waste management project; also, construction is about to begin of the Malalai Girl's School and the surveying of the Sorkh Mohgharb-Nayak Road. Of course, the ADF's primary focus in Afghanistan for the next few years will remain focused in the Uruzgan province as we mentor the 4th ANA brigade to a level of competency that will allow the timely transition of provincial security to Afghan authorities.

In terms of how our mentoring task is progressing, I am pleased to say that there is growing evidence that our Kandaks are maturing towards their end-state of independent operations and the Afghan soldiers themselves have shown considerable resilience under fire and in facing the threat of improvised explosive devices. And in terms of leadership, ANA commanders are

accepting the authority and responsibility of their appointments. Commanders are taking ownership and leadership of operational planning and the conduct of operations, with orders being effectively delivered. For example, the 4th Brigade have planned and executed recent local operations in the Mirabad area, once considered a Taliban stronghold. They have demonstrated good processes and effective leadership in the conduct of these operations. Importantly, they discovered numerous weapons caches during these operations.

Another example I can share with you is that the 4th Brigade has taken increasing responsibility for Operation Thór Ghar phases I to IV, which are complex and dangerous resupply convoys between Tarin Kowt and Kandahar airbase. In mid-2009, the ADF led the planning and execution of this operation, with the ANA only observing. Then, in late 2009, the ANA co-planned and executed the operation and this year the ANA planned and executed the operation with the ADF only observing.

This morning I am pleased to announce that our mentoring task force has begun the expansion of their partnered mentoring program to take on the complete Afghan National Army's 4th Brigade, including all five of the brigade's permanently assigned Kandaks, by the end of the year. On 25 May, the mentoring task force assumed mentoring responsibility for the 6th Combat Service Support Kandak which, when developed, will provide an important logistic support capability to enhance 4th ANA Brigade operational effectiveness. This date also saw the MTF assume mentoring and partnering responsibility for the ANA 4th Brigade headquarters at Tarin Kowt. Mentoring the 4th Brigade headquarters staff will significantly enhance the ADF's influence over brigade practices and will greatly assist the ADF in shaping ANA operations and prepare the brigade to take the security lead in Uruzgan.

The MTF has also conducted a handover from the Dutch for the 4th ANA Brigade's 3rd Infantry Kandak for which it will assume mentoring and partnering in June. We are also soon to deploy elements to replace the Dutch support provided to a French mentoring team currently mentoring the 4th Brigade's 1st Infantry Kandak at Deh Rawod, in west Uruzgan. This will be vital, as France intends to redeploy their mentoring team to concentrate their national effort in another province, and discussions are currently underway to identify a suitable handover date, probably in September or October, when the MTF will take over full mentoring and partnering responsibility for that Kandak. And to complete the ADF's mentoring expansion across the 4th ANA Brigade in Uruzgan, and leveraging off the MTF's existing mentoring capability, we will also be engaged in supporting the development of a garrison Kandak, required to manage ANA facilities at the 4th ANA Brigade's primary operating bases in Uruzgan.

Finally, I would like to update the committee on the issue of leadership within the Uruzgan province. Since we began our engagement in Uruzgan, we have been very well supported in our activities by the Dutch. With the Dutch withdrawal now planned to commence from 1 August, plans are advancing well for a replacement force. Though I am not in a position to provide detail on this force, I can tell you that the ADF has and continues to be closely engaged in this planning. I am confident that there will soon be an announcement on this matter. I assure the committee these new arrangements, coupled with our expanded mentoring responsibilities for the 4th ANA Brigade, will significantly enable and focus coalition and

ANA activities in Uruzgan towards the goal of transitioning security responsibility to Afghan authorities.

The committee would be aware that, as part of the release of the federal budget, the government announced the allocation of \$1.1 billion for enhanced force protection capabilities in Afghanistan out to 2013. I welcome these additional resources, which will enable us to continue to do everything we can to minimise the risk to our people. Since redeploying to Afghanistan in 2005, we have undertaken a range of force protection measures. For example, when the IED emerged as a significant threat to our forces, we took steps to counter this threat, such as putting more Bushmasters into theatre and establishing the counter-IED task force. The most significant part of the \$1.1 billion funding is that we will acquire a counter-rocket artillery and mortar sense and warn capability. The C-RAM capability, through the detection and tracking of incoming projectiles, will warn our forces of an incoming threat. This system will begin to be delivered by the end of 2010.

Whilst this will be a critical capability for our people, it is important to remember that C-RAM only adds another level of security to our already multi-layered approach to force protection. For example, to counter this particular threat we have drills for rocket attacks, hardened accommodation, we conduct aggressive patrols, we use airborne surveillance platforms, employ intelligence gathering and provide body armour and helmets for personal protection. Collectively, this provides our people with the best possible protection.

In my opinion, the personal equipment provided to our people in Afghanistan is the best that we have ever fielded. I acknowledge that we need to explore further opportunities to reduce the weight of this equipment and enhance the mobility of our people, particularly where they are required to undertake foot patrols. We are undertaking this work as is indicated by the imminent introduction of the TBAS body armour system, which is much lighter than the system that we currently use.

We will continue to closely monitor the environment, respond to new threats and change the way we operate in order to offer the best possible force protection, not only to our own people, but to all Australian government officials deployed in Afghanistan.

During the last supplementary estimates hearing in February the committee expressed its interest in our submarine force structure and availability. I reported to you then that we were establishing the Australian Submarine Program Office to manage the integrated master schedule for the Collins class and be the single point of contact for all submarine maintenance and upgrade scheduling matters.

Since I launched this office in March, I have been satisfied with the progress we have made. The integrated master schedule has been agreed and availability for sea is improving. Just about a week ago we welcomed the return to service of *HMAS Dechaineux*. This means we now have three submarines out of maintenance, fully crewed, and available for operations from Fleet Base West, which is an important step forward in meeting our availability and preparedness targets. As we did earlier in the year, we would be delighted to provide members of the committee with a classified brief on submarine preparedness.

Finally this morning, I endorse the secretary's comments about the Strategic Reform Program. We are making good progress following the release of our implementation plan in

late March. Importantly at this early stage of the SRP, our change and communication strategy is being widely applied to ensure a broad and comprehensive understanding within the workforce of the importance of the SRP, the responsibilities of our people and the critical link between the SRP and achieving Force 2030. I am confident this strategy will promote the necessary cultural change we need towards Defence as a whole becoming a more integrated and cost-conscious organisation that embraces the change required to achieve this important reform, and indeed, Force 2030. I stress that SRP cost reductions are specifically designed not to impact on the readiness or operations of the ADF.

During a meeting of Defence's senior leadership group in late March, the secretary and I asked all star-rank officers and SES-banded civilians to make it a priority to engage with middle-level management in order to ensure the widest possible dissemination of information and to ensure the strongest support right throughout Defence. The secretary, vice chief, service chiefs and group heads and I will continue to engage our people across Australia and on operations around the world to ensure they understand our expectations and requirements. This also provides us with the opportunity to respond to their concerns. From my own experience talking to several thousands of ADF men and women, I can inform the committee quite confidently that the vast majority of members of the three services are very accepting of the SRP and under no illusion about the need to deliver Force 2030 through fundamental and sustainable change to the way we do business.

I conclude my opening statement this morning by thanking the chair and members of the committee for your generous allocation of time for the opening statements. I now welcome your questions.

**CHAIR**—Thank you for those lengthy and detailed statements; they do address in considerable detail a lot of matters in this area that have been topical in the press in recent months. They were very informative. Thank you for the hard work involved in the preparation of those statements. We will now go to questions.

**Senator JOHNSTON**—CDF, I will go to you first. Thank you for the very positive account of the progress we are making in Afghanistan. The committee welcomes that. By way of assisting the committee, can you give us the anticipated ADF scheduled and recognised period of commitment for each of the three major offshore deployments, Afghanistan, Solomon Islands and East Timor, in terms of training, work up and future funding? What is the baseline number of years you anticipate—notwithstanding government policy—being able to provide resources to those three jurisdictions?

**Air Chief Marshal Houston**—Do you want me to run through the allocation that has been made in terms of budget allocations this year?

**Senator JOHNSTON**—I am not talking about budget allocations or forward estimates; I am talking about your strategic and logistic commitment to these projects based on what you perceive as necessary from a strategic point of view from here out. What are the number of years you anticipate we will be there?

**Air Chief Marshal Houston**—We are fully funded for all our operations this year at the planned level of capability. I will start with Timor. Timor is going very well. The ISF is doing a good job. Things have stabilised very well in Timor over the last couple of years. We are

seeing the FFDTL and also the police force, the PNTL, starting to take over most of the responsibility for security. As a consequence of that, the job is gradually turning from one of providing a stabilising effect more to building capacity in the FFDTL and the police. Of course, the responsibility for capacity building in the police is one that rests with the United Nations, although we work very closely with them.

In terms of how we go from here, I would anticipate that there will be a gradual drawdown of the ISF over time, and a transition to an enhanced capacity building program. It will probably end up being one of our biggest Defence cooperation programs, if not the biggest. We refer to it as the enhanced defence cooperation program. It includes, obviously, a focus on—this is what our friends in Timor would like—English language training. We are providing 100 courses for English language training this year. There is a focus on maritime training. The FFDTL has just taken receipt of two Shanghai class patrol boats, and it is quite clear that the Navy element of the FFDTL is very keen to work closely with our Navy to build its capacity. We are also engaged with working with the engineers in the FFDTL to build that capability, which is quite important to the nation in terms of nation building tasks out in the provinces. Another focus is peacekeeping. There is a desire to build a capability to contribute to the United Nations peacekeeping operations in the longer term.

Of course, all of that is in addition to what we are already doing in the broader capacity building work that we do out at Metanaro, where we have specialist courses in such things as communications, logistics, engineering and a whole raft of other areas. So, I think Timor is going well, and I would anticipate that at some time in the future the ISF will be able to draw down—probably not that far away.

In the Solomon Islands, we have recently drawn down to a smaller contribution. That is because the police are starting to become more effective in their capacity to provide a level of community policing capability to maintain law and order. I anticipate that we will have a small element there for some time to come. I am not prepared to put a date or a time on it, but suffice it to say that we are now down to a very low level where we are providing about 80 people on the military side of the force to support the participating police force and the Royal Solomon Islands Police Force.

Afghanistan is probably a little more complex. We have great faith in General McChrystal and the senior NATO civilian representative, Mark Sedwill. The indications that they are giving is that we have stopped the momentum that was there before with the insurgency, but there is still a long way to go in meeting the challenge associated with completing the counter-insurgency campaign. One pleasing aspect of Afghanistan is that the training of the ANA and the Afghan police is well ahead of schedule. General McChrystal reported the other day that we now have 119,000 people in the ANA—the army—and 104,000 in the police. These figures are, I think, very pleasing, considering where we were, say, two years ago. I think they demonstrate that as we go forward, with more Afghans trained, the trick will be to achieve an effective transition which enables us and the rest of the coalition to gradually hand over responsibility for security to the Afghan authorities.

As we have told you several times before, in Uruzgan our focus is very much on the training of the Fourth Brigade, who will have responsibility for the security of Uruzgan after we and our partners leave. That part of it, as I said in my opening statement, is going very,

very well. I anticipate that, as we go forward, it will be important to not only focus very sharply on establishing the right level of capability within the brigade but also focus on how we will transition responsibility for security to them further downstream.

**Senator JOHNSTON**—You mentioned AusAID personnel. How many AusAID people are there in, firstly, Uruzgan Province and, secondly, in the broader theatre?

**Air Chief Marshal Houston**—We are in the process of increasing the number of AusAID people. The number of AusAID people will increase to nine. I have just got it here. An additional five personnel from AusAID will bring Australia's total aid commitment to nine, and obviously some of those will be in Tarin Kowt, where the numbers increase from three to 6—

**Senator JOHNSTON**—Currently there is six?

**Air Chief Marshal Houston**—In Tarin Kowt, from three to six.

**Senator Faulkner**—It is currently three.

**Air Chief Marshal Houston**—Yes. In Kabul it is increasing from one up to two. We are also putting an AusAID person into Kandahar. We have nobody from AusAID in there at the moment; that will go to one. I guess you are also interested in the diplomatic side. That will more than double to 11 DFAT staff: based in Kabul, from three to seven; Kandahar, one; Uruzgan Province, from one to three. That will obviously strengthen our engagement with not only the Afghan government but also our partners. I think that is absolutely vital to the sort of integrated approach that we need—not just in Uruzgan, but more broadly across Afghanistan.

**Senator JOHNSTON**—Can I take you to a more internal domestic issue—that is, allowances. There has been some discussion broadly across the ranks that there will be a review of district allowances, grade B and A allowances. Can you confirm whether these allowances relevant to Darwin and Townsville are under review?

**Senator Faulkner**—Senator, perhaps I can begin by addressing that for you. I do think there has perhaps been some inaccurate information that has been circulating about what is a review of the remote locality leave travel entitlement. As you would be aware, Senator, there are basically three elements of the package of benefits—I am using the terminology 'package of benefits'; it is as good a terminology as any—provided to a member who is posted to a remote location. The first of those is the ADF district allowance, which I am sure you are aware of. That is an annual allowance payable to members to compensate them for living in remote locations. The second of those is the issue of additional annual leave days. And the third is the remote locality leave travel entitlement, and that, as you may be aware, basically provides ADF members with return class airfares to the nearest state capital. This can be used by ADF members with return economy class airfares to the nearest state capital. It can be used by ADF personnel to visit family and friends, or access services that might be unavailable at their remote location.

Now there was in fact some speculation about this, as you have said. It is true that defence is having a look at the issue of the remote locality leave travel entitlement. The purpose of that is to ensure that it best meets the needs of our servicemen and women. I have certainly made clear, and CDF and Secretary are aware of this, that the review will not be examining let



alone proposing any changes to ADF district allowance or the additional annual leave days. Even in relation to the remote locality leave travel entitlement, I can assure you that in looking at that, defence will certainly undertake a substantial consultation process with ADF members prior to making any recommendations to me on the matter. I can assure you that the government would need compelling evidence from defence before agreeing to make any changes that might adversely affect servicemen or women in remote areas, so I am very pleased to have an opportunity today to make that absolutely clear. Because after all, it is important that ADF members are assured that the government recognises the importance of providing an attractive employment offer to ensure the continued retention of our highly skilled ADF members. If this element of the remote locality leave—that is, remote locality leave travel entitlement—can be modernised and work better than it does, well I think that will be advantageous to all concerned. But as I said, in relation to the ADF district allowance and the additional annual leave days I made absolutely sure that that is not being considered.

**Senator JOHNSTON**—Thank you. So district allowance is not under review?

**Senator Faulkner**—That is absolutely what I have said. I have made clear to the Secretary and CDF that that is the case. I am just clarifying that that is the case. So I can assure you that the review will not be examining, or for that matter proposing, any changes to the ADF district allowance.

**Senator JOHNSTON**—Very good. There is a review of remote travel locality leave travel allowance?

**Senator Faulkner**—No, there is no such review. Before we get to that, let us be clear: there is no proposal to review and there will be no review of the additional annual leave days, which is the second element of remote locality leave. In relation to the remote locality leave travel entitlement, there is no extant review of that. But it has been flagged and I think that it is worth having a look at this to see if, in the modern and contemporary environment, we can have an entitlement that better meets the needs of our servicemen and women. And this goes to flexibility and the like. I think you will find that if not all, then the overwhelming majority of servicemen and women will see this as a positive thing.

**Senator JOHNSTON**—Who has flagged it?

**Senator Faulkner**—What do you mean?

**Senator JOHNSTON**—Was it pursuant to the SRP or was it a departmental flag? Was it you yourself or was it from within the ADF?

**Senator Faulkner**—It was flagged within the internal processes in relation to the SRP. I think that is a fair way of explaining it, but I will just check with the secretary to the department. Yes, the secretary is comfortable with that.

**Senator JOHNSTON**—So that, within and under the umbrella of the SRP, this particular allowance has been flagged for the purpose of having a look at it?

**Senator Faulkner**—Yes. It is as I have explained it.

**Senator JOHNSTON**—How do you envisage that you could possibly make it more flexible, efficient or enhanced?

**Senator Faulkner**—Senator, as I have indicated to you, the review has not been established. It is that sort of issue that will be examined during the review, but it will be done in a way that ensures there will be very substantial consultation with any of the people who currently receive the remote locality leave travel entitlement. For all those people, there will be some views gleaned as to whether this entitlement can be made more contemporary and to fit better to the sorts of circumstances that people currently have. I think you will find that this will be perceived as a very positive way of dealing with this issue while understanding that the ADF district allowance and the additional annual leave days will not be affected in any way, shape or form. As I have made very clear, and I say it to you again, I would need to be absolutely assured before any change is made. If I am the minister I would need some compelling evidence from Defence before I made any changes, because I would want to assure myself that no modernisation or improvement would adversely affect service men and women in remote areas. Certainly, Senator, you have that guarantee.

**Senator JOHNSTON**—So the guarantee is that no service personnel in remote areas—what would you consider to be a remote area? We will come back to that, if I may, Minister—will be adversely affected by a reduction in this particular allowance as a result of this review. If that guarantee is accepted as a guarantee by you, because I am asking you to clarify it and confirm it—

**Senator Faulkner**—The review that I believe is being envisaged for that one element of the remote locality leave is to examine options to increase the flexibility of the current scheme. Let me give you an example that might help: linking the number of flights provided to an increase in the number of destinations available. It is that sort of issue that will be examined when this is commenced. I think that is a very good example of what is envisaged here.

**Senator JOHNSTON**—So when you say, ‘Linking the number of flights to the number of destinations,’ someone living in Darwin, instead of going home to Adelaide, can now go to Melbourne, Sydney or Brisbane if they wish to?

**Air Chief Marshal Houston**—There are a number of conditions that surround the allowance. It is quite complex, but you can offset the entitlement that you have to where you might go against another destination. I think it is probably best if we come back to you with the detail of that afterwards, unless one of my colleagues can go through the detail of it with you.

**Senator JOHNSTON**—It is taking me some time to get to the confirmation that we are more than having a look; we are in fact conducting a review—I think that is on the table—of that particular allowance.

**Senator Faulkner**—We are looking at one element—

**Senator JOHNSTON**—Of that particular allowance.

**Senator Faulkner**—Yes, we are looking at one element. But what it is about, as I have said to you and I will say again, is flexibility. I have also made clear to you, I think in very clear terms, the sort of compelling evidence that would be required before I as the minister would consider any changes at all, and I certainly will not be considering any changes that would leave service men or women in remote areas worse off. I cannot say it more clearly. I

have said to you and I will say it again: I very much value their services and the sacrifices that they make in remote areas and will ensure that we continue to do so.

**Dr Watt**—There is a further point of clarification which might be helpful. We should be talking in the future tense. We are not conducting a review at the moment. The review has not yet started. There has not even been significant preparatory work done yet. We will be conducting a review in the future, as the minister has said.

**Senator JOHNSTON**—But it has been flagged pursuant to the Strategic Reform Program?

**Dr Watt**—It has been flagged that a review will be conducted in the future.

**Senator JOHNSTON**—When was it flagged?

**Dr Watt**—I would need to confirm that with Mr Sargeant.

**Mr Sargeant**—It was flagged in the booklet that we released in April, *The Strategic Reform Program: making it happen*, and it was part of an explanation around a broader suite of reforms in the nonequipment procurement area. What we are trying to do there is really look at how we organise travel, how we pay for it, the contracts that we have with airline companies and the policies that we have that govern travel and to really look at ways of simplifying our processes and making them more efficient. Within that, remote locality leave was sort of flagged in the context of whether the definitions around ‘remote’ are appropriate for contemporary circumstances, given that they have not been looked at since the early 1980s. In that context, we have really said, ‘Can we organise and do travel more efficiently as a means of saving money and improving our processes?’ It is part of a larger package of proposals, mainly concerned with how we administer things.

**Senator JOHNSTON**—Mr Sargeant, I am very obliged to you for your answer, and I thank you. It is about saving money.

**Mr Sargeant**—It is about achieving cost reductions so that we can reallocate to support Force 2030.

**Senator JOHNSTON**—Yes. So it is under review to achieve cost reductions.

**Mr Sargeant**—No.

**Dr Watt**—I do not think that is what Mr Sargeant said, Senator.

**Senator JOHNSTON**—It has been flagged under a process that is designed to achieve cost reductions.

**Mr Sargeant**—We are trying to look at how we do travel and make decisions around travel in order to develop a more efficient system so that cost reductions achieved through that can be reallocated to support Force 2030.

**Senator JOHNSTON**—I am obliged to you for your frankness, because that is the best we can have this morning. I thank you for that. CDF, I have no further questions on your opening statement but I do have a number of questions for the secretary.

**Senator Faulkner**—Senator, you might be happy to leave this here, but I am going to make it absolutely clear to you. As Defence always should look for cost efficiencies—I hope you would support that and I hope every member of the committee would support—

**Senator JOHNSTON**—Not at the expense of remote located people.

**Senator Faulkner**—No, quite right. So let me make it absolutely clear, as I have said before, so there can be no possibility that anyone misunderstands what has been said. There will be no changes made to remote locality leave travel—or, for that matter, any other allowance or benefit—which will adversely affect ADF members. I cannot say it to you more clearly than that. That is why the suggestion, for example, that there might be a consideration about the ADF district allowance is wrong and the suggestion that there might be a consideration about additional annual leave days is wrong.

In relation to the remote locality leave travel entitlement, that is one which, as I said, provides ADF members with return economy class airfares to the nearest state capital. It can be used, as you know, for ADF members to visit family and friends. There is, I think, an opportunity here for us at least to look at options which might increase the current flexibility of the scheme. That may at the end of the day be a win-win situation, which means that there might be cost efficiency. There certainly might be flexibilities here that will assist ADF members. But I want to make this absolutely clear to you so that there can be no misunderstanding here or for anybody else. We will not make any changes to the remote locality leave travel—or, as I have said, include any other allowances that you like—which will adversely affect ADF members.

**Senator JOHNSTON**—Good.

**Senator Faulkner**—So I am pleased that you have raised it so that I can provide you and the committee and, for that matter, any interested ADF members with that categorical assurance.

**Senator JOHNSTON**—And that means there will be no change in the definition of remote location?

**Senator Faulkner**—I am not aware of any plans for any change to the definition of remote location.

**Senator JOHNSTON**—So the remote locations that currently benefit from that allowance will be the same after the review?

**Senator Faulkner**—What I have said to you is clear in relation to the ADF district allowance and additional annual leave days. I have specifically said, and I will say it again: the remote locality leave travel entitlement—which I think is the third element and which is the smallest element of the remote locality leave entitlement or allowance—is being examined in the way I have outlined. So it is a review. It will occur. The spirit of this is to ensure that it best meets the needs of our service men and women, and I will say again: no changes will be made as a result of that review which will adversely affect ADF members. I do not think, Senator, I can be clearer on this than I have been.

**Senator JOHNSTON**—With the greatest of respect, Minister, there are subjective evaluations in your statement. What is ‘adverse’ and what is not is a subjective government adjudication.

**Senator Faulkner**—What ‘adverse’ for me is I will say in another way. There will not be any changes to remote locality leave travel that will leave service men or women in remote areas worse off. I do not think there is any subjectivity in what I am saying.

**Senator JOHNSTON**—I think there is. The definition of ‘worse off’ is anybody’s guess. What I want you to say is: the same number of trips for the same eligible people to the same destinations as the system that prevails today with no changes whatsoever. Can you give that guarantee?

**Senator Faulkner**—I can certainly give a guarantee, as I have said. There would be absolutely no point looking at it at all if there was not flexibility, for example, in relation to destinations. Some ADF personnel may well benefit from that. Some ADF members may well benefit from that. So linking, as I have said, the number of flights provided to an increase in the number of destinations available is the sort of issue that would be examined. I think that is a positive thing, not a negative thing. The caveat—and it is a very strong caveat indeed—is the one that I have outlined. I certainly do not want any misunderstanding about this or any capacity for misrepresentation. That is why I have said in the strong language that I have used that the service of our ADF members in these localities is valued and we will not see any benefits that they receive adversely affected. You may not like the terminology ‘adversely affected’, but I think it is clear. We will not see them worse off. I think that is a clear term.

**Senator JOHNSTON**—I am trying to ask the simplest of questions, seeking the simplest of answers. Will Darwin and Townsville remain remote, can you please tell us?

**Senator Faulkner**—They are remote and they will remain remote. I have made that clear before. There is only one element that is being examined here. I have tried to be clear about this.

**Senator JOHNSTON**—My mistake. My apologies to you.

**Senator Faulkner**—Please accept that what I have said is that there are three elements to the remote locality leave entitlement. I have talked about the ADF district allowance. I have said that that is an annual allowance, as you know, that is payable to members to compensate them for living in remote locations. If I have said it once then I have said it five times here at this committee hearing that there will be no change. I do not want a situation—and I would not suggest for a moment that you would do this—where anybody could misinterpret this. I think it is important in terms of ensuring that there can be no misrepresentation of it. There has been—and I am not critical of you about this—some inaccurate reporting of this. I did want to take the opportunity to clear it up. I hope that is clear, and very clear.

**Senator McEWEN**—CDF, I just wanted to return to your opening comments about the situation in East Timor. I understand we have reduced our presence there. How did we come to the decision to reduce our presence there?

**Air Chief Marshal Houston**—Thank you for your question. Fundamentally, it is a process that involves looking at the conditions on the ground over a fairly extended period of time and then, if the condition seems to be holding—in this case, a much better security environment than we have had in the past—a decision is made to draw down to a lower force level. Of course, the other factor that comes into this is that the FFDTL and the PNTL are increasing their capacity all of the time. So you take a whole host of considerations and a whole bunch of

factors and then make a recommendation to government that the force level should be adjusted. That obviously involves consultation with the Timor Leste government, the United Nations and our partners. It is a very deliberate and considered process.

**Proceedings suspended from 10.30 am to 10.46 am**

**CHAIR**—The committee will now reconvene. Prior to the break we were discussing matters relating to East Timor.

**Senator McEWEN**—CDF, you mentioned that the decision to reduce the number of troops in East Timor was subject to consultation with the East Timorese authorities and our partners over there. Did that include New Zealand?

**Air Chief Marshal Houston**—Absolutely. New Zealand obviously has a substantial stake in Timor and at the moment we have got 400 Australians alongside about 140 New Zealanders. They also provide the deputy commander. Of course, whenever we meet with the New Zealanders, which is often, we talk about Timor and about this particular operation and where it might go in the future and so on. That is at all levels—from ministers, CDF, secretary, joint commanders and all the way down. That is the way things are done.

**Senator McEWEN**—Are they also reducing their number of personnel in East Timor?

**Air Chief Marshal Houston**—Yes, we tend to make our reductions together at about the same time. They are currently on 140. Like us, they are very focused on the longer term and that eventually we should be able to transition out of this into an enhanced defence cooperation program which will focus very much on capacity building. As we go there, I imagine that although we will have most of the people, there will be a New Zealand contribution to that as well.

**Senator McEWEN**—What about our other ISF partners? Are they also drawing down their number of troops or personnel?

**Air Chief Marshal Houston**—It is primarily Australia and New Zealand. There are no other countries but of course we work very closely with the Timorese army—the FFDTL—and the police force. I guess the other agency there—not part of the ISF but we coordinate very closely with them—is the United Nations. The United Nations is more focused on building the capacity of the police forces but we consult with them very closely on the security sector, which covers both police and army, and on how we progress that into the future. So there is very close consultation with the United Nations as well.

**Senator McEWEN**—Are we confident that if another crisis occurs in East Timor we have got enough personnel on the ground to address it?

**Air Chief Marshal Houston**—Absolutely. We do not anticipate a crisis. We think things are going along very well but, clearly, if there were to be a problem I think, right now, we have a substantial force on the ground. We have 540 Anzacs on the ground who would work very closely with the FFDTL and the PNTL and also the small UN element that is also on the ground in Timor.

**Senator McEWEN**—So we have enough personnel to support the East Timorese security forces?

**Air Chief Marshal Houston**—Absolutely, yes—for the conditions that pertain at the moment and the conditions that we envisage in the immediate future. I think where we are at the moment is fine and, in fact, if this stability continues into the future I see the potential for drawing-down further.

**Senator McEWEN**—Do we have reservists deployed in East Timor?

**Air Chief Marshal Houston**—Yes, we do. We recently made a decision to increase the number of reservists that would be in Timor-Leste, but right the way through we have had reservists deployed. I think what will be different as we go forward into the future is that the reserves will carry a much bigger load of the deployment into Timor-Leste, and we will probably build our force around a fairly sizeable reservist element. But, as with all of our operations, it will be a totally integrated package with permanent personnel and reservists working together. What you will see over time, though, is an increase in the number of reservists that participate.

**Senator McEWEN**—What are we doing to ensure that our reservists are prepared for the task that they are being sent to do there?

**Air Chief Marshal Houston**—I think the Chief of Army has a very good force preparation program, where all of our elements that deploy on operations, be they permanent or part-time, are put through an extensive preparation program, which culminates in a mission rehearsal exercise. That mission rehearsal exercise tests all levels of the force that is going to be deployed, including the commander and his command staff.

**Senator McEWEN**—So you are confident that they will have the skills to do what they are sent there to do?

**Air Chief Marshal Houston**—Absolutely. I would suggest to you that our reservists, in recent times, have done a magnificent job. We deployed a special forces element through the winter into Afghanistan. They performed superbly. It was not 100 per cent reservists, but the force was built around the reservists from 1 Commando and they did a sterling job. We are very, very happy with what they did and to all intents and purposes they do exactly the same sort of job that our regulars do. That has been our experience across the board. I could also use the Solomon Islands as an example. About six weeks ago I visited the Solomon Islands and saw our reservists in action. These were reservists from Western Australia, and they were doing a magnificent job in the Solomon Islands. Again, I saw absolutely no difference between their performance and the performance of our regular soldiers. We are very, very happy with the contribution of reserves across the board.

**Senator McEWEN**—Do we put our reservists into any particular areas of operations or do they do what our permanent personnel do?

**Air Chief Marshal Houston**—We have had reservists on each and every one of our operations and, indeed, in all three services. We have had our special forces deployment to Afghanistan built around a reserve unit, as I have already mentioned. The deployment to the Solomon Islands is built around a reserve unit and, from here on in, our deployment into

Timor-Leste will be built around a reserve unit. I think this is a great thing for reserves. We have seen, since we started doing this on a regular basis, a very positive response from the reserves. That is reflected in our retention and recruitment figures for reserves, which have been very, very good and contrast quite markedly with where we were back in 2005, when we had quite a problem with reserves. In fact, we were losing reservists year by year at a fairly substantial rate. That has all been turned around in the past five years.

**Senator KROGER**—I have a question on the increase in personnel funds to the reserves in 2009-10. Are you saying that it provides for extra funding for increased numbers in the reserves?

**Air Chief Marshal Houston**—If I have a look at reserve expenditure—employee expenditure over time—for 2006-07 it was \$153.3 million; for 2007-08, \$190.1 million; and for 2008-09, \$219.02 million. I do not have the exact figure for this year on the sheet of paper I have here, but I am sure we could drag it out of the PBS for you and give you that figure.

**Senator KROGER**—The reservists also benefit from the new graded pay scales, don't they?

**Air Chief Marshal Houston**—They do.

**Senator KROGER**—I am wondering to what extent that absorbs some of the increase.

**Air Chief Marshal Houston**—These are really substantial increases over time. Most of the increase is reflected in the fact that between 2005 and 2006 and between 2008 and 2009, the active reserve strength increased by 2,892, which is a 13.7 per cent increase. So, most of the employee expenditure that I have given you here relates to that, although it would also include the increases associated with the pay scales for graded officers and graded other ranks.

**Senator KROGER**—What percentage of the personnel in the Solomon Islands and Timor-Leste would be reservists?

**Air Chief Marshal Houston**—Of the 80 who are deployed in the Solomon Islands, I think just about all of them are. There might be two or three regulars, but it is of that order—almost 100 per cent. In Timor-Leste we are in a process of transition. I imagine that if we come back, say, six months from now I will probably be able to report to you that a majority of the people in Timor-Leste are reservists. It would not be like the Solomon Islands, because we obviously maintain other specialties there. For example, the helicopters will always be predominantly a permanent force, but most of the soldiers who are doing the patrolling on the ground will be reservists.

**Senator TROOD**—I have some questions for CDF about Afghanistan. At the time of the additional estimates in February, you told us:

We are now in a position, I think, to go forward to government with an integrated approach to our deployment in Afghanistan. The government will consider the whole-of-government submission in the very near future.

Are these arrangements that you mentioned in your statement about Afghanistan a reflection of this new proposal that you were speaking about in February, or not?



**Air Chief Marshal Houston**—What I was talking about in February was the fact that we, like many others in the coalition, were enhancing the civilian side of our contribution. It is true to say that if we look backwards we had a very heavy level of participation on the part of the ADF and, to some extent, the police. But we were probably down on the numbers that were required for the sort of integrated strategy that was being put forward by the new American administration and being implemented by General McChrystal and Mr Mark Sedwill on the ground in Afghanistan.

**Senator TROOD**—This reference you have made to DFAT and AusAID personnel is a reflection of decisions having been made about this proposal that you were mentioning to us in February. Is that right?

**Air Chief Marshal Houston**—I think it is true to say that, as we discussed, this had been under development for some time. It was under development before February. I spoke about it during February and now it is fully implemented. It is vital that we go with that enhanced civilian capability because it will enable us to put a lot more effort into the governance line of operation. If you have a look at Afghanistan as a whole, the main issue that we need to confront is the issue of governance. Putting DFAT officers into Kabul, Tarin Kowt and also maintaining the level of contribution in Kandahar is going to help us to do that because at the end of the day what is required here—we are going very well with our military work; we are training the 4th Brigade—is that we also need to work very closely with the provincial government to improve their ability to govern within the province, to improve their ability to connect with the officials down at the district level, and also to improve their capacity to deliver the services that are required by those people out there in the province. The only way we can do that is to have a greater civilian presence in the province. Of course, that augments other nations' civilian presence already established within the province.

**Senator TROOD**—I recognise the importance of the civilian element in the strategy in Afghanistan. From my perspective that is not an issue about which there needs to be any serious doubt. I was just trying to clarify whether or not the proposals that were going forth in February have now been accepted by government—

**Air Chief Marshal Houston**—Yes.

**Senator TROOD**—and have been implemented.

**Air Chief Marshal Houston**—Perhaps if I could just clarify it. They have been accepted by government. The Prime Minister made an announcement when he opened the National Security College at the ANU back in April and we are in the process of implementing it. I would anticipate that that process of implementation with those increased numbers, which take the total of non-Defence civilians in Afghanistan to 52, will be complete by about the middle of the year.

**Senator TROOD**—And does that include the new DFAT people?

**Air Chief Marshal Houston**—That includes the DFAT people, the AusAID people and the additional police.

**Senator TROOD**—I want to ask you about the police. There was an announcement in December about additional police which was at the time, as I recall, an unnamed number of additional police. Am I right in saying some police have now been deployed?

**Air Chief Marshal Houston**—That is correct. In fact, if we have a look at the number of police, we are talking about an extra six AFP officers in Uruzgan bringing the total police presence in Afghanistan to 28 people. This will obviously strengthen our ability to train the Afghan National Police to assume responsibility for security in Uruzgan. The principal part of our effort is the police training college within Uruzgan and they are doing the ab initio training of young Afghans who want to be policeman. They have generated a large number of people—I think around the 500 mark is the number of people they have trained and that will increase over time, so it is a very useful and important effort that they are making.

**Senator TROOD**—Is 28 the number now approved by government? In other words, has the AFP presence reached that which has been approved or are there still further AFP officers to be deployed?

**Air Chief Marshal Houston**—Twenty-eight is the number approved by government. I am not across the detail of where we are in terms of the implementation of that. I can come back to you on that. I do not know if you have done estimates with the Attorney-General's Department yet, but the Commissioner of the Australian Federal Police would be able to answer the detail of that.

**Senator Faulkner**—I am happy to have a look at this and perhaps provide whatever additional information we can on notice for you. As CDF said, the critical imperative here is the increase in our capacity to train the Afghan National Police. Again, the same principle applies in a sense to the 4th Brigade of the Afghan National Army, so the ANP can increasingly assume greater responsibility for law and order needs. In addition to that, AFP officers are deployed not only in Tarin Kowt but also in Kabul and Kandahar. There are particular elements of expertise in the deployed officers in counter-narcotics capability and criminal intelligence as well. In terms of the detail of the overall contribution, you would appreciate that we deal with another agency in relation to this. Obviously we are happy to use our capacity to provide further information for you on it. I think the picture that CDF has given and I have just mentioned to you is the broad picture of the AFP contribution in Afghanistan.

**Senator TROOD**—Thank you. What I was interested in was whether or not we have reached the approved limit of the AFP deployment in Afghanistan. You said we have, as I understand it, for the moment anyway.

**Air Chief Marshal Houston**—I am not sure because I know that most of the deployments were to be completed in May-June. So whether we have 28 people on the ground at the moment, I am not sure. All I can tell you is that is the intent and, if they are not already there, they will be there shortly.

**Senator Faulkner**—Given you have also asked for the AusAID and the DFAT contributions, this is something you might care to canvass on Wednesday and Thursday of this week when the relevant agency is before us. The plan is for those enhanced contributions to be staged over a number of months. I do not have that information before me; CDF does not

have it either. Can I present you with the choice, Senator, of either progressing it when DFAT is at the table later in the week or, if you would prefer, I am happy to take it on notice now. I am sure the fact that we are having this interface on this issue will mean that our colleagues in the Department of Foreign Affairs and Trade and AusAID, separately, will be prepared to assist. Effectively there are four areas, if you like. The first relates to the enhancement with AusAID; the second relates to the DFAT enhancement; the third of course is the appointment of Mr Ric Smith as the special envoy to advocate Australia's interests, and the fourth element of course is the enhancement of the Australian Federal Police contribution. So effectively, if you like, it is those four elements. As to the first three of those, it probably would be better to talk about the detail of AusAID, DFAT and Mr Smith's contribution when DFAT is at the table. Equally, if you would prefer, I am happy to take your question on notice to give you as much precise detail as you need.

**Senator TROOD**—I am happy to take those matters up with DFAT and AusAID —

**Senator Faulkner**—I think it would be better talking directly to the two agencies concerned.

**Senator TROOD**—I am perfectly happy to do that. CDF, I just wanted to be clear on the role that the AFP is playing here, and the circumstances in which they are operating. We have indeed done Attorney-General's estimates—we did that last week and AusAID told us that the immediate security situation is that it is very difficult for our people; it is very difficult to go outside the wire at Tarin Kowt. My question is, really, is the AFP role confined to barracks, as it were? Is their mentoring role one which involves moving out with the Afghan police when they are in operation, or is it essentially one which is confined to the protection of the base where they are actually doing a lot of the instruction?

**Air Chief Marshal Houston**—What is happening at the moment is that the police training centre has been set up inside the wire. One of the biggest problems for the coalition in Afghanistan is finding sufficient people to do, if you like, the institutional training. Our people are doing a sterling job with the ab initio training and indeed some other training. They are also doing some higher level post-graduate training within the police training centre. Their whole task is giving these young Afghans the necessary skills and the ethos to do the job out in the province of Uruzgan. Having said that, other nations are currently providing the police mentoring teams, and at the moment they are being provided by our Dutch friends. They have a number of police mentoring teams out there, and what the Dutch are doing is using the teams that comprise a small number of military police and infantry to do the police mentoring role. Out there in the districts, our people who are doing the mentoring of the Afghan National Army clearly work closely with the Afghan National Police as well, because the indigenous security force within the province comprises not only the 4th Brigade but also elements of the Afghan National Police.

**Senator TROOD**—Mentoring is an activity that takes place outside the wire—is that what you mean?

**Air Chief Marshal Houston**—Yes, mentoring is defined as the activity that is conducted in the field while the Afghan National Police or Afghan National Army are conducting

operational activities, and they are partnered by members of the coalition who mentor them and provide further assistance in an operational setting.

**Senator TROOD**—No AFP personnel are involved in mentoring?

**Air Chief Marshal Houston**—Not at this point, no.

**Senator TROOD**—You have mentioned the important role that the Dutch play here. What is going to happen to that mentoring activity when they depart?

**Air Chief Marshal Houston**—I think that the mentoring requirement will be catered for by ISAF.

**Senator Faulkner**—As CDF said in his opening statement, we are limited at the moment in what we can say about these matters. As you would appreciate, any announcements about this will need to be coordinated through ISAF and NATO. I am sure you appreciate that is the case. From Australia's perspective, we are working very hard to ensure that all these functions and capabilities will continue after the Dutch withdraw. It is also important to say that the withdrawal will be staged after 1 August and over the ensuing months of this year, unless there is some change of policy on the part of the government of the Netherlands. We are working on the basis that the announced policy is the one that will proceed. So while the Dutch do relinquish leadership in the province on 1 August, the commitment of the Dutch government will be gradually withdrawn after that period, over the ensuing weeks and months. But any announcements of this are matters for ISAF and NATO. While Australia has a very close interest and involvement in planning, they are matters about which a public announcement will be coordinated through ISAF.

**Senator TROOD**—I acknowledge the need for coordination in relation to any announcement. I am less clear on issues about which you cannot inform the committee at this juncture, and I was not aware that I was trespassing into that area when I raised the issue about the AFP—

**Senator Faulkner**—No, I am not suggesting you are trespassing at all and we would want to always be as frank with the committee as we can. But it is not only Australia. There are a range of other nations, as you know, who have an involvement in Uruzgan and who have accepted that when final decisions are made announcements will be coordinated through NATO and ISAF. We are very respectful of that. We are not talking about something that is likely to happen in the next few days. I do not want to suggest that. I would think such announcements would be at least some weeks away.

**Senator TROOD**—This division of responsibility between the mentoring activity, which is undertaken not by AFP officers, as I understand your evidence, and the preliminary training that takes place within the wire seems to me to be a rather curious way to undertake a complete program of training. What is the problem with the AFP officers accompanying their instructees into the field?

**Air Chief Marshal Houston**—The AFP picked up on a requirement identified some time ago that there was a need for a basic training capability for police in Uruzgan. The police mentoring has been done until now by our Dutch friends, who are, after all, the leaders within the province. They have been providing the police operational mentoring teams. Up to this

point there has not been a requirement for the AFP to move away from the role they are doing now. Not only do they do that basic training but they also do courses which improve the skills of the police supervisors—the non-commissioned officer level within the police, the people who are out there supervising at the district level. They also provide training for those people so that they can get the skills to lead the policing effort out there in the districts. But the actual mentoring on the ground is done by Dutch ‘pomlets’, as they are called, at the moment.

**Senator TROOD**—When they go there is obviously going to be a need for the continuation of this mentoring. At some point someone is going to have to do that to ensure that the training is effective, I assume.

**Air Chief Marshal Houston**—Yes. One of the things that is being looked at in the Netherlands at the moment is that there could perhaps be some sort of contribution to a policing capability within Afghanistan. I do not know what that would represent. Obviously it will be subject to further consideration by the new Dutch government when it finally is in a position to consider these sorts of issues. There is EUPOL—a European policing initiative—that is abroad at the moment, and the Dutch have shown some interest in that. It will be interesting to see how that comes out once the Netherlands has a new government that is able to make decisions.

**Senator TROOD**—Have either you or the ADF considered the possibility of the AFP forces engaging in this mentoring role?

**Air Chief Marshal Houston**—Everything has to be looked at in the context of a coalition. We are one of several nations in Uruzgan. There are several other nations that are participating in the coalition in Uruzgan. Fundamentally, these sorts of decisions about who does what in the provinces are usually ISAF decisions, particularly in the area in which we are operating which is probably the most active part of the insurgency. As a consequence, there are a number of nations involved.

**Senator Faulkner**—I had the benefit of visiting the police training centre at Tarin Kowt just a matter of a few weeks ago or perhaps a month ago. It is a critically important contribution that the Australian Federal Police are making there under very difficult circumstances and conditions. This training role that we have taken on is a very significant contribution that I think is acknowledged broadly by our partner nations in Afghanistan. Some of the issues that you raise are inevitably ones that are being worked through as we speak. I just stress to you the point I was trying to make—perhaps I did not express it well—earlier: at the end of the day, these are not decisions for Australia alone, and I know that you appreciate this in terms of the future. In Uruzgan, for example, the issue of lead nation decision-making is a matter for NATO. A whole range of these issues are matters for ISAF and other decision-making processes. Australia is very respectful of that, but we are also very, very engaged in these processes. I hope you would accept that that we, like other nations, need to be respectful of the processes that have been established.

**Senator TROOD**—Of course. Let me just leave the AFP to one side and ask a wider question. I think you have said, Minister—and perhaps the Prime Minister has said—that Australia does not intend to assume a leadership role in Uruzgan once the Dutch depart. Why is that?

**Senator Faulkner**—First of all, we are very much playing our part in the ISAF contribution in Afghanistan, and I think you have probably seen that in terms of a range of decisions that have been made. The issue of leadership in the province is one that, at a higher level, we are working through with our partners. There have certainly been a lot of ministerial-level discussions about this issue, a lot of military-to-military discussions about this and, as I have said, the time frame for announcements about this would be something that I would probably measure in weeks and not months.

In terms of leadership specifically, Australia's contribution is, as you know, very significant. We are the largest non-NATO contributor to ISAF. We have our forces deployed in southern Afghanistan, which is recognised as the area where most of the fighting occurs in the country—in other words, it is the most dangerous area. We completely accept the key priority for ISAF in terms of coordination of the campaign across Afghanistan, and Australia's contribution is, I think, acknowledged by all the ISAF partners as extraordinarily valuable. As I say, it is focused in a very difficult area. We have said that, given the extent of our contribution in terms of the focus that we have given to the training of 4<sup>th</sup> Brigade in Uruzgan, we believe that should be our primary focus and another nation or nations should look at providing the support for that training role in terms of enabling services and the like.

These are the issues that are currently being worked through in a very appropriate and cooperative way. Our contribution is very significant in a very dangerous area in Afghanistan. Australia has long said it wants to not only continue to play the role it has but also enhance our role in training the 4th Brigade. We think that is where our best contribution can be made, along with our very significant contribution of special forces and a range of other force elements to the task in Afghanistan. We believe that it is appropriate for another first-tier NATO nation to take on the responsibilities that are currently being undertaken by the Netherlands in the province.

**Senator TROOD**—I acknowledge the considerable contribution that Australian forces are making to security in Afghanistan, particularly in the Uruzgan province. Given that that reflects a commitment and a belief in the strategic importance of this activity, why would you not also agree to undertake the leadership role in the province? Perhaps the CDF can answer that. Is it that we do not have the capability to undertake that role?

**Senator Faulkner**—Our contribution—which, as you know, was enhanced a year ago to around 1,550 personnel—is a very significant contribution given the size of the Australian Defence Force.

**Senator TROOD**—I acknowledge that. We are on common ground on that issue. I would like to know why we are not taking that extra step and undertaking the leadership role. Is it because we do not have the capability within our defence forces to undertake that role?

**Senator Faulkner**—As I have said consistently, the first thing I think you should take account of are the responsibilities we have in our region. We have very significant responsibilities close to home and any defence minister or government, on the advice of the Australian Defence Force, has to take account of those responsibilities and our capacity to respond when unforeseen contingencies arise. That is the first thing I would say to you and it is obviously of critical importance that we are in a position where we can do just that.

**Senator TROOD**—So our forces are spread too thinly to undertake this kind of responsibility, is that what you are saying?

**Senator Faulkner**—No, I do not think our forces are spread too thinly but we do need to ensure that we do not spread our forces too thinly. If a circumstance arises close to home we need to have the capacity to respond appropriately—whatever the nature of that emergency or unforeseen contingency might be.

**Senator TROOD**—Is it a matter of what might be called ‘strategic contingency’? That is to say, we do not—

**Senator Faulkner**—It is a matter of ensuring that critical capabilities are available to be used or deployed, if you like, in our region if required. Some of these things are very unpredictable. I recall a situation that we faced some time ago when there was an earthquake in Padang in Indonesia where the ADF gave very considerable humanitarian assistance support in that natural disaster, followed a day later by an unrelated event of a tsunami in Samoa affecting Samoa and Tonga. Again, the ADF was able to deploy appropriate assets and deploy them quickly in those sorts of circumstances. That is just one example of the sorts of contingencies in our region that the Australian Defence Force has a responsibility to be able to respond to.

**Senator TROOD**—I think I know that the world is a dangerous and somewhat unpredictable place, but are you telling us that it is the primary reason we have not undertaken this responsibility? That we are concerned about the possibility that there may be a contingency as yet unforeseen for which we need to be prepared and the deployment of a force which would be necessary to undertake the leadership role in Uruzgan would jeopardise our capacity to respond to that contingency?

**Senator Faulkner**—There are concurrency issues. If you would like it I could invite CDF to talk to you about them. But it is certainly a significant consideration for government.

**Senator TROOD**—I take it then that you are concerned that we do not have the capability—the full force of our capability would be stretched if we were to undertake a leadership role in Uruzgan.

**Senator Faulkner**—I have consistently said that I think the contribution we are making in Afghanistan is about right. I believe it is appropriate. You must take into account the fact that we are operating in Afghanistan in Regional Command South which is, as you know, the most difficult and dangerous place in Afghanistan. You must take into account the fact that Australia is far and away the largest non-NATO contributor in Afghanistan. You must take into account the fact that, even though you understand the responsibilities for NATO in terms of the International Security Assistance Force in Afghanistan, Australia’s contribution is the 11th ranked contribution, so it is obviously a great deal more significant in terms of numbers than that of many other NATO nations. It is also important to take into account the task that we have set ourselves which is the training of the 4th Brigade of the Afghan National Army so it can take responsibility for security and stability in the province.

In addition, as you know, we have also made a very significant contribution of special forces in ISAF, the second highest number of special forces in ISAF and, of course, I take into account the fact that there are a significant number of US special forces in Operation

Enduring Freedom as well. We have, as you know, a range of other force elements there in Afghanistan. So it is a very significant contribution from Australia. It is acknowledged and welcomed as such by all in the international community and certainly our partners in ISAF and NATO, and I think all accept that this is Australia really punching above its weight in Afghanistan.

So while we are willing to take on additional responsibility in terms of the training of the 4th Brigade in Uruzgan, Australia has said it does not want to take on the role of leadership in the province, particularly now in the circumstances where General McChrystal and the ISAF command structure are looking at transitioning responsibility from ISAF to the Afghan National Security Forces themselves. I think this is also very much in step with what the contemporary ISAF military leadership believe is appropriate. If you want to talk about concurrency it is best for CDF to talk about that with you.

**Senator TROOD**—Is the strategic contingency—if I can characterise it as such—explanation you have provided us with the answer you gave to the United States government when they asked us to undertake the leadership role?

**Senator Faulkner**—You would be wrong to suggest the United States did that. I do not know where you pulled that one out of thin air from.

**Senator TROOD**—So they have never asked us to undertake this role?

**Senator Faulkner**—No, absolutely not. We work very, very closely with the US in Afghanistan and in Uruzgan. I have had a number of discussions with my counterpart, Secretary Gates, on this issue and I can assure you we have similar views on these issues. I have had a number of discussions with my ministerial counterparts in both the NATO and non-NATO contributing countries to the International Security Assistance Force in Afghanistan. I think everyone absolutely not only understands Australia's position on this but also acknowledges the huge contribution that our country is making. So I do think your question on this occasion is based on a false premise. I can assure you that the premise of your question has no basis.

**Senator TROOD**—Minister, I think you were in the United States in April for the nuclear summit, weren't you?

**Senator Faulkner**—I was.

**Senator TROOD**—I take it Afghanistan was on the agenda for at least some of the conversations you had with American officials at that time.

**Senator Faulkner**—Yes, I certainly had a bilateral discussion with Dr Gates and of course Afghanistan was the key subject of our discussions. For the completeness and fullness of the record, I should say that I had two discussions, one which was a formal bilateral discussion with the Prime Minister of the Netherlands, Mr Balkenende, about these matters too. You would be interested to know, however, that some of my time was actually spent on issues pertaining to the summit itself. But it is true to say that I had a number of discussions on these issues, particularly the two that I have identified. Given the circumstances of the impending Dutch withdrawal, I did think it was appropriate to sit down with the Dutch Prime Minister, which I did, and we had a full and frank discussion about these issues.



**Senator TROOD**—For the completeness and fullness of the record, the United States government did not at that time or at any other time ask whether or not we would reconsider our decision not to take a leadership role in Uruzgan province, and you made it clear that it was not the intention of the Australian government to undertake that role. Is that right?

**Senator Faulkner**—The decision of the Australian government has not changed. The position that the Australian government and the US administration have had in relation to these matters has always been clear. We have worked very, very closely and very, very cooperatively with our US counterparts not only at the political or ministerial level but also at the military-to-military level as we deal with the multiplicity of issues that come with the impending withdrawal of Dutch forces from Uruzgan and the fact that after August the Dutch will not lead in Uruzgan province.

I can absolutely say to you that our engagement has been frank, constructive and very positive at all levels. You should feel free to ask the CDF about this at the military level. I am absolutely confident that he will be able to confirm what I have said. I would certainly welcome you to do this because I do not want any suggestion that we have not been able to work these things through in anything other than the most cooperative of ways.

**Senator TROOD**—I am pleased to have that assurance and I would be frankly surprised if that were not the case but since the government has been adamant about this matter for such a long time it seems an obvious question to ask why we are not prepared to undertake this responsibility. You have provided me with an explanation which broadly speaking seems to go to the need to maintain preparedness of forces for an unforeseen contingency.

That is a perfectly legitimate strategic issue. If that is the essence of the explanation then I accept that but I am seeking to understand more fully why it is that we have been reluctant to take this position. It seems to me that it has not been adequately explained to the Australian public. You have said on numerous occasions that you regard the force as about right. That may be true but it also begs the question as to why it is about right and why we are not prepared to go somewhat further, as I think we all believe we have been asked to do. CDF, if you can add to the explanation then I would be grateful.

**Senator Faulkner**—I think it is appropriate for the CDF to speak to you about the concurrency issues as well, if that would be of assistance to you.

**Air Chief Marshal Houston**—Perhaps if I start with the fact that the ADF has an authorised funded strength right now of 57,777 people. I think we are almost at the point where we can provide eight battalions. As you know, over the last three or four years we have gone from a six-battalion ADF to an eight-battalion ADF. I think this regional aspect is probably best exemplified by what happened in 2006 when in very short order and out of nowhere we had circumstances arise in Timor-Leste and we were asked to respond to a crisis in that country.

As you remember, we were invited in and—from a standing start in May 2006—by the end of June we had 3,200 ADF people deployed on that operation. In a small force like ours that was a substantial deployment. At that stage, if memory serves me correctly, we had 1,400 people in Iraq, about 500 in Afghanistan and a number of people on other smaller operations. We topped out with 5,200 people deployed on operations in late June 2006.

If you remember that time—you were probably sitting in a different position; I think you were in government at the time—we had a number of critical concurrency issues and a number of our capabilities were, as we describe them, fully committed. With full commitments comes a posture where you are unable to respond with a substantial response to anything else that might arise. I would put it to you that, if we were to deploy a large force into Afghanistan, we would be taking a risk in terms of looking after our regional responsibilities. Those are the sorts of circumstances we have had for quite a few years now, and I guess that is the rationale for our circumstances at the moment, where I think our contribution of an average of 1,550 is a very reasonable contribution given other responsibilities that both the previous government and the current government have asked me to be prepared for. I take that requirement very, very seriously, because if we go back to 2006 we not only had that problem in Timor-Leste; we had to mount an evacuation operation, together with our New Zealand friends, in Tonga. We also had to respond to an evacuation requirement in the Lebanon and also towards the end of 2006 we had the problem of a coup in the South Pacific in Fiji. Given the sorts of circumstances that can arise in our region and with a small defence force, we always have to consider what we need on the ground here in Australia to be prepared to respond to what might happen out there in the region.

**Senator TROOD**—I acknowledge that you take these matters seriously, as is entirely appropriate. So your advice to government is that with a force level approved as it is we would be overstretched if we made a commitment to Afghanistan of the kind that would be required to undertake a leadership in Uruzgan.

**Air Chief Marshal Houston**—If we go back to 2006 you might recall that I was questioned very closely by the then opposition about our capacity to do other things. We did have some critical concurrency issues running at that time. I might add that I would be delighted at some stage to give the committee a classified briefing on some of the concurrency issues that we manage on a regular basis. It usually comes down to a concurrency issue with what I call the joint enablers. It is in the joint enabling capabilities where we have most of our concurrency issues. It is those capabilities that place their limitations and constraints on our ability to respond to multiple concurrent requirements.

**CHAIR**—CDF, in your opening remarks you referred to your view that the tide was turning in Afghanistan, and you made reference to some polling that had been done by an international organisation. Are you able to tell us how progress is being made and why you are of the strong view, apart from the fact that the polling tells us, that the situation is improving or the situation is progressing?

**Air Chief Marshal Houston**—Fundamentally, I think we have got the right leadership. We have got the right strategy and the strategy is being fully resourced. There is still a way to go with the surge that is currently underway. I expect that that will be complete by the end of August. By then we will have 98,000 American troops on the ground in Afghanistan. That is a substantial increase over what we had a couple of years ago. In fact, since President Obama came to office, it is an increase in the order of 60,000 troops. I will take it on notice what the precise figure is; I can provide it to you separately.

The other thing that is happening is that General McChrystal's No. 1 strategic priority is to train the ANA and the ANP. As I mentioned earlier on, they are ahead of schedule with

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119,000 Afghan National Army personnel trained at this point and 104,000 police trained at this point.

In terms of the strategy, General McChrystal has gone out and indicated very strongly that this is a counterinsurgency campaign. It is all about protecting the people and it is all about defeating the insurgency. In recent times I was very taken with a presentation that Ambassador Mark Sedwill, the senior civilian representative, gave to Chatham House in London. This was about three weeks ago. He referred to the integrated group approach as the three R approach: (1) regain the initiative against the insurgency; (2) resolve the political tensions which fuelled the insurgency in the first instance. That of course had an internal dimension to it and also a regional dimension to it—and that included Pakistan. The third R is to transition responsibility to the Afghans when the conditions enable that to happen.

There is a clarity about where the coalition is going that was not there before. If we have a look at what has happened in recent times, we go straight to Operation Moshtarak. Operation Moshtarak, I think, went very well. This was an operation that was designed back-to-front. The governance and development part of it was planned into the operation so that we had a completely integrated approach. The clearance operation went well. Over the next three to four months, you will see the ‘hold and build’ really take hold, if I could use that terminology.

In terms of where COMISAF’s operational priority is, his operational priority now is on Kandahar. As I said in my introductory remarks, this is going to be a very important campaign. Again, it is going to be governance led. What you will see is not the same approach that was used in Majah and Nad Ali but an integrated approach which brings together this bottom-up governance process which will involve lots of shuras.

**CHAIR**—What are shuras?

**Air Chief Marshal Houston**—Shuras are meetings. In western terminology it might equate to a town hall meeting with the leaders of the community. There will be lots of shuras and these will be conducted now and will be continued to be conducted. As all of this is happening, the security operations will start to build in and around Kandahar city and in the areas of the province surrounding that very large town, which to all intents and purposes is the heart of the insurgency.

Kandahar city itself by the way is not controlled by the Taliban but it does have a number of serious governance issues which the coalition intends to address. It is probably the most critical part of Afghanistan for the insurgency, and if the coalition can prevail there what we will see is, I think, a complete turnaround in terms of the situation on the ground in Afghanistan. It will really suck the life out of the insurgency to a large extent.

**CHAIR**—When do you anticipate that particular campaign will commence?

**Air Chief Marshal Houston**—I think it is already happening. The shuras are being conducted. The shaping operations are underway. As I said in my opening remarks, Australian forces will be involved. We will play our part, but this will involve thousands and thousands of Afghan and coalition troops. We will see the Afghans play a much more prominent role than in any other operation that has been conducted thus far. I am quietly confident that the strategy is the right one, and that we will see steady progress towards an improved situation in Afghanistan. I would not want to overstate it. A counterinsurgency is hard yards. What is

required is persistence and patience. I think that General McChrystal is a very persistent person. He is also a patient person, and that is what is required as we go forward because a counterinsurgency takes time and you will not see another big operation, a D-Day per se or a Fallujah; what you are going to see is a much more incremental approach. As I said in my opening remarks, Mark Sedwill refers to it as 'a rising tide of security over the next few weeks'. It will involve thousands of troops and will also involve Australian forces.

**CHAIR**—As that campaign gets well underway and we move away from governance and shura type issues, do we anticipate heavy engagement with Taliban forces? Secondly, we often read in the press that if there is an engagement or a proposed engagement, they tend to disappear or dissipate and head east or west and regroup elsewhere at another time—do we anticipate that occurring as well?

**Air Chief Marshal Houston**—As I have mentioned already, the main game in Afghanistan at the moment is governance. I think it is important that everybody understands that. Where McChrystal and Sedwill are going is essentially to blunt and take the momentum out of the insurgency but at the same time resolve all of these political issues which have undermined the governance at all levels in Afghanistan and go forward with a much better model of governance for the whole country. If that can be achieved in Kandahar, I think that will be a very positive outcome which bodes well for the future of the campaign in Afghanistan.

**CHAIR**—CDF, in your opening remarks you said that 119,000 ANA people had been trained so far and 104,000 police had been trained. They are quite significant numbers in their own right. Firstly, what is the end point in terms of training? What sorts of numbers do the government of Afghanistan desire to have in terms of both army and police? Secondly, without breaching confidences, are you able to pass comment on the overall quality of those troops and whether it is varying with experience?

**Air Chief Marshal Houston**—In terms of the first question, I would just like to check the number. I think it has changed recently. I will take that on notice and come back to you. In terms of the quality of the Afghan forces, they are very good fighters. Our experience with them is that we fight alongside them on a regular basis and we are very comfortable with their capability and their skills. Of course, they are culturally different from us. I think there is clearly some literacy issues with them because they do not have the same sort of educational base that we have. But, for all that, the people that we are mentoring are progressing very, very well. My expectation is that, at the end of the period of training with us, the 4th brigade will be a very capable formation which is able to do the job that it is given.

**CHAIR**—There has been reporting in the press that our men go out into the field a lot, often on extended patrols, for days and days at a time and they sometimes engage the people they are seeking to engage and from time to time injuries, stresses or things of that kind nature occur. Indeed, there was a report in one of this morning's papers about a soldier who had been heat-stressed. When our men are engaged with the enemy and they are injured or stressed, what is the SOP for getting them out and safe and home?

**Air Chief Marshal Houston**—I think the photograph in the *Australian* demonstrates what happens. That individual suffered heat stress and he was aeromedivaced out of the location

and back to the hospital at Tarin Kowt. That would be the normal response to somebody who is in a stressed consultation either as a consequence of being wounded by the enemy or, indeed, as a consequence of the environmental conditions. It is a very demanding environment in Afghanistan at the moment. Bear in mind our people are people are operating where not only there are very hot conditions but also the elevation is quite high—so the density altitudes are around 6,000 or 7,000 feet.

**CHAIR**—I understand that we are collecting an increasing number of weapons in the course of operations. Why is that? Is it because the insurgencies are growing in size and potency, or are we just becoming much better at establishing caches and the like?

**Air Chief Marshal Houston**—I think that our people are very focused on finding weapons and munitions caches. If you can find them and destroy the weapons, it makes the environment that we are working in a safer place. A lot of the caches contain improvised explosive device equipment and, obviously, everyone we find in a cache is one less that can be deployed into the environment. I might add that, without training, we are finding about 50 per cent of the in-placed IEDs as well. So on the one hand we are going after the caches and, on the other hand, we are tending to find 50 per cent of the in-placed IEDs.

**CHAIR**—Is it fair to say that we are discovering significant numbers of weapons and denying them to the enemy?

**Air Chief Marshal Houston**—I think the size of the caches varies, but what we have been doing has been very positive and very constructive and makes the area we operate in much safer.

**CHAIR**—In your introductory remarks, you referred to reconstruction projects, assistance at a civil level, and how that is part of the overall governance approach for the minds and hearts. Can you give us an overview of the types of reconstruction projects that are being undertaken and how they fit into the scheme of things?

**Air Chief Marshal Houston**—I gave you a few examples in my opening remarks. We have been involved in project managing a number of projects over time. From time to time, we have been directly involved with providing a particular facility and that has included such things as hospitals, health centres, bazaars, bridges, crossings of waterways, a sewage farm, waterworks, administration centres, schools and so on—the whole raft of things that are required. Of course, the other thing our engineers have provided is expertise in developing the wherewithal to establish the forward operating bases, the patrol bases, that we need out in the areas that the Afghans, the Dutch and ourselves move into over time. That has also been a very successful program.

**CHAIR**—You made some references in your opening remarks to the number of students being trained at various levels of school and that slightly over half were female. In some Islamic societies there is a reluctance to engage in any education of girls. Is that an issue in Afghanistan or is the significant effort that has been put into schooling welcomed in the wider community?

**Air Chief Marshal Houston**—I think that is one of the very, very positive things that have happened while the coalition has been in Afghanistan. If we go back to the Taliban regime, women were denied any form of education. The statistics that I gave you earlier represent a

segment of a very successful program which has seen a lot more women being educated in Afghanistan than was certainly the case when the Taliban were in control.

**CHAIR**—You are saying that at least half of the tens of thousands of people being educated in the areas where we have responsibility are female. Is it fair to conclude that there is obviously strong civil and community support for the continuation of that education process, particularly for females?

**Air Chief Marshal Houston**—I think the statistics speak for themselves. Clearly, people want their female children educated in the same way that they want their male children educated. I think that is a very positive thing that has come with the Karzai government that certainly was not there when the Taliban were running the place.

**CHAIR**—Thank you. Senator Trood.

**Senator TROOD**—I want to clarify the arrangements that exist in Afghanistan for our soldiers to communicate with their families back home through the internet and other means. Can you explain facilities that area available there?

**Air Chief Marshal Houston**—They are all connected by email and can send an email whenever they need to. Obviously, this is while they are at some sort of permanent base; it is probably a little harder when you are out in the field. They are also able to phone home from time to time. If you are interested in the technology, I will get the chief information officer to tell you what precisely we provide.

**Mr Farr**—As the CDF said, there is the opportunity for members over in the Middle East both to phone home and to connect via the internet. At the moment, the internet is relatively limited but we are looking to extend that. We are looking at opportunities to provide a greater level of access to them at the moment. We expect that should be able to be achieved fairly shortly.

**Senator TROOD**—Is it true that there have been complaints about the level of internet access?

**Mr Farr**—I am not aware of them, which is not to say there have not been. There have probably been complaints about the level of internet access at Russell as well.

**Senator TROOD**—That is slightly more concerning, perhaps.

**Dr Watt**—I can guarantee you, Senators, there is the odd complaint in Russell. Some of them used to be mine till we got an extended gateway.

**Mr Farr**—Having said that, Senator, we understand and accept that that is a very real issue. We are moving as quickly as we can to give a greater level of access and a greater level of ability for people to communicate.

**Senator TROOD**—You understand there is limited access, so I assume it has come to your attention that there have been some concerns about the level of access to the point where, I am told, it is necessary for Australian troops to make use of Dutch facilities for internet access. Is that correct, to your knowledge?

**Mr Farr**—I am not aware of any use of the Dutch facilities, but I am certainly aware of the limitation of internet access within the Middle East.

**Air Chief Marshal Houston**—If I could add, the Chief of Army has just spent several days in Afghanistan with our people. During that time he did not get a single complaint about any of the welfare aspects, whether internet access, phone access or whatever. I think our people are looked after well in that regard.

**Senator TROOD**—Are you confident, CDF, that were there to have been concerns about these issues the Chief of Army would have heard about them?

**Air Chief Marshal Houston**—I am absolutely certain. Our people are Australians: they are very direct, they are very forthright and they tell it as it is. I would not want it any other way. There is some sort of fiction out there sometimes that our troops will not engage the senior leadership on issues that they have with anything. Let me tell you that is just not my experience, and I think if I look behind me I will see three chiefs nodding in violent agreement. That is part and parcel of what we do: we encourage our people to engage us. If they have a concern we ask them to raise their concerns with us, particularly on operations.

**Senator TROOD**—So they speak frankly even to generals. Is that right?

**Air Chief Marshal Houston**—People are very frank with generals, air chief marshals, admirals—everybody. I think that those of you who go out know that they are exactly that way.

**Senator TROOD**—Mr Farr, what are you doing to improve the level of access?

**Mr Farr**—At the moment we are looking at opportunities. We have actually set up a project for increasing what we call the amenities internet. I will clarify that: I think there are problems right across the Middle East but, in particular, Tarin Kowt is where we are attempting to increase that. We are looking at the potential for a managed service into there so that we can expand it at will. As I said, a project team has been set up. We are modelling it largely on what the UK is doing, so we would expect that by the end of the year we would have a pretty clear way forward and a clearer idea of when we could offer better internet access and what that would look like.

**Senator TROOD**—It will not be until the end of the year that you have an understanding of what you need to do, so there can be no expectation of an improvement in service at least until the end of the year. Is that right?

**Mr Farr**—I think we know what we need to do; it is a question of the ability to do it, given that we need to actually look at the potential for a managed service, as I said, the ability to get a supplier in there that can actually give us the level of internet access that we need. We certainly accept that it is a priority to do that but just the logistics of doing that in what I would call a fairly bandwidth constrained environment where the precedence always has to go to military operations. We are looking at the ability to give the troops better amenities access but it will take a little while to do that working with overseas suppliers.

**Dr Watt**—The point Mr Farr made is a bandwidth constrained environment. It is not as bandwidth rich as even Australia is.

**Senator TROOD**—You know how much this might cost?

**Mr Farr**—I do not know how much it would cost us. We have had some discussions with the UK on the sort of proposal that they have and, as I said, we are modelling on it. I do not

have that figure on the top of my head. But if you are talking about any form of satellites communication, it is expensive.

**Senator TROOD**—I see. In the meantime what alternatives are there available to those of our soldiers that wish to make use of internet facilities?

**Mr Farr**—They do actually have access, of course. I am not sure there is anything else. If it was straight internet access, I am not sure of anything else we can do in the short term. But we are working on it as quickly as we can.

**CHAIR**—Are there further matters arising out of the secretary's and the CDF's opening statements?

**Senator JOHNSTON**—We have a very highly decorated and outstandingly professional soldier in Western Australia at the moment. Has he been marked 'for ceremonial purposes only'?

**Air Chief Marshal Houston**—I presume you are referring to Trooper—

**Senator JOHNSTON**—I do not want to use his name because he is still on operational duties, I trust. In line with the convention that we have employed in this committee for a long time, I must say I thought the whole process virtually rendered his future career in a shadow, if you like. For the sake of the *Hansard*, that was a shake of the head. Good.

**Air Chief Marshal Houston**—As far as I am concerned, as far as the Chief of Army is concerned, that individual will continue to do what he wants to do. He has made it very clear that he wants to continue with his Army career, and that means all aspects of his Army career.

**Senator JOHNSTON**—I am aware that recently he was asked to do some public relations and/or other photo opportunity type work and declined, as did his commanding officer. Are you aware of that?

**Air Chief Marshal Houston**—I am aware that sometimes there are things he would prefer not to do, yes.

**Senator JOHNSTON**—I trust you will support him when he makes a decision adverse to those who seek to use his standing in the community and particularly in the military for public relations purposes.

**Air Chief Marshal Houston**—I take on board all of your concerns, but your concerns would mirror exactly where the Chief of Army and myself are at the moment. We do not want to put anything in his way in terms of pursuing his career. Furthermore, we would not ask him to do anything that he was not prepared to do, if you like, as a volunteer. He has a job to do and that job is a very professional one. The work he has done up to now in terms of the other things that he has been involved in has just been fine. My understanding is that he has been very happy to do those things. I know also that we talked to him about doing some other things and he said, 'I'd prefer not to do that. I'd prefer to do something professional.' In all instances that I am aware of, his professional preferences have taken centre stage.

**Senator JOHNSTON**—So he is still deployable?

**Air Chief Marshal Houston**—Absolutely.



**Senator JOHNSTON**—Very good. I will take it one step further. When we want to recognise the service of our elite personnel and any other uniform personnel, do we have protocols which mean that they do not get marked in some way? I am not suggesting that they do but the temptation for all of us—and it is not a political matter to some extent—is to want to preserve them and keep them from danger. What are the Defence Force's protocols, if you like, with regard to—

**Air Chief Marshal Houston**—There are no restrictions. There are no limitations. Fundamentally they are soldiers, sailors and airmen and they will continue to pursue their professional goals and, if that involves operations, so be it. This sort of notion that we had in the past, whereby if somebody won a Victoria Cross they might be kept away from operations, is not the way we do it now. These are highly-valued, highly-professional individuals. We want them to do what they do best and there are absolutely no constraints.

**Senator JOHNSTON**—Thank you for that answer. Mr Secretary, Dr Watt, you have prepared a very comprehensive opening address for today and I find it irresistible that you are seeking to respond to a particular line of criticism of Defence budgeting. Could you identify which particular lines motivated you to go down this path?

**Dr Watt**—There is no particular line of comment, Senator. The Defence budget is something that gets talked about from time to time in the media. There are a number of things that have been picked up. Some of it has been picked up recently, and some of it from long ago. I think that it is important to correct or to qualify or clarify these comments. People will comment on the Defence budget, and many people do, but there is nothing in particular that bothers me. It is just dealing with things that have crossed my desk in the last four or five months

**Senator JOHNSTON**—I note you open up by talking about the \$3 billion black holes—and that is in your heading—'contrary to media reporting in December 2009'.

**Dr Watt**—That is right.

**Senator JOHNSTON**—Why did we not deal with the black hole as perceived in December 2009 in the February estimates?

**Dr Watt**—We did. It was in my statement then. I just wanted to pick up on that and say that we continually hear about black holes, and when you continually hear about black holes it is better to correct them, I think.

**Senator JOHNSTON**—You go on to talk about the 2009-10 budget, the new funding model, and the funding out 21 years to 2029-2030. Is there any financial advice or documentation that deals, firstly, with the cost of 12 new 4,000-plus conventional submarines?

**Dr Watt**—Senator, as part of the preparation for the white paper I have no doubt that there was an estimate made of the cost, and I will, if you like, get the head of our capability group to come up and confirm that. I suspect he will say, quite sensibly, that when you are dealing with something as complex and as long term as new submarines, that this can only be an estimate and, like all estimates, it is subject to uncertainty. I will pass over to Vice Admiral Tripovich.

**Senator JOHNSTON**—Just before you do, you are telling me that you are not aware of what that estimate is for that particular item?

**Dr Watt**—I can make a guess, Senator, sitting right here and now, but I prefer—

**Senator JOHNSTON**—I would rather that you did not guess. As secretary of the department, I would have thought that you knew—

**Dr Watt**—I am aware of an estimate, but why not pass over to Vice Admiral Tripovich, because I will undoubtedly get the decimal point wrong.

**Vice Adm. Tripovich**—As the secretary said, in the development of the long-term financial plan right up to 2030 there was an estimated provision for the future submarine. As I think I have mentioned to you before, I will be able to tell you the cost when the last invoice is paid. Until then, as the options are developed, provisions need to be established that are large enough to cover the options we are dealing with at the time. I do not have the precise number to hand.

**Senator JOHNSTON**—Can you get it for me?

**Vice Adm. Tripovich**—I will consult with the secretary about that.

**Senator JOHNSTON**—The reason I want it is that I think we need a working figure.

**Vice Adm. Tripovich**—I can get the figure for you.

**Senator JOHNSTON**—Since we are talking of black holes—

**Vice Adm. Tripovich**—I will get the figure for you and after the break I will be able to—

**Senator JOHNSTON**—The next question is: where in any of the public documents—the white paper, the SRP, the two budgets—is any dollar figure attached to the Sea1000 project?

**Vice Adm. Tripovich**—The submarine project is not until 2026. The second pass is still about six years away and therefore it falls outside the public DCP, so those sorts of figures would not be published in a public document. I am happy to provide you with that.

**Senator JOHNSTON**—When are we likely to see any figures relating to it?

**Vice Adm. Tripovich**—The government has already foreshadowed that we will be returning to a 10-year public DCP and, as a result, the second pass for the future submarine project will appear in the next version of the public DCP, which is due out around September-October.

**Dr Watt**—That 10-year DCP was flagged some time ago, from memory.

**Vice Adm. Tripovich**—In February.

**Proceedings suspended from 12.31 pm to 1.30 pm**

**CHAIR**—The committee will come to order. We are dealing with the strategic reform plan.

**Senator JOHNSTON**—Admiral Tripovich, I was hoping to get the number.

**Senator Faulkner**—Can you repeat your question?

**Senator JOHNSTON**—We have an estimated figure which was initially a guess from the secretary but he is aware of a number. As open to the vagaries of rises and falls, currency

fluctuations and technological developments as that might be, I am interested in the number because we are talking about black holes.

**Senator Faulkner**—This is in relation to the future submarine?

**Senator JOHNSTON**—The Sea1000.

**Senator Faulkner**—Yes. The figure that you refer to will be made public and its basis will be fully explained, as will how it fits into the overall Defence budget. That will be done in the new 10-year DCP which, as you know, is being published a little later this year. That is the intention. In other words—and I think this is very important—this must be done properly. It must be done in a way that is consistent with all other major projects. It must be done after cabinet consideration, and it must and will be done after the costings are agreed with Finance. That is the process and that is the timeframe.

**Senator JOHNSTON**—So, subject to all of those caveats, this reference to 12 submarines in the white paper has had none of that done?

**Senator Faulkner**—No, the caveats, I hope you would agree—

**Senator JOHNSTON**—Or cabinet has not approved the number?

**Senator Faulkner**—No, the DCP goes to cabinet. It will go to cabinet on this occasion with costings agreed by Finance. It will be done, as I have said, in a way that is consistent with all other major projects. We are not going to do something extraordinary in this one. As I am saying, it will be done thoroughly, appropriately and properly—which I hope you would agree is appropriate.

**Senator JOHNSTON**—Are you suggesting to me that if cabinet does not approve those numbers then the white paper is wrong?

**Senator Faulkner**—My expectation, Senator, is that when this goes to cabinet—because of the work that will be done, because of the agreement of central agencies, in particular the department of finance—if you are suggesting that there is likely to be a cabinet revolution or something I think that is, if not outlandish, then very unlikely. We will do this in a way which is the appropriate way where such a circumstance will not arise.

**Senator JOHNSTON**—All I am doing is taking what you have said. In the white paper at paragraph 9.6 of chapter 9 it is written:

The complex task of capability definition, design and construction must be undertaken without delay, given the long lead times and technical challenges involved.

You have talked of 12 new future submarines, you have talked of Australia's largest ever single defence project. You have talked of uninhabited underwater vehicles and you have talked of the range of tasks that these vessels will undertake. Yet you are telling me that the project is still liable to be assessed by Finance, by cabinet and the configuration of the vessels is not yet finalised and this committee is not to be told of the estimated figure that supports Force 2030 that your government has inaugurated. We are left to wonder. Is that the point?

**Dr Watt**—Perhaps I might help a little bit. The white paper was scrutinised by cabinet and the provisions in the white paper made for projects were discussed and scrutinised with the department of finance. Cabinet did determine that their funding envelope covered all the

projects included in the white paper. There was that level of scrutiny for the white paper. I think what the minister is saying is that with every major DCP that is published, they go to cabinet, projects, costings and estimates are updated, that goes to cabinet and then the DCP is published. I think the minister is correct. That is the appropriate way to make major projects public.

**Senator JOHNSTON**—The major project has been made public to this point in time in the white paper.]

**Dr Watt**—The major project has been made public in the sense that government has canvassed what is in it and it went through scrutiny as part of the cabinet process.

**Senator JOHNSTON**—And the government has been very, very specific with that project. You yourself mentioned black holes. I am interested in this committee exploring Australia's—let me use the right expression—largest ever, single defence project as promoted by the government. You are telling me that the DCP is the place where this will be announced and this committee and this parliament will have to sit back and wait for a document to be put into the public domain.

**Senator Faulkner**—We are saying that it is going to be in the DCP and beyond that we are saying as it should be in the DCP. That is the appropriate place for this information which will be a full explanation. As I said, you and anyone else who is interested will be able to make assessments of how more broadly this project along with others fits in to the defence budget. It is one of the advantages of having a new 10-year public DCP.

**Senator JOHNSTON**—So the basis for the numbers and the descriptions of the capability and the detail in the white paper is not to be disclosed in deference to the DCP. That is your position, Minister.

**Senator Faulkner**—We are talking about costings, Senator.

**Senator JOHNSTON**—Of course we are. I want to know the basis for the costings that have gone before to establish this document. You are not going to tell them to me and you are telling me to wait for the DCP.

**Senator Faulkner**—I am saying that the basis will be outlined and explained in the public DCP as it should be.

**Senator JOHNSTON**—You and I will have to agree to differ on that. With respect to the white paper—

**Senator Faulkner**—As I understand, Senator—and you can correct me if I am wrong—it has always been the case.

**Senator JOHNSTON**—I cannot remember seeing a white paper with such deliberate detail and enhancement of the splash of capability with less than a page of costings. Nevertheless, that is another issue, and we digress. I see that SM-6 is promoted as being the missile weapon of choice for AWD.

**Vice Adm. Tripovich**—In the white paper it talked about SM-6.

**Senator JOHNSTON**—Yes. Where is the SM-6 project and when are we likely to see an SM-6?

**Vice Adm. Tripovich**—SM-6 is a future weapon that will be considered in due course for the air warfare destroyer. I do not have the details of the exact timing to date but I think it will first appear in the next public DCP, if there is a first or second pass in the next 10 years.

**Senator JOHNSTON**—Does that project have a capability number?

**Vice Adm. Tripovich**—I do not have it off the top of my head. Certainly, if it has not been in the public DCP, the number has not been published yet. To be clear—I am being quite open—if we have a concept for a project, I do assign a number at the start so that we can easily track it and refer to it as a form of reference. That is right.

**Senator JOHNSTON**—All right. What about the eight new fast frigates?

**Vice Adm. Tripovich**—Yes. In our parlance the project is called Sea5000.

**Senator JOHNSTON**—How much has been spent on that so far?

**Vice Adm. Tripovich**—We have spent no specific DCP money. I have my own internal funding, if you like, drawn from the DCP called ‘project definition funding’ that funds those very early initial studies. This project is so far away that we have done no serious capability development on it. We are gathering information. The DSTO is engaged in the very early studies.

**Senator JOHNSTON**—How far away?

**Vice Adm. Tripovich**—Off the top of my head, I think it is about 2026—around that sort of time frame.

**Senator JOHNSTON**—Let us go back to C1000. How much money have we spent on C1000 to this point?

**Vice Adm. Tripovich**—The government has approved some \$15.4 million for studies to date and they are—

**Senator JOHNSTON**—What has that got us?

**Vice Adm. Tripovich**—A number of studies are being conducted to look into Australia’s industry capacity, Australia’s design capacity and the sorts of technologies that might be available in that time frame to assess them. It is very early days on those projects, obviously. The studies are also looking into the current capabilities that are in the world and off the shelf—for example, submarines that currently exist or are forecast to exist on those times.

**Senator JOHNSTON**—Admiral, I am interested to know how many studies there are and what we have spent on each study. Of course, I am obviously interested in the current state of the Rand report.

**Vice Adm. Tripovich**—Sure. I will take all of that on notice and come back to you.

**Senator JOHNSTON**—We will come back to that, will we?

**Dr Watt**—We will. Vice-Admiral Tripovich is talking about money approved. I think you will find the money spent is a good deal less.

**Senator JOHNSTON**—Has the Rand report been received by government as yet?

**Vice Adm. Tripovich**—Not by government. It is with the department.

**CHAIR**—It is still with the department, is it?

**Vice Adm. Tripovich**—Yes.

**CHAIR**—So it has not yet been considered by government?

**Vice Adm. Tripovich**—No. There are a number of studies that inform our advice to government and they do not necessarily come through intact, if you like, to the government.

**CHAIR**—I am talking about the importance of the commission some time ago by the Rand Corporation in the United States to look at design capabilities in this country.

**Vice Adm. Tripovich**—Yes. We commissioned it.

**Senator Faulkner**—So that we can be very clear about this—and Admiral Moffitt will correct me if I am wrong—I think there may well be some iterations of the report, and I think that is why we should make sure that we are being absolutely clear in evidence to the committee. I might ask the admiral to respond to your question in terms of how the RAND study is progressing, and it might assist Senator Johnston in terms of his earlier question too.

**Rear Adm. Moffitt**—The RAND study is in three parts answering four questions. Those parts have been delivered to us in several iterations of draft for our perusal, fundamentally so that we can make sure that we understand exactly what it is that they are saying in our context. Two of the three parts have been delivered to me. It is a study that I commissioned as the head of the program. It is not a study necessarily that was for government, although it is a study that the results of which will be reported by me to government when we have it. The intention, I think, with the minister's agreement, will be to consider making the report public.

**CHAIR**—Making the report public or part thereof is a future decision for the minister?

**Rear Adm. Moffitt**—A decision for the minister, absolutely.

**Senator Faulkner**—At this stage, Senator, such a proposal has not come across my desk. I will look at that when it does. Obviously, as you know, there is an ongoing process here.

**CHAIR**—Are there further iterations of the various parts to come to you, Admiral Moffitt?

**Rear Adm. Moffitt**—There is a final issue of the third part of the three-part report that I am expecting some time in the next couple of weeks. The final work is being done on it at the moment and it is, as I say, principally around clarifying to our satisfaction and understanding exactly what it is that they are saying in the report.

**Senator JOHNSTON**—How much do we pay for the RAND report?

**Rear Adm. Moffitt**—I can give you that.

**Dr Watt**—We should be able to get that figure for you. Hopefully someone behind us will have it.

**Senator JOHNSTON**—Is that included in the—Admiral Tripovich, was it \$15.4 or \$15.2—

**Vice Adm. Tripovich**—It was \$15.4 million.

**Senator JOHNSTON**—Is that included in there?

**Rear Adm. Moffitt**—That is all the money that has been approved for the project to date.

**Dr Watt**—We will give you a consolidated answer, Senator.

**Senator JOHNSTON**—What else have we spent our \$15.4 million on?

**Rear Adm. Moffitt**—We have not spent the \$15.4 million. There is a substantial portion—I am just awaiting on approval for it to be rolled into next financial year's budget; something in the vicinity of \$9 million of that has been rolled forward. The issues—

**Senator JOHNSTON**—I am sorry: so we have spent \$15.4 million—

**Rear Adm. Moffitt**—We have been allocated \$15.4 million—

**Senator JOHNSTON**—and \$9 million of it is yet unspent.

**Rear Adm. Moffitt**—About \$9 million of it is yet unspent. The specific activities that we have funded so far have revolved around several small-scope but important studies, one of which is a DSTO comparative study into combat systems potentially available for submarine applications. We have engaged the United States Navy's Sea Systems Command to undertake a readiness review of how ready we are to commence this program where we have areas where, in their wisdom, should have some more attention focused on it. That report is pending.

**Senator JOHNSTON**—Who is doing that; US Navy?

**Rear Adm. Moffitt**—United States Navy Sea Systems Command under an FMS contract. We have commissioned—

**Senator JOHNSTON**—Do we know the cost of that?

**Rear Adm. Moffitt**—\$600,000 Australian.

**Senator JOHNSTON**—The combat system review—do we know the cost of that to DSTO?

**Rear Adm. Moffitt**—I will give you a consolidated list, if you are happy, Senator, of the key studies that we have undertaken and the amounts associated with each.

**Senator JOHNSTON**—Let us keep going because the obvious question at the end is: why is it not in any of the PBS documents? But let us keep going with what we have got.

**Rear Adm. Moffitt**—We have had a study undertaken into storage systems—batteries, essentially—and the likely technology advances we can expect in batteries going forward into the future, which of course is key technology for a conventional submarine.

**Senator JOHNSTON**—And who is doing that?

**Rear Adm. Moffitt**—Pacific Marine Batteries in South Australia was the contractor in that case.

**Senator JOHNSTON**—And how much?

**Rear Adm. Moffitt**—Again, I will give you a consolidated list of the activities and their allocated costs. We have had an examination undertaken into submarine payload and payload systems by BMT Pty Ltd. We have a study underway with DSTO at the moment into military off-the-shelf submarine options that exist in the world today—that is evaluating the performance in the Australian context of those submarines on the basis of information given

us by their designers. Early on last year we received at a cost of \$1.2 million studies providing us with a great deal of information from each of those conventional submarine designers in Europe in answer to a formal request for information from us which was an evaluation of what is in the marketplace for us to consider.

**Senator JOHNSTON**—Is that \$1.2 million in addition to the \$15.4 million?

**Rear Adm. Moffitt**—No, that is all part of the allocation. All of these activities have been undertaken within the provisioning of the \$15.4 million to date.

**Senator JOHNSTON**—Any more?

**Rear Adm. Moffitt**—They are the key ones; there are others. Some of them go to project office, workforce projections and needs, some strategic communications consultancies—these are all relatively much smaller amounts of money all undertaken within that same provisioning.

**Senator JOHNSTON**—So we have effectively spent \$6.4 million?

**Rear Adm. Moffitt**—I would want to confirm that.

**Senator JOHNSTON**—Around about that?

**Rear Adm. Moffitt**—It is in that order.

**Senator JOHNSTON**—How many people are involved full-time in the project?

**Rear Adm. Moffitt**—There are 28 today from a variety of sources involved in specific areas of activity. A significant part of that—in the vicinity of nine positions—are occupied by Capability Development Group staff who are working through the processes of developing the needs documentation, the operational concept document and the top level requirement document leading on to a series of other subordinate documents to those to define to government the need. There is another group of DMO people who are largely engineers. I have a full-time DSTO person and a number of others on part-time secondment as required. The rest of them really amount to project life support, finance, contracting, human resource management, knowledge management, administration and those sorts of things.

**Senator JOHNSTON**—And that is within the 28?

**Rear Adm. Moffitt**—That is all included in the 28.

**Senator JOHNSTON**—The DSTO, the DMO and the support and concept people doing the needs concept—

**Rear Adm. Moffitt**—And CDG.

**Vice Adm. Tripovich**—There are other people wrapped around that of course. There is a much broader base of people in the DSTO doing the work. Rear Admiral Moffitt has referred to the one embedded person, who is the link into the broader DSTO workforce. There are people from the personnel organisation who are helping with workforce planning. Depending on the options, there are people in the strategy branch who are looking at the various strategic implications as the options are explored. It is quite a far-reaching project in that sense, but the core is 28.

**Senator JOHNSTON**—Can you take me to where in the PBS these costs are set out.



**Vice Adm. Tripovich**—This money was approved previously before the PBS, so it is approved expenditure. It would not be in the PBS because it is already an approved number.

**Senator JOHNSTON**—Last year's budget?

**Vice Adm. Tripovich**—It was approved before the PBS, so during this current financial year and the year before. I think a number of tranches of approval from the minister totalling now \$15.4 million—

**Senator JOHNSTON**—I would be pleased if you would outline where the amount of \$15.4 million has been published. I only recall \$4 million, but I am happy to be corrected. In line with my questions, I would like to know what the costs specifically are broken up into. Rear Admiral Moffitt, you are the one person who is aware of the timetable for this project. We anticipate having a boat in the water in 2025.

**Rear Adm. Moffitt**—The timing for delivery of any first submarine out of this program is going to be driven by a number of factors and influencing those factors—many of them are yet to be explored in detail—will also be the notional life of type of the Collins class. The notional—and I stress 'notional'—30 years planned life would indicate that Collins should—again notionally—be looking for retirement around 2025. But there are many factors that go to what an actual life of type for platforms like this would be.

**Senator JOHNSTON**—As you would understand from our side of the table, our successors are going to want to know when this project is going to deliver. Are you suggesting that it is too early to question that?

**Rear Adm. Moffitt**—It is too early to be definitive about when it might deliver because we do not yet know precisely what it is that it is going to deliver. There are a range of options that could be delivered to meet the needs and that is the phase of this project where we are at the moment—identifying clearly and reaching an agreement, which we have not yet done, with government on those needs and gathering the information necessary to be able to accurately forecast in each of the option sets what the schedule might sensibly look like.

**Senator JOHNSTON**—Our history with respect to Collins 6 boats was a 1978 project designation for new submarines and then in the water with Collins in 1994, if my memory serves me correctly.

**Rear Adm. Moffitt**—I will accept your advice on that. Off the top of my head—

**Senator JOHNSTON**—This is our experience with Collins, and that even takes us beyond sitting here today, even beyond 2025, does it not?

**Rear Adm. Moffitt**—It may do depending on what it is that we build. Each of the potential groups within which options might lie—for example, a strictly off-the-shelf minimum modification type of solution space involving submarines that in a couple of the opportunity cases are at sea with navies today, something that is modified based on that or something which is far more developmental in nature but evolved along a pedigree line from an existing submarine—will have a different degree of complexity, risk, capability and cost associated with it and each will take a different amount of time. So, until we are in agreement with government on what those option spaces are, what is within each option space and which one

is the one that ultimately we think we are going to build, it is just not practical to say we will deliver on this date. The option space is still very wide.

**Senator JOHNSTON**—The problem I have is that the government has said that:

The Future Submarine will have greater range, longer endurance on patrol, and expanded capabilities compared to the current Collins class submarine—

which is 3,200 tonnes.

It will also be equipped with very secure real-time communications and be able to carry different mission payloads such as uninhabited underwater vehicles...

The Future Submarine will be capable of a range of tasks such as anti-ship and anti-submarine warfare; strategic strike; mine detection and mine-laying operations; intelligence collection; supporting special forces ... and gathering battlespace data in support of operations ...

Et cetera. Having said all of that, surely we are looking at 4,000 tonnes?

**Rear Adm. Moffitt**—There are submarines in existence or in design today which can come very close in some respects to answering all of those questions and which are not 4,000 tonne submarines. The difficulty that we confront in simply comparing some of these things against the stated white paper objective is that we are looking at technologies which are not well developed today and which we need to understand the development path for so that we can know what sort of increased capabilities might be available to us from them in the event they reach a level of maturity that makes them available to us.

Forgive me if I come across as obfuscating. This is a very complex field where there are some key technologies that are evolving quite significantly as we speak, particularly in areas such as batteries, where we could expect potentially, if the technology comes to fruition in time, substantially enhanced battery performance to give us a far greater indiscretion ratio than we have had previously with the lead-acid batteries in the Collins and other advantages as well. That is only one of a whole suite of technologies which we are investigating at the moment.

The issue then becomes: what are the technologies we can put to use in our context to achieve the objectives in the white paper and do they translate into something that will be bigger than what we have today? I do not think that it is necessarily a simple thing to say yes or no to. It is very complex.

**Senator JOHNSTON**—I accept that, but when we said in the white paper, with some obvious professional commitment, 'greater range, longer endurance on patrol' than the Collins, it implies quite obviously that this vessel will be bigger than Collins.

**Rear Adm. Moffitt**—Forgive me for saying that that is an understandable and intuitive but simplistic analysis. For example, one of the military off-the-shelf options available from one of the European manufacturers can come in today at a stated nominal range that exceeds the Collins class range somewhat in a much smaller submarine—two-thirds the size. It is not an easy comparison to make, however, because it depends totally on the conditions: the climate conditions, the water temperatures, the distances over which the submarine is being asked to perform and exactly how the mission is being executed by the submarine.

**Senator JOHNSTON**—You anticipate that such a submarine can be built in Australia?

**Rear Adm. Moffitt**—The indications we have from all of the European designers are that they understand our desire to build submarines in Australia and that they would be quite capable of entering into arrangements, and in fact in some cases in the past have done so, to build vessels in Australia—the Germans and the Swedes in particular, and the Spanish at the moment and indeed the French with our current tanker; all designs of those countries originally but built in Australia. I do not foresee that there is any insurmountable difficulty in respect of building any of these designs in Australia were we to choose them.

**Senator JOHNSTON**—Do you agree with the expression that this is our largest single defence project?

**Rear Adm. Moffitt**—My understanding is that it is that, yes.

**Senator JOHNSTON**—On pure logic, this is bigger than \$16 billion, which is the Joint Strike Fighter.

**Vice Adm. Tripovich**—That is correct.

**Senator JOHNSTON**—I now want to ask the secretary about what Mr Pappas said in his report. With all the white paper acquisitions and anticipated future costs for defence, is it not the case that Mr Pappas points to 4.2 per cent out to 2030 as necessary to cover the costs of this operation?

**Dr Watt**—I think if you are talking about capital platform acquisitions, 4.2 per cent is what he calls the ‘historic cost’, yes.

**Senator JOHNSTON**—Have we not had 4.2 per cent effectively in arithmetic figures since 2000?

**Dr Watt**—For capital platforms, I would need to check. Let me get the CFO to the table.

**Mr Prior**—Your question was: have we not had 4.2 per cent—

**Senator JOHNSTON**—Since year 2000.

**Mr Prior**—compound growth? Do you mean in terms of funding or in terms of actual spend?

**Senator JOHNSTON**—The average arithmetic annual rate of real growth in the budget over the decade from 2001 to 2010-11 is 4.2 per cent. Do you accept that?

**Mr Prior**—Correct.

**Senator JOHNSTON**—Over the same period, the effective compounding annual rate of real growth is also 4.2 per cent. Thus by either measure, it looks like the three per cent real growth funding trajectory set back in 2000 will be more than achieved.

**Mr Prior**—I do not know what you mean by that sentence.

**Senator JOHNSTON**—Let me read it to you again. Thus by either measure—that is, the arithmetic annual real growth in the budget over the decade or the effective compounding annual rate—it looks like the three per cent real growth funding trajectory set back in 2000 will be more than achieved.

**Mr Prior**—Correct.

**Senator JOHNSTON**—For the period covered by the new white paper commencing 2009-10, the five-year arithmetic annual rate of real growth in the budget will be 1.3 per cent.

**Mr Prior**—Correct.

**Senator JOHNSTON**—The effective compounding annual rate of real growth will be slightly less than 1.2 per cent.

**Mr Prior**—Correct.

**Senator JOHNSTON**—Does that not cause us a problem?

**Mr Prior**—I do not think so.

**Senator JOHNSTON**—I am interested to hear why think not.

**Mr Prior**—If I may, the defence budget has built into it the three per cent real growth. That was provided way back in 2000 and it continues to do that.

**Senator JOHNSTON**—Dropping to 2.2 in 2017-18.

**Mr Prior**—Correct. But within defence, you could appreciate that we will at times reshape or rephase our budget in consequence of things like projects that may not have delivered in the original time frame or projects that delivered faster. So what we call the reshaping or the reprogramming of our budget means that from a particular point of time in history as you go forward in history of course the budget will go up in certain years and down in other years to match the requirements of our various expenditure patterns. So what you see across forward years may well in fact be the result of many adjustments that take place each and every year—and they have done for the 4½ years I have been here.

**Senator JOHNSTON**—But for the first five years we are down to 1.3 and 1.2 respectively on those numbers.

**Mr Prior**—If you are referring to the Mark Thomson commentary, he even acknowledges that there is a substantial increase in expenditure.

**Senator JOHNSTON**—Yes. On paper there is a substantial increase.

**Mr Prior**—Absolutely.

**Senator JOHNSTON**—But for the next five years we are well below the estimated Pappas requirement.

**Mr Prior**—We are below the arithmetic calculation of what the growth is year by year, but—

**Senator JOHNSTON**—And the compounding annual rate.

**Mr Prior**—Yes, that is right. But that is a result of the very complex work we do on a regular basis to readjust our budget. If you look at the budget PBSs, you will see that year on year there are adjustments made—both money coming into the forward estimates and money going out of the forward estimates—to respond to the various requirements and needs that we find ourselves confronted with.

**Senator JOHNSTON**—But for the last 10 years we have been well ahead, have we not?

**Mr Prior**—We have been across that period. But if I were to project out and across—

**Senator JOHNSTON**—And for the next five years we are down below.

**Mr Prior**—But, beyond that, we are well above.

**Senator JOHNSTON**—Beyond that is very interesting. Goodness knows what is going to happen beyond that.

**Mr Prior**—All I can say to you is that the three per cent real growth that was provided that commenced in 2000 and goes out to the outer years has all been factored into the budget—it is all within the budget across the 20 years to—

**Senator JOHNSTON**—And you have got those numbers?

**Mr Prior**—There is a 20-year budget that I preside over.

**Senator JOHNSTON**—When is the committee going to see that?

**Mr Prior**—It is currently government policy to produce in the PBSs a four-year view.

**Senator JOHNSTON**—I know; that is the problem. Are we going to see it?

**Mr Prior**—I am not in charge of the—

**Senator JOHNSTON**—Who is?

**Senator Faulkner**—I suspect at the end of the day the buck stops with me. The secretary makes the point to me that the Treasurer might want to have something to say about it—and so might the Minister for Finance and Deregulation.

**Senator JOHNSTON**—So we are not to see the 20-year forward projections dealing with the rise and fall of the arithmetic annual rate of real growth and the effective compounding annual rate of real growth? So we are simply to be told that it goes down by almost half for the next five years but—without seeing those numbers—we are promised that it will recover?

**Senator Faulkner**—Senator, as you know—

**Senator JOHNSTON**—I am worried, gentlemen. I have to say, I am worried.

**Senator Faulkner**—I do not think you should worry about that, Senator. Outside this portfolio, there might be some things that you would want to worry about.

**Senator JOHNSTON**—Do not try to disarm me on that.

**Senator Faulkner**—This is one that you should not worry about.

**Senator JOHNSTON**—Tell me why I should not be worried. I would like to see the numbers.

**Senator Faulkner**—This government has four-year budgets, not 20-year budgets.

**Senator JOHNSTON**—But, Minister, you have a capability aspiration of 21 years.

**Senator Faulkner**—Therefore, in terms of internal Defence processes, what Mr Prior does as CFO is critically important in terms of informing the work of Defence.

**Senator JOHNSTON**—When you put these numbers down in the white paper, as you have, I think it is fair for the committee to say, ‘Show me the money.’

**Senator Faulkner**—Sorry, I missed that.

**Senator JOHNSTON**—When you put these acquisitions and aspirations down in the white paper I think it is fair and reasonable on behalf of the Australian people for me to ask you to show me the money.

**Senator Faulkner**—As you know, the growth projections are matters that are in the public domain, and that is a very clear indication, I think, in this area of the intent of the government. It has been the case, I must say, with previous governments too—and you are well aware of that,

**Senator JOHNSTON**—I do not think we went out to 21 years, Minister, with great respect. I think we went out for a period, but it was not out as far as this white paper has taken us or with as many things contained within it.

**Senator Faulkner**—Most objective analysts, I think, would approve of long-term strategic planning, Senator. There may be different views about this, but I think most reasonable people, most objective analysts, most people who care about the defence of Australia, would be positive about and appreciative of long-term defence planning.

**Senator JOHNSTON**—Surely, Minister, in such a plan—and I agree with you—there is a responsibility on the part of the government to show us how it is paid for.

**Senator Faulkner**—Yes, but you are aware, as are most people who would be taking an interest in the government's funding model for defence, that what the funding model does is provide greater long-term funding certainty. It will ensure that defence has the funds it needs when it needs them, and you know—

**Senator JOHNSTON**—The white paper does not say that.

**Senator Faulkner**—that is three per cent average real growth to 2017-18, 2.2 per cent average real growth from 2018-19 to 2019-30 and 2.5 per cent fixed price indexation from 2009-10 to 2029-30. So I think you have here a financial plan that will see the 2009 white paper fully funded. I suppose I should say to you—because no doubt you will come to this at some point—that it is not just, as you know, Senator, the new funding model for defence; it is also a comprehensive plan of reform and savings and efficiencies within the portfolio.

**Senator JOHNSTON**—Can I turn to the secretary with respect to commentary from ASPI.

**Dr Watt**—Senator, perhaps I could just finish off this one. Mr Prior has just drawn my attention to the 2009-10 PBS, page 15, which dealt with resourcing for the white paper and set out the basic assumptions of resourcing over to 2029-30: the additional funding of \$146.1 billion, the total funding available over the decade, the various real growth rates, the price deflatory averages and all the other qualifications. It is a pretty comprehensive statement.

**Senator JOHNSTON**—Whereabouts is it?

**Dr Watt**—It is in the 2009-10 PBS, Senator—not this year's but last year's, on page 15. It was a companion piece to the white paper.

**Senator JOHNSTON**—Thank you for that. I put this proposition to you:

Last year brought mixed news for Defence. On one hand, they got an unprecedented 20-year funding commitment from the government in the 2009 Defence White Paper, including a promise of 3% real

growth to 2017-18 and 2.2% thereafter until 2030. On the other hand, when it came time for the actual budget—

that is, last year's budget—

\$8.8 billion of promised funding was cut from the forthcoming six years and deferred to undisclosed years beyond.

We all know who wrote that. Is it true?

**Mr Prior**—Yes, that is correct and, as articulated on page 15 of last year's budget—and we went through this at that time, if I recall—there were decisions made to introduce the new funding model, but there were also decisions made to match those new funds to the years in which they were more appropriately aligned with the expenses and costs that Defence were going to face across that 21-year period.

**Senator JOHNSTON**—But that is not in here; that is not for anyone to see.

**Mr Prior**—The commentary about which year the money particularly went to, as the secretary referred to on page 15 there is commentary about the fact that those monies were moved. But I go back to the government policy of a 4-year forward estimates—

**Senator JOHNSTON**—So everything beyond four years is blurry and we have no real qualification, yet we have capability that is designed to come on board and on stream and be available to defend our country at certain times. So we have got a capability acquisition plan that is structured to time but we have got money that is not structured to time. Is that what you are telling me?

**Dr Watt**—I do not think that is what Mr Prior said. I think he said that part of the exercise done in last year's budget was to endeavour to match capability needs and funding needs, as best we could at the time, to dollars. So, in a sense, it may not have been unreasonable to move dollars out of the forward estimates if you are starting a large number of new capability projects. As Rear Admiral Moffitt says, you do not spend much in the first few years; you spend a lot down the track.

**Senator JOHNSTON**—Is that what we are doing?

**Mr Prior**—That is what I was describing.

**Senator JOHNSTON**—That is exactly what we are doing, as you say. So we are not spending much now. For the next six years—

**Dr Watt**—I think I am making the point that you cannot spend much now, no matter how hard you try. With new projects the first few years you do not spend a lot of money. No matter how big they ultimately might be, expenditure of money is always well down the track.

**Senator JOHNSTON**—All right. You have said in your defence of unfunded measures, force protection for Australian troops, \$912 million of the \$1.136 billion was funded directly by Defence from existing funds.

**Dr Watt**—I think Mr Prior can help us here, Senator, while I find my papers.

**Senator JOHNSTON**—What does 'force protection for Australian troops' actually cover?

**Senator Faulkner**—I should probably go through some of this for you. Let me just find a note to make sure that I am absolutely covering off all the detail for you. There are a range of areas. The first one is counter-IED. Do you want me to just give the broad subheadings?

**Senator JOHNSTON**—Is it in any public documents?

**Senator Faulkner**—I am not sure that I have it in a document. I am just going to go through it in broad subheadings and I am happy to go into any of this in the detail that you require. The first one is counter-IED. The second one, broadly, is enhanced—

**Senator JOHNSTON**—How much was the counter-IED, please?

**Senator Faulkner**—I will go through the individual elements of it. There are two separate initiatives to improve the ADF's route clearance capability at the cost of \$7 million. There are four initiatives dealing with enhanced electronic countermeasures capabilities for the Middle East area of operations. These are classified, Senator, which I am sure you appreciate; I do not want to go to the detail of that or the costs.

**Senator JOHNSTON**—Enough said.

**Senator Faulkner**—There are two separate measures to assist in better analysis and understanding the full IED systems. One of these measures is a biometrics capability which will assist in tracking and understanding the IED threat and networks in Uruzgan Province.

**Senator JOHNSTON**—How much was that?

**Senator Faulkner**—I think we have a similar situation here. As they are intelligence measures, I am reluctant to go into much detail there.

**Senator JOHNSTON**—Not even money?

**Senator Faulkner**—Let me just check with the secretary whether I can give the figure. I think we might leave that figure, if you do not mind, for the same reasons. There has been a minimal cost initiative agreed to incorporate IED forensics into tactical planning. Additional military working dogs will be trained for counter-IED purposes. The cost of that is \$4.9 million. All services are going to receive IED training as part of the ADF's training continuum, building on the Army's excellent explosive hazards awareness training that began in January this year. That is the first package that I would describe as counter-IED measures. I have provided as much information as I can about it.

**Senator JOHNSTON**—You cannot give me a total cost?

**Senator Faulkner**—I think we will be able to get a total cost for you. I will just ask one of the officials if they can find a total cost of counter-IED measures in the force protection package.

**Senator JOHNSTON**—I would be surprised if it were \$50 million.

**Air Chief Marshal Houston**—It is \$1.1 billion from 2009-10 through to 2012-13.

**Senator Faulkner**—He is asking about counter-IED, though. Let us just disaggregate it for counter-IED.

The second area is enhanced intelligence, surveillance and reconnaissance. We will work on the total ISR capability suite. There is an initiative to increase the rate of effort of ISR



capability currently used in the theatre, at a cost of \$360.4 million; nine intelligence related capabilities, again including new biometrics capabilities, and a minimal cost initiative to incorporate forensics into tactical planning—I will not go to it in more detail there; there are two electronic countermeasure initiatives, at a cost of \$80 million and \$55.53 million, respectively; and there is a ground sensors provision to provide better surveillance capability for our troops on the ground, at an estimated cost of \$9.58 million. I believe—and again officials will double-check this for me—the total cost to improve the suite of ISR capabilities is \$773 million.

**Senator JOHNSTON**—But that is over—what?—four years?

**Senator Faulkner**—Yes.

**Dr Watt**—All these numbers, I think, four-year numbers.

**Senator Faulkner**—The next one is protection from indirect fire. I have asked officials to find for you that figure in relation to the force protection package for counter-IED measures. I do not have that to hand, but someone will get it.

You are well aware of the concern that we have in relation to Taliban rocket attacks and the absolutely vital protection from such attacks. To improve the levels of protection against these attacks, as you know, the government has approved the acquisition of a counter rocket, artillery and mortar system to provide a sense and warn capability which will improve defence against the threat of incoming projectiles by detecting and tracking them in flight. The government has also approved a facilities package of work that will address the physical force protection measures, such as the retrofitting of overhead protection, hardening and so forth. The total cost of that package is \$392 million.

**Senator JOHNSTON**—CRAM?

**Senator Faulkner**—Yes, including CRAM—\$392 million.

**Senator JOHNSTON**—\$392 million is CRAM and the construction enhancement for overhead protection?

**Senator Faulkner**—I believe so, but I do not have a disaggregated figure in front of me. What I might do in relation to the costing, so we can be absolutely precise, unless you were very keen to have—I don't know. Senator, are you keen to have them at this committee hearing in a disaggregated form?

**Senator JOHNSTON**—I just want to know what the \$1.6 billion is made up of.

**Senator Faulkner**—I am going through in the broad but I would like to assure myself that all these figures are precise. I would like to get you, where I can, a consolidated costing for each of the individual measures where I am able to provide it to you and the committee and where there are no concerns for operational security measures about providing them.

**Senator JOHNSTON**—I am sorry. The figure is 1.136.

**Senator Faulkner**—Is that where you are up to now?

**Senator JOHNSTON**—That is the figure. I said 1.6 but I was wrong; it is 1.136.

**Senator Faulkner**—The next broad area is enhanced personal equipment and preparation. This includes funding for new weapons, body armour, improved communications and logistics arrangements at a total cost of over \$60 million.

**Senator JOHNSTON**—Is that LAND 125 Soldier Combat System the \$60 million inside that heading?

**Senator Faulkner**—I will finish this and we will see if we can actually provide you with a document that outlines this in detail. That might be the best way to go.

**Senator JOHNSTON**—Is that going to be a document that can be published?

**Senator Faulkner**—Yes I believe so, if that suits. There is some information that cannot be provided, which I am sure you appreciate. In personal equipment it goes to: upgrading night-fighting equipment, around \$10 million; enhancement of training areas in Australia to assist better mission rehearsal training, \$1.26 million; a range of enhancements to currently issued body armour to improve soldier performance across a range of operational tasks; improvements to the logistic process to make the systems more flexible; remote viewing terminals are being introduced to provide the commander on the ground situation awareness; more timely logistics support and resupply system; lightweight and modular helmets to allow for integration with the new night-fighting equipment and a classified enhanced weapon type to increase special forces firepower.

**Senator JOHNSTON**—Logistic support, how does that fit into force protection?

**Senator Faulkner**—One of the experts can tell you but my understanding is that it enables more flexibility giving greater capacity and capability-enabling responses to changes in the operational environment that we are facing. I am sure someone can come to the table or CDF can provide more information than I can on that. That is a defence minister's view of it. You may like some more information. I will just finish this and then I will hand over to VCDF. There is communications capability to assist information and data exchange, some \$5.7 million and a force integration team to incorporate equipment and tactics changes in theatre. That is the broad picture of those personal measures. I will ask VCDF to answer your questions on logistics processes.

**Senator JOHNSTON**—We have got a couple of headings there under the \$1.136 million I can understand CRAM, I can understand IEDs, I can understand intelligence and all of that but not logistics. Is logistics a force protection for Australian troops?

**Lt Gen. Hurley**—Yes, in the sense that the range of equipment we will be bringing in is quite large, as you would understand. To maintain the amount of equipment we need in the field, we need to invest in the logistics system so it can maintain the right level of equipment at the right level of serviceability to personnel in the field. It is an end-to-end system. It does not just start and finish with a bit of kit that we issue to people.

**Senator JOHNSTON**—I would have thought that was one of the costs of deployment?

**Lt Gen. Hurley**—But it fits in. If we are going to expand the range of equipment we have got in there, expand the pipeline into the system and expand our inventory holdings we have to increase the size of the organisation to do that.

**Senator Faulkner**—There are two other broad headings, increased armour and firepower for vehicles, and additional firepower for PMVs at a cost of \$6.85 million. The other broad area is described, if you like, as looking after the health of our troops and which goes to a hearing protection initiative, the implementation of a buddy system for mental health identification at a cost of \$1.9 million, the trialling of a decompression program—

**Senator JOHNSTON**—Just pause on the buddy system. How does that cost \$1.9 million?

**Senator FAULKNER**—I will ask someone who, again, is more expert than me about it. I will try and make sure that this documentation is made available to the committee as soon as I can get a clean copy of it.

**Senator JOHNSTON**—Thank you.

**Lt Gen. Hurley**—The buddy system is part and parcel of a training system we have introduced to our recruit training schools and initial employment training schools. It is called BattleSMART. This builds resilience in our servicemen for their deployment into the field and involves the employment of the staff, the package, the psychologists and so forth that support that training outcome. It is called a buddy system but it is actually a training delivery system.

**Senator JOHNSTON**—But \$1.9 million?

**Lt Gen. Hurley**—Over four years to run those courses continuously. There are 20 to 30 platoons going through Kapooka each year.

**Senator JOHNSTON**—So that is just under \$250,000 a year?

**Lt Gen. Hurley**—That is not bad for this sort of thing.

**Senator JOHNSTON**—One psychologist?

**Lt Gen. Hurley**—Two psychologists, plus the program itself.

**Senator JOHNSTON**—What is the program? Do the two psychologists hold lectures?

**Lt Gen. Hurley**—The psychologists are not necessarily delivering the training; they are helping to design the training. BattleSMART is the name of the training, which is a resilience training package that we deliver during those courses.

**Senator JOHNSTON**—And who owns the package?

**Lt Gen. Hurley**—I do not know off the top of my head but I will find out for you. I think it is actually a within-service design package with some external delivery.

**Senator Faulkner**—I understand that the cost of trialling a decompression program will be \$1.8 million.

**Senator JOHNSTON**—Sorry, decompression for—

**Senator Faulkner**—For soldiers returning from theatre. ‘Decompression program’ is the terminology used. It is used extensively in the British Army. I am going to give you a layman’s explanation of it—

**Senator JOHNSTON**—After-combat care?

**Senator Faulkner**—Indeed. It is usually at what I would describe as a staging post between theatre and home base.

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

**Senator Faulkner**—Again, it is a minister's explanation; not necessarily an official ADF explanation. There is the establishment of a combat medical advanced skills training facility within Australia. There are additional hearing protection tests—again, that cost will be absorbed by Defence—and the possibility of additional combat medics for infantry platoons, again being absorbed.

They are the sorts of measures, Senator, in broad detail. What I will do for the committee is get a final document—and we will do soon as we can, like very soon—with as much detail on the individual elements of these force protection measures and table it for the committee. The only reason I do not want to do it right now is that there might be an issue in one or two of these figures. So I would like the final figures to be reflected in the document I provide to you, just in case one or two of those figures that I have provided to you need to be updated.

**Senator JOHNSTON**—You mentioned hearing protection twice. What are the figures on hearing protection—could you just refresh my memory? I see General Alexander is here. The question I am asking, General, is firstly about the buddy system. Can you tell us anything more definitive about how that works and why it costs \$1.8 million. Secondly, I would like to know about the hearing protection aspect and the decompression aspect, because again their costs are up around \$2 million.

**Major Gen. Alexander**—As part of the increased capacity in the mental health programs, following the review of mental health, there were a number of initiatives that were scoped out to upgrade what we had done in the past. They include a program called BattleSMART, which in effect relates to looking at programs that will increase the resilience of members and have them identify certain situations and, if you like, reactions, not only their own but those of their mates, so that there can be early recognition of these problems. That not only commences in the pre-deployment training period; that increased resilience program is now being rolled into initial training, even as early as at Kapooka. So the program is still being evaluated. It is in cooperation with our allies, the ABCA allies, so that what we are doing in increasing resilience through BattleSMART and other programs is in consultation and doing research with, in particular, the US and Canada.

**Senator JOHNSTON**—Good. We have been here nine years; what did we do before this?

**Major Gen. Alexander**—We have had a comprehensive program in relation to identifying mental health problems. That has always involved having mental health teams present on operations who brief the members and, again, try to have early recognition of problems occurring. And then, prior to return to Australia, we screen all individuals. There is psychological screening, which is one on one with a psychologist, and also a screening program. What we still do now which we did in the past is re-screen and re-evaluate at between three and six months post deployment. But what we have found, as we continue to have operations, is that the number of mental health problems that we encounter will increase over time, so we are very much focusing on not only the early recognition of problems but also increasing primary prevention mechanisms—in other words, building up resilience; having individuals recognise symptoms not only in themselves but also in their buddies; and having the organisation recognise that this is a normal part of business so that we reduce the

amount of stigma associated with mental health problems. Now, that is also with some initiatives, which include DVDs that about to be released.

**Senator JOHNSTON**—Okay. Thank you for that.

**Lt Gen. Hurley**—Senator, in relation to the hearing protection—you said that the minister had mentioned it twice. The first mention was in terms of looking at physical improvement to the ear protection that we issue to our service men and women—so, changing that. The second was in relation to hearing tests. We have increased the number of hearing tests that we do when people come back from theatre, and that is at no additional cost because we just use current services to provide those.

**Senator JOHNSTON**—Thank you, gentlemen. If I can go back to the secretary: are there any new funding measures in the budget, Dr Watt?

**Dr Watt**—Any new funding measures in the budget? Mr Prior, I am sure, can give you chapter and verse on new funding measures. There are several.

**Mr Prior**—There are indeed, and I refer you to page 22.

**Senator JOHNSTON**—This is in the PBS?

**Mr Prior**—Yes, PBS 2009-10.

**Senator JOHNSTON**—2010-11.

**Mr Prior**—2010-11, yes. Have you got that page, senator?

**Senator JOHNSTON**—Table 10?

**Mr Prior**—Table 10, indeed. You will see those measures as listed there from the top. Most of them you would be familiar with—continuation of operations type measures. The seventh or eighth one is Baghdad embassy, transition towards civilian security arrangements. Below that there are some other measures: the Moorebank internodal terminal implementation strategy, a new measure, the reprogramming of funding to better align with defences requirements. You will recall the previous discussions about why you do not see a continuous three per cent regrowth. This is a case in point. You will see that in 2013-14, we have taken \$657 million and pushed some of it right and some of it left to align with our understanding of what our expenditure patterns are more likely to be. Finally, there is Australian government personal security vetting centralisation, where defence is taking on the responsibility to do the vetting processes for the Government.

**Dr Watt**—The major expense measures that apply solely to defence are also detailed on page 125 and subsequent in Budget Paper No. 2.

**Senator JOHNSTON**—Mr Prior, you say you pushed things left and right.

**Mr Prior**—Sorry, that is my loose language.

**Senator JOHNSTON**—No, that is fine. Where we have blanks in that out to 2020, we actually have those numbers.

**Mr Prior**—In regard to that particular measure—the blanks—

**Senator JOHNSTON**—Not Moorebank.

**Mr Prior**—Yes. That means—

**Senator JOHNSTON**—No, I am talking generally.

**Mr Prior**—That means the measure does not contain any money for that particular year. Measures are additional funding for a particular activity or a new activity. A blank simply means there is no current contemplation of spending in that year.

**Mr JOHNSON**—Tell me why we have got a minus 85.9 and minus 86 in 2017, 2018 and 2019 for Afghanistan.

**Mr Prior**—Force protection is part of the measure. If you read the measures documents, defence, in a sense, are being funded for part of the early years and then in the outer years we are providing the offset for that.

**Senator JOHNSTON**—You are saying there is a saving in CRAM, for instance, which I think was in the capability plan for that year.

**Mr Prior**—There are savings in those outer years, correct.

**Senator JOHNSTON**—Yes. So we count the savings in the outer years if we bring something forward, but we do not project what we are going to spend in the outer years.

**Mr Prior**—This is a measures table. that is correct.

**Dr Watt**—Yes. All this table shows is the change in expenditure as a result of the measure. If in a year you spend money, it shows the additional money you are spending. Because we are bringing CRAM forward there is a reduction in expenditure in future years, so that is shown as a reduction in future expenditure. In years where we spend no money nor save no money, we have no increase or reduction in expenditure—nothing is shown. It is not like there is spending that is somehow missed there. Remember, this shows the changes, in normal personspeak, not defencespeak.

**Senator JOHNSTON**—Okay.

**Senator Faulkner**—Chair, it might be useful for you and for Senator Johnston, if it suited the committee, if overnight we prepare a tabulation with as much detail as we can on the broad detail of the force protection measure and the cost—where it is able to be made public—and table that for the committee tomorrow morning.

With the indulgence of the committee: if, in relation to the force protection measures, we might hold, I think it would be quite useful, because I am concerned that we will end up in a bit of a muddle. But I am sure I will be able to present a document that will mean that the committee, if it wishes, can work its way through all the measures—or not, as it sees fit. I think it would save the committee a lot of time if we were to do that, if you, and Senator Johnston, particularly, and other senators are comfortable with that. I think it would be a sensible way of proceeding. And when we kick off tomorrow morning I will provide that for committee members, or beforehand if possible, and senators can address any of those concerns then. Would that suit the committee?

**CHAIR**—It would be great.

**Senator JOHNSTON**—Thank you, Minister. I direct this question to the secretary. We stopped disclosing deferrals in acquisitions last year. Do you accept that proposition?

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**Dr Watt**—I do not think I accept that proposition. I might get Vice Admiral Tripovich who might not accept that proposition either.

**Senator JOHNSTON**—On the capital equipment program: the government ceased disclosing referrals—sorry; not last year but the year before last—in the 2008-09 budget, at which point the cumulative net deferral amounted to \$4.4 billion. What we do know is that the amount of money available to initiate new projects has fallen by 55 per cent for the budget year and by 42 per cent and 36 per cent for the two years of the forward estimates compared with what was available in the budget and forward estimates this time last year. Do we accept that proposition?

**Vice Adm. Tripovich**—If you are referring to the numbers that were in the PBS—in last year's, and this year's PBS for 2010-11—some money is the tail end and that is not there. In fact, most of the money is in the tail end of projects that have been approved, and that money has been transferred to the DMO for acquisitions, so it has moved from the unapproved project, on project approval, to the approved projects which the DMO run. The number available is the lesser of the two that you quoted. It does not reflect a reduction. It is the balance of three things: one is the removal of money from the unapproved program that is now approved; one is the effect of no win, no loss on foreign exchange; the final one is the improved cost estimating and therefore provision in the DCP.

**Senator JOHNSTON**—Where do I find that?

**Vice Adm. Tripovich**—So, broadly speaking, if you were to add the differences in the approved projects and unapproved projects, that total would be—you know, the numbers have moved from the unapproved to the approved. Then if you figure in the effect of the no win, no loss on foreign exchange—and they also, as I said, reflect the better cost assessments and therefore refined provision that needs to remain in the DCP between last year and this year; some projects go up in their provision and some projects go down as we move closer to approval—

**Senator JOHNSTON**—Are you saying that it is a calculation and by wading through the various subheadings and approved and non-approved projects you can work out what the money is?

**Vice Adm. Tripovich**—Yes, it acquits out; that is correct.

**Senator JOHNSTON**—In previous years, did we not list the projects planned for approval in the coming 12 months so we could reconcile what was in and what was out?

**Vice Adm. Tripovich**—That is correct.

**Senator JOHNSTON**—Why do we not do it now?

**Vice Adm. Tripovich**—The department made a decision—

**Senator JOHNSTON**—The department made a decision?

**Vice Adm. Tripovich**—in the PBS to have a band of years, over the next two years, because of the—

**Senator JOHNSTON**—Why did we do that?

**Vice Adm. Tripovich**—Because to give a precise date has proved to be a false sense of precision. People were reading in a false sense of precision about a particular year being the year in which a project would be done.

**Senator JOHNSTON**—Isn't that another way of saying we just could not keep our schedules?

**Vice Adm. Tripovich**—No. There are many reasons, as we have discussed before, why projects are delayed. Consideration by government is delayed. Sometimes it is because it takes longer to gather the information from science or from industry. Sometimes it is because technology is not yet ready.

**Senator JOHNSTON**—Isn't it about first pass and getting things right at the very beginning?

**Vice Adm. Tripovich**—It is about first pass and not going to government until the department has a sound and robust business case to put to the government. If it is not ready to go, it should not go to government.

**Senator JOHNSTON**—These projects are hundreds of millions of dollars. Surely we can tie down what projects are going to be preceded with in what year?

**Vice Adm. Tripovich**—We know which projects we are working on. They are in the PBS; 10-11 of the PBS lays those out. There are some 42 under development, from memory.

**Senator JOHNSTON**—I am talking about projects that are coming on for inauguration—projects planned for approval in the 12-month period of the budget.

**Vice Adm. Tripovich**—The PBS has those that are under development for consideration by government between 2010-11 and 2011-12.

**Senator JOHNSTON**—You have 25 of them.

**Vice Adm. Tripovich**—There are 30 first passes under development by the department, by my group, and there are another 14 second passes under development in preparation for consideration by government.

**Senator JOHNSTON**—So there are 49 first and second pass, if you want to include both of them.

**Vice Adm. Tripovich**—There are 44: 30 first-pass and 14 second-pass projects under development.

**Senator JOHNSTON**—Last year you had a 50 per cent success rate from previous years as to what you were going to start, and you did not start.

**Vice Adm. Tripovich**—If you want to be precise about what we did achieve, in PBS last year, after the necessary adjustments had been made to the public DCP in February 2010 that Minister Combet announced, those other adjustments were made to timings of projects through the budget process. Three projects were cancelled because the government announced that they were no longer required. Nineteen projects were approved during the last financial year—six first pass and 13 second pass. Of the money that had been set aside for projects to be spent, approved for expenditure in 2009-10, 93 per cent was approved.



**Senator JOHNSTON**—How many of the 2006 DCP projects for first-pass and second-pass approval last year, as designated last year, got through?

**Vice Adm. Tripovich**—The 2006 public DCP is not the relevant reference. It is the 2009 DCP, as amended in February 2010 by the government.

**Senator JOHNSTON**—Why was it amended in 2010?

**Vice Adm. Tripovich**—For the normal reasons, which Minister Combet mentioned at the time and which are in the front of the public DCP. From time to time we have to change the timing of consideration, as the project development evolves, as we know more information. We do not take it to the government until it is ready. Then there are changing relative priorities for capability and for expenditure across the whole portfolio. Finally, there are lessons learned through operations which inform us as to which project might need to be brought forward and which can sensibly be deferred while we wait for technology to mature and the risks in the project to be reduced and the like.

**Senator JOHNSTON**—The band is two to three years, is it not?

**Dr Watt**—Some bands are two; some bands are three. Perhaps I could help a bit. You are really trading off conflicting objectives. You want to give as much precision and as much information as you can.

**Senator JOHNSTON**—To whom?

**Dr Watt**—To industry, to potential suppliers, to the public and to the parliament. At the same time, you know that it is impossible to pin down whether a project will be approved by cabinet in June 2010 or July 2011 or anything like that narrow sort of band, yet that is what you are doing with precise end points. It is also true, as Vice Admiral Tripovich has stated, that all sorts of things can affect your decision making on the exact timing of projects. There is no easy answer to this. If there was, because this has been a debate for a long time, someone would have come up with it. It is a matter of precision on the one hand—possibly, as I said in my opening statement, false precision and false expectations. On the other hand, you want to give as much helpful information as you can. It is a trade-off.

**Senator JOHNSTON**—So why did we originally go to a four-year capability plan? It seems to conflict with what you have just described

**Dr Watt**—That one I cannot answer, Senator. I will have to pass that one over.

**Vice Adm. Tripovich**—It was a decision by the government at that time that four years would be appropriate for 2009-10, and in February Minister Combet announced that the intention to return to a 10-year DCP.

**Dr Watt**—Am I right in saying that the decision reflected the fact that when that DCP was put together we were working on the white paper—

**Vice Adm. Tripovich**—That is correct

**Dr Watt**—and given the work of white paper, at that point in time we did not have the ability to project out to 10 years?

**Vice Adm. Tripovich**—That is correct.

**Senator JOHNSTON**—So why did we go to 10?

**Dr Watt**—Why did we go back to 10?

**Mr JOHNSON**—Why did we go back?

**Dr Watt**—I suppose there is an attraction, Senator, if you cannot have four years you might as well have 10. Ten years, a decade, is a projection that is not uncommonly used in Defence. It is probably as good as nine and better than 11.

**Senator JOHNSTON**—Not withstanding the white paper, going from 10 to four then back to 10, I think, is quite bizarre.

**Dr Watt**—I think the good thing is that we have come back to 10.

**Senator JOHNSTON**—Yes.

**Dr Watt**—I think we would all agree on that.

**Senator JOHNSTON**—One of the reasons that we have come back to 10 is for industry.

**Dr Watt**—I think it is important for industry, but also in terms of providing information to the public, to yourselves and to parliament and, frankly, it is better for Defence to be making 10-year projections.

**Senator JOHNSTON**—Isn't it also better to be analysing from the inception of a concept program the start date and then putting it clearly into the budget documents and giving industry a clear signal as to what is going on with this project because government is committed to it—not in a band of two to three years?

**Dr Watt**—I think it is better to analyse right from the start, as you say, to the likely date of inception. But I think that there is an advantage in a band and that acknowledges the uncertainties of the exact timing of announcements. I think that we have got to acknowledge with projects like these, given the complexity of decision-making in government, that there is always some uncertainty. I do not think that we can get away from that.

**CHAIR**—Won't the two- to three-year band system result in speculation and hypothecation on the part of those who are interested because they do not have the exact information or the exact forecast that otherwise they would have had but for the change—

**Dr Watt**—Could I put an alternative proposition to you? Wouldn't giving an exact date result in speculation that the date might change?

**Vice Adm. Tripovich**—The criticism of the 10-year, four-year, 10-year situation was that industry did not have adequate ongoing information on which it could make its planning.

**Dr Watt**—I think the good thing is that we are back to 10 years, and I cannot see us moving away from a 10-year DCP, except perhaps one day in the far-distant future to lengthen it.

**Vice Adm. Tripovich**—On the way there are many forms of engagement with relevant industry so that as clarity comes we get more fidelity and it is conveyed to the public and to industry. The PBS and the public DCP are the opening parts of a conversation. Subsequent to that, twice a year there are major environmental Defence industry conferences where we engage very closely with industry that is present there. Related to those conferences are

environmental working groups in the land, aerospace and maritime warfare areas where there are environmental working groups that happen around those times. For particular projects there are gatherings where we get industry members to come along and they get updated on a particular project. There are briefs in the lead-up to requests proposals or requests for tender involving industries. So there are many, many ways of engaging them to give them the latest information throughout the year. The DCP and the PBS are not the only references. So as it becomes clearer, we refine the date.

Importantly, we need to have that engagement with industry to help us get a more accurate point estimate of when we should go to government. It would be wrong for us, for example, to specify a particular year if industry's view is that we are going too early, that we are leaping before technology is ready and we will be at the high-risk end of a project. That is why the bracket is the opening part of the conversation with industry to say that we are thinking about doing it between this year and that, and then we engage with them to see what their best advice is about when we should get approval for a project.

**CHAIR**—Admiral, I hear the responses you are making and I accept them, as I attend a range of the meetings and the conferences. But you are switching now to this band system when before we had a more exact system. I sit here every three or four months and listen to Dr Gumley, for example, who tells me about the system implementation changes he has made within the DMO, how many programs are now coming in exactly on time, on schedule and behind cost, how the systems have improved and all the changes that have been made. But here we receive advice after publication of the PBS that we are switching to the band system and I had been led to understand from both the department and the DMO that, by and large, a lot of the programs that have been in fruition have been coming in on time. So I wonder: how big was the problem that warrants this shift to a band system?

**Dr Watt**—As a point of clarification, this is not the first time the band system has been used. It was used in the DCP published last year. So, in a sense, you would not have a band system in the DCP and a point estimate here. It would not make any sense, I am afraid. Again, I can only say that I think there is an issue of false precision in these things. I think the band system gets away that. I suspect that we can have this discussion for a long period of time.

**CHAIR**—I take your point.

**Senator JOHNSTON**—I want to talk about personnel numbers, but I would like to talk about the DMO account. I am looking at Mr Thomson's analysis of what has been said. I am sure you are familiar with this. I will read it out to you. It reads:

Own source revenues also includes transfers from the DMO to Defence that cancel payments from Defence to the DMO. That worst part is that these funds then get counted twice in the calculation of total Defence funding. It is hard to put an exact figure on it, but Defence's own source revenues jumped by about \$200 million the year the DMO came the prescribed agency and DMO will pay Defence \$246 million in 2009-10. If there was ever any doubt that own source revenue should be excluded from what is counted as Defence spending, this should settle the matter. Even if the double-shuffle payments were the only complication, that would be enough to reject total Defence funding as a credible measure of the Defence budget. But there is more. Total Defence funding also includes payments to DMO that have in the past remained unspent. Over a four-year period last decade, more than \$927 million accumulated in the DMO's special account, including \$414 million from 2007-08. To make matters worse, at least \$440

million of the DMO special account represents delayed major capital equipment purchases that were not disclosed in Defence's reckoning of capital investment that year.

Is that true?

**Mr Prior**—There were a number of things in what you just said. I am not quite sure which particular point you are referring to. Can I try to help by taking you through what I think is a way though this? In the past PBS, I inserted a new table, which I have continued into this PBS. It is table 2 of the PBS. Table 2 is on page 8, Senator. It is headed, 'Table 2: Total Consolidated Budget for Defence and DMO (Departmental and Administered)'.

**Senator JOHNSTON**—Yes.

**Mr Prior**—If you also then refer back to the previous table, table 1, you have each of the main components in the portfolio—Defence, DMO and Defence Housing—with an articulation of the funding to each of their administrative and departmental appropriation components. It is true that with those three agencies there are payments between them, so if you were to simply add up those three totals in table 1 you would get a double count; no doubt about it. So table 2 was my way of demonstrating those figures without the interagency transactions. It is in note 1 of that table 2:

Figures shown eliminate interagency transactions and transactions flowing between Departmental and Administered funding.

So, if you wanted to have a picture of the total amount of funding to the entire organisation and eliminate the double counts, that is what table 2 is trying to do. In fact, it also includes the administered funding in with the departmental funding.

**Senator JOHNSTON**—Yes.

**Mr Prior**—So it is not trickery to say that we are double counting; it is just the nature of disclosure requirements to be able to disclose each agency in their own right. There is also a table on page 20 of the PBS, which is table 9, which identifies all of the payments to DMO. Similarly, if you look at DMO's portion of the PBS, you will see receipts and payments going the other way. There is a requirement in a PBS to show separate FMA Act agencies' total payments and receipts; but, unless you start to show the interagency payments, readers will incorrectly just add the totals.

**Senator JOHNSTON**—And you are saying that is what he has done?

**Mr Prior**—What Mark, I think, has done is demonstrate that if you were simply to add the totals you would end up doing a double count, which is quite true. You should not just add up the total of one and then the other one. You need to take out the inter-entity transactions that occur between them. You can see from table 9 on page 20 of the PBS 2010-11 that total payments to DMO by Defence are \$10.5 billion. Now, clearly, you could not add the DMO and Defence totals because you would end up with \$10.5 billion too much. There are payments that are counted as own source revenue between the agencies, and, again, on a consolidated approach, duplications are eliminated.

**Senator JOHNSTON**—You are saying that these tables eliminate the duplications—that if I work through these tables I can eliminate the duplications?

**Mr Prior**—Table 2 in the portfolio overview section of the PBS eliminates the duplication. Table 2 is a departmental and administered consolidation. I am not offering anything, but one could ask: what does the departmental look like as opposed to the administered? But, again, it would be the total consolidated to make sure the eliminations are taken care of.

**Senator JOHNSTON**—Okay. So what is in the DMO special account now?

**Mr Prior**—Steve Wearn, CFO of DMO, will take you to the relevant page that will show you that amount.

**Mr Wearn**—Just to give you an idea, Senator, at the end of last financial year the special account balance was \$269 million, of which in fact only \$31 million related to outstanding work or works yet to be performed on behalf of Defence. There is an element in there of our employee entitlements. We also have money in that account for other foreign governments and customers of DMO. There is an element in there for depreciation and there is also an element of working capital, or what you call cash at bank.

**Senator JOHNSTON**—What was it last year?

**Mr Wearn**—At the end of June, 30 June, last year it was \$269 million. This year, I think we are estimating the balance to be \$505 million.

**Senator JOHNSTON**—So it has doubled?

**Mr Wearn**—It has doubled.

**Senator JOHNSTON**—Why is that?

**Mr Wearn**—It is basically in relation to the timing of the cash payments that are made.

**Senator JOHNSTON**—Keep going.

**Mr Wearn**—In terms of the creditors that we actually pay. That is essentially the work that we do.

**Senator JOHNSTON**—So we have got a huge number of creditors on the other side of this financial year?

**Mr Wearn**—We are estimating that that is correct this year.

**Senator JOHNSTON**—Can you identify those creditors?

**Mr Wearn**—We will, certainly, by the end of the financial year, yes. The end of the financial year is a point in time; the creditors are rolling—

**Senator JOHNSTON**—You are anticipating.

**Mr Wearn**—We are anticipating; that is correct.

**Senator JOHNSTON**—And you have some data to substantiate that anticipation.

**Mr Wearn**—Correct.

**Senator JOHNSTON**—What is that document called?

**Mr Wearn**—It is based on historical analysis.

**Senator JOHNSTON**—Well, we have doubled the figure. Is that based on an historical analysis?

**Mr Wearn**—The year before last, our balance at the end of the financial year was, from memory, about \$969 million.

**Senator JOHNSTON**—We halved the figure, then?

**Mr Wearn**—Yes, that is correct. It really depends on what we are basically paying at the time. To give an example: at the end of the financial year we had to make an earlier payment for the Super Hornets so we drew down on the money that was in the special account for that purpose earlier than anticipated.

**Senator JOHNSTON**—So that fund is maintained for extraneous payments that come up in the nature of—

**Mr Wearn**—No, it is basically the working capital of the money that Defence pays us. At 1 July there is a payment for the price highlighted. That \$10.5 billion is paid to DMO. That goes into the special account, which is not a bank account as such—it is a division within the Official Public Account within Finance. Essentially, we draw down on that account as required.

**Dr Watt**—I think the important point is that it is not extraneous. It is very much about the key business of Defence and the DMO.

**Senator JOHNSTON**—But our funding includes this carryover figure?

**Mr Wearn**—Correct.

**Senator JOHNSTON**—And some of it might have been there for many years.

**Mr Wearn**—In the unlikely event that the money has been held over or there has been a slippage in a payment for a particular creditor for more than one year, that is correct, but I would have to say that that would be minimal.

**Senator JOHNSTON**—The allegation is that it represents delayed payments.

**Mr Wearn**—No, that is not correct.

**Senator JOHNSTON**—You reject that?

**Mr Wearn**—Yes.

**Mr Prior**—I think the word ‘slippage’ that Mr Wearn used refers to when budgeted payments did not occur by 30 June or the activity that those payments were going to be put against did not occur by 30 June, so they carry across to a new financial year. When you are talking about \$10.5 billion it is not unthinkable to think that there will be. It is an estimation error, if anything.

**Dr Watt**—You also carry a working balance in that account. It is never zero. I think I also heard Mr Wearn say that last year we had a large payment late in the piece so the balance at 30 June 2009 was on the low side.

**Mr Wearn**—Yes.

**Senator JOHNSTON**—Where precisely in this PBS is the actual number?

**Mr Wearn**—If you turn to page 194, table 73.

**Mr Prior**—On that bottom line you will see on the left-hand side an opening balance of \$269 million in 2009-10, then receipts and payments, and a closing balance of \$505 million that Mr Wearn was referring to.

**Senator JOHNSTON**—And last year the figure was \$927 million.

**Mr Wearn**—Last year the closing balance was \$269 million; the year before that it was \$967 million. That is correct.

**Senator JOHNSTON**—\$927 million?

**Dr Watt**—The other important point to note is that none of this leaves the Official Public Account—that is under the finance department's control and tenure—until a payment is actually made to a contractor. It stays inside the government's central bank account, for want of a better word.

**Senator JOHNSTON**—Where does it stay?

**Dr Watt**—Inside the government's central bank account until a payment—

**Senator JOHNSTON**—So it is just an entry in consolidated revenue accounts?

**Dr Watt**—When the Department of Defence transfers the money to DMO that is just simply a ledger entry, nothing more. It is still inside the OPA. Only when the DMO makes a payment to industry because a milestone is reached does it leave the OPA.

**Senator JOHNSTON**—Alright. In April this year we gave back consolidated revenue how much—\$997 million?

**Mr Prior**—Nine hundred and—let me get the figure for you. You are referring to the PBS?

**Senator JOHNSTON**—Yes.

**Mr Prior**—And that was largely to do with foreign exchange. Is that what you are referring to?

**Senator JOHNSTON**—So that was all foreign exchange?

**Mr Prior**—Depending on what you are referring to.

**Senator JOHNSTON**—In April this year in answer to a question on notice, the minister identified that he had returned a cheque of \$997 million to consolidated revenue from Defence.

**Mr Prior**—That is largely foreign exchange returns.

**Senator JOHNSTON**—It is not the product of any SRP?

**Mr Prior**—No. In the main, there are two adjustments that involve payments back to the department of finance. One is foreign exchange and the other one is to do with no win, no loss arrangements around operations. To the extent that our estimate was greater than what our operations actually cost, we would subsequently return to the department of finance that overestimation. SRP savings are retained within the department.

**Dr Watt**—Each year as part of the budget the Treasury makes a projection of an exchange rate based on history—where you have been for whatever period of time they now use. That forms the basis of all departments' assessments of the costs they have when they are making

payments in foreign currency. Defence is affected, as are AusAID and DFAT to a much lesser degree. The exchange rate obviously moves during the course of the next 13 months. That is just history. It always happens. To quite rightly ensure that agencies are no better off or no worse off as a result of that exchange rate movement and the purchasing power of funding to agencies has neither increased nor decreased, there is a process of foreign exchange adjustment. So if the Australian dollar slips against whatever the appropriate basket of foreign currencies is, there would be increased Australian dollar funding for Defence to offset that. If the Australian dollar rises, as it did between the last budget and this budget, there will be reduced funding for Defence to offset the increased purchasing power of the rising Australian dollar. That is what is reflected in that line under other budget adjustments in the table on page 22. As you see, we handed back a lot of money over the forward estimates and even more over the decade. That reflected the strength of the Australian dollar between the beginning of May 2009 and May 2010.

**Mr Prior**—Can I just clarify and make crystal clear that, as you will also see in that table, property disposals are a minor part of what is handed back, but Defence, under longstanding arrangements, does not keep the net proceeds of property disposals.

**Dr Watt**—The important point, leaving aside the property disposals, is that with the foreign exchange adjustment there is no diminution of the purchasing power of the Defence budget and there is no gain in the purchasing power of the Defence budget. It is designed to leave it unaffected.

**Senator JOHNSTON**—Let us go to the SRP. Who is now currently in charge of that program?

**Dr Watt**—We might get Mr Sargeant to the table. Mr Sargeant is now responsible for SRT. He replaced Dr McCarthy after she moved to the Department of the Prime Minister and Cabinet, much to our regret, earlier in the year.

**Senator JOHNSTON**—When did she go to PM&C?

**Dr Watt**—At the end of March.

**Senator JOHNSTON**—End of March this year?

**Dr Watt**—Yes.

**Senator JOHNSTON**—A document given to the committee in February of 2009, which was signed by the then secretary and the chief of defence, said:

The Defence organisation needs fundamental reform if it is to be well placed to own and operate Force 2030. Reform will comprehensively and fundamentally improve the management of Defence, making the organisation more efficient and effective, and creating significant savings to reinvest in building a stronger Defence Force.

Is that still the fundamental underlying policy in support of the SRP?

**Mr Sargeant**—Yes, as far as I am aware it has not changed. The SRP is designed to support the implementation of Force 2030.

**Senator JOHNSTON**—The independent Defence budget audit undertaken by Mr Pappas in 2008 said that the SRP was ‘an outputs driven budget model’ and that: ‘the model would



drive reform from the services back into the support function. The essential step was to give the service chiefs control of a larger slice of the budget.' Do we accept that?

**Mr Prior**—There is a lot of shared responsibility. I am happy to respond to that question because the budgeting aspect is clearly within my bailiwick. The department accepted the recommendations of the Pappas review, and to that extent that particular piece of the report is, therefore, accepted by the department and the government.

**Senator JOHNSTON**—I am sure you are aware of what Mr Thomson says. I feel bound to put it to you. He says that is not what is happening; a larger slice of the pie is not going to the pointy end. He says:

Instead, under the oversight of no less than two additional deputy-secretaries, cuts have been made to the existing centrally planned budget and the various parts of Defence are being told to live within their means. Any suggestion of savings being found and progressively transferred to the 'sharp end' is erroneous.

That obviously aggravates you, Mr Sargeant.

**Mr Sargeant**—I am not quite sure how he can say that. The SRP was planned in detail. It is a combination of projects and streams right across Defence. It is a whole range of different ways of achieving cost reductions and improving process, and the funding reallocations have already been planned in the budget. The reality is we cannot achieve Force 2030 without achieving those cost reductions, and the adjustments have already been made in the structure of the budget.

**Senator JOHNSTON**—Pause there. You have made a very interesting point: if the SRP does not work and the savings are not transferred to the pointy end—we all understand what that means—Force 2030 does not work.

**Mr Sargeant**—It becomes very difficult to achieve Force 2030.

**Dr Watt**—We cannot deliver Force 2030 without delivering SRP. We have always acknowledged that; it is a necessary condition.

**Air Chief Marshal Houston**—You talk about the pointy end. The \$20 billion needs to be reinvested in the capital part of the organisation so that we can get the more muscular force that that investment will deliver.

**Senator Faulkner**—Let me add something too. The government has never done anything other than acknowledge the fact that the SRP is designed to ensure that we have a harder-hitting, more agile, stronger Australian Defence Force. That is what it is about. That has not changed. That is why everyone here at the witness table is so clearly able to respond to the question that you have asked.

**Senator JOHNSTON**—Mr Thomson goes on to say that the information is incomplete in support of the examination of the \$20.6 billion planned savings, revealing a worrying picture. Mr Thomson said:

Around \$4.6 billion of the claimed amount is an artefact of accounting, involving the reallocation of funds within Defence's budget that have nothing at all to do with reduced costs or efficiency. For example, Defence claim to save \$150 million from cuts to capital facilities investment over the next four years while simultaneously touting \$190 million of increased capital facilities investment over the

same period. With this sort of accounting, the only limit on the scale of savings is set by the size of the Defence budget itself.

I feel bound to put that to you.

**Senator Faulkner**—You heard the secretary's response. He may well have been very astute in predicting that someone might have asked him this question. I think you might have mentioned that yourself, senator, or the chair of the committee did. The secretary did respond on this very point, as you heard in his opening statement to the committee.

**Dr Watt**—The important thing is the savings have been made from our budget baseline. We have made them. That is the key thing. They are there.

**Senator JOHNSTON**—You will remember the document that we had. It was not you, Dr Watt, but you can see it in *Hansard*. We sat here and went through these line items that were McKinsey evaluations and we had projected savings and costs. I would like to go through them: 2009-10, gross strategic reform program—stream savings, ICT savings \$49 million. How do we finish up on that heading?

**Dr Watt**—We have not finished on 2009-10. That is perhaps the first point.

**Senator JOHNSTON**—Let's deal with it.

**Dr Watt**—I think I did say in my opening statement that we were on track to achieve this \$797 million sought in 2009-10, and I did say, by coincidence, we had ICT cost reductions of \$49 million.

**Senator JOHNSTON**—Yes. I noticed your \$279 million and when I added it up it came to \$484 million that you have specified in that clause (b). So where is the rest? Smart sustainment, \$263 million.

**Dr Watt**—That is right.

**Senator JOHNSTON**—New equipment, \$172 million.

**Dr Watt**—That is right.

**Senator JOHNSTON**—And ICT \$49 million.

**Dr Watt**—Yes, that is right.

**Senator JOHNSTON**—We are on track to deliver \$797 million.

**Dr Watt**—That comes to about \$500 million—

**Senator JOHNSTON**—\$484 million, yes.

**Dr Watt**—for those three categories. If you would like a more detailed breakdown of where the rest is coming from, we can provide that. It is a variety of relatively small amounts.

**Senator JOHNSTON**—I hope you will bear with me—

**Dr Watt**—I am happy to bear with you.

**Senator JOHNSTON**—I do not share your view about \$200 million—in the scheme of things, maybe.

**Dr Watt**—We will get that \$200 million. There is no doubt there.

**Senator JOHNSTON**—Can you tell me where you are going to get it from?

**Dr Watt**—I think we can, and we will get that information for you.

**Senator JOHNSTON**—You do not know offhand?

**Dr Watt**—Do I have it sitting in front of me? No, but I will have it shortly.

**Senator JOHNSTON**—It is from a number of sources?

**Dr Watt**—Yes.

**Senator JOHNSTON**—You have put the numbers in here. I am going down the path that you have put us all on.

**Dr Watt**—I think you did acknowledge it was not me who put you on that, senator. It was my predecessor.

**Senator JOHNSTON**—That is right, but your response today—

**Dr Watt**—I am happy to stand by my predecessor, but I am not familiar with the numbers particularly in there.

**Senator JOHNSTON**—Your opening address to us today states:

(b) 2009-10 Cost Reductions on Track

... ..

We are on track to deliver \$797 million ...

You then gave us a whole lot of figures and they add up to a little bit over half.

**Dr Watt**—A good deal over half.

**Senator JOHNSTON**—Yes, a good deal over half; two-thirds if you like, but a third is not specified.

**Dr Watt**—We will get the rest. That is not an issue.

**Senator JOHNSTON**—Are you saying—I am happy for you to say this—that the rest is broken up across all of these different headings that were put to us last year: ICT savings, inventory savings, smart maintenance savings, logistics savings?

**Dr Watt**—My colleagues on my right are nodding.

**Mr Prior**—Correct. We are in the month of May still and the financial year has not ended. To be fair to us, this has been a big task—a new task—that we have taken on. The secretary referred to a number of lines of saving—ones that we are now locking in and starting to bed down to say that they will come through in the year. There are many other components of the savings program. To be quite clear about it, it will not be until the end of the year, until we get the final financial statements through, that you will see where it all falls in. But, in aggregate, as a CFO I can assure you that I have no doubts that we will achieve the savings that were put in the—

**Dr Watt**—We have asked the defence audit committee and the audit committee of the DMO to scrutinise at the end of each financial year our progress with SRP—and scrutinising it very. At the end of every financial year, we will have from them—and it will be a couple of months after the financial year, because you do not have full details of your accounts on 30

June—a full scrutinised response from the defence audit committee and its sister audit committee in the Defence Materiel Organisation which will say how we have gone against SRP targets and how we have achieved the savings.

**Senator JOHNSTON**—Where are you going to publish all of that?

**Dr Watt**—We will be providing that material to government.

**Senator Faulkner**—That is right. I am looking now at what should be done in terms of reporting and assurance arrangements. I accept that that is important. Included in that I think there will be a need for reporting to the parliament. Although I have not have made decisions about this, this is something that I will have on my plate soon. I think you have probably seen over the years that I tend to err on the side of making sure as much material is available in the public arena as possible. It is my intention to take no different approach in relation to the SRP.

**Proceedings suspended from 3.32 pm to 3.53 pm**

**CHAIR**—I believe a number of witnesses would like to make statements. We will commence with CDF.

**Air Chief Marshal Houston**—In response to Senator Kroger's questions about how many reservists are currently serving in East Timor and the Solomon Islands, the number of reservists in East Timor is 32 and that will increase from here on in. There are 103 reservists in the Solomon Islands. Senator Kroger also asked what percentage of the total force these figures represent and they are essentially East Timor eight per cent and Solomon Islands 91 per cent. She requested the confirmed budget allocation for 2010-11 for reservists. The answer is that the 2010-11 budget estimate for the reserves employee expense is \$243.98 million.

I would like to correct the record in regard to the New Zealand contribution in Timor Leste. New Zealand had 140 people in Timor Leste until Wednesday 19 May, when, following announcements by the New Zealand government on the previous day, a rotation of 75 personnel left New Zealand to replace the 140 on the previous deployment.

Another correction: in my statement this morning I referred to the 6th Combat Service Support Kandak; it should have been the 5th Combat Service Support Kandak. Chair, you asked about the numbers of ANA and police being trained in Afghanistan and you wanted a breakdown of achievement versus target. In terms of the ANA, the target strength is 171,600 by October 2011. So about 15 or 16 months from now the target is 171 600. The current strength, as announced by General McChrystal on 25 May, is 119,330. In terms of the Afghan National Police, the target strength by October 2011 is 134,000 and the current strength of the ANP is 104,457, as announced on 25 May by General McChrystal.

I understood Senator Johnston was interested in our approach to force protection. I could give you a quick statement there, Senator, if it helps.

**Senator JOHNSTON**—Certainly.

**Air Chief Marshal Houston**—The ADF adopts a layered approach to force protection that relies on a range of passive and active measures to protect our people. It obviously starts with individual and collective training. Our people are trained to a very high standard. This training is reinforced during predeployment training, where we test preparedness through a range of

likely scenarios as part of mission rehearsal exercises. That includes counter-IED and all of the aspects of force protection that will be part and parcel of operational deployment.

Force protection is always considered as part of the planning before a ground operation is commenced. The possible risks are reviewed and steps taken to mitigate them. At all times, the risk to the safety of our people is assessed and is at the forefront of our considerations. When a new threat emerges, as IEDs did several years ago, we take the necessary measures to protect against the threat. When we complete a mission, we review it and see what lessons we can learn and what we can do better. We also have technical support that can quickly review the threats and provide advice on what we should do to change our tactics.

So we have a completely coherent and comprehensive approach to force protection that ensures that we provide the very best protection to our people while they go about their business in a very lethal environment.

**CHAIR**—Thank you.

**Senator Faulkner**—I just want to indicate that, in relation to the figures I provided to the committee a little earlier relating to measures arising from the force protection review, I am concerned that I will need to provide to the committee a clear distinction between those measures that were funded through the force protection review and others as a result of Operation Slipper. I am concerned that there may be some aggregation in those figures—in other words, there might be some double counting or some concerns in relation to the definition of measures.

I indicated to the committee a little earlier that it would be my intention to come back tomorrow morning and provide a document on which the committee could base its questioning in relation to force protection review. I will come back earlier if that is possible, but I wanted to make clear that I think there may well be some definitional issues here that may have meant there has been an aggregation in some of those figures. In the period ahead I will have all those checked so I can come back to the committee with figures from the department and ask that the committee depend on the document I will provide to the committee either later today or at the latest early tomorrow morning. I appreciate the committee's courtesy to enable me to do that. It is important that these figures are precise. These are of course very important measures, as the committee knows, and I want to ensure that all the information available to the committee is absolutely accurate. I am not satisfied that that is the case at the moment; hence I am adopting the approach I have just outlined.

**CHAIR**—Thank you for that advice, Minister.

**Dr Watt**—We have Rear Admiral Moffitt to provide Senator Johnston with the detail he sought and then I have one comment to make too.

**Rear Adm. Moffitt**—Senator Johnston, in answer to the questions you asked previously, in total \$15.4 million has been allocated for Sea1000, \$4.6 million of that in the 2008-09 financial year and \$10.8 million in the 2009-10 financial year. We have committed, as of today, \$6.758 million of that and I will explain to you the breakdown of that in a moment. We have rolled some \$7 million of that into next financial year to continue with studies. The only record that we could find of that figure being made public was in answer to a question on

notice from you on 11 January which the minister provided on 25 February. There have been no media statements about that made by the minister or the department.

**Senator JOHNSTON**—Which figure was that?

**Rear Adm. Moffitt**—The total figure, the total allocation. Nor would those figures by line item, as identifying them as being Sea1000 activities, normally appear—

**Senator JOHNSTON**—Do you mean the \$15.4 million?

**Rear Adm. Moffitt**—Yes. That is a figure that does not appear and would not normally appear in either the additional estimates or the DAR as a line item because the project is at such an early stage. Whether that changes with this Defence annual report is yet to be seen.

**Dr Watt**—This is a point I would like to follow up on. The Sea1000 is not shown separately in the PBS. It is included in the funding in table 14 on page 28, the aggregate funding for the defence capability plan. But it is not yet separately aggregated. I am sure, as Rear Admiral Moffitt says, as the program moves along we will have plenty of opportunities to show discrete funding.

**CHAIR**—Understood—thank you.

**Rear Adm. Moffitt**—Senator Johnston asked what specific activities had been undertaken and I am prepared to go through those. It is a reasonably comprehensive list and costings. These are not necessarily in chronological order, as you will see, but these are the major activities that have been undertaken and they are the activities that are individually over \$10,000 in value.

A request for information was issued to four European submarine builders—one in each of Spain, France, Sweden and Germany—to a total value of \$1.2 million. That was a capped study—\$300,000 per builder—asking them to provide us with as much detail as they cared to within that cap in answer to some very extensive questions we asked to gauge the current activity in the marketplace, but more from the detail that builders were prepared to release to us, commercially in confidence, rather than just glossy salesmen's brochures.

**Senator JOHNSTON**—Did we retain the intellectual property derived from that \$300,000?

**Rear Adm. Moffitt**—The material provided was by way of information about their submarines which, we made a specific statement in the contracting, was for unfettered use by the Commonwealth for defence purposes.

**Senator JOHNSTON**—So they discharged us from using that information in our future development program?

**Rear Adm. Moffitt**—They imposed no limitations on us using that information—that would be correct. University College London was contracted for a sum of \$10,000 to undertake a review for us of the implications of reusing existing designs and evolving existing designs—the complexities and limitations that may be associated with such an approach. Pacific Marine Batteries was contracted for \$441,000 to undertake battery technology studies on our behalf. We engaged BMT Defence Services to assist us in development of the request for information that went both to the European submarine builders and a series of major

defence primes in Australia requesting information as well. That was a contract for \$70,000. Oscar Hughes and Associates was contracted for \$38,000 to undertake a study into lessons from the Collins program—particularly focused on this stage of that program for lessons relevant to us at this point.

**Senator JOHNSTON**—How much was that again?

**Rear Adm. Moffitt**—That was \$38,000.

**CHAIR**—Would that address IP issues at this stage?

**Rear Adm. Moffitt**—We did not bound the scope of the study specifically, except by saying that we were looking to examine lessons from the Collins experience that were relevant to this stage of this program. Certainly, the report went into IP issues, from memory, and that report has been made public.

We engaged URS Australia for \$44,000 for some work around environmental issues of relevance to the program at this point. We engaged changedrivers pty ltd for \$87,000 to undertake some work for us around project office workforce planning, modelling and tools. The RAND Corporation was engaged for \$1.8 million to undertake an examination of Australia's capacity and capability in the submarine design space. In specific terms, they were asked to answer four questions. What does it take in terms of skills, tools, IT environment, et cetera to design a conventional submarine? What does Australia have today? What is the gap? And what options might exist for us to close that gap if we were to take that path—how long might that take and how much might it cost? As I mentioned before, those were four questions but the answer comes in three separate parts of the report and we have two and are about to get the last one.

US Naval Sea Systems Command has been engaged for a sum of \$868,000 to undertake a review of readiness. We have that report. Again, these reports tend to come in parts and in iterations. So we go back to the authors and ask questions to make sure that we understand exactly what it is that is being said to us.

**CHAIR**—Is that an industry capacity report?

**Rear Adm. Moffitt**—This is a study which did draw on the data collected by the RAND Corporation, with their agreement—because the data is ours, of course. It goes to industry readiness and government—DMO—readiness to undertake the program as well. It also provides, as we are now finding, a substantial amount of advice from the US government on how we might go about this program were we to take specific paths to the solution.

**CHAIR**—And readiness goes to issues of capacity of industry?

**Rear Adm. Moffitt**—It goes to capacity, capability, areas of gap, analysis of the gap, how we might fix the gap were we to go down that path, how much it might cost, how long it will take—those sorts of things.

**CHAIR**—Thank you.

**Rear Adm. Moffitt**—There are two DSTO studies. One has been completed; one is underway at the moment. These are both largely undertaken at DSTO cost but with me providing travel and support costs. One of those is a deep analysis and comparison of

available conventional submarine combat systems that has cost \$65,000 in travel. It did involve some overseas travel. The other is an analysis of the military off-the-shelf platforms, which is not yet complete but I anticipate will cost only about \$10,000. We engaged a Mr Paul Tuck to provide engineering services for a little over half a year at a contract cost of \$73,000. We engaged BMT Defence Services to assist us in undertaking the preparation of the suite of capability development documents that are required by the capability development process for a contract value of \$522,000. We have engaged Babcock to examine on our behalf lessons from the United Kingdom's Astute class submarine program and also their Successor program, which is the replacement for the nuclear ballistic missile firing submarine, a program which is in its very early stages—but there are lessons in both of those programs which, because they are contemporaneous, are very relevant to our circumstances.

**Senator JOHNSTON**—How much was Babcock?

**Rear Adm. Moffitt**—Babcock is \$26,000. We have engaged AGS to provide legal services through to the end of next year approximately, for a contract assessed value of \$200,000. We engaged the Phillips Group to provide some strategic communications advice to the value of \$57,000, and engaged BMT Defence Services with a study that is ongoing at the moment to a value of \$167,000 into Special Forces requirements, which we expect will be delivered in June. I think you will find that adds to \$5.835 million. The residual between that and the \$6.758 million that we have committed runs to office expenses relating to training, travel, printing and stationery, and some minor facilities.

**Senator JOHNSTON**—Disbursements.

**Rear Adm. Moffitt**—Yes, that sort of stuff. I think that probably answers your question.

**Senator JOHNSTON**—Very good. I will go on, if I may, with respect to the SRP. Can I talk about the remaining \$15.7 billion in savings. Over the past 12 months the number of positions to be cut by the SRP has been reduced substantially, with the caveat that there appear to be around 660 extra positions likely to be cut in the future. The number of military positions to be cut outright by the Strategic Reform Program has been revised downwards from 1,713 to 859, while civilian reductions have fallen from 3,125 to 1,708. Is that an accurate appraisal of where we are at?

**Dr Watt**—I might get Mr Minns to help us.

**Mr Minns**—It is always very difficult with defence work force numbers because it depends on what your source document is. It is a correct statement to observe that, as a result of the detailed diagnostic, we are seeking to pursue reform and achieve savings to re-invest with a lower number of reductions in the absolute work force. The position in the defence budget audit showed us looking at a total combined work force impact of 3,793.

**Senator JOHNSTON**—This is McKinsey and Pappas?

**Mr Minns**—Way back then, yes. Where we believe we are now—we completed this work in March because it had to await the detailed so-called bottom-up diagnostic activity to design a shared services model for Defence across a range of sub-streams and see if we could get agreement to that. Where we got to in the end was a total outcome from shared services reform of 1,774, which is made up of 1,374 FTEs in the APS and 400 AFS from the military



work force. But to that number you need to also add 534 military civilianisations which have been agreed, and I am not sure that they are reflected in those numbers that you have quoted.

In terms of why the numbers are different, there are broadly about five reasons. The DBA was a very high level diagnostic. In fact, I think in the estimates just after it was released, you and I discussed this: it was a benchmarking driven activity; it took about 10 weeks; and it suggested that what we needed to do was a detailed first principle study. So we have now done that, and a few things emerged from it. The first one we did the level of reform that we thought would work in Defence in its shared services community. On a spectrum of doing no shared services to doing absolutely all that you might, we tried to find the agreed position within Defence that makes the most sense and enables the work of the defence organisation and does not in any way impact combat or combat-related activity.

**Senator JOHNSTON**—Who did we use to devise that evaluation or to do it?

**Mr Minns**—We worked with a partner consulting organisation called Third Horizon.

**Senator JOHNSTON**—When did they get the gig?

**Mr Minns**—I can get you that specific detail but they started working with us—all these events roll together—about seven months ago.

**Senator JOHNSTON**—But you did not use McKinsey again?

**Mr Minns**—No, we did not. My recollection is that we went to a tender process—we did—and there were a range of tenderers.

**Senator JOHNSTON**—Was McKinsey one of them?

**Mr Minns**—Yes, they were.

**Senator JOHNSTON**—We used McKinsey to do the baseline original program, didn't we, though?

**Mr Minns**—They did the defence budget audit.

**Dr Watt**—Senator, I do not think we should be asked to comment on the outcomes of tender processes.

**Senator JOHNSTON**—No, I am not commenting at all on that.

**Dr Watt**—Thank you.

**Senator JOHNSTON**—The Strategic Reform Program was established and all of the focused and targeted reductions were determined by McKinsey. As the then secretary told us, they were not notional figures, they were figures that were produced as a result of detailed analysis of each section. I have the list of sections—

**Mr Minns**—But you will also recall that there were multiple points of reference in the document that said this is a high-level benchmark based analysis and it was recommended that Defence needed to do—and particularly to do in the context of why previous efforts in reform had not necessarily achieved desired outcomes—that bottom-up very detailed piece of diagnostic work. I think the language of the DBA was along the lines of whilst it is important to have an aspirational target, it is also important in a place like Defence to make sure the

design of reform will in fact enable you to achieve outcomes as well as some results from savings.

**Dr Watt**—To be fair to McKinsey, they could not have done that detailed work in the time they had available doing the broader audit.

**Senator JOHNSTON**—No, I accept that. How much did we pay McKinsey way back when for their work on the SRP?

**Mr Minns**—That is not a question I can answer.

**Dr Watt**—We will get you that number, Senator.

**Senator JOHNSTON**—Several millions, I thought. I think we have had it.

**Dr Watt**—You might be in the ball park. We will find out.

**Senator JOHNSTON**—And Mr Pappas from Boston Consulting was part of that?

**Mr Minns**—Again, Senator, it might be best if someone else comment.

**Dr Watt**—The review was done by Mr Pappas supported by McKinsey.

**Senator JOHNSTON**—Sorry, do continue.

**Mr Minns**—There are some reasons that explain the difference. For example, the DBA approach did not fully factor in on-costs associated with our work force. The level of saving attached to a reduction in the work force is greater now that we have done the more detailed analysis than it was projected in the defence budget audit. We are now in a position where we have done the shared services design and we have identified the areas where we feel we can achieve reform. So we have the actual roles and positions if not—and this is an important point: we do not always know the person impacted because of the nature of the military work force. But we do know the actual roles so therefore we have the actual costs associated with either a contract conversion or a civilianisation. The defence budget audit relied on an averaging framework, so the effect of knowing the actual detail is that the cumulative savings go up.

**Dr Watt**—Per person.

**Mr Minns**—Yes, per person, that is correct. We also had some areas of the defence budget audit where there was a level of double counting. In a stream like health or in a stream like joint logistics, they were reform streams in their own right and they defined some savings strategies. The work force savings in those streams were also counted in the work force stream, and you obviously cannot achieve them twice. So within Defence we ceded those savings to those areas. Finally, there were some areas of shared service design where we agreed as a defence committee to not go to that level because of our concern to ensure that capability was not impacted in any way.

**Senator JOHNSTON**—The defence committee in charge of the SRP comprises obviously yourself Mr Minns and who else?

**Mr Minns**—Sorry, I missed that question.

**Senator JOHNSTON**—The defence committee that is presiding over the inauguration and delivery of the SRP objectives comprises yourself and who else?

**Dr Watt**—The defence committee consists of the CDF and me, and the service and group heads in the defence organisation.

**Senator JOHNSTON**—How often does it meet?

**Dr Watt**—As often as it needs. It meets on a weekly basis and it has a major round of meetings every month as well as the weekly meetings.

**Senator JOHNSTON**—Does it keep minutes?

**Dr Watt**—Yes.

**Senator JOHNSTON**—And attendances are noted?

**Dr Watt**—Yes.

**Senator JOHNSTON**—How was the attendance record of the service chiefs, group heads, et cetera?

**Dr Watt**—Their attendance is listed. If they are not able to attend for one reason or another, their replacement is listed.

**Senator JOHNSTON**—So they have a representative in attendance?

**Dr Watt**—Yes, usually the deputy head of the group or service.

**Senator JOHNSTON**—And they meet every week?

**Dr Watt**—We meet weekly; we also have a major meeting every month; and we have off-sites.

**Senator JOHNSTON**—What is the difference between a major meeting and a weekly meeting?

**Dr Watt**—A weekly meeting is relatively short, scheduled for an hour. Sometimes it's a bit less; sometimes a bit more. The major meeting is a number of hours depending on the extent of the business. By the way, that is the senior oversight committee in Defence. Under that committee, for example, Mr Minns chairs the SRP committee that looks after shared services. Mr Minns might like to tell you about that.

**Mr Minns**—The work force and shared services stream is a committee chaired by me. It has the three service chiefs, the vice chief, the deputy secretary for defence support, and on occasion the CFO and the CIO. In many respects, the reason why that committee has the band 3/3-star membership is because shared services design is such an important issue for the structure of the defence organisation.

**Senator JOHNSTON**—How often does it meet?

**Mr Minns**—It has probably met on a two-monthly basis through the period of the reform process. Brendan Sargeant would be able to talk to you about governance arrangements as we move forward in the SRP. But we have decided in respect of this committee that it will continue to meet at that three-star convened level, because again of the significance and importance of this type of reform in Defence.

**Senator JOHNSTON**—If we could come back to the numbers that we originally had back when we launched the Strategic Reform Program, those numbers are not necessarily the

numbers that the shared services committee and the adjustments that are being made are going to deliver—they are going to vary.

**Mr Minns**—Yes, and at the commencement I gave you that reconciliation from those original numbers.

**Senator JOHNSTON**—Yes, that is right.

**Dr Watt**—Mr Minns can tell you more about the reasons why they vary if you are interested. He has a large list of items.

**Senator JOHNSTON**—Sure.

**Mr Minns**—I have mentioned the reduction in the baseline for logistics and health areas where there are substreams in reform in those cases. The savings there were based on labour-related savings so we could not count them twice in our stream. We looked carefully at the options of reform in the area of education and training and in the area of operational administration and personnel for the payroll stream and, because of the concern not to have any impact on capability related areas, we stepped back from some of those optional savings.

We have achieved a level of civilianisation savings that is consistent with the number proposed by the defence budget audit—the savings number that is, the dollars—but less actual civilianisations based on working with the three services. And on contract to conversions the situation is the same where we are moving to convert from contractor to permanent APS a significant number of our PSPs we call them—professional service providers—but again it is not the level as suggested by the DBA. First of all, we do not have that many in the building or in the series of organisations that make up Defence; and, secondly, the savings number again on an individual basis is higher in fact than it was forecast by the DBA.

**Senator JOHNSTON**—I accept all that. Are we going to see a document that rivals the original document that the SRP was founded upon—that is going out three years, four years, as to where the savings were generated?

**Mr Minns**—That was the one published with the SRP document in 2009?

**Senator JOHNSTON**—Yes.

**Mr Minns**—I understand that that has been done in the 2010 version, hasn't it?

**Mr Sargeant**—*The Strategic Reform Program: making it happen* was a summary of the SRP as it exists after the diagnostic phase. It was a document which we prepared to inform the workforce of what was happening in the SRP and to initiate the implementation phase of the program. At the same time as we released that, we also released a range of more detailed documents that went to the major projects within that program.

**Senator JOHNSTON**—So they were internal documents?

**Mr Sargeant**—They were released internally and they were made available to the media.

**Dr Watt**—We are happy to provide those documents to you, Senator. They are on our website.

**Senator JOHNSTON**—But in the same detail as we started off with?

**Mr Minns**—I think page 29 of the 2010 document is very similar detail.

**CHAIR**—Is that the ten-year table—the savings reach of the streams?

**Mr Minns**—It is workforce adjustments as a result of SRP.

**Senator JOHNSTON**—It is a little different from what we started off with.

**Dr Watt**—But we do have Strategic Reform Program cost estimate reductions by reform stream there as well which does aggregate the 10 years.

**CHAIR**—Disaggregate or aggregate?

**Dr Watt**—It aggregates; it shows the total for the forward estimates and total for the decade.

**Senator JOHNSTON**—But does it go down to the detail that—

**Dr Watt**—It gives you stream by stream.

**Senator JOHNSTON**—Stream by stream but underneath the heading of stream by stream, does it give you ICT, inventory, smart maintenance, logistics?

**Mr Sargeant**—Yes, and within those streams there are lots of specific projects. What this document does is give you the stream totals.

**Senator JOHNSTON**—The stream totals?

**Mr Sargeant**—Yes, the stream totals aggregated over the decade.

**CHAIR**—What about each year?

**Mr Sargeant**—No, not in this document.

**Dr Watt**—It does not give you each year; it gives you total by the Budget and forward estimates and total by decade.

**Senator JOHNSTON**—Yes, but the original document had the streams by the year.

**Dr Watt**—We have not sought to replicate that, Senator, but you can be assured the annual totals have not changed. So the original book is good in that sense.

**Senator JOHNSTON**—Have we got the cost of the McKinsey report and the audit that went to establish the foundation stones upon which this is built?

**Mr Sargeant**—The fees for the McKinsey was \$5.1 million and for Mr Pappas's services \$300,000, so \$5.4 million.

**Senator JOHNSTON**—So \$5.4 million for the original foundation upon which the SRP was constructed?

**Mr Sargeant**—Yes.

**Senator JOHNSTON**—Just abbreviating all the things we have said, the goal posts have moved because of circumstances, and what the committee was informed of as to both the degree and focus of the cuts has now changed.

**Mr Sargeant**—Yes. As we discussed, the McKinsey's audit gave a series of proposals for further development. They went into great detail, but the issue for Defence is to ensure that the implementation of reform proposals does not undermine capability. So the diagnostic phase did two things: it validated the McKinsey's work and said: are these cost reductions real

and, secondly, are they achievable in the context of not degrading capability? What came out of that was the SRP as we have it now. What the SRP now is trying to do is not simply get cost reductions or greater efficiency, it is trying to achieve that without reducing capability. What that means is that you have to do things quite differently from the way that they have been done in the past. What that also means is that, in that light looking at the original McKinsey's report, which was a good strong piece of work, it meant it had to be adjusted for that context—

**Senator JOHNSTON**—The secretary promised the committee that that is exactly what the McKinsey non-notional figures—because I said, 'These are notional numbers,' and he said, 'No, they're not. They are figures that will deliver the savings and reform without cost to capability.'

**Mr Sargeant**—But the audit also said that it was important to do a diagnostic phase for two reasons: to validate it and also because the experience of previous reform in Defence has been that people take savings without necessarily taking account of the capability impacts. One of the reasons we are doing an SRP and a big component of the SRP in ICT and logistics is about remediation because of some of the strategies that were pursued in relation to previous reform programs. So the validation exercise and the diagnostic were really around making those judgments. I suppose Defence was fairly careful about this because of the overriding importance of maintaining capability, particularly in an environment of high operational activity.

**Dr Watt**—The important point is that Defence and the government signed on for McKinsey's upper level estimate of \$20.6—that is still there. We signed on on the basis we would not compromise on capability—that is still there. In most cases when we have done the drill down, McKinsey has turned out to be a very reasonable way to proceed. Occasionally we have found that we can do a bit better. More often we have found we cannot do quite as good for one reason or another so we have had to go somewhere else to look to make up the rest. The substance of the reform program is still intact but not everything is going to turn out exactly the way McKinsey has predicted. The top level will turn out and we won't impact on capability.

**Senator JOHNSTON**—Who was our diagnostic contractor? You have given me the name already and I did not write it down.

**Mr Minns**—Third Horizon.

**Senator JOHNSTON**—How much did we pay them?

**Mr Minns**—That is a question that I will get answered for you.

**Senator JOHNSTON**—How did we come to choose McKinsey in the first place—tender?

**Air Chief Marshal Houston**—Yes, we went out to tender—

**Senator JOHNSTON**—They have had some extensive qualification in this area. I think they have reviewed UK, US, et cetera. They have written a report called *Lessons from around the world: Benchmarking performance in defense*, and we are all familiar with that report no doubt.

**Dr Watt**—Yes, we are. We have had long and extensive discussions with McKinsey's on that subject. I am going to change the cast at the table because I do think we need to talk to you about this, and it requires a slightly different set of people.

**Senator JOHNSTON**—Very good. I love it when a man is prepared.

**Mr Minns**—Excuse me, Mr Chair, I can answer that question about the Third Horizon consulting fees. They worked for us between August of last year through to March/April of this year. The cost was \$3.6 million.

**Senator JOHNSTON**—Thank you.

**Dr Watt**—Perhaps I can start, and I know Dr Gumley will want to talk about this at considerable length because it is the subject of concern to us. The McKinsey's report was published without consultation with us. We saw it on the website like everyone else. It was at complete odds with the advice that McKinsey's had given us in relation to the defence budget audit. The defence budget audit had talked about achieving certain benchmarks which would put us in terms of—I think the words were 'NATO best practice'.

**Dr Gumley**—World best practice.

**Dr Watt**—Sorry, 'world best practice', and we achieved the efficiency targets McKinsey set out in the defence budget audit. That is what we have locked into. Clearly McKinsey's international publication would not have left us in that position at all. In fact, it would have left us a long way away.

**Senator JOHNSTON**—Can we first say whether it is the same people. Is it the same people?

**Dr Watt**—No.

**Senator JOHNSTON**—That is important.

**Dr Watt**—The McKinsey's article published was done by McKinsey's International without the apparent benefit of input from the Australian practice which did the defence budget audit.

**Senator JOHNSTON**—And how do you know that?

**Dr Watt**—Because we have had extensive consultations with McKinsey's.

**Senator JOHNSTON**—And they have confirmed that here in Australia?

**Dr Watt**—Yes, they have, Senator. If I can cut to the chase very quickly, I have in front of me a letter of apology from McKinsey's.

**Senator JOHNSTON**—International?

**Dr Watt**—McKinsey's local, but we also have had—

**Senator JOHNSTON**—Are they a franchise?

**Dr Watt**—I don't know their arrangements.

**Senator JOHNSTON**—We need to know how hooked in they are.

**Dr Watt**—However, Dr Gumley and I have also had separate discussions with the head of McKinsey's International who has also apologised. He indicated he was happy to come to

Australia and talk to anyone we would like to explain that the problems that was in their published report, which I will leave Dr Gumley to go into. We are happy to table that letter, Senator, if it would help you because we were concerned—

**Senator JOHNSTON**—It is a letter from International?

**Dr Watt**—A letter from Australia.

**Senator JOHNSTON**—I am happy for you to table it. I think that is good that you do.

**Dr Watt**—We were concerned that we did not want to cast the defence budget audit into repute, and that is the case. I hardly think, just in case there is any uncertainty, that the Australian firm would have written this letter in relation to the international firm's publication without clear agreement of the international firm; nor would I have got the phone call from the head of McKinsey's International and nor would Dr Gumley have got a phone call without clearing that either. Finally, not merely has McKinsey's written to Dr Gumley and me, but they have also written to Terry Moran, the head of PM&C, who obviously took an interest in this because of the broader reputational issues surrounding the APS. I will pass over to Dr Gumley.

**Senator JOHNSTON**—Just before you do, let us analyse what we have got. McKinsey's in Australia, the head office is in which city—Sydney?

**Dr Gumley**—Yes.

**Dr Watt**—Phillip Street, Sydney.

**Senator JOHNSTON**—What is the relationship technically between McKinsey's Australia and McKinsey's International? I would have thought that is a very important thing. Does one bind the other?

**Dr Watt**—I do not know the exact relationship but I do know this: when you have an apology from the Australian firm and when I have had a phone call from the head of McKinsey's International apologising, offering to come down here, offering to talk to anyone we like, including yourself, offering to appear before a Senate committee, I think that is pretty categorical even though I do not know the exact relationship.

**Senator JOHNSTON**—Did you ask him for the apology in writing?

**Dr Watt**—We have an apology in writing from the Australian firm.

**Senator JOHNSTON**—From the local firm?

**Dr Watt**—I am sure, Senator, that if we want, we can get an apology in writing from the international firm.

**Senator JOHNSTON**—Well I think you should do that.

**Air Chief Marshal Houston**—Senator, if I can just add that during the audit we had personnel from McKinsey's International come and look at what was being done in a supervisory capacity. So there is a clear link, and that link was very evident during the defence budget audit.

**Senator JOHNSTON**—What concerns me is that a firm of apparently high regard, and we were told they were of high regard because the former secretary and I discussed this at great



length and detail, as is my wont as you all know, that this was a very reputable, focused, professional outfit—including McKinsey's International. They then publish across the world 33 countries in rank benchmarking them as to their efficiency in equipment acquisition and performance in defence, and we finished second last.

**Dr Watt**—And by the way, you will find that they have now changed that publication and withdrawn Australia from the list. I will pass over to Dr Gumley.

**Senator JOHNSTON**—Are we off the list totally? Have we improved or are we just off the list?

**Dr Watt**—Dr Gumley will answer.

**Dr Gumley**—They have republished the article and under each of the league tables where we supposedly came last they have put in: 'Australia has been removed because the data is incorrect for Australia and the methodology does not apply to Australia.'

**Senator JOHNSTON**—So in the league tables we came last?

**Dr Gumley**—Last or second last, yes.

**Dr Watt**—In the incorrect league tables.

**Dr Gumley**—In the incorrect league tables we came last or second last.

**Senator JOHNSTON**—What did they get wrong?

**Dr Gumley**—There is a wide variety of issues they got wrong—this is McKinsey International, and I would have to say that McKinsey Australia were relatively embarrassed when the paper came out, not just by the way that the paper had errors in it but also in the way that it was published without consultation with us. The first thing we did was ask them to confirm whether any of the data which they used in the McKinsey audit of defence from 18 months ago was used in their benchmarking, and they confirmed no, they did not. They only used public domain information.

**Senator JOHNSTON**—That is PBSs and annual reports.

**Dr Gumley**—Annual reports, ministerial statements and whatever.

**Senator JOHNSTON**—What is wrong with that? That is what we use.

**Dr Gumley**—Yes, but they did not use any other data that the Australian partnership might have got when they did the Pappas McKinsey audit.

**Senator JOHNSTON**—What are you telling us, Dr Gumley, there are two sets of data that the committee gets—the public data and then there is the other data?

**Dr Watt**—Dr Gumley is making the first point. There is a lot more to come.

**Senator Faulkner**—You can certainly rely on ministerial statements, Senator.

**Dr Gumley**—Then I pushed very hard on which public domain data. It became clearer and clearer that the public domain data that they had used was incorrect or inappropriate or inaccurate.

**Senator JOHNSTON**—Give me an example, if you would, Dr Gumley.

**Dr Gumley**—An example would be that they claimed in one of their graphs, which became part of their league table for acquisition, that Australia was spending US\$5.8 billion in 2007 on acquisition. We knew from their public statements that, when you looked at the McKinsey definition of ‘acquisition’, we actually spent about half of that. When it is a ratio that meant that our score which was at the bottom of the league table of 17 on their ranking, which was at the bottom of the table along with the United States, if they had used the correct data we would have been 34 and way up the league table. So they only got the acquisition data wrong by a factor of two.

**Senator JOHNSTON**—Hang on, just explain it to me. They used a wrong number to calculate the efficiency on a sort of per capita or per dollar basis?

**Dr Gumley**—No, that is the second error. They calculated a number for the acquisition output of a nation averaged over 30 years. Then they divided that number by the acquisition spend in the 2007 calendar year. Clearly, there is a major statistical flaw there immediately: how can you compare an average over 30 years with a spend in one year? That is a methodology problem which I felt had to be challenged. How they got the military output—

**Senator JOHNSTON**—A bit like my challenge of the white paper from time to time? Yes, I am with you.

**Senator Faulkner**—Nothing like that at all, actually.

**Senator JOHNSTON**—We will move on.

**Dr Gumley**—The military output number was apparently based on a number of analyses by generals and admirals comparing the relative effectiveness of different military assets—for example, a submarine was equal to a certain number of jet aircraft or a tank was equal to a certain number of infantry battalions or companies. They drew up a score for a country based on how much military it had acquired over a 30-year period. Then they divided it by a single year’s number. Of course, the great difficulty with that is that there is a time problem. If a country had militarised and got a big military structure in the eighties or nineties, they might have a lot of accumulated military hardware but then might be on a diet in 2007. That means that they do not spend much so they would immediately go to the top of the league table. Other countries that had a relatively austere period during the eighties and nineties might not have much accumulated equipment. If they are remilitarising or building up their defence force then they would go to the bottom of the league table

**Senator JOHNSTON**—Clearly the analysis, from what you have said, is comprehensively flawed.

**Dr Gumley**—Correct.

**Senator JOHNSTON**—I find it very surprising that an organisation that we have relied on—related somehow or other using the name McKinsey—is capable of such a flawed approach, if your assessment is correct. Why are we using these people?

**Dr Gumley**—This paper came out after we used McKinsey for the DB audit. As the secretary commented, we were concerned that the DB audit was correct. My own view is that it was correct. I think this international paper was the incorrect one. I think McKinsey put it out there for—

**Senator JOHNSTON**—The diagnostic has reformed the foundation stones of McKinsey, notwithstanding.

**Dr Gumley**—Yes, but at least it was done with detailed data, looking inside the organisation and taking into account Australia's position in the military cycle. As you are aware—and as I think even Dr Thompson said in his ASPI speech last Thursday—we are right on the cusp of delivering a very large amount of new military equipment to the ADF. Australia is actually on the remilitarisation path and, in fact, you could even argue that it is best to be at the bottom of the league table, because we are actually doing something about making our military very modern and very advanced. Other countries that have not done anything over many years—for example, many NATO countries—will get a high score but they are not actually achieving much.

**Senator JOHNSTON**—What concerns me with this—as a rather more informed observer—is that there is a massive maligning of our capacity in both governance and efficiency. What have we done about it?

**Dr Gumley**—First of all, we prosecuted the case with them. We went down the data, we proved that—

**Senator JOHNSTON**—We have had phone calls saying, 'Sorry, sorry, sorry!', but that does not cut the mustard greatly I don't think, with respect.

**Dr Watt**—I think we have had a bit more than that, Senator. We have had a letter saying sorry, too.

**Senator JOHNSTON**—From the locals, who we like and use. But from the international organisation, which apparently has some standing around the place?

**Dr Watt**—I am sure that the international organisation would be happy to confirm everything we have said and we will set about doing that for you tomorrow.

**Senator JOHNSTON**—It is more than that, isn't it? We have been defamed, have we not?

**Dr Gumley**—Would you like me to read into the record a couple of paragraphs from their letter?

**Senator JOHNSTON**—No, that is the local letter and I think the locals have an obvious reason to tell us what we want to hear. What I am rather more concerned about is that the international record be corrected. We have been defamed, surely. That is what you are saying to me.

**Dr Gumley**—I think the actual paper has got the attention of several other governments around the world as also being probably not the best bit of academic work people have seen. I have communicated with several others on this. It is interesting that you get a score near the bottom of the league tables if you are actually up there doing the fighting in Afghanistan. If you tie up your ships and put your aeroplanes in a hangar and you do not spend very much on sustainment, you end up at the top of the league table. So you can actually look at it from a number of different directions and conclude it was not a terribly useful piece of benchmarking.

**Senator JOHNSTON**—Look, I accept all that and I take everything you say as gospel. But the point is: what are we doing about it? There is a report that has been published internationally that says we are at the bottom of the ladder.

**Senator Faulkner**—It has been withdrawn.

**Dr Gumley**—It has been withdrawn and republished without us.

**Senator JOHNSTON**—Republished without us—I am not sure that necessarily solves the problem. If you say that this data is so bad, malformed, inappropriate and misconceived, why don't they recalculate it properly and put us where we should be? Isn't that the solution?

**Dr Watt**—Put it this way: if the data is all of that, then I certainly would not want our name in there anywhere at all. I know McKinsey's are reviewing their data and looking at their issues—and so they should—but the fact that we are out of it seems to me to satisfy our concerns. I think perhaps we should table all three letters that we sent.

**CHAIR**—Do you care to identify the letters for the record?

**Dr Gumley**—One is dated 11 May 2010 to Terry Moran, Secretary, Department of Prime Minister and Cabinet. Is that ours to release?

**Dr Watt**—We will ask Mr Moran if we can release it. I do not think he will mind. But they all say similar things: 11 May to me and 12 May to Dr Gumley.

**CHAIR**—They are in three parts?

**Dr Watt**—We will check with Mr Moran to see he is happy to have these tabled. I am sure he will be.

**Senator JOHNSTON**—So just clearing up a few things: we asked McKinsey International to give us the data—we wrote to them and asked them for the data upon which this was based, and they said it was publicly available information. Did they specify precisely which information?

**Dr Gumley**—Okay, now that is when the extensive debate occurred, because we kept pushing them to give us the sources and they could not.

**Senator JOHNSTON**—Hang on, they couldn't or they wouldn't?

**Dr Gumley**—They could not. We could not get the numbers that were the equivalent numbers in their paper. So I started a diagnostic with them. I said, 'Okay you have printed these numbers in your paper. Now let's work backwards to the public domain sources that you claim the data came from.' In the end they could not get there and they have apologised that the data was not applicable to Australia and nor was the methodology.

**Senator JOHNSTON**—All right, but they apologised orally?

**Dr Gumley**—Orally from the international practice and in writing from the three senior partners, including the Australian senior partner, domestically.

**Senator JOHNSTON**—Okay. So the McKinsey stuff that we started this SRP with is good stuff?

**Dr Watt**—I do not think we have heard anything that said it was not.

**Senator JOHNSTON**—But McKinsey International have used the wrong stuff and defamed us internationally, and we have solved that, we think.

**Senator Faulkner**—Proving they are not perfect, Senator.

**Senator JOHNSTON**—Right.

**Dr Gumley**—The situation was that either the DBA was correct or this paper was correct but they both could not be correct simultaneously. It was very clear that the DBA was the correct one, which they have confirmed in their writing.

**Senator JOHNSTON**—Technically, was the local firm permitted to use the information they gained from the audit?

**Dr Gumley**—No.

**Senator JOHNSTON**—So there was a specific contractual obligation not to disclose?

**Dr Gumley**—Yes, I think—

**Dr Watt**—We will have to reconfirm that but we believe so. Certainly they did not disclose it.

**Senator JOHNSTON**—To the international organisation?

**Dr Watt**—To the international or anyone else.

**Senator JOHNSTON**—So they are two distinctly different organisations—

**Dr Watt**—No, it is not uncommon for organisations that have different geographic loci to have organisation provided specifically to one part of the organisation or another.

**Senator JOHNSTON**—But you do not know what the relationship technically is.

**Dr Watt**—No, but I am going to do my best to find out.

**Senator JOHNSTON**—Good. Can I talk about the number of personnel we have in Defence, in the department and in the DMO, because you will be pleased to know I am getting close to the end of SRP.

**Dr Watt**—Absolutely.

**Senator JOHNSTON**—On page 42 of Mr Thomson's analysis he says:

In the past 12 years the number of civilian senior executives has increased by 66 per cent and military star rank officers by 59 per cent. At the same time the civilian work force grew by only 31 per cent and the military work force grew by only nine per cent. Over a similar time frame the numbers of civilian and military senior officers have grown by 85 and 35 per cent respectively. However, the fastest rate of increase has occurred in the level of deputy secretary and three-star military officer where much of the growth is very recent, including as a result of the 2007 Defence Management Review.

Is that an accurate assessment of the state of play with respect to personnel?

**Dr Watt**—I will ask Mr Minns to start the ball rolling.

**Mr Minns**—There have been increases in our senior work force, and we are quite happy to talk about the reasons for that.

**Senator JOHNSTON**—So the starting point is yes, those numbers are right, but we have good reason.

**Mr Minns**—I have not checked Mr Thomson's numbers to know that they are exactly right, but certainly there have been increases and I have evidence of that in my physical presence.

**Air Chief Marshal Houston**—If I could just cover the ADF ones. You would recall that, as a consequence of the Kinnaird process, one of the recommendations was to set up a three-star military officer to be Chief of Capability Development Group. I think you would agree that since, we did that, we have had a much sharper focus on capability development than we ever had before. So that came out of the Kinnaird review. In terms of the other three-star position, it is the Chief of Joint Operations. With the creation of the new headquarters at Bungendore and with the very high level of operational tempo, I think you would agree that a three-star officer running operations is absolutely what is required at this time. I just put that on the table for the ADF side of it. Both of those increases were agreed by government at separate times.

**Senator JOHNSTON**—What about the comparison between comparable forces?

**Air Chief Marshal Houston**—I think that is completely irrelevant in these circumstances. As you know, if we go back to the 1990s and the early 2000s we were having issues with capability development, an external review was conducted, and one of the recommendations was that we set up a three star to run the Capability Development Group. That is all about capability development. As we have seen in recent times, the level of investment has increased quite remarkably across the board and will continue to do so into the future as we build Force 2030. If we turn to operations, it is absolutely imperative to have a three-star officer who runs operations on my behalf, and that happens now. Since we took that step I think we have had a much better system of commanding and controlling operations, more particularly since we created the new Joint Operations Command at Bungendore.

**Mr Minns**—Some ratios that go to the issue generally: if we talk about the Defence, APS and ADF work force, including DMO, and we just count the permanent members of the ADF, we have a total staff of 75,122. The total SES and star rank positions that we have are 327, and that is a ratio of 0.43 per cent SES star rank to percentage of total staff. The only comparative that I have that is lower than that is Centrelink at 0.29 per cent; the ATO is at 1.31 per cent; Finance at 5.96 per cent; and Treasury at 8.48 per cent. So it is a very large work force.

Whilst people make the point that there has been growth in senior ranks in the last decade, many of the instances when that growth has occurred are in response to specific recommendations and inquiries. The CDF has mentioned issues in relation to capability development processes and planning, but similarly the defence budget audit which created the role that I now hold and the chief information officer role. So there has been growth. I do not think you can deny that, and no-one would seek to. But the issue is that it is a significant work force in size with a significant budget and, with a greatly enhanced or increased level of concern for governance and accountability in the last decade or longer, it requires a senior work force to be able to deal with it.

I think the first time I presented evidence to the Senate I was asked this question, and I had just come in from an organisation outside the APS with a workforce of eight ½ thousand people that had an executive team of 11 people, so this budget and this workforce is not by any means a ridiculously sized executive with which to run an organisation.

**Senator JOHNSTON**—All right.

**Dr Watt**—I want to make a couple of points because these things are important. Mr Minns mentioned that the defence budget audit recommended a Band 3 CIO. That is not surprising—we have the most complicated IT system in Canberra by a long way. We have a Band 3 CFO, but we also have the most complicated budget in Canberra and the most complicated accounting challenges because our entire budget is discretionary. We do not have the biggest budget, but unlike FaHCSIA or Health, where most of that is locked into program payments over which the department has no control, we have discretion over how our budget is spent—the government has discretion. The proof of the pudding of this will be in the eating. As you would know, the Moran review of the APS is setting up arrangements to review all SES positions to see if they meet work level standards. We will be reviewed like everyone else. If our positions are found to be unjustified, they will go—I am sure they will go—and we will recut our coat.

**Senator JOHNSTON**—All right. Good. When will we know about that?

**Dr Watt**—That I cannot help you with. I believe it is to be done over the course of this calendar year—

**Dr Minns**—Yes.

**Dr Watt**—but that is something I do not pretend to be fully privy to yet. I am I will sure find out.

**Senator JOHNSTON**—So by Christmas?

**Mr Minns**—I do not know that it is a firm commitment that it will be completed by Christmas.

**Dr Watt**—Hopefully, it will be well under way.

**Senator JOHNSTON**—The last thing I want to talk to you about is SES travel entitlements—

**Dr Watt**—I did mention that.

**Senator JOHNSTON**—in line with what you raised this morning. Your opening statement said ‘recent media reporting’ had ‘suggested that there were 19 civilian personnel in Defence who travel first class’ and ‘their spouses travel with them’. However, you also said that this is not the case, and the written version of the opening statement I have in front of me says that indeed it ‘is a gross exaggeration’. I noted that you did not use those words when you read the opening statement.

**Dr Watt**—I am happy to use them one way or another.

**Senator JOHNSTON**—How many do we have?

**Dr Watt**—As I said in my speech, in relation to SES spouse travel as far as I am aware there were none in 2008-09 and as far as I am aware there have been none in 2009-10. If there were to be—

**Senator JOHNSTON**—I am sorry, Could you say that again? There are only nine or 10?

**Dr Watt**—There was no Band 3 spouse, which is the point at issue—I will check the rest—who travelled with a Band 3 in 2008-09 and there has not been one in 2009-10 either.

**Senator JOHNSTON**—I accept that, and I think it is absolutely fabulous. Top marks to you. But that is not the question. The question is, and this is your document—

**Dr Watt**—It is double-barrelled question. It is about both SES travel and spouse travel.

**Senator JOHNSTON**—You said in your opening statement:

Recent media reporting has suggested that there are 19 civilian personnel in Defence who travel first class when travelling overseas and that their spouses travel with them.

Is that correct?

**Dr Watt**—That is correct.

**Senator JOHNSTON**—Let us talk about the entitlement. You said, ‘This is not the case and, indeed, is a gross exaggeration.’ So nobody has been doing it this financial year.

**Dr Watt**— We dealt with spouse travel.

**Senator JOHNSTON**—But how many are entitled?

**Mr Watt**—There is one civilian Remuneration Tribunal person who is an SES officer—a super SES officer—in the organisation, and that is me. My conditions and my predecessor’s conditions were set by the Remuneration Tribunal. The Prime Minister makes the final decisions, but he does so on the advice of the Remuneration Tribunal. A number of other members of the organisation have in their employment arrangements an agreement that allows them to undertake SES travel. In all of the new employment arrangements entered into, I believe—and I am just looking for confirmation—since June 2009—

**Senator JOHNSTON**—That has been done away with. I can see that you have said that.

**Dr Watt**—Let me finish, Senator. In all of the new arrangements entered into since June 2009—and I am looking for a copy of my statement because the easiest thing would be to go back there, but I cannot find a copy of my statement—

**Senator JOHNSTON**—All I am dealing with is paragraph 6, the first two paragraphs.

**Dr Watt**—You have an advantage over me. Senator.

**Senator JOHNSTON**—I will wait until you find it.

**Dr Watt**—Since June 2009 this entitlement has been removed from new band 3s. In relation to the remaining band 3s, I have discussed access to overseas first-class flights with them. By and large, we travel business class except under unusual circumstances. I think there have been one or two rare first-class flights. It is really not common for us to travel first-class.

**Senator JOHNSTON**—You know that is not my question.

**Dr Watt**—I am sorry, Senator. I thought it was.



**Senator JOHNSTON**—No, it is not. You have said, ‘Nineteen civilian personnel have been suggested by recent media reporting as being able to travel first-class overseas and to take their spouses with them.’

**Dr Watt**—They are not travelling first-class overseas and they are not taking their spouses with them.

**Senator JOHNSTON**—No, but you have said, ‘This is not the case and indeed is a gross exaggeration.’

**Dr Watt**—That is right.

**Senator JOHNSTON**—My question is: How many civilian personnel in Defence are eligible to travel first-class overseas—that is question one, if you like—and how many of those are entitled to take their spouses with them?

**Dr Watt**—Again, in my statement, under the relevant Defence arrangements, none of them are automatically entitled to take their spouses with them. It is a matter of establishing a business case. If there were to be a representational role it would be possible, but whether that were to occur or not would be determined depending on circumstances—

**Senator JOHNSTON**—What if there was a business case?

**Dr Watt**—by myself or by the minister.

**Senator JOHNSTON**—If there was a business case, how many people—

**Dr Watt**—If there was—

**Senator JOHNSTON**—How many people—

**Dr Watt**—And so far in the last two years there has not been—

**Senator JOHNSTON**—If there was, how many people are entitled to overseas first-class travel? The only reason I am asking this is because you said that it was a gross exaggeration and then you did not put those words into the *Hansard*.

**Dr Watt**—I am sorry, Senator. I was actually trying to save a bit of time at the end.

**Senator JOHNSTON**—You are obviously inviting me to question it.

**Dr Watt**—There is nothing mischievous intended. I was just trying to save a bit of time at the end.

**Senator JOHNSTON**—How many?

**Dr Watt**—How many? As I said, anyone can endeavour to make a business case for taking their spouse with them. The class of travel is not determined, but they would have to make a business case. No-one has so far, as far as I am aware, in the last 22 months. How many still have an entitlement in their employment arrangements? I believe the number is nine but I can confirm that. However, as I said, it is very rare for anyone in Defence to travel first-class except in unusual circumstances.

**Senator JOHNSTON**—So the exaggeration is 10?

**Dr Watt**—The exaggeration is more than that. The exaggeration is the fact that people are not travelling first-class. They might have the entitlement, but they are not doing it because they have agreed not to do it.

**Senator JOHNSTON**—Okay.

**Dr Watt**—As I said, I went through and explained who has entitlements. I have one, Dr Gumley has one in his employment arrangements and so forth.

**Senator JOHNSTON**—How many band 1s and how many band 2s are there?

**Dr Watt**—I think Mr Minns can give us that information.

**Mr Minns**—There are 90 SES band 1s and 47 SES band 2s, which include 13 employees of the DSTO classified as Chief of Division Grade 2 and two employees classified as Medical Officer Class 6.

**Senator JOHNSTON**—So 137 are entitled to travel business class overseas?

**Mr Minns**—Yes.

**Dr Watt**—That is the standard APS SES entitlement.

**Senator JOHNSTON**—How many band 3s are there?

**Mr Minns**—This again is slightly confused by the issue of the DSTO, where we have three chief-of-division grade 3 people. With those three the total band 3 is 17.

**Senator JOHNSTON**—So 17 band 3s are entitled to first-class travel overseas?

**Dr Watt**—No. That is incorrect. As we have just gone through, any band 3 appointed or changed since June—

**Senator JOHNSTON**—There are eight recent employees—

**Dr Watt**—I think we decided there are nine.

**Senator JOHNSTON**—who do not have—

**Dr Watt**—I am sorry. It is 19 personnel in Defence—17 band 3s.

**Senator JOHNSTON**—Eight of those are not entitled to overseas travel?

**Dr Watt**—Eight of those are not entitled to first-class overseas travel.

**Senator JOHNSTON**—I am sorry—first-class travel.

**Dr Watt**—And nine have an entitlement which is not, by and large, exercised, except under very unusual circumstances.

**Senator JOHNSTON**—What are those circumstances?

**Dr Watt**—We have had an occasion where an officer was travelling at short notice to the United States. He travelled first-class because he could not get a business-class seat.

**Senator JOHNSTON**—What about upgrades? What is your policy on upgrades?

**Mr Minns**—I think if Qantas in their wisdom grant them people take them, but I do not believe we keep records of upgrades. Perhaps Deputy Secretary, Defence Support might know the answer to that question.

**Dr Watt**—He does not know the answer.

**Senator JOHNSTON**—One of the reasons I am pursuing this is that since June 2009—the figures that we have are the nine and the eight—you say that those first-class flights have been rare.

**Dr Watt**—Rare, yes.

**Senator JOHNSTON**—Do we know how many?

**Dr Watt**—We can give you the exact number—one or two, I think.

**Senator JOHNSTON**—That is all I have on SRP, thank you, Chair.

**Senator TROOD**—CDF, I want to take you to the SRP media roundtable that you conducted on 16 April.

**Air Chief Marshal Houston**—Yes.

**Senator TROOD**—During the course of that meeting you answered a question in part as follows: ‘In terms of the number of military positions that will be civilianised we are talking 500 to 600 positions out of a defence support workforce of around 1,000.’ I do not know what page of the transcript that is on, but you will have to take my word that that is an accurate quote. Then you said, ‘So it is less than 10 per cent.’ Which positions are going to be civilianised?

**Air Chief Marshal Houston**—Most of the positions are in the support area. Mr Minns can probably help you with the specific positions, but I would like to take that on notice because the actual positions are dotted all around the organisation. I am not across the precise detail. Suffice it to say that they are in areas where the positions are in the main not required to be manned by deployable people and therefore those positions can be civilianised. As you know, a civilian position, an APS position, is about 30 per cent cheaper than a military position. That was the rationale and the three services have looked at a number of positions, identified the number that I indicated and that is what we are going forward with. I think Mr Minns can provide you with more detail.

**Senator TROOD**—I will turn to Mr Minns in a moment, but from your answer do I take it that these positions have in fact already been identified, so you know which positions are going to be treated in this fashion?

**Air Chief Marshal Houston**—I think a lot of them have been identified, but again I would like to take it on notice so that we can come back to you on that.

**Senator TROOD**—Mr Minns, can you help me out here?

**Mr Minns**—We worked with the director-generals of personnel in the three services to get to the position where we agreed on those that will be civilianised over the next two to six years, but I am not sure that each of the services has fully been able to have that conversation with their workforces. We finish this piece of work around about April. I think there is a timing issue here where the three service chiefs would have a preference to be able to communicate with their workforce about the impact of civilianisation as it rolls through. It is the case that we are talking about roles that are in the support area, where it has been assessed as being viable and worth consideration and in some cases a better workforce planning

outcome, because we struggle to keep certain trade groups in uniform and in fact the answer to workforce stability might be to civilianise those roles.

**Air Chief Marshal Houston**—If I could just add that we have, for example, identified that Army has a liability of 400 positions. Some of the positions have been identified, but there is more work to be done. Over the next few months we will identify the full 400. There is a liability on the other two services as well to make up the total number.

**Senator TROOD**—Perhaps you would be good enough to take on notice the question of which positions have been identified insofar as that is clear at this stage, Mr Minns. I understand the point you are making about the sensitivity in relation to some of these positions, because I presume people are occupying these positions and they might be surprised to learn that their job is no longer available if they heard it at estimates. Perhaps you could let me know as much as you can about these changes.

Can you clarify for me the intention with regard to the civilianisation? Are these positions that already exist within the civilianised Defence workforce or are they new positions which will be created to take up the slack which will occur?

**Mr Minns**—Indeed, that is one of the reasons why the PBS for 2010-11 shows growth in the APS workforce, because there are a significant number of APS positions being created as a result of civilianisation. I can tell you the exact number. For 2010-11, 135 new APS roles arise from civilianisation.

**Senator TROOD**—That is not the total which will be created over time?

**Mr Minns**—Not over the time, no.

**Senator TROOD**—I think CDF said ‘up to six years’. So there will be more APS positions created as a result of this civilianisation in some of the other forward years?

**Mr Minns**—That is correct. It is the combination of civilianisation and contractor conversions that does see growth in the APS workforce, even though there are reductions due to shed services, reform and efficiency.

**Senator TROOD**—So the efficiencies gained by the process of civilianisation itself. Do I take it also that the level at which these APS positions will be created might be of a lower level than the existing Defence Force officers that are serving in those positions?

**Mr Minns**—I am not sure that the level issue will be that straightforward in all cases. It is probably a reasonable rule of thumb that you have enunciated there, but the essential saving arises from the comparative on-costs of the APS workforce versus the military workforce.

When you think about a military employee and you reflect on clothing, housing, messing et cetera, you have a significant overhead. The savings are about the differential in the cost of labour. It is a saving related to labour mix. Because we are talking about roles that support areas of military capability, they are more likely to be at middle and junior levels of the ranks. Just to give you an idea of the average saving in a comparative labour sense, it is \$44,000 as a result of a civilianisation.

**Senator TROOD**—Per position?

**Mr Minns**—Yes. That is a function of those additional on-costs in the military workforce.

**Senator TROOD**—At this juncture, have you determined how many new positions will be created in the forward years? You have said 135 for 2010-11. Do you have the 2011-12 figures?

**Mr Minns**—I do have that data. If you give me five minutes to get the right table, I will come back and give it to you in one hit.

**Senator TROOD**—That is fine. I will go to the secretary, because I have a couple of questions—

**Dr Watt**—While Mr Minns is getting the table and before we get on with something else, I want to correct a statement I made a few minutes ago. The recommendation for a band 3 CIO and a band 3 PSP was made in the Defence Management Review in 2007, the Proust review, not in the defence budget audit. I think I said that the CIO came out of the defence budget audit. That was incorrect.

**Senator TROOD**—Earlier in the day, you said you were putting to bed some myths that had been created about the impact of SRP. I wonder whether or not we might just—

**Dr Watt**—I might have created a few as well.

**Senator TROOD**—You may well have done, but I hope you can clarify some of these issues which perhaps are not myths but about which there is nevertheless some debate. There is a rumour about the possibility that the department will be imposing reasonable limits on the number of family pets. Is there any truth to that particular rumour?

**Dr Watt**—I think we might get the deputy secretary, SRP, to come and talk to that one. I think this is an interesting issue and I think we might need the deputy secretary.

**Mr Sargeant**—Under the non-equipment procurement stream, we have been looking at how we can achieve cost reductions by streamlining processes and looking at policies for travel and so on. One of the areas that we are looking at—and no decisions have been made—is the issue of removals entitlements and how far they should extend. For example, we are looking at whether it is reasonable to move a tropical aquarium when it might cost \$10,000 to do so or, if someone has a whole range of pets, the extent to which we might want to support the moving of all those pets. We are trying to come to a judgment about what is reasonable and what is unreasonable and to look at whether there is any scope for tightening up provisions around that. As I said, however, we are at the very beginning of scoping this and we have not made any decisions.

**Senator TROOD**—So there is a proposal to consider—

**Mr Sargeant**—At the moment there is no cap on the exercise of discretion by delegates about what costs are reasonable.

**Senator TROOD**—So you move aquariums?

**Mr Sargeant**—We are really asking what a reasonable entitlement is. Because there is no cap, we are unable to make a judgment on that. That is the sort of area we are starting to look at—whether we should, and how we might want to, guide or support the delegates in the sorts of decisions they might want to make.

**CHAIR**—That is in the context of where you direct people to relocate, isn't it?

**Mr Sargeant**—Yes. That is why it is a difficult and sensitive issue. We have to balance the fact that we do require people to relocate and people build their lives in their homes. As the employer we are asking them to move to do a particular job, and for that reason there is a balance between what might be reasonable in terms of the costs that the organisation incurs and the requirement to support people and their families. At the moment the issue is that we do not have any sense of where that boundary might be drawn. That is what we are having a look at at the moment.

**Senator TROOD**—Do you have any guidelines at the moment in relation to the relocation of pets, in terms of size, number, nature or anything?

**Mr Sargeant**—My understanding is that the delegate can exercise discretion. So the delegate could approve anything that they felt was reasonable.

**Dr Watt**—But there are no guidelines for delegates.

**Mr Sargeant**—Yes, there are no guidelines, so we really want to look at putting in place something that really asks the delegate to think about what they are doing and to support them in making a judgment as to what might be reasonable.

**Dr Watt**—At the moment you have the issue that you may have quite inequitable decisions between different delegates because there are no guidelines.

**Senator TROOD**—I see.

**CHAIR**—Are you considering the option of just making a cash payment to a service person so he can get whatever removalist in that he considers appropriate?

**Senator Faulkner**—I think the difficulty is more that you might have someone with a very small number of, say, small domestic animals versus someone with herds of animals—literally. This is the sort of issue that arises.

**Senator TROOD**—Do you have many herds in the Defence Force, Minister?

**Senator Faulkner**—Well, some of our Defence personnel, like many others in our fair country, have substantial numbers of animals and the like. They might have literally stables full of horses, for example. This is what people are trying to have a look at and get some rationality around.

**Senator TROOD**—Are there any figures on how much the removal of Defence Force herds cost the department on an annual basis? Can you shed any light on this issue?

**Mr Lewis**—We may be able to get you some information on that. I do not have it immediately to hand, but I can say that there is a significant dispersion between the costs. Some people have quite a significant relocation task in front of them whereas others may have very little indeed.

**Senator TROOD**—Are you just talking about moving furniture as distinct from pets?

**Mr Lewis**—I am talking here about animals.

**Senator TROOD**—If you can find some figures on how much it costs to move animals around the country or around the world—

**Mr Lewis**—It may be a matter of pure illustrations. Obviously we need to be sensitive to privacy issues.

**Senator TROOD**—I do not want individual's names and how many—

**Senator Faulkner**—We always try to be not only sensible but also generous. We understand people's requirements and there will be no different approach in relation to this.

**Senator TROOD**—I am sure that is true and I wish the department to be generous, but I would like to know how much this is costing the Australian taxpayer. If you have those figures, Mr Lewis, I would be grateful.

**Mr Lewis**—We will see what we can find.

**Senator TROOD**—Similarly—and maybe this is the same question about location—there are these myths or at least queries about imposing limits on the number of family cars and related things to be moved. The petrolheads in the organisation may have some issues there.

**Mr Sargeant**—I do not think we would be trying to deprive people of transport but, similarly, if someone owns a large collection of boutique sports cars, for example—

**Senator TROOD**—Like herds, yes.

**Senator Faulkner**—That would be a fleet, wouldn't it? What is the collective noun for a very large collection of cars—fleet? I will go with fleet.

**Senator TROOD**—I am happy to accept fleet.

**Senator Faulkner**—What you and I might do, Senator Trood, is assist by driving a few of them ourselves if we have time.

**Senator TROOD**—Anything for a fee.

**Senator Faulkner**—I was going to suggest we just do it, get a day off in about 20 years time.

**CHAIR**—You get a day off, do you?

**Senator TROOD**—It might save DOFA a bit of money from time to time.

**Mr Sargeant**—The underlying principle is to try to establish some sense of what might be reasonable and to provide delegates with support in how they might exercise their discretion as they make decisions, recognising that because—as was suggested before—we are an employer that requires people to move to do their job, but that tends to put the exercise of discretion on the generous side. But there may be circumstances where you could consider it unreasonable and we really are trying to have a look at whether that exists and is possible and meaningful. It is one of those complicated exercises of judgment. We are trying to support people through a decision-making process where they have to balance a set of competing imperatives.

**Senator TROOD**—So the matter of cars—whether it is a single car or a fleet of cars—is in the same category of animals, whether it is one or a herd. Is that right?

**Senator Faulkner**—To give a very serious answer to your question, my understanding—the officials will correct me if I am wrong—is that the defence pay and conditions manual sets out members entitlements. This goes to both pet relocation allowances and vehicle

allowances. My understanding on the latter is the entitlement is along the lines of a member being entitled to have two private vehicles, two towable items—that might be a trailer and a caravan and recreational or hobby vehicle—removed at Commonwealth expense on each removal. That is my understanding of what it, I think is called the PACMAN, allows. I will just check with officials if that is correct.

**Senator TROOD**—That is impressive detail on a very large portfolio.

**Air Chief Marshal Houston**—The PACMAN provides the definitive guidance on what the allowances are. I think what is being discussed here is when we get circumstances beyond the PACMAN guidance.

**Senator Faulkner**—The situation I wanted—and I have just been assured that what I said to you is accurate—

**Senator TROOD**—I did not doubt it.

**Senator Faulkner**—I think the issue of caps really more relates to the cost of transporting or boarding or kennelling of pets during a removal. That is as I understand it under the current guidance—the discretion of the relevant delegate as to whether the costs are reasonable. In relation to that I believe there is no current cap. I think that is the situation as accurately as I can reflect it to you.

**Senator TROOD**—This is in the context of the overall review that is taking place with regard to removal or relocation entitlements. Is that correct?

**Mr Sargeant**—What we are trying to do through this reform stream is look at a whole range of administrative processes, including travel, administration travel and relocations. We are trying to do two broad things: one is to improve our processes so that they are more efficient and more streamlined through things like consolidation of contract and processes to make decision making easier and simpler; and the other thing we are trying to do is to bring more consistency to decision making by identifying those areas where the exercise of discretion can lead to anomalous decisions—really to identify whether we want to standardise, simplify or make other process improvements. It does two things: you get an efficiency gain in cost reductions—and in my view the big gains are in the process improvement rather than limitations on what delegates might do; and, secondly, when you can smooth out and standardise your processes and your contracting and things like that, you get a performance gain as well, because you make it easier for work to be done and ultimately you may require less people to do that sort of work.

**Senator TROOD**—Mr Sargeant, I am all for seeking efficiencies in the Department of Defence, but I hope it will not be at the cost of what might be what might be called homeleiness—

**Mr Sargeant**—Exactly.

**Senator TROOD**—and that members of the Defence Force will not be deprived of being able to take their pet dog or—

**Senator Faulkner**—That is the whole point. As I said, that should not happen and of course it will not happen. Defence assists with that, it should assist with that and it will assist with that.



**Senator TROOD**—Good. Thank you, Minister.

**Senator Faulkner**—That is what I have been trying to make it very clear to you. Of course, inevitably, at the end of the day, people might have a look at this, but it will be a both sensible and generous way of dealing with this issue, understanding that there is no cap on this pet-transporting issue currently.

**Senator TROOD**—Good.

**Senator Faulkner**—That is the point that is being made.

**Senator TROOD**—Mr Lewis, you will find me some figures if you can, please, in relation to pets, cars and overall relocation expenses.

**Mr Lewis**—Whether we can provide a breakdown this evening I am not sure, but we will see what we can find in terms of spend on removals this afternoon.

**Senator TROOD**—Thank you. In the same context, as a part of this review or any other, is there a proposal to consider the possibility as, again, an efficiency measure that personnel deployed in places other than overseas or in war zones or anything like that, but when they are relocated they might be posted for a longer period of time rather than the periods of time that are presently applied to postings, whether they are in Canberra or anywhere else around the country?

**Mr Sergeant**—It has been an aspiration of Defence for many years to lengthen the period of postings in location in order to provide more stability for people in their work and family life. The benefits of that are both in terms of cost to the family and it reduced costs to Defence because it reduces the amount of times people might need to be relocated and all the upheaval that goes with that. From my understanding—and Phil Minns might be better placed to talk about it—

**Air Chief Marshal Houston**—No, I'll take it. What we are trying to do is eliminate some of the turbulence in our system by giving people more locational stability. I think in the past far too often people were in a location for a very short period of time. They might have a removal with their family every 18 months or so—maybe two years. So at the moment the ADF is endeavouring to extend the period for which people are posted. Three years is probably the ideal, but of course that has to be balanced against the need for career development and the fact that certain people, if they are going to progress through the system, sometimes have to move more frequently than every three years. For example, some of our courses are only a year in length. In those circumstances, we will endeavour to basically get them a posting in the same location at which they are doing the course—the staff course out at Weston Creek is a case in point, where there are options to post people after the course into positions in Canberra or at Bungendore. But of course, in other cases, somebody might be selected for command, in which case they might only spend one year here in Canberra but then, particularly in the Army, Army has gone to a cycle of three-year commands, and that individual would then have the stability of three years in command in one of the outer areas.

This is something we are looking at and we are working through. I would not characterise it as disadvantaging our people; it is quite the other way: we are trying to get more stability into our system, which at the same time has the advantage of reducing the amount of

turbulence that people have to put up with and also give us some efficiencies in terms of reducing removal costs and so on.

**Senator TROOD**—I did not think I had characterised it as disadvantaging people, CDF. Do I understand the situation clearly: Mr Sargeant's observation that this has been a long-term aspiration for the Defence Force to provide a greater degree of stability and that the need to provide efficiencies has given a greater imperative to try and solve this problem for the Defence Force?

**Air Chief Marshal Houston**—The two things have come together at the right time. That is the way I would characterise it. Yes, we have been looking for more locational stability for our people. That is the message we get from our people—the families. Reducing the number of removals is deeply appreciated by the families and at the same time, if we reduce the number of removals, that reduces the cost to the Department of Defence.

**Senator TROOD**—Are you looking at the possibility, CDF, in so far as it is possible, at a common period of relocation or is there still likely to be a great deal of lumpiness in the system, if I could use that term, by the time you have completed this review?

**Air Chief Marshal Houston**—We are looking at all of that. But the harsh reality is that most of our people who move with a family have children who are school age and the school year tends to be January-February through to November-December. Most people have a preference to move during that period, which, as it turns out, happens to be a high-peak period. But we are looking at how we can manage things to adjust the way we move people to gain efficiencies by going for a period when their might not be as many removals on the table.

**Senator TROOD**—Thank you.

**CHAIR**—There being no further questions on portfolio overview and budget summary, that addresses budget, strategic policy, white paper—

**Dr Watt**—Mr Minns has had some questions come back which Senator Trood might like to have.

**Mr Minns**—I will give you the data in perhaps two ways. The commitments that the services have made to civilianisation: Army has identified a figure of up to 457 roles; Air Force a figure of up to 50 roles; and Navy a figure of up to 200 at its peak. I will come back and talk about Navy in a minute. In terms of the forward estimates, the DMO workforce for 2010-11 sees growth due to civilianisation of 53. The number of moves to 67 in 2011-12, 71 in 2012-13 and stays at that point. They are not additive numbers; they are cumulative numbers. The rest of Defence: 135 in 2010-11, moving to 464 in 2011-12, 627 in 2012-13 and 636 in 2013-14. Again, that is the cumulative position at the end of each of those years.

I mentioned Navy. I think the committee has been aware in recent hearings of the sense in which Navy has been seeking to build and remediate its workforce. It has had a high proportion of people in its training force undergoing training but not yet fully qualified. As a consequence, Navy has seen an opportunity to ease some of its workforce mix issues by a civilianising roles—in other words, freeing up people in uniform to do the roles that are more critical in Navy's workforce planning requirement. They do note, however, that if the current pattern of improvement in Navy's trained force continues—and there is a quite clear and

sustained pattern of improvement—they would be looking for some of those roles to be reconsidered for military positions down the track. So the savings in those cases would still be maintained in the sense that we have a cheaper employee in the role, but Navy, as it grows its workforce under the white paper guidance target that it has, may be putting some people in uniform back into some roles that have been civilianised.

**Senator TROOD**—Will CDF be here for the rest of the evening or tomorrow? What are your plans, CDF?

**Air Chief Marshal Houston**—Of course, Senator. I would not miss it for the world!

**Senator TROOD**—I ask because I have some other questions which relate to matters I raised with the CDF on the last occasion we were here. They can probably be raised in a different part of the proceedings, but I just want to make sure that he will still be here. Thank you, CDF.

**Senator JOHNSTON**—General Hurley, the white paper says that reserves will be brought closer to the regular force. Can you explain what actions have already been undertaken to bring this forward? What do you anticipate happening in the future with respect to reserves?

**Lt General Hurley**—You were a bit soft at the start of your question: the white paper says—**Senator JOHNSTON**—I am sorry. The white paper says that reserves will be brought closer to the regular force. I want to know what we have done so far in line with the white paper and where we are going.

**Lt General Hurley**—Navy and Air Force operate their reserves differently to Army, and both of those services have undertaken major reviews about how reserves will be employed. Air Force is just about complete and Navy is not too far away. Both of those are looking to ensure that we get adequate representation throughout the war-fighting capabilities of those two services. Army has undertaken a study called *Rebalancing the Army* which looks at both full-time and part-time force structure and how they will enable the Army to complete what is required of it under the white paper. That study is still under consideration, so we do not yet have a result that is public on it.

**Senator JOHNSTON**—Where is the reserve future force implementation plan at currently? Who is drawing it?

**Lt General Hurley**—That is part of the *Rebalancing the Army* study, which is being conducted by the Chief of Army and Army headquarters.

**Senator JOHNSTON**—How is it coming along?

**Lt General Hurley**—We could bring the Chief of Army up to answer, if you wish, rather than speak for him.

**Senator JOHNSTON**—Chief of Army, I suppose you are in the frame here.

**Lt Gen. Gillespie**—We are at the stage where very shortly we will take to the Chiefs of Service Committee my proposals on how we might rebalance Army and address the regular and reserve force components and how we bring them together. That is going to happen shortly. Out of that I will take any direction that I get from CDF—

**Senator JOHNSTON**—What do you think ‘shortly’ pans out to be?

**Lt Gen. Gillespie**—Next month. From that, with any further direction I get in discussion with my service chief counterparts, the CDF and the secretary, we will build a proposal that we will eventually take to government.

**Senator JOHNSTON**—And when do you think that will be?

**Lt Gen. Gillespie**—It depends on how well I go at COSC next month and how well they appreciate the work that we have done at the present time. I would anticipate some time between now and the third quarter of the year.

**Senator JOHNSTON**—Let us have a look at what this did actually say. Bearing in mind that the white paper is now 14 or 15 months old, has there been some issue that has been a problem with respect to the development of this plan?

**Lt Gen. Gillespie**—Not in particular. The white paper initially said that I would, through the service channels, take a proposal to the government before Christmas last year. Another part of the review that was done by McKinsey recommended that we not rush into this, that we do it at a slow and steady pace and that we get our figures and facts correct. That is the line that we have been taking and that is the line that I have engaged with the CDF and the minister on. We are quite happy with the time line that we are on at the present stage.

**Air Chief Marshal Houston**—The white paper was launched on 8 May last year, so it is just over 12 months.

**Senator JOHNSTON**—I stand corrected. I am told that the rebalancing of Army program requires you to find 1,721 Army positions to transfer. Where are you going to find them and what are you going to do about that?

**Lt Gen. Gillespie**—The issue that we have with the Army at the present time is that we have an organisational establishment that is 1,700 people larger than what the government has agreed to fund Army for through the whole of white paper period. So the challenge for me is to look at our organisation to remove 1,700 positions. That can be done in a number of ways, including the complete removal of vacant positions that we have in the organisation. It can be the transfer of some regular functions into the reserve. It can be a combination of both those sorts of things. That is one of the key functions that we have got going forward to COSC next month on how I might do that.

**Senator JOHNSTON**—Your High Readiness Reserve was stated to be 1,360 and now you have reduced it to 900 I think. Why did you do that?

**Lt Gen. Gillespie**—Two reasons: one is that there had been some growth in the numbers that were above what was really required from CDF's direction to me on what I was to provide, and the other is that, when we had a look at the tasks that we wanted the reserve to do in this process and we had a look at a lot of the deployments that we were making overseas, a lot of those deployments were coming from the general reserve not from the High Readiness Reserve organisation.

**Senator JOHNSTON**—An issue has recently come to my notice about a number of reservists who use—and you will know more about this and I do—Defence Force loans. To qualify for such loans, they have to have a certain amount of time in reserve service. I think it is calculated on the basis of days per month. I have received information from a number of

sources to the effect that there has been a reduction in days per month and that the reduction has rendered some reservists ineligible to participate in those borrowings. Are you aware of that situation?

**Lt Gen. Gillespie**—I think it is fair to say that there was a fear in that process that that was going to be the result of some people not being able to be recognised in their trades et cetera. I think that fear will not be realised for two reasons. One is that the number of days available to people to train has been guaranteed to them. Where they cannot achieve that number of days, I have some discretion to qualify them in that process. So I think, in the broad, that is not an issue.

**Senator JOHNSTON**—How much discretion do you have in the current circumstances?

**Lt Gen. Gillespie**—I have a reasonable amount of discretion, providing the information I am presented with about the circumstances is accurate, so it is not an issue that I find a pressing one at the present time.

**Senator JOHNSTON**—That is good. I accept that.

**Senator FARRELL**—We have read a little bit in the press of late that there have been allegations of cuts in the reserves and we have heard Senator Johnston talk a bit about that. I wonder if somebody could talk about the trends in reserve funding and whether there has been an increase in the funding of the reserves over the past few years?

**Lt Gen. Hurley**—I will just build on the figures that the Chief of the Defence Force read out this morning and give you the figure for reserve salaries over each of the last three or four financial years. In the year 2006-07, it was a total of \$153.5 million. In 2007-08, it was a total of \$190.1 million. In 2008-09, it was \$219.02 million. The end-of-financial-year estimate for 2009-10 is \$230.5 million, noting that we had consumed \$114.26 million up to 31 December this financial year. Those are the figures. There has been a steady increase.

**Senator FARRELL**—In fact it has been an escalating increase in funding rather than a cut?

**Lt Gen. Hurley**—That is correct.

**Senator FARRELL**—The other area that has received a little bit of attention is whether or not the reserves are going to achieve their minimum training requirements. Can you tell us something about that?

**Lt Gen. Hurley**—Each of the three services allocates its training days differently. Air Force has a band system, band 1 to band 4, which allocates a certain number of days to a person depending on the job they have and the number of days they need to train. So, in that sense, there is no minimum for them other than what the need of the job they are being employed to do is. Navy, not running large reserve-formed units like the Army, uses individuals. They position them in jobs and look at the number of training days they need to do that particular job effectively and, during the year, allocate that number of days. The Chief of Army can speak for his own service, being at the table, but Army has a minimum requirement of 20 days, which is two weeks and some training nights or weekends. That is variable, but that is the 20 days that Senator Johnston was referring to that qualifies them for

their loans. At the moment, what they are being allocated is sufficient for those who need to do their training, to do courses and so forth, but there is a balance there at the moment.

As we have pointed out before, even though the salary vote has increased over the year, our buying power has decreased with the pay scale changes that have occurred. Therefore Army is balancing out those training days to meet its need. As you also heard from the Chief of Army, there is pressure on army salaries, therefore our ability to transfer from full-time to part-time salaries is much tighter now and does not give us the flexibility to employ reservists or give them the opportunity to work as much as they might, in the past, have had the flexibility to.

**Senator FARRELL**—In respect of overseas service, what is happening with the training days for reservists?

**Lt Gen. Hurley**—When reservists go on overseas duty they transition out of what you would consider a normal reserve training day basis and move to continuous full-time duty. We do not count training days in that sense; we are looking at equivalence to full-time salary.

**Senator FARRELL**—Have the number of Army high-readiness reserve numbers increased over the past few years?

**Lt Gen. Gillespie**—The reality of it is that the numbers have grown and we are looking at establishing a cap to the numbers that we have got currently. The cap to those numbers is commensurate with the level of tasking that the CDF has given me for high-readiness reserves.

People making their minimum training day commitment is not an issue from what I can see at the present time. Where people are in peril of not making minimum training days and therefore not qualifying for some of their trade skills, I have the ability to look at circumstances and deem them qualified in that regard. So far this year, to the end of March 2010, 16,105 reservists paraded out of a total of 17,267. About 1,000 did not parade. The average number of parade days in that period was 34.5 days. Our forecast for the year 2009-10 is expected to be approximately 49 days per individual.

The final point I would make is to complete General Hurley's answer on reservists proceeding overseas. They do in fact come into full-time service for that. The training that they undertake before they go is training designed in length and content to make sure that they are absolutely equipped with the skills necessary to meet the task that we give them. At the end of a period of force preparation training, we assess formally their ability to do those jobs. If necessary we can give remedial training or if there are some weaknesses then the force to which they deploy can be alerted to those weaknesses so they can build them up as they are proceeding through the operation. That is no different to the regular force.

**Senator FARRELL**—How frequently are they given remedial training?

**Lt Gen. Gillespie**—Not all that frequently and it is generally done at the end of the period of training. Sometimes I might say to the CDF: 'This force is prepared and ready to go. They're a bit weak in this area; they could do with some more work.' When they arrive in each of their theatres they also undertake another period of training for acclimatisation and specific lessons that their commanders might have for them there and we are all informed of

where that is. If there was any doubt that they were not quite capable of doing the job—regular or reservists—then we would not commit them.

**Senator KROGER**—Reservist training days have been reduced by about 30 per cent or something like that. Would that be right?

**Lt Gen. Hurley**—No.

**Senator KROGER**—You mentioned that they are trained 20 days. Is that right? They have training up to 20 days?

**Lt Gen. Hurley**—That is the minimum requirement.

**Senator KROGER**—So some do have more than 20 days.

**Lt Gen. Hurley**—Yes, definitely.

**Senator KROGER**—Those that are not deployed, those that are here, have training in excess of 20 days?

**Lt Gen. Hurley**—Yes, they can have training in excess of 20 days. It would be quite common.

**Senator KROGER**—What is the determination of how many training days they have? What feeds into that decision?

**Lt Gen. Hurley**—The type of job they are in, how much is required to be effective in that job and whether they have a training course during the year, which could add another two-week continuous period for them. Individual circumstances will determine what the requirement is and then we budget out accordingly.

**Senator KROGER**—How many would be affected by a reduction in training days?

**Lt Gen. Hurley**—I do not think it is possible to answer that question. Each individual's circumstances will change each year. Someone who did 50 days this year might only require 30 next year and vice versa.

**Senator KROGER**—Has their participation in Anzac Day been reduced or minimised?

**Lt Gen. Hurley**—No. The question is more: do we still use reservists on Anzac days and so forth? Yes.

**Senator KROGER**—To the same level that you have in the past?

**Lt Gen. Hurley**—I do not deal with that intimately, so I will take it on notice if you like.

**Lt Gen. Gillespie**—I am probably a better one to answer that. The process of Reserve formal participation—that is, catafalque parties, guest speakers and those sorts of things—really changes on a year-to-year basis depending on the bids that come in from RSLs and organising committees, but we have not taken any steps to either decrease or cease that formal commitment. But that should not be confused with participation in the parade more generally as veterans, in which reservists and regulars march in the same provisions—that is, there is a volunteer status for veterans to do so. If they are marching as a form body as part of the ceremonial activity, then they are on duty and there has been no decrease in that commitment.

**Senator Faulkner**—Certainly when I asked this question I was assured that basically the practice has not changed for the best part of 50 years, I think, in relation to participation. More important is the issue that was raised at some stage, which I am sure you are referring to, relating to the payment of reservists for participating in Anzac Day activities. I think the practice has been in place for a very long period of time. I will check with my colleagues in uniform at the other end of the table, but my understanding is that, when Reserve units or individual reservists or small groups of them are individually formally directed by their chain of command to provide support for an Anzac Day activity, they are paid for the service. That is certainly my understanding and there are nods coming from that end of the table. That is one possibility; then you have a situation where, of course, a Reserve unit might decide to support a local Anzac Day activity, which is often the case, without formal command direction, and the reservists take part on a voluntary basis and they are not paid for the service. Of course, then you have, as has been mentioned a little earlier, individual reservists marching on Anzac Day without formal command direction and they are not paid. There are a number of different approaches here. This was raised in a media article speculating about this, so when I checked it out myself I was able to establish that that was the situation. I believe it is a fair reflection of the situation in layman's language, if you like.

**Lt Gen. Hurley**—The policy in relation to ADF Reserves participating in Anzac Day has not changed since the 1960s, But it gets re-raised every year.

**Senator KROGER**—I am very assured to hear that. Thanks.

**Senator Faulkner**—I think the thing to do is compare this also to full-time service personnel. Of course they are paid a salary, but they do not receive a special allowance, as you would appreciate, to participate in Anzac Day commemorations of any description. That probably puts it somewhat into context.

**Senator JOHNSTON**—General Gillespie, can you confirm that in September of last year the commander of 2 Division, which commands Army Reserves' six brigades, issued the following directive:

- training days are cut by 10% for the balance of the year;
- training days are cut by 20% for the first six months of 2010;
- all AFXs are to be reduced by 2 days ...
- night parades are to be reduced—no more than 3 night parades are conducted in any one month;
- ceremonial activities are not to be conducted;
- ANZAC Day participation is to be minimised in 2010;
- open days are to be cancelled; and
- transport usage is to be minimised.

Does that sound vaguely familiar?

**Lt Gen. Gillespie**—It sounds vaguely familiar, yes.

**Senator JOHNSTON**—The result has been that people are pretty angry about that. I note that General Hurley said that Anzac Day has not changed. That is not the information that I am getting. Army Reserve units are being told they will not be getting paid for Anzac Day.



Many of them have previously been paid. This is particularly vexing for units with official duties. They have been told they will be paid to work on 24 April to prepare, as they did for Anzac Day this year, but not for the actual duties during the day.

**Lt Gen. Gillespie**—You have got two different issues at play there. One is what the commander of the 2nd Division might have issued as guidance in his budget process last year and the second is Anzac Day. In the first of those issues, it was apparent to us at the start of the last financial year that we had a significant imposition on the implementation of the graded officer and other rank pay scales that were coming in on the reserve. We were not particularly sure at the time he issued that whether or not the portfolio was going to give us supplementation for that or whether we would have to absorb that in the process. His directive was based on an assumption that bad news was more likely than good news in this process and so he took steps to make sure we did not blow our budget in the first half of the year. As it turned out, the portfolio did supplement us for those two things and there was a redistribution of funds to the commander of the 2nd Division as a result of that and the budget spread for the rest of the financial year was adjusted.

**Senator JOHNSTON**—Good.

**Lt Gen. Gillespie**—On the issue of Anzac Day, again, I do not think we could make it any clearer. If people are formally tasked through a command process to participate in Anzac Day then they are paid for it. If they are arriving to march in the bodies of veterans then it is a voluntary thing, exactly the same as it is for the regular forces to do that. To my knowledge nobody has been underpaid or overpaid in that process.

**Senator JOHNSTON**—I do not understand how the pay system works. If you turn up to rig up for Anzac Day and you are under orders and then you are discharged before the ceremony begins, do you get paid for the day? If you turn up at 6 am, you knock off at 7 am and the thing starts at eight o'clock—

**Lt Gen. Gillespie**—It would be a half day's pay. The guidance to people on Anzac Day is clearly that we are paying for the ceremonies in the morning and up until about lunchtime. After that it is not appropriate that the Commonwealth pays you for whatever you might participate in during the afternoon.

**Senator JOHNSTON**—In Western Australia we had an issue with the use of vehicles for old diggers. Are you aware of the occupational health and safety excuse used by the Regular Army as to why their vehicles were not to be used for the conveyance of old ANZACs, World War II veterans and Korean veterans? Does that ring a bell?

**Lt Gen. Gillespie**—I am not particularly sure of my facts here but I understand that in the Western Australian parade we were not asked to provide military vehicles. That was done by a veteran vehicle community to the organisation. But I would say that the outcome of that represented perfectly the point that we are trying to make to organising committees on the safety associated with aged veterans in vehicles, particularly if they want to stand up and wave to the crowds.

**Senator JOHNSTON**—Maybe I have got it wrong—it might not have been Western Australia—but I distinctly remember an approach from someone that said there is an

occupational health and safety issue with the use of ADF vehicles and they will not be used on the Anzac Day just gone. Is that accurate?

**Lt Gen. Hurley**—My recollection is that it was in Adelaide, where discussions had occurred between the Army and the RSL about the use of Army vehicles. A very amicable agreement was reached. The RSL were not upset with the arrangements at all. They were quite pleased that the discussions had been held and the parade went ahead with the support for veterans.

**Major Gen. Melick**—About four years ago, the RSL in Sydney declined to allow veterans to stand up in military vehicles off their own bat because of OH&S reasons. That was an RSL dictate, not a military one.

**Senator JOHNSTON**—The way it was put to me was that we have always used ADF vehicles for those who could not march and that this was the first year that those vehicles were being refused to be used. It might have been South Australia, and forgive me for not having the exact details, but I do remember it being broadcast right around Australia that there was an issue.

**Lt Gen. Hurley**—These things are often broadcast right around Australia, and not for reasons one would like to have them broadcast around the country. There has been no universal arrangement about this—I mean, they have used taxis in the past.

**Senator JOHNSTON**—So we have got no standing orders in this regard?

**Lt Gen. Hurley**—No, and we do not intend to turn people down; it is just that there have been different modes.

**Senator JOHNSTON**—Good. I am happy about that.

[6.15 pm]

**CHAIR**—Does anyone want to talk about pay and remuneration?

**Senator JOHNSTON**—Yes, please. Lieutenant General Hurley, you and who else is the—

**Lt Gen. Hurley**—Mr Simon Lewis.

**Senator JOHNSTON**—Welcome aboard.

**Mr Lewis**—Thank you.

**Senator JOHNSTON**—We established this task force in February this year. How many times have we met, where are we going and what is the plan?

**Lt Gen. Hurley**—Senator, I will speak to that if you do not mind. The committee has met on numerous occasions. Off the top of my head I cannot enunciate them all, but formally about three times and there are continual discussions between me, Mr Lewis and the leader of the working part of the task force, Mr Sweeney. All the interactions that you would expect, on something of this nature, go on. The task force has been established as a joint directive from the secretary and the CDF, and that gives us the authority to act across the board in relation to payroll improvement requirements.

**Senator JOHNSTON**—What does ‘authority to act across the board’ actually mean? I am interested in that expression.

**Lt Gen. Hurley**—If you understand, inside the Defence pay arrangement there are a number of different groups that are affected—not only the three services but Simon’s group, my group and personnel.

**Senator JOHNSTON**—So, APS members?

**Lt Gen. Hurley**—These are people who work in those areas. There are a number of groups who are involved in the mechanics of our pay system. It is to make sure that if we give direction from the payroll task force, people will execute what we say.

**Senator JOHNSTON**—All right.

**Lt Gen. Hurley**—You could look at this in three particular stages. There are the alligators that are right at our feet at the moment, which is how we are dealing with people returning from overseas, incorrect allowances and so forth. Then, in conjunction with what we are trying to do in the strategic reform program in bringing in a modern remuneration system for the ADF, the public service, there is another stage where we are doing a technical refresh of PMkeyS which is one of the primary drivers, our HR records of pay changes. Then there is a long-term move into that modern remuneration system and moving out of our current very industrial age processes.

In terms of the short term, we have done a number of quality assurance audits particularly about international campaign allowance payments—so, that is for personnel coming out from the Middle East area of operations, our major numbers. We have conducted three checks to date. We completed an audit of all those members who are in receipt of that allowance as at February this year with a commencement date between 1 July 2005 to 30 June 2009. We conducted another verification of all members on receipt of that allowance on pay day of 18 March this year to make sure that all those people were entitled to that allowance.

**Senator JOHNSTON**—What did we find?

**Lt Gen. Hurley**—I will come to the results.

**Senator JOHNSTON**—Good.

**Lt Gen. Hurley**—And we are continuing with a validation of all payments of that allowance between 1 July last year to 17 March this year to confirm the accuracy of the processes. So that is the in-year payments. So we have gone back essentially five years checking to see that all is okay.

**Senator JOHNSTON**—Now this is just one allowance to benchmark where we are going on all allowances and other things, is it?

**Lt Gen. Hurley**—This is the critical one at the moment because it is the one, as you would understand, where if we underpay or overpay soldiers returning from the Middle East it is another issue that gets around the papers all around the country; so we are dealing with that one first. There are other sources—

**Senator JOHNSTON**—So you are focused on that because you do not want people coming back from overseas combat service with debts.

**Lt Gen. Hurley**—Correct.

**Senator JOHNSTON**—Hallelujah.

**Lt Gen. Hurley**—There are other sources of debts from allowances which we can go through later if you wish.

**Senator JOHNSTON**—No, I am with you on that.

**Lt Gen. Hurley**—Following the audits, we refined many of the procedures that are involved in administration of pay for deployed personnel. We have documented the entire pay process. We have brought in KPMG to help us look at the process flow. They are the same people we use to do our logistics assurance framework, which helped us get our accounts unqualified in the inventory management side of the house, so they know our business and they are dependable. We have done that and we now have an action plan to address that.

We have improved our process for managing personnel who have been wounded or injured in the area of operations who come short tour and can sometimes fall through the cracks. We have caught that.

We have implemented an assurance process to identify potential overpayments a lot earlier in the process, virtually on the payday, and to fix those much quicker than we have in the past.

In relation to those audits, you asked how we performed. Payday, 4 February, we had 11 overpayments, ranging from \$2,000 to \$10,500; on 18 February, it was 13; on 4 March, it was down to 5; on 18 March, it was down to three; 1 April, it was three; 15 April, it was two; and 29 April, it was three. We had another spike to 18 on 13 May, but that was the result of one single failure in a unit where 13 Air Force members were affected, so that was a bit of an anomaly. But we catch them right when they happen.

**Senator JOHNSTON**—Of the number of pays audited, what are those respective percentages? Can you give them to me or tell me the gross figures—11 out of how many?

**Lt Gen. Hurley**—Of the total number of personnel coming out of theatre?

**Senator JOHNSTON**—In your audit, in your sample.

**Lt Gen. Hurley**—The error rate is a very low percentage. I can come back to you with that detail.

**Senator JOHNSTON**—So we are talking a couple of hundred people?

**Lt Gen. Hurley**—Yes.

**Senator JOHNSTON**—That is not bad, I suppose. So these people have a couple of thousand or less in terms of debts?

**Lt Gen. Hurley**—Correct.

**Senator JOHNSTON**—Right. Is there any trend? I mean, you have done a number, if you have done about seven—

**Mr Lewis**—Senator, I have come to this issue fairly late, but my observation is that it is trending down, which I think is good. The fact that there has been a spike in the most recent payday is unfortunate but, as General Hurley mentioned, that was due to a single process control failure.

**Senator JOHNSTON**—Anomalous.

**Mr Lewis**—Yes. It led to 13 errors. Again, the fact that they were picked up straight away, I think, is pretty important, because, when you look at the history of this, clearly some cases have been in error for quite some time and therefore the servicemen involved have been subject to some pretty bad news.

**Senator JOHNSTON**—Right. What is the worst news? What is the worst debt we have found so far in our recent audit—three or four thousand perhaps?

**Mr Lewis**—We might have to take that on notice.

**Senator JOHNSTON**—But nothing like \$30,000 and \$22,000 or all of the SAS type issues?

**Mr Lewis**—In the recent audits, not as far as I am aware.

**Senator JOHNSTON**—So there has been no configuration of allowances such that the goalposts have been moved and when we go back we find that for several months people have been thinking they were legitimate when someone has ruled they are not? These are errors that are predominantly overpayments and obviously so, are they?

**Lt Gen. Hurley**—These are primarily small figures caught fairly quickly in the process. I think there is one that might be a bit larger, but I will just have to check the facts on that.

**Senator JOHNSTON**—But they are overpayments?

**Lt Gen. Hurley**—Yes.

**Senator JOHNSTON**—So someone comes back and he continues to get an allowance of some sort?

**Lt Gen. Hurley**—Maybe for one pay period.

**Senator JOHNSTON**—Okay. That is not too bad.

**Dr Watt**—Senator, one of the things we are juggling here, and that you have to be aware of, is that the allowance is worth, I think, \$200 a day in national campaign allowance.

**Air Chief Marshal Houston**—It depends on the—

**Dr Watt**—A maximum of \$200.

**Air Chief Marshal Houston**—Approximately \$200.

**Dr Watt**—So, if you do not get settled straight when you leave theatre or get back to your unit, it only takes one fortnight and you are \$1,400 overpayment. Two fortnights—and you can see how it is not hard to rack up some debts. Two fortnights, a month—it is not impossible to do that and you are well over the \$2,000 limit.

**Senator JOHNSTON**—That is why I am interested in this. General, you mentioned some alligators. Have we traversed the alligators? Have you discussed those alligators with me or are there more alligators?

**Lt Gen. Hurley**—The international campaign allowance overpayment is the alligator. That is what we are trying to tackle. The pay assurance framework we are putting in place is the way we are going to correct that whole system.

**Senator JOHNSTON**—What does the PMkeyS refresher involve? Something substantial, I suspect. What is it going to cost?

**Air Chief Marshal Houston**—It is a substantial refresh but if you could just bear with us we will get the expert to the table.

**Senator JOHNSTON**—So it has cost and time scheduling. Does it have a capability number?

**Air Chief Marshal Houston**—We do have somebody close by who is an expert on this and we will come back to your question.

**Senator JOHNSTON**—Alright.

**Lt Gen. Hurley**—We can say that in the secretary's opening statement he referred to a contract being awarded on 4 May this year for that refresh to commence. So we are actually into that process.

**Dr Watt**—I should correct one thing. I had the multiplier wrong in the allowance. One fortnight would be, as Mr Lewis has reminded me, \$2,800. So you only need one pay period and you are over the \$2,000 error.

**Senator JOHNSTON**—Sorry, could you just tell me: the multiplier was wrong to what extent?

**Dr Watt**—I was giving you a weekly number as a fortnightly number.

**Senator JOHNSTON**—So \$400 a fortnight?

**Dr Watt**—If you missed by a fortnight on the maximum allowance it would be \$2,800.

**Senator JOHNSTON**—Okay.

**Dr Watt**—So you would be over the \$2,000.

**Senator JOHNSTON**—That is problematic. Do we have a cost for KPMG's assistance in remediation?

**Lt Gen. Hurley**—About \$1 million.

**Senator JOHNSTON**—The total number of personnel we are dealing with are all APS people in the department, all DMO people, all uniformed personnel and all Reserves. Is that the sort of sphere we are dealing with?

**Lt Gen. Hurley**—No, the international campaign allowance would be ADF personnel.

**Senator JOHNSTON**—I mean generally PMkeyS, because ultimately we want to roll this out so that everybody is correct all the time, don't we?

**Lt Gen. Hurley**—It includes ADF full-time and part-time personnel, that is it.

**Senator JOHNSTON**—And no others?

**Lt Gen. Hurley**—No.

**Senator JOHNSTON**—No APS personnel or public servants in Defence?

**Lt Gen. Hurley**—Not to my knowledge.

**Senator Faulkner**—Do you mean international campaign allowances?

**Senator JOHNSTON**—PMkeyS simply relates to the payment of service personnel?

**Air Chief Marshal Houston**—No, it gets quite complex. ADF competencies are listed on PMkeyS but Greg Farr is here now and he is intimate with the systems.

**Senator JOHNSTON**—I am just trying to identify the magnitude of the problem and where we are going to go in trying to resolve it. We are up to the point where we are looking at the refresher, what is involved in the refresher, how long it will take to be satisfied that in this particular instance—I take it we are talking about just the audit of the international campaign allowance—it has been resolved, and then the wider rollout across other allowances.

**Mr Farr**—The technical refresh of PMkeyS is really about bringing the technology up to a robust standard. A lot of the current technology is not supported by the vendor: the application is not supported by the vendor and the database is not supported by the vendor. This is simply about bringing the technology to current standards where we can actually rely on it. We have that now in contract. We have been in contract since the beginning of May. That will ultimately look at the PMkeyS component, the civilian payroll and I think there are a couple of others like officer instructor cadets—but not ADF personnel at that stage.

The first stage will bring in our Reserves pay—what is called CENRESPAY. The intention would be to rollout the new version of CENRESPAY in July 2011. That will bring the Reserves pay into a modern payroll system. In the first half of 2012 we will bring the civilian pays into the new, refreshed payroll system. At the same time, we will start working to bring in the military pay. We are looking to do that about 12 months later—in 2013.

**Senator JOHNSTON**—So June 2013?

**Mr Farr**—Yes. What we are looking at is a progressive rollout of modern, robust technology. At the same time, we will be working to bring in revised processes et cetera so that, when we do bring in the ADF pay, it will be brought into a modern, robust payroll system.

**Senator JOHNSTON**—What is the cost and do we have a capability number?

**Mr Farr**—There are probably two components to it. The technical refresh that you referred to is really a sustained activity. It is just bringing our current payroll up to date with modern technology. The cost of that is around the \$50 million mark. In the longer term, it will be picked up in JP 2080, which is the PMkeyS technical refresh—a DCP project.

**Senator JOHNSTON**—What is the band?

**Mr Farr**—The band is between \$100 million and \$500 million and it is towards the upper end of the band. That is a major job. It is not just technology; there is a major change process and training.

**Senator JOHNSTON**—And that was the original 2005 capability plan for PMkeyS?

**Mr Farr**—Yes.

**Senator JOHNSTON**—So June 2013 you reckon?

**Mr Farr**—That is our current planning. We are well advanced on the technical refresh but we are still in the early stages of the next phase.

**Dr Watt**—I have an important point to make. As I said in my statement, the PMkeyS refresh will give us a much more stable IT platform. That is important for long-term IT development but it will not solve what the task force is currently working on, which is human input. Until we fix the human input, the best IT platform and the world does not necessarily help you.

**Air Chief Marshal Houston**—With your indulgence, Chair, could we get General Gillespie to correct and add to the record.

**Mr Farr**—Before General Gillespie comes on, I would like to clarify something. Senator Johnston, you asked about the 2005 DCP. The figures I gave you are from the 2009 DCP as amended in 2010. I think it was in 2005, but the figures I gave you were from the latest DCP.

**Senator JOHNSTON**—Thank you.

**Lt Gen. Gillespie**—Senator Johnston, you will recall that, when we were talking about the Commander 2 Div directive, I said I was not au fait with the directive but the issues you raised with me rang a bell. I would like to highlight that the Commander 2 Div did not issue a directive that specified the eight actions attributed to him probably in an email to you. In September 2009, in order to manage the overall expenditure in 2009-10, to be within the specific budget allocations at the time, various options and ideas were contemplated to manage activity levels. Impact statements to understand the consequences of the respective possible options were prepared. The impact statements included notional examples such as the reduction in training nights et cetera. However 2 Div did not issue any directive to implement these measures.

At brigade level, various strategies were implemented in order to ensure that expenditure would remain within budget allocations while still ensuring necessary training and operational preparation priorities were achieved. The strategies implemented in the brigades varied according to the specific tasking and training priorities allocated to each brigade. These measures were then back-briefed to Commander 2 Div and back-briefs were accepted. After September, however, 2 Div did receive budget supplementation, which meant that the resource management strategies were then adjusted, as I said during my presentation. So I would just like to clarify that there was not a directive. The issues were canvassed, they were back-briefed, but they were found unnecessary. However, some measures that were implemented in early 2009-10 remain in place because it is a balance of expenditure directed away from low-priority low-value activities to higher-priority higher-value activities. That is a more accurate assessment of the situation.

**Senator JOHNSTON**—Thank you for that.

**Lt Gen. Hurley**—The audit checks we did from February into March represent about half of a per cent—so the overpayments are about half of a per cent of the number of people in flow at that time. In April, it was about three per cent because the number in flow was a bit smaller.

**Air Chief Marshal Houston**—I must make a quick clarification. The white paper was launched on 2 May, not 8 May.

**Proceedings suspended from 6.35 pm to 7.37 pm**



**CHAIR**—We will continue our examination of budget estimates. CDF, do you have something to say?

**Air Chief Marshal Houston**—Chair, I would just like to update the committee—and, through the committee, put this out into the public arena—on a non-battle casualty who is in Bagram. Our soldier remains in the role 3 facility at Bagram awaiting aeromedical transfer to Landstuhl Regional Medical Centre in Germany. The requirement for a further medical procedure delayed his planned transfer this morning and he will now be assessed by a specialist medical team who are due to arrive at Bagram shortly to assess another patient. A decision on when to transfer our soldier will be made after that review. I thought it was important to update you, particularly in view of my statement this morning. That is the latest information on that young man.

**CHAIR**—Thank you, CDF, for taking the trouble to update the committee, and via the committee the public, on that important matter. Dr Gumley, did you have something to say?

**Dr Gumley**—Thank you, Chair. A Mr Robert Skeffington, Director of External Relations at McKinsey in Sydney was contacted just after our previous conversation and he said: ‘McKinsey International and McKinsey Australia are one firm. We are a global partnership.’ If that is in fact correct information then the apology from the Australian partners is on behalf of the international firm as well, I would think.

**CHAIR**—Understood. Thank you, Dr Gumley. Now we turn to Senator Johnston.

**Senator JOHNSTON**—I foreshadow that Senator Brandis wants to ask a few questions on a matter. I will continue with my questions until he gets here and then I will let him in, if that is all right with you, Chair.

**CHAIR**—What are you dealing with, Senator Johnston?

**Senator JOHNSTON**—The Joint Logistics Command. In the white paper at paragraph 14.24 there is a discussion about non-deployable contractors. I hope I have got the right area. This is Joint Logistics Command, Victoria Barracks, Melbourne.

**Lt Gen. Hurley**—I am the Vice Chief of the Defence Force and I have with me Air Vice Marshal Staib, who is the Commander, Joint Logistics. JLUV is one of our units.

**Senator JOHNSTON**—Very good. To go back to the white paper:

... non-deployable contractors cost Defence more than their equivalents in the Australian Public Service (on average around 15-40 per cent more due to market pricing). Defence will examine areas where positions can be converted from contractors to the Australian Public Service.

I am advised that there is a significant employment of civilian contractors on a sole source basis without tendering or utilising existing APS cell staff in breach of that and Defence procurement policy manual process. What can you say about that?

**Air Vice Marshal Staib**—We do have a number of contracts that are let in support of operations to commercial firms. We have such arrangements in Timor, the Solomons and also the Middle East.

**Senator JOHNSTON**—Sole source?

**Air Vice Marshal Staib**—On occasion there have been contracts let sole source, yes.

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**Senator JOHNSTON**—Are you the director-general?

**Air Vice Marshal Staib**—No, I am the commander.

**Senator JOHNSTON**—Excuse me. I am told that the decision to hire these contractors is by the Director-General and the Director of Supply Chain Branch notwithstanding that there are APS staff available to fulfil these positions. The allegation is that contractors have been hired to conduct negotiations and project management for new and existing contracts, including contracts for overseas operations, at the expense of the Defence budget. Now are you aware of what is happening down in Victoria Barracks?

**Air Vice Marshal Staib**—The director-general that you refer to reports to me and is responsible for letting the operational contracts in support of our operations deployed. I am not aware of any particular contract that you are talking to.

**Senator JOHNSTON**—Let me look further. Obviously someone is confirming with me that there is a preference given to outside contract staff on a sole source basis. What can you tell me about the contracts you have got down at Victoria Barracks? What they are worth and how many are there? Let's get to the bottom of it.

**Lt Gen. Hurley**—Perhaps it would be easier if you told us which contract, because there are quite a number of contracts out of Victoria Barracks in support of operations. We certainly have not been informed of any irregularities in relation to contracts. It would be helpful if you could tell us which particular one.

**Senator JOHNSTON**—Bear with me and I will. A sole person who has his own consulting company was employed for negotiating a new contract that has now been established. The contractor attended meetings with contractors without any input from Commonwealth employees and who had sole authority negotiating outcomes on behalf of the Commonwealth even though decisions were against Defence policy. This contractor was sole source selected.

Another one: a contractor negotiated a pricing schedule in a catering contract overseas to give the contractor hired to deliver the catering at a cost of 17.5 per cent plus over and above costs. Even though APS contracting staff opposed the contract they were ignored and the contract was entered into on a sole source basis. That particular contract was for \$809,000 for 10 months.

Another contractor was employed to assist in Operation ASTUTE logistics support to assist in the administration. A purchase order was previously raised by the Commonwealth to the value of \$1.8 million just for the period of January 2009 to April 2009. Overall the cost to the defence budget was \$2.2 million to January 2010. The allegation is that people were placed in a motel rather than in military style accommodation, which would have been much cheaper. Another person who has his own consulting company has been hired on an ongoing basis to manage various contracts since August 2007 to January 2010—\$1.9 million for the period February 2009 to January 2010; \$745,000 compared to \$85,000 for an APS or \$75,000 for an APS6. There seems to be a fair bit of detail that I am receiving here. Have we got a problem down there?

**Lt Gen. Hurley**—Senator, I do not know until you give me the detail. None of the details of the contracts you have just listed match the time frames—

**Senator JOHNSTON**—I do not think I should name names. I have given you some details which are enough for me, if they are true, to suggest that there is a problem down there.

**Lt Gen. Hurley**—I do not know if there is a problem. If it is true, we will find out. Give us the detail and we will investigate it.

**Senator JOHNSTON**—Let us go through the actual business of what Victoria Barracks logistics command actually does. Have we got some numbers? Have we got some figures? Is there anything in the PBS?

**Lt Gen. Hurley**—It will not break it down to that. Joint Logistic Command is responsible for all warehousing, distribution and land maintenance around the country, plus support of operations. Again, on the table, we have our operational contracts in place at the moment. None of what you just mentioned matches the dates. If we are to get to the bottom of it, we need the detail.

**Senator JOHNSTON**—All I can tell you is that a purchase order was raised by the Commonwealth to the value of \$1.8 million for the period of January 2009 to April 2009.

**Lt Gen. Hurley**—Do you have the purchase order number?

**Senator JOHNSTON**—I do not have the purchase order number. It is Operation ASTUTE logistics support.

**Lt Gen. Hurley**—Thank you.

**Senator JOHNSTON**—The other one is project management since August 2007 to January 2010—\$1.9 million. For the period February 2009 to January 2010, it is \$745,000. There are two contracts. The contractor is overseeing the new logistics base support contract in the Middle East area of operations at a further cost of \$1 million.

**Lt Gen. Hurley**—We will take the detail on notice, research it and get back to you tomorrow.

**Senator JOHNSTON**—Let us pause for a minute. Tell me, what exactly is joint logistics?

**Air Vice Marshal Staib**—When we refer to ‘joint logistics’ we are talking about where we have over several years been able to combine support for Army, Navy and Air Force into one organisation. This is particularly at the wholesale level and particularly in storage and distribution. We run the national contract for our warehouses and also distribution of spare parts around the country. We also look after what we call ‘fourth line maintenance’ for land materiel on behalf of the Defence Materiel Organisation. In joint logistics we also look after joint logistics policy, doctrine and procedures. We look after the logistics information systems and we also look after explosive ordnance, coordinating the requirement for explosive ordnance safety of explosive ordnance storage and distribution of explosive ordnance on behalf of the ADF.

**Senator JOHNSTON**—Do you have a distinct slice of the defence budget?

**Air Vice Marshal Staib**—I have part of the defence budget, yes.

**Senator JOHNSTON**—To a value of?

**Air Vice Marshal Staib**—The net value is about \$350 million.

**Senator JOHNSTON**—How many personnel are there in joint logistics?

**Air Vice Marshal Staib**—There are 1,288. That is a combination of military personnel and civilian personnel. In that figure I have not included contracted personnel.

**Senator JOHNSTON**—So, over and above the 1,200, there are contracted personnel.

**Air Vice Marshal Staib**—That is correct.

**Senator JOHNSTON**—Who scrutinises these contracts? What safeguards and mechanisms do we have to review and to audit these contracts from time to time?

**Air Vice Marshal Staib**—They are subject to the same scrutiny as any of our contracts in defence. Our management audit branch will audit contracts, and also on occasion our contracts are audited by the ANAO.

**Senator JOHNSTON**—When was the last time you had an audit?

**Air Vice Marshal Staib**—We are undergoing an audit right now on our explosive ordnance contract for the storage and distribution of EO. That is currently underway.

**Senator JOHNSTON**—Do you have a ready list of independent private contracts that you can access and pull up from a database at any given time?

**Air Vice Marshal Staib**—What sort of contracts do you mean?

**Senator JOHNSTON**—Outsourced contracts—if you are contracting to have transport provided or you are contracting to have logistical support provided by an independent contractor in East Timor. Have you got a database that flicks all that information straight out?

**Air Vice Marshal Staib**—No, we do not, but we do conduct, for example, market-sounding activities when we go to tender for a new contract.

**Senator JOHNSTON**—Are you saying that all of those—

**Lt Gen. Hurley**—There is one in each of the joint logistics units, so there is one in each state and they will all have local contracts to service their dependency in the particular region they are responsible for. So do you want a list of every contract that the joint logistics units have across the country, or specific ones in relation to operations? These will be myriad. That is the problem.

**Senator JOHNSTON**—Before I answer that, I will ask a few more questions. Roughly how many contracts do we have? I want just a rough estimate, obviously—hundreds, thousands?

**Air Vice Marshal Staib**—It is in the hundreds.

**Senator JOHNSTON**—That is across all of the states?

**Air Vice Marshal Staib**—Yes, that is correct. Some of our contracts are far larger. For example, the storage and distribution contract we refer to as DIDS, or the defence integrated distribution system, is a long-term contract and a very large contract.

**Senator JOHNSTON**—To a value of roughly how much—approximately?

**Air Vice Marshal Staib**—Approximately \$177 million per annum.

**Senator JOHNSTON**—And we would take that contract to tender.

**Air Vice Marshal Staib**—Absolutely, yes.

**Senator JOHNSTON**—What is the threshold for a tender process? When do we go to tender and when do we do a sole source?

**Air Vice Marshal Staib**—There are a number of factors that would go into that. Generally, we would go to tender. However, if there is an operational requirement—for example, we are required to contract in a shorter period of time—in those circumstances we might go sole source. But of course in any of our contracting we have to follow the Commonwealth procurement guidelines.

**Senator JOHNSTON**—Unless there is a particular reason not to and there is authorisation given.

**Lt Gen. Hurley**—The guidelines allow you to sole source.

**Senator JOHNSTON**—The sole source guidelines?

**Lt Gen. Hurley**—Part of the Commonwealth procurement guidelines allows you to sole source under certain circumstances.

**Senator JOHNSTON**—Yes, that is right. In the guidelines, who has the authority to authorise sole source? Excuse my ignorance about the guidelines.

**Lt Gen. Hurley**—The appropriate delegate for the contract would be able to make the decision about which way they want to go.

**Senator JOHNSTON**—In our instance, the appropriate delegate would be the director general of JLC in Victoria?

**Lt Gen. Hurley**—There is no such position. There is a director general of supply chain management, and then there is the commanding officer of the joint logistics unit in Victoria.

**Senator JOHNSTON**—Either of those would have the authority to go sole source?

**Lt Gen. Hurley**—Depending on the nature of the contracts and so forth, yes—the size et cetera.

**Senator JOHNSTON**—If all the ducks are in a line, yes, they can go sole source.

**Lt Gen. Hurley**—They could.

**Senator JOHNSTON**—All right. So are we saying they would be something like 60 or 70 contracts down in Victoria?

**Lt Gen. Hurley**—I would not guess. If you really want the number, we will have to dig it out for you.

**Senator JOHNSTON**—I do not want the number if you do have to dig it out. If the number is convenient I am interested to know how many of those contracts there are. But if you have got to dig it out and go down there and physically—I would have thought there was a database, but if there is not do not worry about it.

**Lt Gen. Hurley**—We will find them.

**Senator JOHNSTON**—There is a database?

**Lt Gen. Hurley**—I will find them for you.

**Senator JOHNSTON**—Very good. When you do, if you are going to, I would like to know how many contracts there are that are sole source and/or tender, the value of each, the duration of each—and that will do. That is fine. If I could have that information, I would appreciate it.

**Lt Gen. Hurley**—And that is for Joint Logistics Unit (Victoria)?

**Senator JOHNSTON**—That is for Joint Logistics Unit (Victoria). Depending on how that goes, we might talk about the others, but I do not think so. That is enough, obviously. I do not want to put you to too much trouble. That is all I wanted to talk about on joint logistics. Thank you.

**CHAIR**—Okay. We now turn to outcome 1 and the matters to be raised there—program 1.1, Office of the Secretary and Chief of the Defence Force.

**Dr Watt**—Sorry, Chair, does this mean we have finished general questions?

**Senator JOHNSTON**—I actually thought we had finished those previously, because I am down at program 1.1.

**CHAIR**—Yes, we are.

**Senator JOHNSTON**—We have done the overview.

**Senator Faulkner**—I was with Senator Johnston on that. I had assumed that, I must admit.

**CHAIR**—Yes, we have done the overview. We are on outcome 1.

**Senator Faulkner**—If at some stage tonight, Chair, the committee might have an indication—I will not worry about it too much now—of timing and there are some officials we can give an early night to, obviously we would be grateful. If it can be done, I am sure the witnesses behind me would sincerely appreciate it—if it is possible.

[7.57 pm]

**CHAIR**—We will give that consideration, Minister. We are on outcome 1, program 1.1, Office of the Secretary and Chief of the Defence Force.

**Senator JOHNSTON**—Nothing from me there.

**CHAIR**—I have a couple of questions on that. Minister, this is probably for you. I understand that we have recently signed an acquisition and cross-servicing agreement, an ACSA, with Japan, along with a procedural agreement. Firstly, can someone explain to us what an ACSA is.

**Senator Faulkner**—Yes, Senator. It is, I think, a very significant agreement in that it is in fact only the second acquisition and cross-servicing agreement that the Japanese Self-Defense Forces have signed. The other one was of course with their alliance partners, the United States of America. What I think will be critically important in relation to the ACSA is that in terms of, particularly, humanitarian assistance, disaster relief exercises and training this will mean that we will be able to have a very significantly higher level of coordination and cooperation between the Australian Defence Force and the Japanese Self-Defense Forces. So is extremely positive. We have seen some examples of where this level of cooperation has worked well. I would point in particular to the earthquake in Padang, where we were able to work closely

with our Japanese friends. I am very pleased to be able to say that, when Minister Smith had a recent meeting with his Japanese counterpart and with my Japanese counterpart, the 2+2 ministerial meeting with Japan, the signing of the ACSA was very much a centrepiece of that meeting, and I think it is a very strong and tangible indication of the developing and strengthening and, can I say, deepening relationships between the ADF and the JSDF.

This is a very positive development, particularly in the areas that I have mentioned. I work through with my Japanese counterpart a range of areas where I think we will be able to see enhanced cooperation. We have seen the Japanese government agree to a contribution of two JSDF personnel to UNMIT in East Timor. This again is a positive step. We are looking at a range of areas where we might be able to, for example, assist Japan. I think a good example is language training, where obviously we have particular expertise to bring to bear and, of course, a long involvement in and relationship with Timor-Leste. They are some examples. Mainly, I think, in terms of coordination and cooperation with disaster relief, humanitarian assistance, exercises and training this will see a significant step forward.

**CHAIR**—The ACSA with Japan is bilateral. Does it have any implications for trilateral cooperation with the United States and Japan together?

**Senator Faulkner**—As I said, the only other such agreement the JSDF has is in fact with the United States of America. Obviously trilateral engagement is very, very important from our perspective and the Japanese perspective. This is something that we gave significant focus to on the visit. The CDF might want to talk about the trilateral engagement we have. But you would appreciate that we, of course, too have an ACSA with the United States as well as with Japan. The capacity for us to have a strengthening trilateral defence engagement with both countries is very much a spin-off of the developments of recent times with the signing of the ACSA. If it is of interest to you, I am sure CDF or others can speak to you about some of the trilateral engagement that has occurred. The key thing is that there is a strong commitment on behalf of Australia and Japan and the US to continue that trilateral engagement.

**Air Chief Marshal Houston**—We have had some pleasing progress in recent times in terms of trilateral exercising in the maritime environment, and there is every sign that that will continue into the future. So it is really good news.

**CHAIR**—Does the trilateral cooperation in the areas that you have just identified in the maritime environment have any implications with respect to our relationship with the Peoples Republic of China?

**Air Chief Marshal Houston**—No, I do not believe so. The level of trilateral exercising at this stage is quite small scale, but I do not think it will have any effect on our relationship with China.

**CHAIR**—Minister, you referred two or three times to training, peace keeping, humanitarian relief, disaster response and those types of—

**Senator Faulkner**—You would appreciate that there are a range of constitutional constraints that apply in relation to Japan in terms of defence engagement, and we are of course mindful of that. The areas that I have identified here are ones where those constraints do not apply. That is why I used the recent announcement of the Japanese government in relation to a commitment to UNMIT in East Timor as an example of how our relationship can

develop, the beneficial focus the relationship will be given and the enhanced level of cooperation it will be given by the signing of the ACSA.

**Mr Jennings**—We have known for some time that the Japanese have treated the signing of the ACSA as a critically important thing in order to facilitate more practical forms of exchange. With that done, we anticipate that it will now become easier for us to organise, for example, aircraft deployments to Japan for exercises. In a sense, this has created the breakthrough moment for more practical forms of bilateral exercises. By virtue of the fact that the Americans have a similar relationship with the Japanese, that will also facilitate a growing range of trilateral exercises. Indeed, a number of those are scheduled for the second half of this year.

**CHAIR**—How many other countries do we have similar sorts of agreements with?

**Mr Jennings**—A number, although only with Japan has it developed such an iconic status in terms of the Japanese attitude to facilitating cooperation.

**CHAIR**—Was this pushed in a major way from Australia or Japan, or was it something that was mutually advantageous?

**Senator Faulkner**—Both countries and both governments have been very committed to this. There is certainly a very strong commitment at the level of the Japanese government. Just so there is no misunderstanding about this, the ACSA, given its nature, will require ratification through both the Japanese diet and our own processes in relation to the Joint Standing Committee on Treaties. The agreement was signed by me and Foreign Minister Okada in Japan very recently, but it will need the ratification processes in both countries to occur, which is now underway.

**CHAIR**—So it will have the status of a treaty.

**Senator Faulkner**—It will. As I say, the ratification processes are in train. That is its status currently.

**CHAIR**—Thank you. There being no further questions on that topic, I would like to ask the minister a few questions relating to practical applications of the proposed new military court of Australia.

**Senator Faulkner**—I will help you if I can, but I will also ask the relevant officials to assist you. I will certainly do my level best for you. We have Mr Cunliffe and a team of others who might also be able to assist if I cannot.

[8.09 pm]

**CHAIR**—Welcome, Mr Cunliffe. Firstly, can you tell us how the new military court of Australia is going to be structured?

**Senator Faulkner**—What do you mean by ‘structured’?

**CHAIR**—What is its structure, what sort of court is it, is it a chapter III court—where does it fit into the scheme of things?

**Senator Faulkner**—As you know, we have announced that it will be a new court, a chapter III court called the Military Court of Australia. By establishing a new military court under chapter III of the Australian Constitution, we are putting in place very strong safeguards



to protect the court's independence and impartiality. That is absolutely critical because obviously we want to ensure that the court's independence avoids the pitfalls that led to the downfall of the former Australian Military Court that was established during the life of the previous government, I think in 2007.

**CHAIR**—We understand there is going to be a difference in the form of the court because it is a chapter III court. How will judges for the new Military Court of Australia be selected?

**Senator Faulkner**—Most of the work of the new court will be conducted in the lower tier of the Military Court of Australia. It is proposed that three full-time judicial officers of Federal Magistrates Court equivalent standing will be appointed to the lower tier of the Military Court of Australia, as was stated at the announcement of the establishment of the court. Some or all of those judicial officers may be dual commissioned to other federal courts, for example the Federal Magistrates Court. At least three judges will be appointed to the upper tier of the Military Court of Australia. These judges will be dual commissioned from other federal courts, most likely the Federal Court of Australia. As well as that, the new Military Court of Australia will have its own Chief Justice, again most likely to be an existing Federal Court judge dual commissioned to the Military Court of Australia.

**CHAIR**—I take it from those remarks about the appointment of judges from the Federal Court and a dual appointment Chief Justice that ADF personnel will not be able to sit on the bench of the new court, accepting the remarks you have just made?

**Senator Faulkner**—None of the appointments will hold a current military commission, which will effectively be a condition of appointment to the Military Court of Australia. All judicial officers will be required to have a familiarity with the military or have a military background but none would at the time hold an existing military commission.

**CHAIR**—When you use the word 'familiarity', is that going to be the subject of definition in the legislation or is it something to be interpreted by a court in due course?

**Senator Faulkner**—I might ask Mr Cunliffe to help me on the definitional issue of 'familiarity'.

**CHAIR**—It has a wide meaning.

**Senator Faulkner**—I would use the normal dictionary definition and I would prefer to hear Mr Cunliffe's legal definition of that, if I could.

**Mr Cunliffe**—I should probably make some preliminary comments. The first is that the Attorney-General's Department and the Attorney, given that this is a chapter III court, will actually own the court. It will not be a Defence construct and it will not be a Defence court. We have worked very closely with the Attorney-General's Department throughout the development of the proposal and also with the assistance of the Solicitor-General in developing our proposals, and we continue to work closely with them. The legislation, of course, goes through a process, as you would know, where the Office of Parliamentary Counsel—which is, again, a statutory structure within the Attorney-General's Department—constructs the legislation. My wife is a former parliamentary counsel, and I am always conscious that parliamentary counsel do not like to be curtailed in their drafting approaches. But my expectation is that there will not be precise definitional treatment of 'familiarity' and

that that would be, I think, consistent with the approach. But we hope—we expect—that the parliament will see proposed legislation before the end of the current sittings; that is certainly the timetable we are working towards. So, rather than give you an expectation which proves to be flawed when the drafters do their art, I would like to suggest to you that my expectation is that it will not be precisely curtailed or parameters will not be set. But you will have the chance to judge for yourselves, I hope, within about a month.

**CHAIR**—Then I will not press the issue. It is just that I heard the minister, I think, in his press conference—or it might have been the Attorney—use the word ‘familiarity’ the other day, and I thought that that was an interesting word to use.

**Mr Cunliffe**—The intention is that the appointment procedure will involve the Minister for Defence, so that there will be an ability for whatever precision or imprecision there is in there to be something where both interests are taken account of. But, again, being a chapter III court, the appointment process will of course then be going through the normal appointment processes for such structures and to the Governor-General for appointment.

**Senator Faulkner**—I think that ‘consultation’ is the word that we should use in relation to the Minister for Defence.

**CHAIR**—I understand the distinction. So what role would the ADF have, if any, with the functioning of the new court—minimal, I presume?

**Mr Cunliffe**—Considerable, probably, would be the answer! Indeed, there needs to be a considerable, continuing role. One of the essentials in the structure has always been—and this is something which the Chiefs of Service Committee has endorsed and which we think is achieved in the new structure—an ability for this court to work in a way which serves the interests of the ADF and ensures the continuing need for an understanding of military justice and military discipline and its structures, and that also requires it to function in a way which recognises the realities of the ADF and defence service—for instance, the ability for the court to deploy. And if we are going to work that closely—hand in glove—there is an essential need for an ongoing connection and interaction with the court structures. While the precise detail of that will, again, be developed over time, the intention at this stage is that we will have ADF members working within the registry structure to assist in relation to non-judicial functions and that, therefore, that interaction and reach-back within Defence will continue for the long term, not just as a short-term transitional strand.

**CHAIR**—All right. So it is the intent that ADF members will be in the registry for non-judicial matters?

**Mr Cunliffe**—Yes.

**CHAIR**—So a significant role in the non-judicial area, in operations of the proposed—

**Mr Cunliffe**—Yes, and—given that we are dealing with people, for instance, who do move around, who would need process, timings and locations, all of which reflect the realities of their military service—we are talking a different court. We are not talking a court where people are living in the one city and are able to be served and dealt with in—if I can call it this—the usual way that a civilian court structure would work.

**CHAIR**—In that context, will ADF members have access to legal representation when the matters come on for hearing?

**Mr Cunliffe**—Yes. The current structure—with a defending officer being made available at Defence expense—is intended to continue, on the current arrangements. Those arrangements are that the person still has a right, at their own cost, to choose some other person, but that they are provided with assistance through the current structure or a structure that derives from the Defence discipline counsel service.

**CHAIR**—What happens to appeals from the new court? Do they go up to the first tier?

**Mr Cunliffe**—Yes, the appeals will have appellate structure within the makeup of the new court and again one of the things that we need to ensure with the assistance of the Attorney-General's Department therefore are sufficient appointments which will I think in the main be dual hatted to ensure that we have appellate structures in place.

**CHAIR**—You mentioned earlier that the court would have the capacity to deploy overseas. Is that only in respect of more serious offences or does it include offences that can be conducted at first instance at the magistrates level?

**Mr Cunliffe**—The working of the court will probably determine those matters that it needs to do it. I do not think it will do it unnecessarily. I think that it will inevitably, if for no other reason than efficiency, seek to hear matters within Australia where that is possible but the need exists in our structures and given our operational experience for us to be able to deploy. Effectively, the court will have the capacity where the need arises for it to sit overseas legally. What we need to do as well is work with nations where we are engaged and where currently the SOFAs, the status of forces arrangements, enable us to sit with the current military justice structures. In other places we will need to ensure that the SOFAs are amended to ensure that the new structure is also capable of sitting there. That is also one of the reasons that Defence has been particularly attracted to a separate court structure. The view is taken—and this is a view that is a shared view from all of those who have been involved in considering the matter—that the likelihood of other nations being accepting of a foreign jurisdiction from an Australian constitutional court if I can use that language was greater where what that constitutional court did was specifically narrowed to a military justice framework. Effectively, although it is constitutionally different from what we have had, it is a successor in terms of the strand of work and the focus that it brings to military justice.

**CHAIR**—Thank you. I understand what you are saying there. In terms of my original question the answer is really on a needs basis and an efficiency basis.

**Mr Cunliffe**—It could and it might. Equally it may figure that in most of those matters, for instance, a person may actually be about to return to Australia and all the witnesses may be within the same contingent in which case it may be unnecessary. Equally it is easy to envisage that there will be some occasions when the only credible and cost-effective way of achieving the hearing would be to deploy.

**CHAIR**—What sentences will the new court have the power to hand down.

**Mr Cunliffe**—We are getting into detail where I think I might need further assistance. It will not be all of those which are currently able to be dealt with through the current structures.

The legal advice that we have is that there are a certain category of those which would not be available to the new court. I might get further detail of that if you wish to pursue it is now.

**CHAIR**—If you have it. I am quite happy to wait for two or three weeks.

**Mr Cunliffe**—I am sure my colleagues will have that detail and they can read you the list.

**Cdre McConachie**—The sorts of punishments that currently exist that the new court will not be able to hand down are those punishments that are more administrative in nature. We are talking about reprimand, severe reprimand and those types of punishments. Of course it will be able to hand down things like imprisonment, fines and things that courts normally would hand down. The advice says that the administrative punishment would not be appropriate.

**CHAIR**—Not appropriate for the court.

**Mr Cunliffe**—If it helps, starting from the current section 68 of the Defence Force Discipline Act noting paragraphs (j) to (p) would not be available to the court. That is my understanding. We will correct the record if that is wrong.

**CHAIR**—Okay then. Finally, is there any significance to the title of the new court—the Military Court of Australia—as opposed to what was discussed before, Australian Military Court? Or is that finding nuances that do not exist?

**Air Chief Marshal Houston**—We did not want to call it the same name as the previous court. It was very important to have something distinctly different, because it is very different.

**Mr Cunliffe**—Chair, I also understand from the Attorney-General's portfolio side that perhaps this is a question for their committee; not for ours. It also follows the naming convention that applies in the current federal court structure.

**CHAIR**—Thank you. Are there further questions on the military court? No? I want to ask some questions on the strategy framework references, the new handbook, but I am happy to cede to you, Senator Johnston, for the time being.

**Senator JOHNSTON**—I want to ask some questions on HMAS *Success*, but Senator Brandis is here to ask some questions on another matter.

**CHAIR**—Where do you want to go to, Senator Brandis?

**Senator BRANDIS**—I want to ask some questions about No. 34 Squadron, the VIP squadron.

**CHAIR**—Go ahead, Senator Brandis.

**Senator BRANDIS**—Thank you. Air Marshal Binskin, you would be aware that there have been reports in the media in relation to what are alleged to have been complaints by members of the government concerning the service provided to them on flights provided by No. 34 Squadron. I have particularly in mind a report under the by-line of Steve Lewis and Ian McPhedran in April last year, referring to a flight from Port Moresby to Canberra in January 2009 in which it was asserted that there was an incident involving the Prime Minister. Can I ask you, initially: what is the procedure within No. 34 Squadron for recording complaints or incidents that might happen in the course of flights, whether they be complaints as modest as a complaint from a passenger or more serious episodes of conflict between a passenger and a member of the crew? Is there a procedure? If so, what is it?

**Air Marshal Binskin**—If it is a safety incident, we have a safety reporting system that we would follow. In this case, I think you are talking about whether there is an issue with the service or a concern. The crew will normally debrief after a flight.

**Senator BRANDIS**—Just pausing there, can you explain a little more fully what the debrief involves? I am particularly interested to know whether there is a record or a document—whether physical or electronic—which records the debrief.

**Air Marshal Binskin**—No, a debrief would normally be the crew getting together and talking about the flight. This is common with air crew across the Air Force. We look at any lessons out of that particular flight, things that we could do better, things that we could adjust. It is just a normal process, the way we do things.

**Senator BRANDIS**—Turning more specifically to my question about the nature of the debrief, is a document, physical or electronic, created which records the substance of the debrief?

**Air Marshal Binskin**—No—not that I know of in No. 34 Squadron sense. In all other aircraft, no, there is not.

**Senator BRANDIS**—There is a log kept, though, isn't there, in relation to every particular flight.

**Air Marshal Binskin**—I am not aware of a log that is kept.

**Senator BRANDIS**—There is some form of documentation of every flight which at the very least would record particulars of the journey, the time of departure, the time of arrival, the places between which the journey took place and the passenger manifest, as well as details of the identity of the crew on the particular flight—that is right, isn't it?

**Senator Faulkner**—Senator, I can probably help you on that one. You are probably aware of the fact that these manifests are tabled in the parliament on a regular basis. In fact it is a six-monthly tabling in the parliament, and much of that detail, if not all of the detail—though I am not sure about the crew manifests, but certainly passenger manifests and so forth—is regularly placed in the public arena.

**Senator BRANDIS**—Thank you very much, Minister. I am aware of that. I think that has been the case ever since 1967 or thereabouts.

**Senator Faulkner**—There was an incident then, and I commend Ian Hancock's publication on this matter, an interesting read which no doubt you have read.

**Senator BRANDIS**—Indeed.

**Senator Faulkner**—There were some reforms way back when as a result of that.

**Senator BRANDIS**—Indeed. Thank you, Minister. But what I am really trying to get at is to discover beyond that which is tabled in parliament what other document is created that records the particulars of the flight, and I am most particularly interested to know about the crew. There must be a schedule of the crew of each flight, if only for pay purposes, I dare say. A document of that kind somewhere within the Air Force is created, isn't it?

**Air Marshal Binskin**—There would be a document of which particular crew were on that flight and there is a lot of other documentation that goes on as well with maintenance release,

and the captains on the aircraft and all that as well. So a lot of documents are generated around a flight.

**Senator BRANDIS**—And presumably, there is also meteorological information and the other routine information which pilots receive whenever they embark upon a journey.

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

**Senator BRANDIS**—If we can imagine the aggregate of all of the information that is recorded and retained about a particular VIP flight, where is that kept?

**Air Marshal Binskin**—The maintenance documentation is kept forever, basically, in archives. Obviously the schedule is kept—

**Senator BRANDIS**—And is that a physical document, an electronic document or both?

**Air Marshal Binskin**—I am not sure exactly how 34 works but I think that you will find that it is a paper document. Other aircraft work on Cam 2 which is an electronic document. But again, that is the release of the aircraft. You will not keep the meteorological data or any of that sort of briefing data. That will be disposed of.

**Senator BRANDIS**—And the details of the crew would be maintained presumably in the personnel or even the pay section?

**Air Marshal Binskin**—That would be kept. I would not know exactly what document—

**Senator BRANDIS**—But such a document would be generated and would be available?

**Air Marshal Binskin**—We should be able to access that, I am sure.

**Senator BRANDIS**—And, as Senator Faulkner has helpfully reminded us, details of the passengers is a document which in fact is tabled in parliament in relation to any particular flight.

**Air Marshal Binskin**—That is right. The schedule of special-purpose flights is tabled, as you know, every six months.

**Senator BRANDIS**—So in respect of the flight in January 2009 carrying the Prime Minister from Port Moresby to Canberra, if one were to seek deeply enough in the bowels of the Air Force and if the information were not withheld from public scrutiny, we would be able to find out the names of the crew on that particular flight as well as details, other than the meteorological data, of the flight that you have described?

**Air Marshal Binskin**—We should be able to find any formal documentation.

**Senator BRANDIS**—I ask you to take on notice my request to produce those documents, please, in relation to a flight. I am not able to tell you the actual date but it was in January 2009, taking the Prime Minister from Port Moresby to Canberra. Would you take that on notice for me, please.

**Air Marshal Binskin**—I can take that on notice.

**Senator BRANDIS**—And subject to any objection that you might decide to take, which is a matter for you, I would like those documents to be produced, please.

**Air Marshal Binskin**—So it is the flight documents—

**Senator BRANDIS**—Let me summarise them. The documents that record the details of the flight, that is the time of departure and the time of arrival, and the names of the passengers on board the flight. There would only be one flight carrying the Prime Minister from Port Moresby to Canberra in about January 2009. And the names of the crew members on that flight.

**Air Marshal Binskin**—I can get that for you.

**Senator BRANDIS**—Thank you. You are aware, I am sure, that it has been asserted—and I make no comment on this but it has been asserted—that in the course of that flight there was an incident involving the Prime Minister and a female officer described in the media as a 23-year-old woman who was serving as the steward on that flight. What I am particularly interested to know is the identity of the steward on that flight. Can you provide that information to us as well?

**Senator Faulkner**—We normally do not necessarily provide those sorts of names. I am happy to have a look at that. I am not entirely sure what the purpose of having what is a person of comparatively junior rank in the ADF identified in that way—

**Senator BRANDIS**—Let me explain to you if you are not clear where I am going.

**Senator Faulkner**—I am not, but you would normally, like me, express some concerns about that. For all I know, the name of the individual—and I do not know—may already be in the public arena, I am not sure.

**Senator BRANDIS**—I do not think it has been, not to my knowledge. If there is no objection, and none has been taken, to providing details of the crew who crewed the flight then I fail to see why there could be an objection to the identification of which particular crew members crewed the flight and in which particular capacities they crewed the flight.

**Senator Faulkner**—Air Marshal Binskin, is that more information you want to share with us?

**Air Marshal Binskin**—No, it is not. Trust me, Senator, if I get more information you will be the first to hear.

**Senator BRANDIS**—I am sometimes chastised for chopping the heads of witnesses. I want to pause and give you every opportunity you feel you need to avail yourself of.

**Senator Faulkner**—It is a long time since I have chastised you. I feel that perhaps there is some chastisement coming on.

**Senator BRANDIS**—You are always very kind to me.

**Senator Faulkner**—Some would say more kind than you deserve at times, but I do my best.

**Senator BRANDIS**—I think most people would say that. Let me explain to you precisely where I am going with this. As you would be aware, because I am sure you are conscious of the media reports at the time, in particular the report by Mr Steve Lewis and Mr Ian McPhedran, both respected journalists, that on this particular flight the Prime Minister had a tantrum and began yelling abuse at the stewardess because he was served the wrong meal. If

such an occasion occurred, such an event occurred, then in the debrief as you have described it there would be some reference to that episode, would there not?

**Air Marshal Binskin**—If something like that occurred there would be in the debrief. In that particular flight I can explain the food issue—

**Senator BRANDIS**—Just follow me, would you? I am not going to limit the way you answer my questions but I do want you to answer my questions. What I am concerned to know is this: if there was an episode on an Air Force flight, whether it was a 34 Squadron flight or any other flight, in which a VIP passenger lost control of himself and had a tantrum which involved yelling at a member of the crew, that would be an incident which be recorded, wouldn't it?

**Senator Faulkner**—You know as well as I do that that is a hypothetical question. I will ask Air Marshal Binskin if he can answer a hypothetical question like that, but you know as well as I do that, once you begin your question with the words 'If such and such might have happened,' then away we go.

**Senator BRANDIS**—It is a hypothetical question.

**Senator Faulkner**—Nevertheless, Air Marshal Binskin may be able to provide you with some general advice on how these things work. If he can, I am sure he will. I certainly will ask him to assist you if he can. But let us try to move away from the hypothetical questions. I would respectfully say: let us just try and get the information out there.

**Senator BRANDIS**—Thank you very much for agreeing that the question can be answered.

**Senator Faulkner**—Sure, as I have outlined.

**Senator BRANDIS**—It is a hypothetical question. Let me restate it. If an incident occurred on any RAAF flight, including a 34 Squadron flight, in which a VIP passenger lost control of himself and began yelling at and abusing a member of the aircrew, that would be recorded as an incident in some form of record of the flight, would it not, whether it was a particular item in the debrief or in the log or an incident report or some document of that kind? That is right, isn't it?

**Air Marshal Binskin**—It would be. If something like that happened on a flight, it would be documented to me.

**Senator BRANDIS**—Even though it might not necessarily raise a safety issue? It potentially could, I suppose, but even if it did not raise a safety issue, if a VIP passenger lost control of himself and abused a member of the flight crew, that would be, in your and my language, an incident, wouldn't it?

**Air Marshal Binskin**—That would be raised to me.

**Senator BRANDIS**—In what form would that incident be documented?

**Senator Faulkner**—You mean, 'In what form would such an incident be documented?'

**Senator BRANDIS**—In what form would an incident of the kind I have described be documented?



**Air Marshal Binskin**—It could be documented in an email. It could be in a telephone call. It could be in a hot issues brief.

**Senator BRANDIS**—Just tell us what a hot issues brief is, please.

**Air Marshal Binskin**—An issue that someone thinks is hot. It could be anything—

**Senator Faulkner**—So, if you touch it, Senator, you get burnt.

**Air Marshal Binskin**—It is anything that is there that would need to be passed up the chain quickly, depending on the chain. In a squadron, a hot issues brief might just go to the commanding officer.

**Senator Faulkner**—As a minister, for example, from time to time I might get a hot issues brief that involves the safety of ADF personnel. I might get something that involves a security incident or something like that. It is a reasonable question. I would describe it as a matter that would be urgently brought to the attention of, in this case, the minister. For me, it is those sorts of issues, often involving a security incident, as I say. There might be a police investigation. It is those sorts of matters. Sometimes it occurs because, quite rightly, an agency has a concern. In this case, Defence might have a concern that a matter like that might break in the media, and it is reasonable that the minister be quickly informed. I am sure you understand how this—

**Senator BRANDIS**—I do.

**Senator Faulkner**—It is a longstanding way of doing things. Generally I think it works. I certainly can say to you, from my own experience—albeit for less than a year as Minister for Defence—that it is not abused. More importantly, I can say to you that it is not politicised, which I think is the critical point.

**Senator BRANDIS**—Beyond whether or not it might break in the media there is a more elementary issue, Air Marshal Binskin, and that is if a VIP passenger were to so misbehave themselves—

**Senator Faulkner**—Hang on, Senator, let us be fair here. I was answering a question to you about what is a hot issues brief.

**Senator BRANDIS**—I see, that is fair enough.

**Senator Faulkner**—You are exploring a specific issue; I was trying to explain to you what is a hot issues brief.

**Senator BRANDIS**—That is fair enough, but cutting back to the chase now, in the event that such an incident were to occur—that is, a passenger basically got out of control and had a tantrum and started abusing an officer—that would be a breach of the appropriate order and decorum that you, as an arm of the Australian military forces, would expect of civilian passengers who are offered the service of 34 Squadron, would it not?

**Air Marshal Binskin**—Hypothetically, yes.

**Senator BRANDIS**—Well, if that happened—

**Air Marshal Binskin**—If it happened, of course.

**Senator BRANDIS**—What would you do about it?

**Air Marshal Binskin**—Hypothetically?

**Senator BRANDIS**—Yes.

**Senator Faulkner**—I do not know that he can answer in hypothetically. I think the thing for Air Marshal Binskin to answer is to provide, if he can, a process answer, not a hypothetical one.

**Senator BRANDIS**—That is what I am asking. I am asking what the process or the practice would be in the event that such an event occurred.

**Senator Faulkner**—If the air marshal is able to give you a process answer, fair enough.

**Senator BRANDIS**—That is what I am asking Air Marshal Binskin.

**Senator Faulkner**—I am just interceding because I am trying to move away from the hypothetical to a process based response if we can, which I am sure you are pleased with.

**Air Marshal Binskin**—So hypothetically, if I was to get some information like that there would be a couple of—

**Senator BRANDIS**—First of all, would it come to your attention?

**Air Marshal Binskin**—Yes, it would.

**Senator BRANDIS**—Would it come to the minister's attention or would that be a matter of your judgment?

**Air Marshal Binskin**—It would be a matter of my judgment.

**Senator BRANDIS**—Yes, go on.

**Air Marshal Binskin**—So whether or not it got passed on hypothetically if something like that occurred, it would be a matter for my judgment. The other part of it—

**Senator BRANDIS**—Sorry. I just do not want to have us confused about process here. Would it come to your attention in the form of what Senator Faulkner has subscribed as a hot issues brief? Would it come to your attention in some other way or in both ways?

**Senator Faulkner**—No, to be fair, Air Marshal Binskin used the terminology 'hot issues brief'. You asked what did it mean and I have tried to explain what it was.

**Senator BRANDIS**—We know there are hot issues briefs and you have said it would come to your attention. Now, I am assuming that would be a hot issues brief. Tell me if I am wrong about that.

**Air Marshal Binskin**—I think that would probably be a pretty hot issues brief.

**Senator BRANDIS**—And would there be some other form of document generated within the Air Force that would come to your attention, or would it all be within the one document?

**Air Marshal Binskin**—The initial answer would be no, but if there was some safety issue out of that it would also be in an air safety occurrences report—an ASOR.

**Senator BRANDIS**—Sorry, an air safety occurrences report?

**Air Marshal Binskin**—If there was some safety issue around that as well, that could potentially be another way it would be documented.

**Senator BRANDIS**—Would a passenger losing control of themselves and yelling at one of the air crew without actually physically threatening them constitute something that would appropriately be within an air safety occurrences report?

**Air Chief Marshal Houston**—No.

**Senator BRANDIS**—Usually?

**Air Marshal Binskin**—We are not talking about rugby players here. I am assuming—

**Senator BRANDIS**—Well I do not think we are talking about a rugby player; I do not think that could be said.

**Air Marshal Binskin**—No, I do not think so. Again, it gets back to if there was a safety related cause for that, yes.

**Senator BRANDIS**—I am not trying to make any political point here. I am genuinely inquiring.

**Senator Faulkner**—I knew you weren't trying to do that, Senator!

**Senator BRANDIS**—I am not. Would a passenger losing control of their temper and yelling at a stewardess constitute a safety issue?

**Air Marshal Binskin**—On an airline it would, so on a VIP flight it would.

**Senator BRANDIS**—It would?

**Air Marshal Binskin**—Sorry, depending on what the cause of it was, because sometimes you can have physiological reasons and all that, so if it was deemed that it was some sort of safety issue it could be an ASOR.

**Senator BRANDIS**—All right. Thank you. Going down the scale of seriousness as I apprehend it, if the episode were nothing more than a complaint, albeit perhaps a heated complaint, about the nature of the meal that had been served but was not of sufficient gravity to be treated by you as an air safety issue or an incident but merely a complaint about the service, essentially, would that alone be the subject of a record of some description? Would something be done about that which was documented?

**Air Marshal Binskin**—A complaint?

**Senator BRANDIS**—Yes.

**Air Marshal Binskin**—It could be.

**Senator BRANDIS**—It could be. Is there a form or a procedure whereby complaints about the service on No. 34 Squadron are recorded and, if appropriate, acted upon?

**Air Marshal Binskin**—That I do not know. I would have to chase that up.

**Senator BRANDIS**—Can you check that out for me, please. You see, Air Marshal, it has been asserted by reputable journalists that such an incident did occur on that flight from Port Moresby to Canberra and that the person involved was the Prime Minister, Mr Rudd. It was asserted by these reputable journalists, Mr Lewis and Mr McPhedran, plainly on the basis of information provided to them by those in a position to be aware of the facts, that Mr Rudd so lost his temper on that flight and flew into a tantrum that he foully abused a 23-year-old

stewardess because the particular dish that he wished to be served for dinner was not the dish that he was in fact served. Mr Lewis and Mr McPhedran go on to say in their press article:

An official report was filed by the flight crew about the behaviour of VIP No. 1 - Mr Rudd - after the flight from Port Moresby to Canberra in late January.

Mr Rudd, who had attended the Pacific Islands Forum, was told by the 23-year-old flight attendant that his request for a "special" meal - he is on a meat-free diet - could not be met.

Sources said the PM reacted "strongly" and a heated exchange followed. The attendant burst into tears and reported the matter to the senior cabin attendant.

She later composed herself and continued with the in-flight service.

"The crew were distressed but later in flight apologies were made by all," the report says.

Air Marshal Binskin, would you please locate such a report, if indeed it exists? It is referred to by these journalists and quoted from verbatim. Would you be able to locate for the committee and provide a copy of that report?

**Senator Faulkner**—I think the air marshal has already taken that on notice.

**Senator BRANDIS**—I think, in fairness, I did ask him generally to provide all documents—

**Senator Faulkner**—Wouldn't what you are just saying now be included?

**Senator BRANDIS**—but I think it is appropriate for me to direct his attention to one particular document. That is the more narrow focus of my question.

**Senator Faulkner**—Well, I just interpreted your request for all documents as obviously including a document such as the one that you have described. Anyway, fair enough.

**Senator BRANDIS**—Logically, of course, you are right.

**Senator Faulkner**—Logic has never counted for anything, Senator Brandis.

**Senator BRANDIS**—Well it does with me, Senator Faulkner.

**Senator Faulkner**—I am pleased to hear that. Let's move on then.

**Senator BRANDIS**—But I think in fairness to the witness, if there is one particular document that I am particularly concerned with—that is, the report referred to by Mr Lewis and Mr McPhedran—I ought to particularly direct the witness's attention to that document, as I have done.

**Senator Faulkner**—Anyway, it has been taken on notice.

**Senator BRANDIS**—Thank you. I am not sure, Air Marshal Binskin, if you are the right person to answer this question or another officer is. Are you able to tell the committee how many members of No. 34 Squadron have since, let us say 1 July 2008, taken sick leave because of stress related illnesses?

**Air Marshal Binskin**—Can I take that on notice?

**Senator BRANDIS**—Yes. From 1 July 2008 to now how many members of No. 34 Squadron have taken sick leave because of stress related illnesses?

**Air Marshal Binskin**—Would you like that in comparison to the years before?

**Senator BRANDIS**—If you want, that is fine.

**Air Marshal Binskin**—I do not even know if I have that data.

**Senator BRANDIS**—You see, it is suggested by some that those who serve as crew on the Prime Minister's VIP flights are particularly susceptible to suffering stress related illnesses because of the way in which he treats them.

**Air Marshal Binskin**—I would have to say that I have not heard that, but I will take it on notice.

**Senator BRANDIS**—Thank you.

**Senator Faulkner**—I have never heard that, Senator, but I do not know who 'some' might be. I have obviously got a close interest in these matters. I am also the responsible minister, Senator, and I can assure you that I have never heard such a thing. But, in the interests of dealing with your question, we will certainly provide the information you have requested, albeit that neither I as Minister for Defence nor Air Marshal Binskin as Chief of Air Force have heard of such a thing. Nevertheless, let's get the statistics for you.

**Senator BRANDIS**—When you provide that information, Air Marshal Binskin, can you please tell us as well how many officers have left 34 Squadron either by request for reassignment or because of resignation from the Air Force because of stress related symptoms. Could you tell us as well, without identifying the names of any individuals in a way which might prejudice the confidentiality of their own medical records, how many of the people who have left 34 Squadron since 1 July 2008 have complained of post-traumatic stress disorder or symptoms bordering on it.

**Senator Faulkner**—It is not just how many; it is if any.

**Senator BRANDIS**—How many, if any.

**Senator Faulkner**—What we will do is undertake to try and find those statistics. I stress to you that I certainly, as the minister, have not had any of these issues drawn to my attention, Senator, so I would not be jumping to too many conclusions about it if I were you.

**Senator BRANDIS**—I am merely asking questions, Senator.

**Senator Faulkner**—I know, Senator, but you are well aware that when you ask questions like this some might suggest they contain an imputation. But, if it is of assistance to you, as the responsible minister—and I hope I have a good record in caring for the welfare of ADP personnel and I believe that I have—I believe that when any issues of this sort of nature about the stresses and strains that our ADP personnel are under, which are not insignificant, right across the ADF arise, I certainly do treat them seriously. So I can say categorically to you, Senator, that this has not been drawn to my attention. But I also say to you, Senator, that of course we will find the statistics, if there are any, and provide them to you.

**Senator BRANDIS**—Thank you, Senator Faulkner. Of course, the incident to which I am referring occurred before you were the minister, so one would not ordinarily expect—

**Senator Faulkner**—Yes, I appreciate that.

**Senator BRANDIS**—them to be drawn to your attention.

**Senator Faulkner**—I understand the date, Senator, and it is well before I was minister. But you are going beyond that and asking for statistics which would include the period that I have been the minister.

**Senator BRANDIS**—Indeed. Thank you very much, Minister. The point is, of course, that in this allegation, which has been in the public arena since it was first aired by reputable journalists in April 2009, the journalists, Mr Lewis and Mr McPhedran, have quoted in direct speech from a report. Unless they were making it up or were misled by a source then one must assume that reputable journalists such as Mr Lewis and Mr McPhedran would not go to press for no reason. Therefore, given that the allegation has been made, I think it perfectly appropriate for it to be explored in this estimates committee and for the parliament to be informed about the validity or otherwise of these claims, which is what I have sought to do.

Lastly—and I will finish on this—I would like to know please, Air Marshal Binskin, whether the woman who was the steward on the flight from Port Moresby to Canberra—

**Air Marshal Binskin**—She is a crew attendant.

**Senator BRANDIS**—Is that the expression?

**Air Marshal Binskin**—Crew attendant is the correct term.

**Senator BRANDIS**—I would like to know if the woman who was the crew attendant on the Prime Minister's flight from Port Moresby to Canberra, on his return from the Pacific Islands Forum in or about January 2009, left 34 Squadron. If she left, when did she leave and, if she did so, was stress or a stress related condition one of the grounds put forward by her for her leaving the squadron.

**Senator Faulkner**—I am more than happy to take that on notice for you. In looking at any draft answer that comes forward I will obviously, as you would and as I suspect any minister would, look closely at any relevant privacy concerns—which I am sure you would expect me to do in relation to a question like that.

Let me just make a broader comment to you. I do not take the view in public life, or in my time as a parliamentarian, that I am disrespectful of journalists, but from time to time I think that just because something is necessarily written in a paper I would not ever jump to a conclusion it was right.

I have been in parliament now for a little over 21 years. On literally only, I believe, two occasions have I been minded to go into the parliament and to take issue with what a journalist—I think it is only two but I might stand to be corrected; it might be 3. On only two occasions have I gone into the parliament and explained that a journalist's article about me was wrong. I did that on the last sitting period in relation to an article written by the aforesaid Mr Lewis. Now that is not a personal criticism of him but I was aggrieved with what was said; so much so, unusually for me, that I went to the parliament and explained that what was said about the staff turnover rates in my office in an article was absolutely wrong.

Now these things do happen from time to time so I think it is perfectly reasonable at a committee like this. I happen to favour parliamentary committees getting appropriate answers from agencies. We will do that on this occasion. I will take account, and I would hope you would expect me to do so, of privacy concerns in relation to any of the RAAF personnel that

have been mentioned. I have a responsibility in that regard and I will treat that responsibility seriously.

Nevertheless, I will be as transparent as I can in terms of responding to you. I am not saying this in some sort of indication that you will not get the information. You will get any appropriate information that is available to you, but I will just say that, just broadly, I never jump to a conclusion that everything I read in every newspaper article, however reputable a journalist might be, is necessarily accurate. I am sure everyone in this room is reputable but all of us from time to time make mistakes, not the least of which is me. From time to time you have probably made a few yourself, Senator.

There is just one example, in relation to a newspaper article of one of the journalists you mentioned, where I was sufficiently aggrieved to go into the parliament—literally in the last couple of weeks—and make a personal explanation. I hope that also provides a little context for you in relation to these things. It is not a criticism of the individual's integrity at all. It is just a fact of life that from time to time these things reported in the media are not always right.

**Senator BRANDIS**—Thank you, Minister. I note what you say.

**CHAIR**—Senator Brandis, do you have further questions?

**Senator BRANDIS**—I will just finish on this note. You let the minister go for about 3½ minutes of comment.

**CHAIR**—After you left for 1½. Do you want to bring it to a conclusion or shall we come back later?

**Senator BRANDIS**—I note what you have to say, Senator Faulkner.

**Senator Faulkner**—I hope you agreed with it.

**Senator BRANDIS**—There is nothing you have said with which I disagree, but serious allegations having been made in a national newspaper directly concerning the Prime Minister and his treatment of personnel for whom now you have ministerial responsibility, in circumstances which, if the allegation is right, could, according to Air Marshal Binskin, even raise safety issues and would certainly constitute an incident, are something of sufficient gravity—particularly when one is concerned with the Prime Minister himself—about which the parliament is entitled to make an inquiry.

**Senator Faulkner**—Absolutely. I have got no problem with that. I made the point earlier in this exchange about the ifs, the maybes, the hypotheticals—and fair enough—but it is reasonable for you or any other member of parliament to ask questions, and I will treat them, as I have said, seriously and responsibly. But I have caveated my response by pointing out that we may have to protect some privacy concerns, particularly as you have raised two things: names and the health status of individuals. I will be careful about that, but it will be proper and there may be a need for me, if there is an issue here at all, to talk to the—

**Senator BRANDIS**—Senator, I—

**CHAIR**—The committee stands suspended. We will resume work at 9.23 pm. If at that stage Senator Brandis wants to pursue this topic, he may.

**Proceedings suspended from 9.07 pm to 9.25 pm**

**CHAIR**—The committee will come to order. Before we go to Senator Brandis for one more question, I think Lieutenant General Hurley has something to say.

**Lt Gen. Hurley**—Senator Johnston, in the previous questions about the Joint Logistics Command, we were talking about both Joint Logistics Command in Victoria Barracks and Joint Logistics Unit (Victoria). Before I send people to do work that may be unnecessary, Joint Logistics Unit (Victoria) is located in Bandiana and is responsible for regional support in Victoria. I think you are after JLC in Victoria Barracks, which is where we do the contract management for operations.

**Senator JOHNSTON**—Correct.

**Lt Gen. Hurley**—Thank you.

**CHAIR**—Mr Cunliffe, is there something you want to say?

**Mr Cunliffe**—Chair, during the discussion about the Military Court of Australia, you were asking me about the arrangements. I am told the current working model, at the request of the Attorney-General's Department—as I explained, they will ultimately own the structure—includes a military adviser within the registry structure at the colonel O-6 equivalent level. Then there will be a case management unit which will interact with that person and with the registry to ensure that we are able to find ADF members and look after fleet programs, absences and national and international deployments, as required.

**CHAIR**—Thank you. Any other additions?

**Mr Minns**—This is to clarify what we are able to advise at the moment about roles for civilianisation that have been identified. We gave some numbers at a point in the discussion. The services have identified a range of administrative positions, including policy officers, payroll and personnel administrative officers, project officers, supply officers, finance clerks, communications clerks and general administration support personnel. All the positions identified are non-deployable positions, and similar positions that undertake the same duties in a deployed environment have been exempted from consideration. The services are now in the process of determining individuals affected by this and eventually, through the deployment cycle and the posting cycle, discussions with individual members will occur. But at the moment it is still somewhat at the general level.

**CHAIR**—Thank you.

**Senator BRANDIS**—Air Marshal Binskin, during the suspension I have reflected on the questions that I asked you just before. In fairness, I should put one more question to you. I have couched my questions in hypothetical terms, as is acknowledged, and asked whether or not various reports were prepared. But in fairness to you I put directly to you the assertion that has been made. On a 34 Squadron flight from Port Moresby to Canberra late in January 2009 bearing the Prime Minister home from the Pacific Islands Forum, an incident occurred between the Prime Minister and a young female flight attendant. The incident was precipitated by the Prime Minister's complaint about having been served the wrong meal. There was a heated exchange in which the Prime Minister became aggressive. The exchange was sufficiently heated and the Prime Minister's demeanour was sufficiently aggressive that the cabin attendant was reduced to tears. The matter was regarded by the crew as of sufficient



seriousness that a report was prepared after the flight arrived in Canberra, and that report contained the words:

The crew were distressed but later in-flight apologies were made by all.

You have already kindly agreed to take on notice a question on whether a report containing those words was prepared and, subject to any proper objection you might choose to take, to provide a copy of the report to the parliament. I put it to you that an incident of the kind that I have described, initially reported by Mr Lewis and Mr McPhedran in a press report on 3 April 2009, did in fact take place.

**Senator Faulkner**—Please run the last sentence by me again.

**Senator BRANDIS**—I put it to you that an incident of the kind I have described, first reported by Mr Lewis and Mr McPhedran in a press report on 3 April 2009, did in fact take place. You may wish to take that on notice, Air Marshal Binskin, or you may be in a position to speak to it tonight. It is a matter for you.

**Air Marshal Binskin**—An incident of the severity that you have described has never been reported to me.

**Senator BRANDIS**—Would you take it on notice, please, and examine whether an incident of the kind I have described did in fact take place.

**Air Marshal Binskin**—I think I just answered that, but I will take it on notice.

**Senator BRANDIS**—Thank you.

**Dr Watt**—I would like to clean up another bit of outstanding business. We talked earlier about letters from McKinseys. We have checked with Terry Moran, secretary of the Department of the Prime Minister and Cabinet, and he is happy for the letter to him to be tabled as well, so we will table that accordingly.

**CHAIR**—Thank you, Dr Watt. The letter is so tabled. Senator Johnston, we are on outcome 1.

**Senator JOHNSTON**—We covered a bit of military justice with questions on the Military Court of Australia. I would like to ask questions about the commission of inquiry into HMAS *Success*, not with respect to any of the evidence or any of the matters heard but with respect to the costs of those proceedings to date.

**CHAIR**—That is under outcome 2. Do other senators have further questions on program 1.9, 1.10 or 1.12? As there are no questions on these programs, we go to outcome 2, program 2.1, Advance of Australia's strategic interest through the conduct of military operations directed by the government.

**Senator TROOD**—CDF, you will recall that in estimates in February I asked you about the incident concerning Mrs da Costa in East Timor. I think you gave some evidence to the committee about the contact that the ADF had had with Mrs da Costa and her family. You also gave some evidence to the committee with regard to her funeral arrangements. I thank you for subsequently writing to the committee saying that the evidence you had given on that occasion was incorrect, at least in relation to the funeral arrangements, as I understand it. That was the extent of your correction.

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

**Senator TROOD**—Could you tell me where this matter now lies, given the contact that you made and will presumably continue to have with Mrs da Costa's family?

**Air Chief Marshal Houston**—Certainly. I guess where I would start is that there were a couple of investigations, and those investigations attributed no liability to the ADF. One was an investigation by the East Timor police, which was completed on 29 January, and there was an internal investigation by the International Stabilisation Force, which reported on 22 April, again attributing no liability to the ADF.

Since we last spoke we have got to the stage where the ADF made a no-liability payment to Mrs da Costa's family on 31 March 2010. The no-liability payment related to funeral costs and other expenses related to the death of Mrs da Costa. As discussed at Senate estimates on 10 February, we should have done more to check on Mrs da Costa's condition, and what I have done is to direct that processes be put in place to ensure that the necessary follow-up is made on the health of people involved in incidents or accidents with the ADF. What we have done is to review all of our directives and policies regarding casualty management for civilians injured as a consequence of Australian actions on operations.

The other thing that has happened is that the International Stabilisation Force have modified their standard operating procedures to take account of all of the lessons learned from this unfortunate incident. Should you desire it, I am happy to table the directive that I have put out to the Chief of Joint Operations, which applies to all operations that we conduct right across the world and which will ensure that circumstances similar to what happened to Mrs da Costa and her family do not happen again.

**Senator TROOD**—I would ask you to table that.

**Air Chief Marshal Houston**—I would be happy to do so.

**Senator TROOD**—Thank you. When you gave evidence in February you were confident of the information you gave the committee, obviously, and it subsequently became apparent that some of the information you gave the committee was incorrect, in relation to the payment. Have you investigated why it was that the information you provided to the committee was incorrect? In other words, the lines of communication that led you to provide the information you did—in good faith, I do not doubt—were clearly not correct, as you have subsequently corrected the record.

**Air Chief Marshal Houston**—Senator, I take a little bit of offence at that. Can I just explain?

**Senator TROOD**—Certainly.

**Air Chief Marshal Houston**—You may not know it, but I had my first extended bit of leave when this incident happened, so I was not familiar with the circumstances of the incident because I was on leave. The briefing pack that I had for the hearing had no briefing on this particular set of circumstances and what I was relying on was advice that was tended to me at the table. I guess I have learnt a lesson that you should not rely on stuff that comes from well-meaning people behind you. That is the reason there was a mistake, and I take great

exception to the fact that you are suggesting that I might have intentionally misled the committee.

**Senator TROOD**—To the contrary; I was at pains, I thought, to make it clear that you were giving evidence to the committee in good faith—that is to say, as far as you were aware, the information you were providing was absolutely accurate.

**Air Chief Marshal Houston**—That is true. I had a piece of paper put in front of me that said exactly what I told the committee.

**Senator TROOD**—That is precisely what I have assumed. You gave the information to the committee sincerely in the belief that the information that you gave was accurate. I recall the incident and I recall that you were advised at the table in relation to the matter you subsequently gave information about. What I was concerned about is—and you have perhaps explained this now—why it was that the information you gave at the table was incorrect. Was that a reflection on some breakdown in communication between the force in Timor or some force in headquarters? That is what I was concerned about and it was not intended in any way as a reflection on the sincerity of your evidence.

**Air Chief Marshal Houston**—That incident was not in any of the briefing material that was on the table back at the February estimates. I certainly did not have any of that briefing material and I guess I was caught short. That was the circumstance I found myself in and then I was given advice at the table which subsequently proved to be wrong. As soon as I found out it was wrong I corrected the record as indeed I have done on several occasions in the past.

**Senator TROOD**—CDF, I acknowledge you have done that as I said in my opening remarks on this matter. I thank you and I think the information you have provided to the committee is a more than adequate explanation as to why you were misled at the time you gave the evidence. That is fine. So you will table the directive which has now been released?

**Air Chief Marshal Houston**—I certainly will.

**Senator TROOD**—I take it this will address the concerns about communication that arose in that particular incident and the like.

**Air Chief Marshal Houston**—Yes, as I said at the time I think the circumstances were most unfortunate and they will not happen again. The directive is very comprehensive and complete and covers the circumstances—I think as you will see—certainly to my complete satisfaction and hopefully also to your complete satisfaction.

**Senator TROOD**—You said a payment had been made to the family on 31 March.

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

**Senator TROOD**—How much was that?

**Air Chief Marshal Houston**—As you know we keep those matters confidential and that is the way we have been with all of these sorts of payments consistently through the years.

**Senator TROOD**—Can you assure us that that is the end of the matter? In other words the family has accepted the payment that has been made as a conclusion of the matter?

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

**Senator TROOD**—Are there any other matters of this kind outstanding in relation to East Timor of which you are aware?

**Air Chief Marshal Houston**—None whatsoever.

**Senator TROOD**—Have there been any other incidents where payments have been necessary in East Timor?

**Air Chief Marshal Houston**—I would have to take that on notice. We have been there for a long time. In the recent past that is the only one that I can recall but I will take it on notice.

**Senator TROOD**—Thank you. This is also about East Timor but on another matter. This concerns an incident that occurred apparently on 23 February 2010 in East Timor in a village in eastern Lautem district which was the subject of a report in the *Sydney Morning Herald* headed 'Diggers caught in 'political' outrage'. Are you familiar with this incident?

**Air Chief Marshal Houston**—I think I am broadly familiar with where you are going but I would prefer it if you would give me more context.

**Senator TROOD**—The newspaper report referred to Australian soldiers deployed in East Timor asking East Timorese their political views apparently in violation of the country's constitution or at least in violation of some ethical mores and perhaps in violation of a constitutional provision. Can you enlighten us about this particular incident?

**Air Chief Marshal Houston**—Yes, I certainly can. I will respond very broadly. Those circumstances were misrepresented, I think, in that we had a couple of DSTO operational analysts who were in Timor Leste supporting the ISF on their business and these analysts and those who went before them had done regular soundings of how people in Timor Leste were feeling about the stability of the country. There was nothing political about it at all. It was more about how they felt things were in the country and there was nothing political about it at all. The activity of those analysts was misrepresented in the report that was in the newspapers and perhaps misrepresented by some elements on the ground in Timor Leste.

**Senator TROOD**—Are you aware of a complaint having been lodged in relation to this incident?

**Air Chief Marshal Houston**—Yes, on a recent visit to Timor Leste I explained to the Deputy Prime Minister, Mr Guterres, the circumstances of this and that there was no political angle to it at all. My explanation appeared to be completely accepted by the Deputy Prime Minister, so it has been covered off at the highest level. I made it very clear that this was something that had no political angle to it whatsoever.

**Senator TROOD**—I am just struggling to understand precisely the circumstances as you understand them, which seem to be that inquiries were being made, or information was being sought, by some researchers but they were in the company of ADF personnel. Is that correct, as you understand it?

**Air Chief Marshal Houston**—I have not got a briefing on this. I was right across it about three months ago. What I would like to do is just go back and basically review the circumstances. I will come back to you tomorrow and explain it fully, if that is all right with you.

**Senator TROOD**—Yes, that is fine, thank you.

**CHAIR**—Are you finished, Senator Trood?

**Senator TROOD**—No, but on that subject I think I have. Thank you, Chair.

**CHAIR**—Okay. We continue on outcome 2 and we go to Senator Johnston.

**Senator JOHNSTON**—CDF, back to HMAS *Success* and the commission of inquiry: do we have any costs associated with that?

**Air Chief Marshal Houston**—In terms of costs, I would like to take that on notice. Whenever we do one of these comprehensive inquiries, they are expensive but I think in the circumstances it is important that we get to the bottom of the matters that concern us at this time.

**Senator JOHNSTON**—Sure, I take no issue with that. I would like the costs associated with the commissioner's daily fee; the staff attending him within the inquiry; counsel, of with there are eight or nine, including counsel assisting and junior assisting, a daily rate for all of those, which is, I think, the standard operating procedure for their bills. I am not sure there is a lease of the premises; I think they are Defence premises in Pitt Street in Sydney. But I would like all other costs and expenses associated with this because I now know that it is going to pan out to something like six to eight months, I dare say, from the last that I have heard. I would like to know exactly how much the whole thing is going to cost.

**Senator Faulkner**—In relation to that question, I am afraid we will have to take it on notice and we will come back to you with that information.

**Senator JOHNSTON**—Sure.

**Air Chief Marshal Houston**—Can I indicate that Mr Gyles will now hand down his findings by 30 September.

**Senator JOHNSTON**—Thank you. That was my next question. I am advised that whilst the commission is sitting the vessel has been to Singapore and we have had another event. Are you aware of that event, CDF?

**Air Chief Marshal Houston**—I am aware that there was an incident on the ground in Singapore, yes.

**Senator JOHNSTON**—Could you tell us what the nature of that incident was?

**Air Chief Marshal Houston**—I might ask the Chief of Navy to cover the relevant aspects of that, and I would imagine that he may be limited in the fact that some of that might be subject to investigation.

**Vice Adm. Crane**—There was an incident, from memory on 23 April this year, in Singapore. The incident involved allegations of inappropriate behaviour by a member of the crew. That was subsequently passed to the commanding officer. The commanding officer has sought assistance from the ADF investigative service, that assistance has been provided, and it is currently under investigation.

**Senator JOHNSTON**—Is that following a quick assessment?

**Vice Adm. Crane**—I would have to check. I suspect there was a quick assessment done. I have not seen it but I assume that there was a quick assessment done but very shortly followed by assistance being sought from the ADF investigative service.

**Senator JOHNSTON**—Do we know how many people were involved?

**Vice Adm. Crane**—The allegation relates to one individual.

**Senator JOHNSTON**—One individual.

**Vice Adm. Crane**—That I am aware of. I have no knowledge of the status of the investigation.

**Senator JOHNSTON**—Was it on board the vessel or off?

**Vice Adm. Crane**—The allegation is that it was ashore.

**Senator JOHNSTON**—And did we have to fly personnel to Singapore to carry out the investigation?

**Vice Adm. Crane**—As far as I know, one ADF investigative service investigator was relocated to Singapore. Where they came from I am not sure.

**Senator JOHNSTON**—Was the vessel free to sail from Singapore whilst the investigation was current?

**Vice Adm. Crane**—Yes, it was.

**Senator JOHNSTON**—Where was its next destination or port?

**Vice Adm. Crane**—I think it was doing local operations. We had an exercise happening off Singapore with other navies, so it would have been from Singapore locally for exercise, back to Singapore and then home.

**Senator JOHNSTON**—When do you anticipate the investigation will be completed?

**Vice Adm. Crane**—That is not clear to me, Senator. I do not have access to the ADF investigative services progress. I am not sure where they are at this stage.

**Senator JOHNSTON**—Where is this vessel going to next?

**Vice Adm. Crane**—It is due to arrive on the east coast of New South Wales very shortly and then it will be back to Sydney.

**Senator JOHNSTON**—Is that from Singapore?

**Vice Adm. Crane**—Yes.

**Senator JOHNSTON**—Did it stop on the way?

**Vice Adm. Crane**—Not to my knowledge.

**Senator JOHNSTON**—What is its planned deployment into the next 12 months?

**Vice Adm. Crane**—A ship's program beyond the current date is actually getting into classified territory. We do not normally provide that in a public forum.

**Senator JOHNSTON**—We would want to be pretty careful where we sent this boat though, wouldn't we?

**Vice Adm. Crane**—It will be programmed for its normal operation, Senator.

**Senator JOHNSTON**—The point I make is I have sat through the commission of inquiry and during the commission of inquiry—and we do not have those costs, but I am sure they are tens of millions of dollars—we have another event in Singapore. The question has to be asked: what is going on with this vessel? I would have thought it was not unreasonable to ask.

**Vice Adm. Crane**—As I understand the reporting mechanisms, this latest concern was reported appropriately once it had occurred through the chain of command and appropriate action was taken. From what I can see, all the appropriate action was taken and the incident is being appropriately investigated.

**Senator JOHNSTON**—But the point I make is that we have two incidents with this particular ship within a period of 12 months. The second incident occurred whilst everybody knows there is a commission of inquiry underway into previous conduct. It staggers me that that would happen.

**Vice Adm. Crane**—I accept that it is not a good look. But I can assure you that the process is working. There is no desire to accept allegations—and I must stress that is what it is at the moment—of unacceptable behaviour.

**Senator JOHNSTON**—Good. I am with you 100 per cent on that.

**Vice Adm. Crane**—We have a code in our Navy, a set of values, and we have articulated some signature behaviours under our new generation Navy program which we will live by, and I expect everybody to stand by those. When we do come across allegations of behaviour which does not accord with our values and our signature behaviours then we will take action.

**Senator JOHNSTON**—Okay. CDF, the press release that inaugurated the commission of inquiry identified bias. Is the bias as identified in your press release the subject of the commission of inquiry and the terms of reference?

**Air Chief Marshal Houston**—I will have to check the terms of reference. I have asked Commissioner Gyles to have a look at the way inquiries have been conducted. I will take a close look at the terms of reference before I respond.

**Senator JOHNSTON**—I do not want to get into any areas that he is going to look at, of course. But I know that the whole thing started basically because you indicated in your announcement that you had discovered bias. If I am transgressing, there is no need to answer the question, but I would have liked to have known what the nature of that was.

**Air Chief Marshal Houston**—I will come back to you on that. I just think it is important that I check a couple of things. I will respond tomorrow, if that is okay.

**Senator JOHNSTON**—Thank you very much. Have we had any other similar incidents in Navy during the last 12 months with deployments and events in bars and inappropriate behaviour in foreign ports, and things of that nature?

**Vice Adm. Crane**—As you can probably imagine, with the demographic that we have and people deployed there are low-level incidents. None of them spring to mind at the moment, but I cannot give you an assurance that it has not happened.

**Senator JOHNSTON**—None of them such that we would have to have a commission of inquiry into?

**Vice Adm. Crane**—Not to my knowledge.

**Senator JOHNSTON**—Very good. I have no further questions on that, except for those matters that are outstanding.

**CHAIR**—Further issues for outcome 3?

**Senator JOHNSTON**—With respect to health studies, with respect to SIEV36, we had nine personnel on board that vessel when it exploded and there were other personnel standing by who had to deal with injured people. What is the status of the health of the personnel, firstly, on board the vessel, and then those who were assisting, if there are any health implications. I know several were badly burnt and one person almost drowned. Could I have an update on how they are going?

**Air Chief Marshal Houston**—You are talking about the service people and the passengers?

**Senator JOHNSTON**—I am talking predominantly about the service people and the service people on board the vessel. Our ADF personnel are who I am concerned with.

**Air Chief Marshal Houston**—I would like to take that on notice, if I may.

**Senator Faulkner**—I think I can give some information on this. My only concern is that the last information I have was not in the last few days. As you know, five ADF personnel received first aid for minor non-life-threatening injuries sustained in the explosion on board SIEV36. All 54 personnel on board the vessel participated in critical mental health screening following their involvement in the incident. This screening identified 17 personnel with potential for adverse medical outcomes. Three personnel were initially off work, two for psychological injury and one for physical injury. All the staff who sustained physical injuries have returned to duty. The last advice I had was that all 54 personnel had their follow-up screening confirmed as completed. At the time of the follow-up critical incident medical health screens 11 members required referral for some ongoing psychological treatment, and of those—I think I have mentioned some of this in the Senate, as you would be aware, Senator—four had been diagnosed with PTSD and two have been diagnosed with a stress reaction. As I have said before, treatment and monitoring of those personnel is continuing. That is the most recent information I have.

**Senator JOHNSTON**—Thank you. Do you know if they are all still in Darwin?

**Senator Faulkner**—I could not say if they are all still in Darwin. I am not in a position to know that. I certainly have had the opportunity to meet many of the personnel myself but I am not in a position to be able to say if all those personnel are in Darwin. If Chief of Navy can, I will ask him to help on that. I hope that status report is of some assistance to you.

**Senator JOHNSTON**—Can you take it any further, Chief of Navy?

**Vice Admiral Crane**—I know that some of them are well spread around now. I have not got the exact positions of all of them. I would have to check but I think two of the four who



are still undergoing some treatment are in Cairns, I believe, so I know that they are spread around.

**Senator Faulkner**—Of the personnel that I have spoken to, some are looking forward to new postings. I would be very surprised if there had not been a number no longer in Darwin.

**Senator JOHNSTON**—Very good.

**Senator Faulkner**—Do you want us to get those numbers for you?

**Senator JOHNSTON**—That information is a fortnight old approximately, is it not, or a little longer?

**Senator Faulkner**—It would probably be a week or two old, I suspect.

**Senator JOHNSTON**—That is fine.

**Senator Faulkner**—I am asking specifically about the personnel who are no longer in Darwin. Did you want to follow that through?

**Senator JOHNSTON**—No, no. That is fine. I do not have any more questions on that aspect.

[10.05 pm]

**CHAIR**—I think Senator Ludlam has some questions under outcome 3 to do with health matters.

**Senator LUDLAM**—I have some questions on mental health funding. There is an increase of \$16.6 million to improve mental health services. Could you step us through where that funding is headed and talk us through the thinking behind that?

**Major Gen. Alexander**—Fifty-one recommendations were made in relation to the report of the Australian Defence Force review of mental health services that was conducted by Professor David Dunt. As a result of those recommendations, a comprehensive program was put to Defence in relation to the white paper. As a result of the white paper process, significant increased mental health resources have been included in the health budget. I cannot give you the exact amount over the forward estimates. I can find the exact number for you, but it is in the region of \$20 million per year in relation to mental health services above what we previously were expanding on health care. There are a number of areas where that was to be spent and is currently being spent. I will go through those.

The first aim was to increase our mental health workforce throughout Australia. It was identified by Professor Dunt that there were significant requirements to increase the workforce that we had in place. We are currently in the process of increasing that workforce. As of 14 May, we have increased the workforce by 19 healthcare providers around Australia, with a further three currently in the process of joining the workforce. We have looked at putting those into the various areas. Three go to Victoria, two to the ACT, six to New South Wales, three to South Queensland, two to North Queensland and three to the Northern Territory. These will become full-time either contracted or APS positions for Defence. The first round have been predominantly psychologists, but in the follow-on rounds we are looking at increasing our nurses and mental health nurse workforce. That is where we currently stand with the workforce.

I might add that we have been particularly mindful of not increasing the workforce too rapidly in some of the areas that, if you like, do not have any excess or have very limited psychological capacity. In other words, in some of the regional centres or some of the areas north, if we went out and purchased a whole suite of resources and personnel, it would in some cases denude the local community of some of those resources. So we have been careful to make sure that we stage this bearing in mind that we are communicating with the local networks, including general practice networks and other networks, to ensure that we do not adversely affect other networks.

We are also setting up a range of regional mental health teams. What Professor Dunt recognised the need for and recommended was that we have a much more integrated support system for mental health. Previously we had primary healthcare providers, general practitioners, who provided support. We also had psychologists through the defence psychology system. His recommendation, which we are now implementing, was to coordinate these services in a much more effective manner than they were previously coordinated. To that effect, three regional coordinators have now been stood up, and their responsibility is to integrate these services so we get maximum benefit out of them. Those coordinators have been recruited into Townsville, Darwin and Melbourne and we are looking to set up five further regional mental health coordinators over the next six months.

We are setting up an ADF centre for mental health excellence, and this will in effect be a centre where we will establish education and training requirements. We will set up further research initiatives, bearing in mind that we are currently partnering in mental health services with the Australian Centre for Posttraumatic Mental Health, the University of Queensland and Monash University. But we feel that this is of such import that we will also establish a centre of excellence because of some other recommendations that were made by Professor Dunt in relation to focusing on education for the entire workforce.

We are also looking at what we can do in the way of in-house short-term treatment programs. In other words, if we feel that it may be of benefit to upskill or provide some in-service treatment or training, we can do that in our own facility or centre of excellence. That process has commenced. It will be based at HMAS *Penguin*—the naval base in Balmoral, Sydney. We have already employed a full-time psychiatrist—a Navy reserve officer, in fact—who has come on full time to work for defence as our defence psychiatrist at the centre of excellence.

We are also in the process of recruiting eight alcohol and drug coordinators, and they will be responsible for outreach and providing those particular programs throughout Australia. Some will be based at the centre of excellence and the majority will be based regionally so that we have that particular expertise linked into units and commanders as they require that particular expertise. From the strategic and policy perspective, back in my space, we have stood up an SES band 1 who is responsible for all mental health, psychology, rehabilitation and research in relation to mental health services within Defence. We were fortunate to recruit an SES band 1 officer from the Department of Veterans' Affairs, Mr David Morton, who was previously the Director of the Veterans and Veterans Families Counselling Service. He has an excellent background in relation to support services throughout Australia and has already had an impact on what we are providing.

In total, we are looking at about 61 new staff all up at this stage, with further expansion of staff over the next years of the forward estimates. We are also looking at improving our mental health governance, with a focus on our policy, and we have released a significant number of mental health policy initiatives over the last six to 12 months. These have included health directives in relation to mental health case management in the Australian Defence Force; they were released in April 2009. A further health directive in relation to mental health and psychology services in Joint Health Command was released in May this year, and other health directives and policy directives have now been released in relation to mild traumatic brain injury—MTIB—post-traumatic stress disorder, depression disorders, and deliberate self-harm and suicide episodes. Those are all on our websites.

**Senator LUDLAM**—Are you able to table what you are reading from or point us to where a summary can be found? I do not want to tie the committee's time up for too long. Are you able to table a more detailed brief of where the different initiatives lie?

**Major Gen. Alexander**—Yes, I am able to table a copy of my brief in relation to this.

**Senator LUDLAM**—That is much appreciated. Of the new positions that you have listed for us located around Australia, are any of them deployable?

**Major Gen. Alexander**—No, they are not deployable positions. They will initially be a mix of contract positions and APS positions. The uniform positions are already available to all three services.

**Senator LUDLAM**—So there is no expansion to the people you already have in the field?

**Major Gen. Alexander**—At this stage, no, there is not expansion to operational health services, but there are already significant operational mental health resources available.

**Senator LUDLAM**—So, effectively, you are telling us that what you have boosted is what exists at home for when people return—

**Major Gen. Alexander**—These are resources that we will utilise to ensure that we have not only better outcomes for those returning but also focus on primary prevention—in other words, resilience training, upskilling in areas such as BattleSMART—and then doing evaluations of all of these programs so that we are not just rolling out programs but obtaining evidence in relation to our partners here and overseas to ensure that what we are doing is having an effect and is best practice.

**Senator LUDLAM**—Let's go to some of our partners overseas. In the United States—and this is not some peer reviewed study I am quoting from but just to give you an idea of rough numbers—they are estimating that one in five returned personnel who are deployed in Iraq are coming back with post-traumatic stress disorder. Do you have any idea at all for our personnel operating in Afghanistan or those who were withdrawn from Iraq whether the numbers are similar for Australians coming back?

**Major Gen. Alexander**—Yes, we do have available some studies and some data that we have received from discharges from the Australian Defence Force for mental health related conditions in those that have deployed on operations and who have conditions that have been accepted as related to their service. We also have analysis of some data that we receive from the Department of Veterans' Affairs which has taken the total number of claims that have been

received by the Department of Veterans' Affairs over the period of the East Timor conflict and the Middle East area of operations conflict. We analysed those particular data sets and the DVA dataset indicates that the current rate for claims for mental health disorders in relation to Middle East area of operations service is less than two per cent at this stage. We would expect it to be low because the time frame is still less than what has occurred in the US and we would expect, as is the case with mental health and post-traumatic stress disorder, that we would expect some increase of numbers over time.

**Senator LUDLAM**—That is still an order of magnitude lower than what United States armed services are experiencing. Apart from time spent in the field, what are they seeing that Australian troops are not?

**Major Gen. Alexander**—We work very closely with the US. We work with their Centre of Excellence and Brigadier Loree Sutton who is doing a lot of the work in the US in relation to these matters in trying to reduce their numbers. We work closely with them in relation to what we are doing and sharing information. Some of the resilience packages that we are currently utilising they are now taking on board and using. They are trying to increase their resilience and, if you like, preventive measures which we think contribute to, at this stage, better outcomes.

**Senator LUDLAM**—In reducing the numbers there are two ways of doing that. I guess one is to look after people better and another is to not accept that they have PTSD at all. There is an article that I would draw your attention to—I can table if it is helpful—that ran in the 26 April 2010 edition of *The Nation* where they talk about the number of returned service personnel diagnosed with personality disorder or PD as they are calling it in the US which they are using to divert people away from having to look after them. I wonder what process we use in Australia if somebody presents with the kinds of symptoms that you occasionally see in that range of two per cent. Are we turning people away in anything like the numbers that they are in the United States?

**Major Gen. Alexander**—That is not my understanding. My understanding is that when we are looking at claims in our assessment of mental health disorders within the ADF, PDs or personality disorders are diagnosed in members and they are considered part of the mental health disorder spectrum. Within the Department of Veterans' Affairs that is also the case and within the two per cent there are PD cases—evidence of personality disorder. I might add that on the DVA figures there are multiple disorders for single individuals in many cases. There may be an anxiety disorder, a PD and a depression disorder, so many of those are combined.

**Senator LUDLAM**—One of the other things that they are seeing in the United States is a really vicious spike in the figures from the United States Marine Corps of suicides—the number of marines taking their own life has spiked from 13 per 100,000 in 2006 to 24 per 100,000 now. I cannot table the numbers but that is a raw order of magnitude.

**Major Gen. Alexander**—You do not need to table those.

**Senator LUDLAM**—What are we seeing in Australia?

**Major Gen. Alexander**—We are seeing no increase at all in suicide. Our age normalised suicide rates within the ADF are still lower than the age normalised rates within the Australian community. We would expect that to be the case as we screen individuals.

**Senator LUDLAM**—It is not that war is good for mental health; it is that we are choosing stronger individuals?

**Major Gen. Alexander**—Absolutely, and you will find that not only the US Marine Corps but the US Army has had an alarming increase in suicide rates over the last 18 months.

**Senator LUDLAM**—Okay. So it is the way that we are recruiting in Australia?

**Major Gen. Alexander**—I think that contributes very much. It is not only the way we recruit but it is also the way that the services train their individuals. I think we have a very, very solid training and we have good leadership—all those aspects that you would have heard our service chiefs discuss in estimates in the past.

**Senator LUDLAM**—Lastly, this is obviously quite a substantial expansion at the back end, at the Australian end, which I suppose you could read in the sense that it has been lacking before. You could be a cynic and say, ‘We’re fixing something that people have been asking for for a long period of time.’ Will veterans who might have been discharged or whose issues might relate back to well before these services were stood up by you guys be in a position, even if they are not with the ADF anymore, to access some of those services that you are establishing around the country?

**Major Gen. Alexander**—We provide services for our current serving members. But the Department of Veterans’ Affairs also conducted the study and Professor Dunt was involved in those particular aspects. As you identified, there are a gaps identified in the ADF’s mental health services, which we are now addressing. I would suggest that there are also—and you could address that to the Department of Veterans’ Affairs tomorrow—other aspects that they are also addressing. I might also add that we are working very closely with the Department of Veterans’ Affairs, through not only their space and our space but in the transition space to ensure that we do not have gaps in a particular space as well.

**Senator LUDLAM**—I am still not sure whether that was a yes or no. If I have been discharged and I saw service in the first Gulf War or, take your pick, will I have access to the new services?

**Major Gen. Alexander**—You will not have access to current ADF health services—they for serving members. But certainly a person in that situation would have absolute access to the Department of Veterans’ Affairs services, once recognised.

**Senator LUDLAM**—Have you come across the phenomenon of ‘moral injury’ as a particular class of, I do not know if you would call it a mental disorder or something else?

**Major Gen. Alexander**—Can you please elaborate?

**Senator LUDLAM**—I can send you the reference to this, because I realise it is not something that you have got in front of you:

Moral injury can occur from what you witness or what you do.

It is people who see things that human beings should not ordinarily see or that do things that they would consider a moral. We know Australians have been involved—I do not know about friendly fire incidents—but certainly involved in incidents where innocents have been casualties. I am just wondering whether it is a phenomenon that you are familiar with or it is something that you have had to address?

**Air Chief Marshal Houston**—Could you just repeat where you are going just so as I can answer the question?

**Senator LUDLAM**—Certainly. ‘‘Moral injury’ as a wound of war’ It is an article by Mark Walker that was posted on 8 May 2010, which I am happy to refer you to.

**Air Chief Marshal Houston**—Who is this Mark Walker?

**Senator LUDLAM**—It might help if I just send you a copy of the article rather than dodging around it. It is a group of mental health experts in the US—again, it is an instance in the United States. I am trying to establish whether it is something that you are familiar with or having to work with here. It is a form of post-traumatic stress disorder where troops see or do things that they believe is outside their moral framework. It might capture friendly fire incidents or incidents in which innocent civilians are killed, for example. I am just wondering whether that is a phenomena that you are seeing or that the officers who are working in the mental health space are seeing in an Australian context?

**Air Chief Marshal Houston**—We have seen no evidence of this at this stage, but I will ask General Alexander to have a look at the paper that you have got and we will see if there is anything relevant to what we do. Again, I have no recollection. You mentioned friendly fire incidents—

**Senator LUDLAM**—That is one. The definition that they are drawing on here is:

... perpetrating, failing to prevent, bearing witness to or learning about acts that transgress deeply held moral beliefs and expectations—

which, in a theatre of war, is happening from time to time, and they are certainly noticing it in the United States. I will just refer you to the link.

**Air Chief Marshal Houston**—I will just say right now that we are very happy to have a look at the paper, and we will provide comment to you on the content and its relevance to the ADF. But, given the sorts of issues you have raised, I would be doubtful that we have had any of those instances. However, because I have not seen the paper, we would like to have a look at it and we will get back to you.

**Senator LUDLAM**—I would appreciate that.

**Senator TROOD**—I have some questions regarding freedom of information activities. Mr Jennings, can you tell me how many FOI requests have been received for this year to date?

**Mr Jennings**—What I can do is provide you with figures so far received and finalised as of 25 May. They total 172.

**Senator TROOD**—So 172 have been received and finalised?

**Mr Jennings**—Yes.

**Senator TROOD**—Can you tell me how many have been received but not finalised?

**Mr Jennings**—There are 196.

**Senator TROOD**—Is that 368 for the year?

**Mr Jennings**—No, the figure of 196 includes the 172.

**Dr Watt**—That leaves 24, according to my maths.

**Senator TROOD**—Even at this late hour I agree with you. So 24 remain unresolved?

**Mr Jennings**—They are still being processed.

**Senator TROOD**—Do you have any comparative statistics, Mr Jennings, with regard to 2008-09, at all?

**Mr Jennings**—Yes, I do.

**Senator TROOD**—Can you provide those to me?

**Mr Jennings**—In 2008-09 the total number of requests was 151.

**Senator TROOD**—What about the year prior to that—2007-08?

**Mr Jennings**—I would have to take that on notice.

**Senator TROOD**—Would you mind doing that for me, please. The matters that are still in process are unresolved—is that right—or are they matters that include requests that have been rejected or declined for some reason, or matters that have yet to be finalised?

**Mr Jennings**—They are simply matters that have yet to be finalised.

**Senator TROOD**—Do you have any statistics on matters that have been rejected, if there is such a category for such inquiries?

**Mr Jennings**—Not specifically. Perhaps what I can do, seeing as you are looking for comparative information, is to give you some data which relates to the relative performance of 2008-09 and 2009-10, which effectively, I think, shows you the change in approach that has taken place over that period of time in the handling of FOI matters.

**Senator TROOD**—Thank you, Mr Jennings.

**Mr Jennings**—That is just to give you an indication. I am very pleased to put these figures on the record, because they speak well of the organisation. Within the 2008-09 year, as I said, there were 151 requests. Those that were answered within 30 days, which is the statutory period, totalled 23 or 15.2 per cent. For 2009-10, received and finalised, there were 172. Of those, 159 were finalised within the 30-day period—that is, 92.5 per cent. In effect, what that points to is a significant turnaround in terms of the speed with which we have been able to handle FOI requests.

**Senator TROOD**—How has that come about?

**Mr Jennings**—I am glad you asked me that question. It has come about because we recognised back in the 2009-10 period that our approaches to handling FOI were inadequate, frankly—they were not meeting the government's expectations and they were certainly falling well short of—

**Dr Watt**—And they were not meeting our minister's expectations.

**Mr Jennings**—They were not meeting, clearly, our minister's expectations. So we went through a remodelling exercise to create a new Freedom of Information and Records Management Branch which exists within the Strategy Executive. The effect of that change was really twofold: firstly, it created an assistant secretary branch head whose primary responsibility was to aggressively pursue the completion of FOI matters.

Secondly, it brought the work of the branch within the broader office of the secretary and the CDF and therefore gave it more centralised impetus to complete those efforts. As you see, I think those two factors alone have contributed to a very significant transformation of our approach to dealing with FOI across the organisation. In addition to that, we have gone through a process of, I think, some fairly concentrated training for FOI decision makers within the organisation, and also there has been the development of a dedicated FOI database which is allowing us to more effectively monitor and report on our handling of FOI claims.

**Senator TROETH**—So you have more expertise in the department dealing with FOI requests. Has this affected or have there been any changes in relation to the standard you apply in relation to dealing with the FOI requests?

**Mr Jennings**—Yes, I think it has. I think what we have seen—

**Senator TROOD**—Sorry, Mr Jennings; perhaps I could just clarify that. In other words, as a result of this concentration of effort, are more documents being released as a result of the efforts—

**Mr Jennings**—Yes.

**Senator TROOD**—that would not otherwise have been released?

**Senator Faulkner**—There is no question, Senator, that Defence has actively fostered a pro-disclosure culture over the last year with, no doubt at all, an increased willingness to release information that is evident right across the organisation. I think a really good example of that is the fact that more than 95 per cent of the incoming brief for the new secretary of the department, who is sitting beside me, was released under FOI late last year. But the critical points here are: Defence has improved response times dramatically over the last 11 months, with the backlog reduced from 33 requests overdue in June 2009 to zero now—zero—with the compliance rate for 2009-10 for meeting requests within the statutory deadline sitting at 76 per cent, against a rate of 15 per cent for 2008-09, and with response times for requests made and completed since July 2009 sitting at 93 per cent. And this is all stacking up against a 30 per cent increase in the amount of requests received compared with the previous financial year. The other thing that ought to be said—because I think Defence deserves very great credit for this—is that there have been no defective administrative notices issued by the Ombudsman's office to Defence during the past year. So Defence is, I think, adopting a very proactive approach in relation to its compliance with the FOI Act and to the forthcoming changes to the FOI Act. So this is unquestionably a very positive, good story which I think the agency deserves a great deal of credit and acknowledgement for.

**Senator TROOD**—And perhaps it reflects something of your own interest in the field, Minister?

**Senator Faulkner**—Well, I hope it does, to some extent—and I do have a commitment in these areas—but I am acknowledging the very fine work here by officials in Defence in turning this situation around; I think they deserve very great credit. I am very supportive, I can assure you, of those efforts, but let us also give credit where credit is due on this. I think it is probably not a story that will dominate the front pages of our newspapers, but it is a good story and it deserves to be told.



**Senator TROOD**—That is an impressive performance. Let me just press on, if I may. Mr Jennings, are you aware of a request made by a Dr Fernandes in relation to FOI matters? I think it was a request from July 2007.

**Mr Jennings**—No, that is not one I have in front of me to brief on.

**Senator TROOD**—I am happy for you to take it on notice.

**Senator Faulkner**—I am certainly aware of it. There has been press coverage of this and I am certainly aware of the issue. Obviously, I am not handling it; I am not an FOI decision maker in the department. But I am aware of the issue.

**Senator TROOD**—You are certainly an interested party in the matter. Do you know, Minister, how many documents Dr Fernandes has requested under FOI?

**Senator Faulkner**—No, I do not know the number of documents. I do not know if there are other people who can assist you. I know that Defence did claim exemptions in relation to these documents under sections 33(1)(a) and (b) of the Archives Act—at least for some of the documents. That, I think, has been the issue that has received discussion in the media. The exemptions were claimed, as I understand it, as—despite the passage of time since 1975—some intelligence sources and techniques remain sensitive, and release of additional documents would reasonably be expected to cause damage to the security, defence and international relations of the Commonwealth.

My understanding in relation to this is that Defence's recommendations were endorsed by the National Archives as the decision maker in regard to the release of the documents to the applicant. I think the status at the moment is that these matters are now being reviewed by the Administrative Appeals Tribunal. The tribunal is the organisation that has that role under the act, and it will make its decision in due course.

The only other thing I would say is that, understanding that background, I want to stress the point where I started: while I have an awareness of this, of course, I am not a decision maker and am not involved in the decision-making processes at all—nor should I be, but I just want to make absolutely clear, as I am sure you would understand, that that is the case.

**Senator TROOD**—Thank you. Do you have some further information on this matter, Mr Jennings?

**Mr Jennings**—Yes I do. I am just speaking to the brief that was prepared for my colleague Deputy Secretary, Strategy and Intelligence, but I understand from that that the AAT hearing is likely to be held in August.

**Senator TROOD**—Can anybody tell me whether or not—in light of the new procedures that have been put in place in the department—this particular matter or request has been through those procedures, in light of the new determination to try and release as many documents as possible, or whether these matters were resolved prior to the new regime, if I can call it that, being put in place?

**Mr Jennings**—I think the new culture applied to the consideration, but what we are dealing with here relates to a particularly sensitive range of documents which would always present a difficulty in an FOI situation because of the nature of their classification.

**Senator TROOD**—Are you confident that Dr Fernandez’s request has been assessed under the new guidelines that have been put in place and the new determination to be as liberal as possible in releasing documents?

**Mr Jennings**—I would be very confident of that.

**Senator TROOD**—Notwithstanding the time that has passed, does the judgment about the sensitivity of these documents remain an accurate judgment of their content?

**Mr Jennings**—Indeed, and in fact that is something that has been demonstrated not only through this process but also I think in a number of other inquiries into this situation over the years.

**Senator Faulkner**—We have to be a little bit careful here because the role of the AAT is clear in relation to this. That is the status of this matter as I have outlined it. I have made a number of statements even though I have been a strong advocate for reform of our FOI laws and processes. There is always an issue in relation to matters of national and operational security that cannot afford to be compromised in any way, as I know you would appreciate, Senator. This is always a relevant consideration.

As I made clear in announcing the government’s reforms to the FOI Act, whatever we do we must understand that certain material that might compromise national security should not be disclosed. That is a general principle. I am not in a position to make a judgment on how it might apply in these circumstances, but I do want to acknowledge—as I always have—the importance of that principle. I believe I have a good record as a reformer in relation to our FOI laws. I have never resiled publicly or privately, within or without government, from that important principle. It obviously must always be a relevant consideration and in these sorts of matters it is a very relevant consideration. But at the moment the matter, as you know, is being reviewed by the AAT. I probably should leave it at that.

**Senator TROOD**—I just have two more questions. It is now 35 years, I gather, in relation to these documents. Does it follow that these documents could never be released, given that we are now a long way out from the events to which they pertain?

**Senator Faulkner**—I did make the point about the passage of time earlier, which is I am sure a relevant issue in relation to this matter. This is not the only matter where these sorts of circumstances become relevant. There have been a number of inquiries and investigations involving DSD over the past two decades into the deaths of the five Australian newsmen in Balibo in 1975. There were the Hope royal commission, as you know, in 1984, the Sherman reviews in 1996 and 1998 and the Blick review when Bill Blick was the Inspector-General of Intelligence and Security in 2001. There was the New South Wales coronial inquest into the death of Brian Raymond Peters in 2007.

What are the obligations for an agency like the Defence Signals Directorate? Of course, as you would appreciate, Senator, they are to comply with the terms and scope of these sorts of inquiries. And those inquiries, as far as I am aware, certainly have had complete access to DSD material. But, as you know, DSD has also at times acted to prevent the public disclosure of intelligence material—that is public disclosure as opposed to disclosure to those sorts of inquiries—that would compromise national security. They are the sorts of balances and considerations that come into play here. I know that you are aware of them. It was ever thus.

**Senator TROOD**—I am, and I take it from all that has been said that the proceedings before the Administrative Appeals Tribunal will be defended by the department—that is, the decisions that have been made will be defended. Is that right?

**Mr Jennings**—We are preparing affidavits to put to the AAT which seek to justify the exemptions that we have claimed.

**Senator TROOD**—Thank you. I do not have any more questions.

**CHAIR**—That concludes our deliberations. Air Marshal Binskin?

**Air Marshal Binskin**—Clarifying some of the questions asked by Senator Brandis—

**Senator Faulkner**—Before Air Marshal Binskin goes on, it would be useful if this could be communicated to Senator Brandis because it is directly relevant—

**Senator TROOD**—I will undertake to do that.

**Senator Faulkner**—I would really appreciate that if you would, Senator Trood. Obviously I think it is important that this information is provided on the public record as soon as possible, but also obviously Senator Brandis, as the person who asked these questions, has a direct interest. Thank you for that, Senator; I appreciate it very much.

**Air Marshal Binskin**—In regard to the flight that Senator Brandis was referring to, it was on 27 January 2009. It departed Port Moresby at 7.42 pm and arrived in Canberra at 11.24 pm. The names of the passengers on the flight have already been tabled in the schedule of special purpose flights. It was tabled in parliament on 29 November 2009. The names of the crew we will hold at the moment. As the minister informed you before, there would be some personal issues around the release of that information, and we will need to consider how we would do that if we were to do it. But I can say that the crew attendant referred to in the discussion is still a member of 34 Squadron. She was in fact 26 at the time of the incident, not 23. The cabin supervisor is still a member of 34 Squadron, so they are both still members of the squadron, and the staff officer referred to in the media is still posted to VIP operations and still a member of the squadron. None of the members have taken any leave for mental health issues since the flight referred to.

In regard to the logging process for incidents that occur in the flights, as I detailed before, it could be an aviation safety occurrence report if it were bad enough or it could be a hot issues brief. In regard to this particular flight, there was no air safety occurrence report. There was no need for one. There was a hot issues brief, though, that was provided to me, and it was referring to the breakdown level of service provided by 34 Squadron on the flight and why it was not up to their normal high standard. It was provided to the journalists under FOI in October 2009, and I am happy to table the hot issues brief. It does not support the allegations put forward by Senator Brandis or the two journalists. In fact, as far as I know, there were no follow-up articles after this information was provided to the journalists.

Finally, I would just like to add that I have regular visibility of 34 Squadron, what they do and how they do it, and I am continually impressed by their high level of professionalism and the service that they give. They take a lot of pride in what they do, and rightly so. Thank you very much.

**CHAIR**—Thank you, Air Marshal.

**Senator TROOD**—Air Marshal, you might table that brief if you are prepared to do so.

**Air Marshal Binskin**—Yes, I will table that.

**CHAIR**—So tabled. Chief of Navy?

**Vice Adm. Crane**—If I might just update—I know Senator Johnston is not here, but I will be quite quick. It is in relation to an incident on 23 April in Singapore. No quick assessment was conducted as it was what is called a ‘notifiable incident’, which automatically triggers the Australian Defence Force Investigative Service involvement, so there was no need for the QA. The first ADFIS investigator to join the ship was from RAAF Butterworth and the second investigator, understood to be from Australia, joined the ship in Singapore to conclude the investigation. That just follows up on his two questions.

**CHAIR**—Thank you, Admiral. Are there any other comments to be added this evening?

**Lt Gen. Hurley**—Earlier today, we were talking about Payroll Task Force activities. We mentioned that there were a number of overpayments that we detected during the audit process. We have detected five significant overpayments of the following amounts: \$60,371; \$54,250; \$48,400; \$29,800; and \$20,370. Four of those overpayments have been repaid in full. One is under discussion with the member. With regard to how we detected these overpayments, three members were detected through the audit process we put in place and two members self-reported to the Defence support pay cells in January.

**Air Chief Marshal Houston**—Senator Trood, in response to your question about the death of Mrs da Costa, I would like to table CJOPS directive 69/09 ‘Joint Operations Command staff procedures for the management and inquiry of civilian casualties in operational theatres’. Secondly, I would like to table *International Stabilisation Force Standard Operating Procedures Part 19: Third Country National Casualty Management*. These two documents address the issues that you questioned me about. I am very pleased to be able to provide you with these two copies.

**CHAIR**—Thank you. The documents are so tabled.

**Committee adjourned at 10.57 pm**