



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## **SENATE**

FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION  
COMMITTEE

ESTIMATES

**(Budget Estimates)**

TUESDAY, 1 JUNE 2010

CANBERRA

BY AUTHORITY OF THE SENATE

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**SENATE FOREIGN AFFAIRS, DEFENCE AND TRADE**  
**LEGISLATION COMMITTEE**  
**Tuesday, 1 June 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, Marshall, Mason, Milne, Minchin, Moore, Nash, O'Brien, Parry, Payne, Polley, Pratt, Ronaldson, Ryan, Scullion, Siewert, Sterle, Troeth, Williams, Wortley and Xenophon

**Senators in attendance:** Senators Bishop, Colbeck, Farrell, Forshaw, Hutchins, Kroger, Ludlam, McEwen, Johnston, Sterle, Trood and Xenophon

**Committee met at 9 am**

**DEFENCE PORTFOLIO**

Consideration resumed from 31 May

**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 Earley, Inspector General, ADF

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Major General Steve Day, Head, Joint capability Coordination  
Major General Brigadier 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

**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 Marshall 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

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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  
Brigadier Bill Horrocks, Director-General, Land Combat Systems

**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

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

Ms Leanne Patterson, Chief Finance Officer

**CHAIR (Senator Mark Bishop)**—I declare open this budget estimates meeting of the Senate Foreign Affairs, Defence and Trade Legislation Committee. I understand a number of persons at the witness table have statements they wish to make. At first instance I will go to CDF.

**Air Chief Marshal Houston**—Last night I was asked in regard to the HMAS *Success* COI: was the inquiry officer inquiry into events on HMAS *Success* in 2009 set aside due to bias? My response is as follows. A legal review as part of the redress of grievance process identified that this inquiry was void for bias. Subsequent advice by Head of Defence Legal, Mr Mark Cunliffe, in relation into the consequences of the legal review confirmed the view that the manner in which certain questions were asked during the inquiry could lead a fair-minded lay observer to conclude that the inquiry officer did not bring an open mind to the process—this is not actual bias but a perception of bias—and that no part of the inquiry officer report should be treated as reliable or relied upon.

The second question was whether the bias associated with the inquiry officer inquiry is an issue within the HMAS *Success* commission of inquiry terms of reference. My response is as follows. The terms of reference for the HMAS *Success* commission of inquiry, which are posted on the internet on the Defence website, provide that the inquiry is:

... to inquire into the alleged incidents of unacceptable behaviour, as defined in applicable Defence Instructions, or other behaviour which could compromise the safety and effectiveness of the crew onboard HMAS *Success* that were brought to the attention of command between March and May 2009, and issues associated with the subsequent management of such allegations and of personnel allegedly involved.

The terms of reference include an annex providing additional context. Subparagraphs 5(b) and 5(d) state:

The Commission is, so far as is practicable, to:

... ..  
 b. obtain and consider investigation and inquiry reports relating to matters before the Commission (unless to do so would be considered prejudicial to the conduct and integrity of this inquiry);

... ..  
 d. identify any substantial weaknesses or deficiencies (isolated or systemic) in applicable systems, policies, practices, procedures and training which have arisen in connection with matters before the Commission.

Therefore, issues related to processes and decision making in the aftermath of events on HMAS *Success* between March and May 2009 are potentially matters the commission of inquiry could choose to consider within the terms of reference. Just to complete the package, I table the Chief of the Defence Force commission of inquiry instrument of appointment, which I signed on 9 March, and the attached terms of reference for your consideration.

**CHAIR**—Documents referred to by CDF are accepted for tabling.

**Air Chief Marshal Houston**—Secondly, I would like to go to Senator Trood's questioning of, I suppose, the incident involving the scientists who were involved in surveys in Timor. I was asked: what were these surveys about in Timor and was there a political aspect to them? I think that is broadly it, Senator.

My response to that is that Defence civilian researchers have conducted surveys in a number of communities around Timor, seeking local views and attitudes on a range of issues affecting peace and stability in East Timor. Questions have addressed community perceptions on issues such as violence, justice, governance and social infrastructure. The results of the research conducted by Defence civilian scientists have contributed to the ISF's awareness of the security needs of the people and government of East Timor. Around 90 of these voluntary community surveys have taken place over the past two years. The program ceased on 18 March 2010.

The surveys were led by Defence civilian scientists. Australian soldiers accompanying the researchers were only present to provide logistical and security support. Engagement with the communities was established through the local chief, who set up the meetings and issued invitations to the village. At the start of a discussion, participants were reminded their presence was voluntary. They were also provided with information on the intended use of the survey and the limitations on the sharing of data. Local interpreters were used to facilitate consultation during community forums.

To ask questions about political affiliations would have undermined the purpose of the community forums. At no point during the community forum at Suco of Lore village—and I

stress this—was a question posed by the researchers about political alignment. Participants in the forum were not asked to indicate political alignment by raising their hands. It is possible the translation process across three languages—English, Tetum and the local dialect—could have caused the confusion at the community forum at Suco of Lore village on 23 February this year. It is also possible internal discussions between community members had local political relevance. However, such comments were not translated back to the researchers. These voluntary community surveys met the guidelines outlined in the *National Statement on Ethical Conduct in Human Research*, published in 2007. Obviously we ceased those surveys when this matter came up. My judgment was that continuing the study was not operationally essential and the decision to cease the study was the most appropriate course of action.

With regard to consultation, ISF and Australian government officials met with La'o Hamutuk representatives on 12 March to discuss claims appearing in one of their media releases on 11 March. The ISF has encouraged La'o Hamutuk to seek dialogue and communicate directly should they have any further questions about ISF efforts in Timor Leste. Of course, as I mentioned to you, I discussed the matter with the Deputy Prime Minister, Mr Guterres, on my visit, which took place subsequent to all of this happening. That is all I have to say at this stage. I believe the Chief of Air Force will now like to add a couple of things to his remarks of last night.

**Senator TROOD**—I thank the CDF for his comprehensive response to that question.

**Air Chief Marshal Houston**—My pleasure.

**Air Marshal Binskin**—I would like to close out again something that happened right at the end of last night to ensure that we have all the facts on the table. In response to Senator Brandis's question last evening, the flight that he was referring to was a flight 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 have already been tabled in the Parliament on 29 November 2009 in the schedule of special purpose flights.

As the minister advised yesterday, he will review whether we reveal the names of the crew on board, and that is mainly down to privacy reasons. However, I can say that the crew attendant that was referred to is still a member of 34 Squadron. The cabin supervisor on the flight is still a member of 34 Squadron. The staff officer referred to in the media is still posted as VIP operations to 34 Squadron. None of these members have taken any leave for mental health issues since the flight referred to.

We talked about the logging process for any incidents or safety occurrences on the flight. There are two types that I mentioned yesterday. One is an aviation safety occurrence report and the other would be a hot issues brief. There were no air safety occurrence reports from that flight. There was one hot issues brief to me referring to a breakdown in the level of 34 Squadron service on the flight and why it was not up to the normal high standard they normally deliver. That was the topic. It was provided to the journalists that were mentioned last night under FOI in October last year. I tabled that hot issues brief last night. I want to confirm that it does not support the allegation put forward by Senator Brandis or the two journalists. As far as I am aware, there were no follow-up articles after that FOI request.

**CHAIR**—Thank you. Senator Faulkner, I think you had a contribution to make as well.

**Senator Faulkner**—As we discussed yesterday, we thought this would be an appropriate time to come back to the issue of force protection, which I know is a matter of great interest and concern to committee members. I have a document that I provided to the committee secretariat that I have asked to be tabled. I have a couple of preliminary points before senators might care to question me or any officials about any of the individual provisions in the document that has been tabled. I should make the point that protection of our soldiers in Afghanistan is the highest priority. That is something that I have said consistently. It is something that is continuously reviewed by defence. The government and defence are working to ensure that our troops have the full range of force protection measures they need to undertake their difficult mission.

The background to this is that, in July of last year, shortly after I became the Minister for Defence and after I had the opportunity to visit Afghanistan for the first time, I asked CDF to carry out a review of the force protection measures that were available for our deployed troops. That review was conducted by the Chief of Joint Operations. It included direct discussions with our troops in theatre about their force protection needs and included an assessment of the effectiveness of previous and ongoing force protection measures as well. That CJOPS report was reviewed by CDF.

He then tasked the Vice-Chief of the Defence Force to design a decision-making framework around these issues for consideration by the government. The outcome of that work was 48 recommendations for enhancement to our force protection measures, particularly—as I mentioned yesterday—reflecting the escalating improvised explosive device concerns and concerns about rocket attacks in Oruzgan. I believe it ensured a coherent, comprehensive and complete approach to force protection. The force protection improvements recommended from the review cover a variety of what might be described as active and passive measures. They range from personal protective equipment to our soldiers right through to unmanned surveillance systems.

I can assure the committee that Defence has been working very hard to progress and implement the outcomes of the force protection review. Some measures have certainly already been implemented, including improving counter-IED measures and improving IED detection equipment. I can also say that progressing other recommendations is well underway, including enhancing medical support and upgrading and hardening living and working accommodation in Tarin Kowt as well as other capability enhancements. Other measures required additional budget funding, which was provided in the budget.

I mentioned yesterday that a key initiative of the package was the acquisition of a counter-rocket artillery and mortar system for use in Afghanistan to provide advanced warning of rocket attacks. I think this is a timely and very important protective measure that will increase the security for troops in Tarin Kowt and elsewhere. I am confident the approved force protection budget measures, costing a total of \$1.1 billion will minimise the vulnerability of personnel facilities and our equipment so that our deployed forces enjoy more freedom of action in their critically important role in support of the Afghan National Security Forces.

Tabled for the committee's benefit is a document indicating that, in addition to the \$1.1 billion in the specific force protection budget measure, Defence has also received \$485 million for force protection through Operation Slipper supplementation, which traditionally

funds ongoing aspects of operations, including force protection. Further ongoing operating costs for force protection initiatives of the \$485 million will be sought in the context of future budgets.

The table, which is attached to the document that you have, sets out the initiatives included in the force protection package and indicates their funding sources, including budget measures, funding from prior and current year operational supplementation and future operating costs for which Defence will seek supplementation through the usual process in future budgets. The committee may be interested in asking questions about the documentation that has been provided. I would like to say to the committee that I am satisfied that we are doing all we can to protect our troops. Nevertheless, it is important to acknowledge that, even though I believe that is the case, as the threats to our soldiers and personnel on the ground evolve in Afghanistan, so too must our force protection arrangements adapt. With those few remarks, that document has now been provided to the committee. I am happy to answer questions and so are my officers.

**CHAIR**—Thank you, Minister. The document entitled *Force Protection Initiatives* is accepted for tabling purposes by the committee. Are there questions arising out of the document or the comments made by the minister? There are no questions.

**Senator Faulkner**—I might have said that the ongoing operating costs for force protection initiatives were \$485 million; I should have said \$48 million.

**CHAIR**—\$48.4 million.

**Senator Faulkner**—If you look at the table headed ‘Force Protection Review Funding Summary’, you will see \$48.4 million, in the fifth column, under the heading ‘Total being sought in later budgets’. So, if I said \$485 million, I should have said \$48.4 million.

**CHAIR**—There being no questions arising out of the material that was tabled, we will start deliberations as per the agenda. I turn firstly to outcome 1. I have been advised by the opposition that there are no questions there. Senator Ludlam has advised the secretariat that he has some questions on submarines. Whether it is Collins class or future subs, I do not know. If there are no other questions on outcome 1 we will return to the issue of submarines, foreshadowed by Senator Ludlam, at a later time.

**Senator Faulkner**—Thank you for flagging that with us.

**CHAIR**—Now we will go to outcome 1, Defence Materiel Organisation. Senator Johnston will lead the questions there.

#### **Defence Materiel Organisation**

**Senator JOHNSTON**—Can I first ask for any DECO personnel to come to the table. I would like to ask them about some DECO matters concerning DPCU.

**Senator Faulkner**—I am not sure who is behind me.

**Senator JOHNSTON**—I have given notice of this.

**Senator Faulkner**—Yes, I know and we will certainly provide the officials for you.

**Dr Watt**—We will provide the officials but, in a sense, DECO is done under a different outcome. We will get the people up here.

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**Senator Faulkner**—We will provide the officials for you.

**Senator JOHNSTON**—Thank you.

**Dr Watt**—It will take us 10 or 15 minutes to get people up from the department. Where do you wish to go until then?

**Senator JOHNSTON**—I will start with Dr Gumley. Dr Gumley, are you aware whether the DPCU— that is, DEF(AUST) 8188/2—DPCU and DPDU are, in fact, a controlled export?

**Dr Gumley**—I understand that elements of the fabric may be controlled exports.

**Senator JOHNSTON**—DSTO developed a low-IR signature with respect to that fabric over many years and have retained intellectual property rights to it, as has the manufacturer. Is that correct?

**Dr Gumley**—The intellectual property rights are uncertain. There are two types of intellectual property rights involved. There is one, if you like, for the actual technology involved with the fabric. There is another one which is involved with the manufacturer's way of applying that technology. Of course, intellectual property is always an arguable issue. It is probably the property of the manufacturer—which is Bruck—as you are well aware.

**Senator JOHNSTON**—There is only one in Australia really, isn't there?

**Dr Gumley**—Can I ask Major General Cavenagh to come forward, please.

**Major Gen. Cavenagh**—I understand that there are two companies that have been licensed to apply the intellectual property that has been developed by Defence to fabric materials: one being Bruck, the other being Wax Converters Textiles Australia.

**Senator JOHNSTON**—What do we buy from Wax Converters Textiles?

**Major Gen. Cavenagh**—Wax Converters Textiles produce material for ammunition pouches.

**Senator JOHNSTON**—What is the significance of a low-IR signature?

**Major Gen. Cavenagh**—This is essentially a capability issue to do with the ability to make it more difficult for people to identify people wearing equipment with a low-IR signature through night vision devices.

**Senator JOHNSTON**—So, if someone knows about the specification and description of the technology contained within DPCU or the variations DPDU et cetera, it makes them easier to detect and spot through night vision optical equipment?

**Major Gen. Cavenagh**—Yes. The ability to produce near-IR mixes to apply to fabrics is fairly widely available within open source material. What does vary are the specific chemical mixes that any particular country may have.

**Senator JOHNSTON**—And that is the secret here, isn't it? We use a specific chemical structure and mix for our fabric that is retained specifically for our combat uniforms. Is that correct?

**Major Gen. Cavenagh**—Yes. We have some IP regarding the particular chemical mix for our near-IR.

**Senator JOHNSTON**—And we would like to think it is exclusive to us and provides us with a tactical advantage.

**Major Gen. Cavenagh**—I would not go so far as to say that it is exclusive to us. Many countries have a near-IR capability and the ability to produce near-IR mixes to apply to any particular fabric.

**Senator JOHNSTON**—Are you aware that this is an export-controlled product?

**Major Gen. Cavenagh**—There is an export control that applies to the near-IR spectrum.

**Senator JOHNSTON**—You mean the near-IR spectrum in our DPCU?

**Major Gen. Cavenagh**—That can be included under that category.

**Senator JOHNSTON**—Why is it controlled?

**Major Gen. Cavenagh**—I think it was placed on the export controls back in 1998 as a broad category to try to protect any technology that is developed in the near-IR spectrum.

**Senator JOHNSTON**—Doesn't the DECO website set out very clearly that combat clothing is not to be exported?

**Major Gen. Cavenagh**—I am not aware of it saying that.

**Dr Watt**—I think to be fair to Major General Cavenagh, he is not from DECO and I would not necessarily expect him to know the answer to that question.

**Senator JOHNSTON**—The problem I have with that answer is that the government is contracting overseas for specific types of material to be manufactured, be it for pouches, backpacks, uniforms or any manner of equipment, using a controlled export fabric. That is the problem. Here is the Major General telling me he is not aware that that is a restricted export. We have a problem, do we not? The DMO is out there seeking to contract internationally with export-controlled fabrics.

**Dr Watt**—I think you asked Major General Cavenagh a more specific question about what was on the DECO website.

**Senator JOHNSTON**—I think that is the problem. He should know what is on the DECO website if it relates specifically to combat clothing, should he not?

**Dr Watt**—I think he should know about combat clothing.

**Major Gen. Cavenagh**—Your question specifically related to the export of combat clothing. Combat clothing can be applied with a near-IR application or it may not be applied with it. So your statement was a very general one about whether clothing was covered under it—

**Senator JOHNSTON**—Sorry.

**Major Gen. Cavenagh**—and the answer to that question is: not specifically.

**Senator JOHNSTON**—Is DPCU?

**Major Gen. Cavenagh**—Not specifically. Some DPCUs have the application of this and some do not.

**Senator JOHNSTON**—How much of our DPCU does not the application of this?



**Major Gen. Cavenagh**—There are some DPCUs where the capability manager will give us a specification as to whether they require near IR applied to the fabric. I will have to take the details of that on notice.

**Senator JOHNSTON**—So you are saying that not all DPCUs are not the same?

**Major Gen. Cavenagh**—That is correct.

**Senator JOHNSTON**—How many uniform manufacturers do we have? You have told me who manufactures pouches.

**Major Gen. Cavenagh**—We have currently just let a contract with two companies, CTE and ADA, to produce the next 200,000 sets of camouflage uniforms.

**Senator JOHNSTON**—What fabric are they using?

**Major Gen. Cavenagh**—There will be a range of fabrics that they will be using, depending on the type of camouflage uniform that will be produced.

**Senator JOHNSTON**—Isn't it all Bruck fabric?

**Major Gen. Cavenagh**—Yes, it will all be Bruck fabric.

**Senator JOHNSTON**—Are you aware of the contract that was awarded in December last year with respect to the manufacture of DPCU with a Chinese option?

**Major Gen. Cavenagh**—I am aware of the contract.

**Senator JOHNSTON**—Are you aware of a DECO inquiry as to whether there was a breach of export controls?

**Major Gen. Cavenagh**—No, I am not aware of that.

**Senator JOHNSTON**—You are not aware of that? Do you think you should be aware of it?

**Major Gen. Cavenagh**—If I can just say that I am not aware of that.

**Senator JOHNSTON**—What is under your command? Could you just give us a snapshot of what Land Systems Division relates to. I am talking specifically about uniforms. Is that your area of expertise?

**Major Gen. Cavenagh**—Within the Land Systems Division we have, essentially, most of the ADF vehicles, weapons systems in the land environment, combat equipment, personal equipment, clothing, small arms and a range of other products.

**Senator JOHNSTON**—Who is in charge of clothing?

**Major Gen. Cavenagh**—I am in charge of clothing as it is one of the areas within my division.

**Senator JOHNSTON**—Yes, but who is the next person down in charge of clothing? Who is under you?

**Major Gen. Cavenagh**—We have the director-general and then we have a SPO director who specifically looks after clothing SPO.

**Senator JOHNSTON**—Are you aware of the minister's press releases with respect to clothing?

**Major Gen. Cavenagh**—I am certainly aware of the most recent one.

**Senator JOHNSTON**—When was that?

**Major Gen. Cavenagh**—I think it was several days ago.

**Senator Faulkner**—My recollection of this issue is that my colleague, Mr Combet, the Minister for Defence Materiel and Science, released a press release on Sunday, 30 May. I am certainly aware of that.

**Senator JOHNSTON**—On Sunday?

**Senator Faulkner**—This in fact goes to an issue canvassed a little earlier about the clothing contracts with Australian Defence Apparel and CTE which Major General Cavenagh addressed in answer to one of your earlier questions, if that assists you. I hope it does.

**Senator JOHNSTON**—Minister, why was the press release released on Sunday? Do you have any information on that?

**Senator Faulkner**—I could not say to you why press releases are released on any particular day of the week. I have never been an expert on press releases, but I assume that Mr Combet thought that that would be an appropriate time to do so. I would really have to check with him why Sunday in particular was chosen as the date for his making the announcement, but truthfully I have absolutely no knowledge of that. I am happy to check with him if you would like me to.

**Senator JOHNSTON**—I find it curious that on the Sunday before estimates the minister announces that Australian Defence Apparel and CTE will provide outfits available to troops from 1 July.

All the uniforms [are] manufactured in Australia by Australians using Australian fabric.

The contracts, valued at more than \$30 million, will help to secure the future of more than 100 manufacturing jobs in Victoria ...

Defence backed away from a contract option to source the fabric more cheaply from a Chinese firm, foregoing a saving of about \$1.5 million.

**Senator Faulkner**—If what you are suggesting—and it sounds as though this might be the case—is that the timing of press releases is governed by the Senate estimates hearing schedule, I would be very, very doubtful about that. I can frankly say to you that I do not know it to be the case. I am happy to check with Minister Combet as to why he made the announcement on Sunday, but I can certainly say to you without fear or favour that I am not aware that such an announcement was relevant to this hearing, if I am connecting the dots correctly and that is what you are suggesting.

**Senator JOHNSTON**—I am sure you are not aware, Minister. I am positive you are not aware. I would not expect you to be aware.

**Senator Faulkner**—I am not. I can confidently say that to you. I can also say that I can check with Mr Combet about the timing if you would like me to. I suspect he just—

**Senator JOHNSTON**—I expect him to fully admit that he did it just so that he had covered all the bases and crossed out any suggestion that we were manufacturing Australian defence apparel overseas. I expect him to tell you that.

**Senator Faulkner**—What I know about these sorts of circumstances is that my colleague is an outstanding and diligent minister. He fulfils his responsibility in a most appropriate way. I know the level of his attention to detail and how thorough he is on these sorts of issues. I know he would keep across the detail of such matters, and I have offered to find out for you why his announcement was made on Sunday. But I always take the approach that I do not necessarily or automatically jump to the view that there might be a conspiracy of some description involved in the timing. I suspect that is not the case at all.

**Senator JOHNSTON**—Good.

**Senator Faulkner**—I just would not come to that conclusion if I were you. I will ask him, and when I can I will come back to you with the response.

**Senator JOHNSTON**—Major General, are you aware of the contract with ADA signed in December last year to manufacture apparel with an option to manufacture a portion of the apparel in China?

**Major Gen. Cavenagh**—I am aware of the contract. I am not aware of the contract detail.

**Senator JOHNSTON**—Is anybody here aware of the contract detail?

**Dr Gumley**—I am aware that towards the end of last week in the normal progress of business the contracts were signed.

**Senator JOHNSTON**—I am talking about the previous contract, the one that we have abandoned, the one that had the option for the manufacture in China with ADA, out of Bendigo.

**Major Gen. Cavenagh**—Yes, there was a contract that was let that had an option to purchase fabric in China. A decision was made earlier this year—

**Senator Faulkner**—You supported that decision, Senator.

**Senator JOHNSTON**—Let us go back to that contract. There was a tender process?

**Major Gen. Cavenagh**—Yes, there was a tender process.

**Senator JOHNSTON**—What was the value of the tender?

**Major Gen. Cavenagh**—I would have to find that out.

**Senator JOHNSTON**—Are you telling me that today you are not prepared to tell me the value of the tender?

**Major Gen. Cavenagh**—I will find the value of the tender.

**Senator JOHNSTON**—Where is Brigadier Horrocks?

**Major Gen. Cavenagh**—He is running his branch within Melbourne.

**Senator JOHNSTON**—He is not here today, yet he was here at the last estimates, the estimates before that and the estimates before that?

**Major Gen. Cavenagh**—That is correct.

**Senator JOHNSTON**—Why is that?

**Major Gen. Cavenagh**—It is because, when I arrived at the estimates earlier this year, I had been in the job for a few weeks and I believed that I needed to have advisers at hand that had the requisite knowledge.

**Lt Gen. Gillespie**—At the time of Brigadier Horrocks's previous appearances at this meeting, he was the acting Head of Land Systems. As General Cavenagh indicates, he was brand new to the job at the last estimates and Brigadier Horrocks was here for that purpose. But Brigadier Horrocks had been the acting Head of Land Systems.

**Senator JOHNSTON**—Whilst the contract was negotiated and executed—that is, the 2009 contract with ADA, with the option of a Chinese manufacture.

**Lt Gen. Gillespie**—You asked why he was here. The reason that he was here was he was the acting Head of Land Systems.

**Senator JOHNSTON**—So we have nobody here who knows about that contract?

**Lt Gen. Gillespie**—General Cavenagh can find the information for you. He said that.

**Senator JOHNSTON**—I see. So we are going to go on to notice and I am not to have the answers today. That is fine. I can understand that.

**Senator Faulkner**—Let us be clear: I will certainly try and ensure that all your questions are answered. From time to time—and you appreciate this—senators do ask questions that cannot be answered immediately. Sometimes there is a delay at the hearings in answering and sometimes questions are taken on notice. We will make absolutely best endeavours to answer all your questions as you ask them. I do not want you to think for a moment that would not be the case. Ask away, and I will try to ensure that all your questions are answered immediately. Certainly, the principle that applies—and should apply—is that that is the case. If we can answer your questions, they will be answered. I promise you that.

**Senator JOHNSTON**—Good. Major General Cavenagh, do you know the terms of the contract incorporating the option to purchase fabric from China?

**Major Gen. Cavenagh**—On 23 December 2009 we signed a contract with ADA, Australian Defence Apparel, for disruptive pattern uniforms, including an option for further quantities. They were for further quantities of DPCU coats, trousers, fire retardant coats, fire retardant trousers and DPDU coats and trousers. As you know, a decision was made not to exercise that option.

**Senator JOHNSTON**—Did the DPCU incorporated in the option include near infra-red signature management technology?

**Major Gen. Cavenagh**—Yes.

**Senator JOHNSTON**—Thank you. Do we have someone from DECO here yet?

**Dr Watt**—We will momentarily.

**Senator JOHNSTON**—Were you in charge of Land Systems when that contract was signed?

**Major Gen. Cavenagh**—No, I was not.

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**Senator JOHNSTON**—Who was? Brigadier Horrocks?

**Major Gen. Cavenagh**—That is correct. He was Head of Land Systems at the time.

**Senator JOHNSTON**—And the structure of Land Systems is a mix of uniform and DMO public service personnel, correct?

**Major Gen. Cavenagh**—We have about 200 uniformed staff, mostly Army, and the remainder are APS.

**Senator JOHNSTON**—DMO APS?

**Major Gen. Cavenagh**—That is correct.

**Senator JOHNSTON**—Have you read the file concerning that contract?

**Major Gen. Cavenagh**—No, I have not read that file.

**Senator JOHNSTON**—Is there anybody at the table who has read the file?

**Senator Faulkner**—I have just established that the answer to your question is no.

**Senator JOHNSTON**—Can we get someone who has read the file from within Land Systems who knows what went on?

**Senator Faulkner**—Do you mean is there someone in the hearing room who has read it? I suspect there is not.

**Senator JOHNSTON**—I would like someone here either this afternoon or late morning so I can ask some questions about what I perceive to be a very important issue.

**Senator Faulkner**—Sure. We will see what we can do.

**Dr Watt**—Can we just narrow something down. You have asked the question: has anyone read the file?

**Senator JOHNSTON**—And is prepared to discuss the file.

**Dr Watt**—Can I just be a bit more specific. Are there particular aspects you wish to go to?

**Senator JOHNSTON**—Virtually the whole of the matter is a matter that I perceive to be quite scandalous and I want to get to the bottom of it quite frankly.

**Dr Watt**—We will get someone.

**Senator JOHNSTON**—Could I be any plainer?

**Dr Watt**—I do not think you could, but ‘reading the file’ is not really the descriptor that helps us.

**Senator JOHNSTON**—I want someone who knows what went on.

**Dr Watt**—Thank you. That is not really a great descriptor either, but we will get someone up.

**Senator Faulkner**—The best information I have in relation to the press release that you are concerned with in relation to my colleague the Minister for Defence Materiel and Science is that the relevant contract here was signed on May 26. I would just like to check with Dr Gumley that that is the case.

**Dr Gumley**—I am just getting that piece of data, Minister. It was towards the end of last week.

**Senator Faulkner**—My understanding is that it was signed on May 26. Can I say to you that it is very common practice a couple of days after a contract is signed to make a public announcement. I would have to say to you that from all the information available to me—and I now have a copy of the press release—it just sounds like standard operating procedure and I hope you are satisfied by that. The contract was signed on 26 May. The press release was put out, as is usual, a couple of days later.

**Senator JOHNSTON**—Good. Do we have any DECO people here yet?

**Dr Watt**—Yes, we have Mr Jennings sitting on the end of the table.

**Dr Gumley**—I can confirm that the contract was signed on the 26th.

**Senator Faulkner**—Let me reinforce that the contract was signed on the 26th and the press release was on May 30. I have to say that it is the standard and appropriate procedure to make things public in this way.

**Senator JOHNSTON**—Mr Gumley, can you tell whether it was a new contract or a variation of the December contract?

**Dr Gumley**—It was effectively a variation of the September contract—

**Senator JOHNSTON**—Excluding the option?

**Dr Gumley**—We excluded the option. You might recall what happened at additional estimates. We were concerned. There were various issues being raised by Bruck and we went to review it. Those issues are quite complex, particularly with intellectual property. So, to maintain continuity of supply to the ADF, rather than do something that may not have been advisable or correct, we made the decision to split the contract between the two Australian people who can stitch this fabric using the Australian made Bruck fabric. For reasons of diversity of supply and to make sure there is a proper tender competition into the future, we decided to split the contract. The two tenderers at the time were very close on price, so it was not an economic issue. What we have maintained is our position in the market for when the five-year contract is issued sometime in the future.

**Senator JOHNSTON**—I appreciate all that.

**Senator Faulkner**—We are endeavouring to fly Brigadier Horrocks up here for you.

**Senator JOHNSTON**—Very good.

**Senator Faulkner**—It is very good and I might say that it would never have happened if I had asked for similar things during the life of the previous government and you know that. Nevertheless, with our best endeavours I am confident that short of some catastrophe with airlines we will be able to do that for you. I hope you will extend the courtesy to us and enable that to occur after the luncheon break because of the time involved.

**Senator JOHNSTON**—Sure. I will now go to DECO. Mr Jennings, are you aware of the responsibilities of the Defence Export Control Office?

**Mr Jennings**—Yes, I am.

**Senator JOHNSTON**—Are you aware as to whether DPCU with a low infra-red signature management technology incorporated in it is an export controlled product?

**Mr Jennings**—That is a deceptively difficult question. What I can tell you is that under the Defence and Strategic Goods List there is a component relating to signature reduction technology which is covered under the Defence and Strategic Goods List.

**Senator JOHNSTON**—It refers to:

... advanced materials such as those with stealth, armour or armour defeating properties ...

Has the office done an evaluation of DPCU?

**Mr Jennings**—Typically the office would not evaluate a generic piece of technology but it would evaluate specific requests to export material.

**Senator JOHNSTON**—Isn't one of the missions of the office to monitor 'compliance with export controls' and undertake 'preliminary investigations in relation to non-compliance' with those obligations?

**Mr Jennings**—Yes.

**Senator JOHNSTON**—Did it do this with respect to the proposed export of DPCU, pursuant to a contract executed by the DMO, in December of last year?

**Mr Jennings**—I am unaware of specific investigations that may have taken place in December of last year.

**Senator JOHNSTON**—Sorry, the contract was signed in December and the investigations took place this year.

**Mr Jennings**—DECO's role would typically be in a pre-contract phase.

**Senator JOHNSTON**—Could you repeat that, please?

**Mr Jennings**—The Defence Export Control Office would typically be involved before a contract was signed.

**Senator JOHNSTON**—Sure. The penalty for breaching section 233 of the Customs Act is a \$275,000 fine or imprisonment for 10 years. This is for exporting a controlled item and failing to apply for an export licence, correct?

**Mr Jennings**—DECO is not responsible for managing penalties.

**Senator JOHNSTON**—That is right, you are definitely not responsible for enforcement. The Customs Act imposes a \$5,500 fine for misrepresenting an export. We are talking about pretty serious penalties here to protect our strategic intellectual property and to not export controlled goods, aren't we?

**Mr Jennings**—That is a matter for Customs.

**Senator JOHNSTON**—DECO's mission sets out—as I have said to you—what it is required to do and you have agreed with me about that, have you not?

**Mr Jennings**—Yes, indeed.

**Senator JOHNSTON**—The point is that Mr Murray Perks of the office was informed that DPCU was the subject of a contract with an option for manufacture and export to China. Are you aware of that?

**Mr Jennings**—Yes, I am.

**Senator JOHNSTON**—Right. What happened as a result of that?

**Mr Jennings**—As I understand it, there was an evaluation of the nature of the potential export.

**Senator JOHNSTON**—Was there a determination as to that nature?

**Mr Jennings**—The issue went to the nature of whether or not only a specification had been exported or whether intellectual property had been exported.

**Senator JOHNSTON**—And you make a distinction?

**Mr Jennings**—That is a distinction which is made. As I understand it, the position that was arrived at was that what was exported was a specification and, as such, no breach would apply.

**Senator JOHNSTON**—Was it a full product specification of Defence Australia 8188 issued to DPCU given to a Chinese manufacturer?

**Mr Jennings**—I would need to take that on notice.

**Senator JOHNSTON**—I want to know if it was a full specification incorporating the near IR signature management technology that was given to the Chinese manufacturer with the option to manufacture. I will put to you at some point, now or in the future, that that was a breach of the IP established by DSTO and the manufacturer, and was a breach of the Export Control Act and the Customs Act. DMO conducted an inquiry into to these matters, did it not? Are you aware of that? Mr Lewincamp conducted the inquiry, didn't he?

**Mr Jennings**—I really cannot speak to the DMO aspects of it.

**Senator JOHNSTON**—But DECO were made aware of it and did nothing is what you are telling me.

**Mr Jennings**—No, I am not telling you that.

**Senator JOHNSTON**—What did they do then?

**Mr Jennings**—I have told that you that I will need to take your question on notice in order to get fuller details.

**Dr Watt**—Dr Gumley might be able to help, Senator.

**Senator JOHNSTON**—All right, but before we go to Dr Gumley I want DECO to tell me precisely what they did upon being availed of the information that there was a potential export contract of DPCU—as specified by me to you, 8188—incorporating the near IR signature management technology. I want you to tell me precisely what action was taken, who was contacted as a result, what investigations were undertaken and what follow-up was undertaken by the office.

**Mr Jennings**—I will do that.



**Senator JOHNSTON**—Thank you. Dr Gumley, you are aware of the export controls?

**Dr Gumley**—Yes, I am aware of the Lewincamp inquiry because I commissioned it.

**Senator JOHNSTON**—We will come to that in a minute. You are aware of the export controls—DPCU incorporating the near IR signature management technology should not be exported?

**Dr Gumley**—I have become aware of that personally only in the last 24 hours.

**Senator JOHNSTON**—Was that a problem?

**Dr Gumley**—It might be a problem. I think the document is hundreds of pages thick and I am not an expert on every clause of those documents.

**Senator JOHNSTON**—Which documents are you talking about?

**Dr Gumley**—They are the entire export control list.

**Senator JOHNSTON**—Sure, but I would have thought it pretty fundamental that if we are spending a lot of money establishing this technology to protect our soldiers we would know whether it is lawful to export it or not.

**Air Chief Marshal Houston**—Senator, the Chief Defence Scientist may be able to help you with some aspects of the technology.

**Senator JOHNSTON**—The technology does not greatly concern me other than the fact that it is incorporated in a fabric that was the subject of a Chinese manufacturing option. I think we have established where we are with this. Unless he can take it any further I do not particularly want to—

**Air Chief Marshal Houston**—I think there are a couple of aspects that he will clarify for you about the technology that is incorporated into the clothing.

**Prof. Clark**—I think I may be able to help a little bit.

**Senator JOHNSTON**—I want to know what the technology cost to develop inside the fabric and who owns the intellectual property. Have you got those answers?

**Prof. Clark**—I might be able to help you a little bit with the intellectual property. DSTO has been involved in selected aspects of the DPCU and the DPDU. They are the colours, the patterns and the near infra-red requirements.

**Senator JOHNSTON**—Why has the DSTO been involved in that?

**Prof. Clark**—Obviously we work to produce this technology to work alongside industry so that this technology can be provided to our defence force.

**Senator JOHNSTON**—But why the DSTO? Why can't industry do it? Why is the DSTO involved?

**Prof. Clark**—If I could just keep going. In all of the above—the three aspects that I have outlined—DSTO has, through its own research, determined the specifications and consequently the Commonwealth owns those specifications.

**Senator JOHNSTON**—Good.

**Prof. Clark**—One area of potential confusion lies in the manufacture of the fabric. So as to demonstrate the performance characteristics of the fabric when manufactured and DSTO's involvement in this process, therefore we work with suppliers in that area. Defence, through DSTO, does not need to own or have the IP rights to the manufacturing processes. There are three reasons for this. The first is that the manufacturing processes developed are improvements to the suppliers' manufacturing processes and the manufacturer has every right to retain confidentiality over its processes as this is its competitive advantage.

**Senator JOHNSTON**—Absolutely. I understand all that.

**Prof. Clark**—The refinement of such processes for the specific requirement is not a piece of new IP that can be used in isolation and is therefore of limited value in itself.

**Senator JOHNSTON**—I know that.

**Prof. Clark**—So once a DSTO supplier has refined the processes it will need to refine them further, obviously, for large-scale manufacturing. Importantly, the manufacturing processes, which, for example, include the types of colours used, will almost certainly vary from one manufacturer to another as varying combinations will give the same result at least in terms of colour, patterns, and the near infra-red properties sought.

**Senator JOHNSTON**—It is not about the manufacturer.

**Prof. Clark**—So therefore there are a number of industrial methods by which the specified colours and reflectance values can be achieved and it is possible that separate companies could have developed similar processes based on first principles.

**Senator JOHNSTON**—Sure.

**Prof. Clark**—I hope that is helpful in that—

**Senator JOHNSTON**—It is to some limited degree but can you tell me precisely what DSTO developed?

**Prof. Clark**—We develop, as I mentioned, the three aspects of the specification: the colours, the patterns and the near infra-red requirements.

**Senator JOHNSTON**—What is specific about the colours you have developed?

**Prof. Clark**—These provide the overall protection that is required—

**Senator JOHNSTON**—Well, explain to me what methodology and technology is involved in developing the colours.

**Prof. Clark**—I would have to take the details of this on notice.

**Senator JOHNSTON**—Why?

**Prof. Clark**—I can look into this and get the details for you.

**Senator JOHNSTON**—It is a specific scientific methodology to determine what colours will give the best result in terms of disruptive pattern in a combat uniform.

**Prof. Clark**—Correct.

**Senator JOHNSTON**—How long did it take DSTO to develop those colours?

**Prof. Clark**—DSTO has been working on this for a number of years.

**Senator JOHNSTON**—What is a number of years? Five years? Ten years?

**Prof. Clark**—For example, the near infra-red reflectance values were provided in May 2004.

**Senator JOHNSTON**—So for six years this technology—the near infra-red signature management—has been incorporated into our fabric.

**Prof. Clark**—As I say, the near infra-red reflectance values were provided to DMO in May 2004 by DSTO.

**Senator JOHNSTON**—Okay. How long did it take DSTO to develop that technology?

**Prof. Clark**—I would have to take that on notice—

**Senator JOHNSTON**—Please take it on notice.

**Prof. Clark**—but several years.

**Senator JOHNSTON**—Several years. Can you give us a rough estimate. Was it one year, four years, seven years, and can you tell me what was involved in developing it?

**Senator Faulkner**—It is always difficult with a question like ‘Can you give us a rough estimate?’ Obviously the Chief Defence Scientist will do his best for you but it might be better to get as precise an answer as we can. You appreciate the difficulty with giving too rough an estimate. It might be an unfair question.

**Senator JOHNSTON**—Well, ‘several years’ implies more than two.

**Senator Faulkner**—I am just saying that it may obviously be difficult for the Chief Defence Scientist to provide a rough estimate. We will see how he goes but you would need to acknowledge that that might be a tough one to answer.

**Senator JOHNSTON**—We will stick with ‘several years. That is your answer: it took several years to develop?’

**Prof. Clark**—I would need to check the details for you.

**Senator JOHNSTON**—What precisely is involved in the technology?

**Prof. Clark**—As I said, I will get these details for you.

**Senator JOHNSTON**—Firstly, I expect you to tell me it is classified.

**Prof. Clark**—The near infra-red reflectance values of disruptive pattern uniforms are made available to potential tenderers in unclassified documents.

**Senator JOHNSTON**—In an unclassified document? The technology used to develop them and the scientific methodology to develop that technology is unclassified?

**Prof. Clark**—I would need to check the facts on that.

**Senator JOHNSTON**—Let’s go back to the colours. You have no idea how the colour was established?

**Prof. Clark**—As I said, I would like to get the right details for you, rather than—

**Senator JOHNSTON**—Okay. What about the pattern?

**Prof. Clark**—Again, I will get the details for you when I come back on this.

**Senator JOHNSTON**—And you have got no idea as to the cost that the Commonwealth invested, through the DSTO, in developing this fabric?

**Prof. Clark**—I do not have that in front of me.

**Senator JOHNSTON**—So we need to know about the colour reflectance value, we need to know about the near IR signature management technology, we need to know about the pattern and we need to know about all of the technology and time that went into providing us with our own disruptive pattern combat uniform. This is the one we were going to give to a manufacturer in China. Did you know about that?

**Prof. Clark**—I prefer just to comment on the technology and the intellectual property.

**Senator JOHNSTON**—Alright.

**Dr Gumley**—We did not give it to them. We placed the orders in Australia.

**Senator JOHNSTON**—Thankfully, you did not—because there was a media release about it. That is the only reason we did not give it to them.

**Dr Gumley**—No, I do not think that is correct.

**Senator JOHNSTON**—Tell me why I am not correct.

**Dr Gumley**—We went through this at additional estimates and you were asking questions then. Bruck wrote me a letter and I think I used language like ‘I thought there was a bit of smoke there and I had to go and investigate whether there was something deeper’.

**Senator JOHNSTON**—What were the dates of the letters? You have told me about the letters. The letters predate the signing of the contract, do they not?

**Dr Gumley**—The letter that I received from Bruck was on or around 24 or 25 January—it might have been a couple of days later. I will get the exact date for you. I think we had estimates the first week of February and by that stage I had said to you that I felt there was some substance in that letter and I was going to do something about it, which I did. The very fact that this most recent contract has been let to two Australian firms using Bruck fabric I hope is indication that I followed through on my words.

**Senator JOHNSTON**—So the fact that Bruck wrote to you and told you that there was no request for their fabric alerted you to the fact that this contract was a problem?

**Dr Gumley**—As I said, it alerted me that there was some smoke there. I did not know the facts of it. Quite often when you are in this defence business there is an information asymmetry between the supply chain and the customer. You rely on your supply chain sometimes to tell you things you do not know. We are not the font of all wisdom or knowledge. Bruck were good enough to write to us. We looked at it and I made a decision that we had to investigate it.

**Senator JOHNSTON**—Who investigated it?

**Dr Gumley**—First of all, we sent Frank Lewincamp in. He has started work on that report. As he has uncovered various issues—and there are some related to PICs and other issues, as you are aware—it is clear that some more work has to be done. I am just in the stage of finalising a contract extension with Mr Lewincamp to investigate some more areas.

**Senator JOHNSTON**—When did you give Mr Lewincamp the brief to undertake his inquiry?

**Dr Gumley**—I think it was a couple of days after AEs, but I think I made the phone call before AEs. I will have to check the exact date.

**Senator JOHNSTON**—So after additional estimates when I raised these issues with Brigadier Horrocks?

**Dr Gumley**—No, because I was acting already on the Bruck letter which I had received before forward estimates.

**Senator JOHNSTON**—But you had an inquiry commence after additional estimates in February.

**Dr Gumley**—We only got into the contract stages. It is one thing to decide to have an inquiry. I think it took about two weeks to get Mr Lewincamp into contract so he could do the work.

**Senator JOHNSTON**—Have you read the original December 2009 contract?

**Dr Gumley**—No, I have not read it personally.

**Senator JOHNSTON**—Are you prepared to provide it to the committee so that we can see the terms of the contract, redacting out the money values? I am happy for you to do that because of the commercial-in-confidence.

**Senator Faulkner**—We do not normally do that, as you would appreciate. I would have to have a look at it. Needless to say, I have not seen it. I am happy to have Dr Gumley provide me with a copy of it. I would need to seek some advice from Dr Gumley and the secretary in relation to some of the contractual obligations we have about putting it into the public arena. My approach on these issues is, if it is possible to do it, then we should do it, but on this occasion—and I am sure you understand why—I have to caveat my response to you in the way that I have. But I will ask for the contract and the advice as I have outlined, and inevitably the contractual obligations, the commercial-in confidence considerations and the like are ones we will need to take account of, seek that advice and then respond to you. I think that is the appropriate way to do it.

**Senator JOHNSTON**—Minister, what I would like is the redacted contract with the money values removed and any commercial-in-confidence identification of the parties removed. I would like to know the name of the Chinese factory. I would like to know when the contract was first awarded, when it was signed and who signed it on behalf of the Commonwealth.

**Senator Faulkner**—Some of those matters I think should be able to be made available.

**Senator JOHNSTON**—Which ones don't you like?

**Senator Faulkner**—Issues of timing and so forth are matters that generally we can deal with. I think the approach I have outlined is appropriate in the circumstances. If Dr Gumley can provide some information to you now, I invite him to do so. I will take up the other matters in the way that I have outlined and that I think is appropriate in the circumstances.

**Senator JOHNSTON**—I would like to see a copy of the contract, if you please.

**Senator Faulkner**—I have heard your question and you have heard my response to it. I hope you would acknowledge that that is an appropriate way of dealing with it, but let us provide what information we can to you now.

**Senator JOHNSTON**—I will further expand on why I want to see the contract in a moment, but Dr Gumley wants to tell me something.

**Dr Gumley**—I was just going to confirm the dates: the Bruck letter, 28 January; my first meeting with Mr Lewincamp, 2 February; additional estimates, 10 February. So I was acting on it before additional estimates.

**Senator JOHNSTON**—And Mr Lewincamp is no longer in full-time Commonwealth service?

**Dr Gumley**—He has not been for a couple of years.

**Senator JOHNSTON**—He has a strong reputation in managing these sorts of matters, inquiries, and knowing his way around defence and security issues?

**Dr Gumley**—Yes, he knows the processes within Defence.

**Senator JOHNSTON**—How much are we paying him to conduct this inquiry?

**Dr Gumley**—We are paying him \$2,900 a day, excluding GST.

**Senator JOHNSTON**—And he is still going in May?

**Dr Gumley**—Yes, but it has been on and off. He has not been doing it continually. He has done some days work and, because he has a number of other assignments he does for other clients—

**Senator JOHNSTON**—Did you give him written terms of reference?

**Dr Gumley**—Yes, there were initial terms of reference. I am now negotiating broader further terms of reference.

**Senator JOHNSTON**—Can you tell us what those terms of reference were.

**Dr Gumley**—I will defer to the minister.

**Senator Faulkner**—I would imagine there should not be a problem with that. Again, let me just check. I would be keen for you to have as much information as we can make available to you. Generally, my approach on terms of reference is there should be absolutely no problem with that.

**Senator JOHNSTON**—Good.

**Dr Gumley**—So the initial terms of reference did not go far enough, which is why we are continuing this.

**Senator JOHNSTON**—In what respect did they not go far enough?

**Dr Gumley**—It is pretty much your line of inquiry. Intellectual property is a very complicated issue, and I do not think we have gone far enough in looking at some of the intellectual property matters. It has also come to our attention recently that the technology is now very diffuse. For example, the British have their infrared uniforms made in China, and so the British technology is freely available in China.

**Senator JOHNSTON**—I pause to mention the British deficit whilst we quote them as an example. Britain is in big economic trouble. One of the reasons I suggest they are in big economic trouble is they manufacture their defence apparel in China, if you do not mind. Go on please, Dr Gumley.

**Senator Faulkner**—I am going to treat that as commentary.

**Senator JOHNSTON**—The day we use the UK as an example in defence apparel—let us be realistic—

**Senator Faulkner**—The way these things work, as you know, is that you ask the questions and the officials and the minister here on the witness table answer your questions. We could have a long and interesting debate about the state of the economy in the United Kingdom, Great Britain and Northern Ireland, its defence expenditure and so forth, but it is best if we focus on what we are going to do. In other words, I am trying to keep the focus on the matters of concern to you.

**Senator JOHNSTON**—Good. Go on, Dr Gumley.

**Dr Gumley**—The technology is diffuse. The Americans have also allowed patents in the public domain which describe a lot of the technology too. As you are aware, in patent law in a patent you disclose all your information. In fact, the patent is a royalty free patent. So the technology is fairly diffuse. So, although there may be some manufacturing technology residing with Bruck that is derived from DSTO technology, it does not necessarily extend that we have covered all the IP issues in this matter.

**Senator JOHNSTON**—What I am worried about is what the chief scientist has told us: several years at obviously some considerable cost with a specific outcome in mind—and that is to give us an edge, to put it bluntly—

**Dr Gumley**—Yes, and technology moves on. Other people are developing things in parallel.

**Senator JOHNSTON**—That does not justify us giving it to other people surely. This is a protective combat uniform that has been designed with great technological skill and at great cost. Can you identify the name of the Chinese factory that was to be used?

**Dr Gumley**—I do not have that with me. I will get that.

**Senator JOHNSTON**—Does anybody know?

**Major Gen. Cavenagh**—I do not have that on me, but it was tabled at the last estimates. We will have to go to *Hansard*.

**Senator JOHNSTON**—Did anybody inspect the Chinese factory to see that they complied with the most basic fundamentals of uniform workers human rights? For instance, the textile, clothing and manufacturing union in Australia has set up a number of principles for outworkers and textile manufacturers. Did we take any interest in that with respect to this factory when we signed the contract?

**Dr Gumley**—All of our contracts have conditions in them which state that contractors and their subcontractors are expected to comply with the laws of the nation involved. I would like Harry Dunstall to come forward. He is our contracting expert in this area.

**Senator JOHNSTON**—Fine. I would like to talk to Mr Dunstall. If we are signing a contract with an option for a manufacture in China, do you not think it important that we at least see that the working conditions are above a standard that we would not accept ourselves? Is that not a fundamentally important issue?

**Dr Gumley**—It is an important issue that all of our contractors abide by the laws of their countries, and we make sure that we have contractual provisions to say that.

**Senator JOHNSTON**—We are manufacturing in places like Laos and Vietnam. We use their standards, do we?

**Dr Gumley**—Yes, we use the standards of the law of the country involved.

**Senator JOHNSTON**—I have some grave concerns about that, I have to tell you. Defence apparel for Australian military personnel manufactured by standards set by Third World countries is totally and utterly unacceptable.

**Mr Dunstall**—Senator, I might be able to help you with this. The policy that we are talking about is a policy called fair work principles.

**Senator JOHNSTON**—That is right.

**Mr Dunstall**—That policy is not driven by DMO or Defence; it was released by DEEWR. The policy that was released makes clear that they do not require overseas suppliers to comply with Australian laws that would otherwise not apply to them. The fair work principles do, however, require such overseas suppliers to comply with all applicable workplace relations, occupational health and safety and workers compensation laws. Through our contracts we require contractors to comply with all applicable laws.

**Senator JOHNSTON**—You and I both know that underneath the black ink letters of a contract lies a commodity called ethics. Are you saying that the DMO in its contracting and Defence in its overseas contracting for Defence apparel is not going to abide by conditions that we set our own manufacturers?

**Mr Dunstall**—We comply with Commonwealth Procurement Guidelines.

**Senator JOHNSTON**—The question is: did anyone check this Chinese plant?

**Mr Dunstall**—We have not had anything done by the Chinese plant.

**Senator JOHNSTON**—We gave them the contract. We then withdrew it.

**Mr Dunstall**—The contract was never given for the Chinese manufacturer.

**Senator JOHNSTON**—I know. We dodged a bullet.

**Mr Dunstall**—The contract was entered into with an Australian prime.

**Senator JOHNSTON**—It was a binding contract. You and I both know what that means. There was a quid pro quo and, if it had not been for a change, there were enforceable rights from and to—correct?

**Mr Dunstall**—No, that is not right, Senator. It was an option that had to be exercised by the Commonwealth using its own unilateral discretion. There was no obligation to source the supplier, the subcontractor, through the Chinese factory. So the option had not even been considered for exercise.



**Senator JOHNSTON**—No, certainly, because we had not got to the option.

**Mr Dunstall**—Correct.

**Senator JOHNSTON**—But there was an option to manufacture Australian apparel at a price that was for the particular run a 40 per cent saving.

**Mr Dunstall**—Correct.

**Senator JOHNSTON**—Yes, in China.

**Mr Dunstall**—As I understand it, Senator.

**Senator JOHNSTON**—At a factory we never inspected.

**Mr Dunstall**—Not at that point.

**Senator JOHNSTON**—We would have, would we?

**Mr Dunstall**—Normally, through this process we would do that kind of risk assessment in terms of—

**Senator JOHNSTON**—Have we done that risk assessment with other pieces of apparel that we use that are manufactured in China?

**Mr Dunstall**—I cannot comment on that.

**Senator JOHNSTON**—I did not think you would. Dr Gumley, when will the Lewincamp inquiry be completed?

**Dr Gumley**—I think there is a couple more months of work.

**Senator JOHNSTON**—What specifically is he looking at and which area of Defence is he looking at?

**Dr Gumley**—The relationship to the priority industry capabilities, which is a bit of a coverall for some of the sub-issues that you are raising that relate to IP and so on, and looking at a policy framework that involves the TCF industry as a whole. It is already clear to me out of the work that has been done over the last couple of months that we need to do a risk assessment on the foreign manufacture. I would like to give you an example. If you were getting something made in the United States, because you have got very strong confidence in the US government's labour laws the risk assessment would come up as very low. You probably would not bother investigating a plant in America because you would rely on the US authorities to do so. If you were getting something manufactured in some other country, you might have a different risk assessment that requires a different risk mitigation approach. It is this sort of policy framework I believe we have got to develop.

**Senator JOHNSTON**—Sure. I appreciate that. You are aware of PICs—priority industry capabilities. You have mentioned them. Are you aware of their relevance to this particular line of product?

**Dr Gumley**—Yes I am. There has been some misunderstanding of what PICs are. I could get the precise definition, but PICs are areas of industry that would hurt Defence very badly if they went away. PICs are not an industry protection scheme.

**Senator JOHNSTON**—No. We will come to that. You are aware that they are mentioned in the white paper?

**Dr Gumley**—Yes.

**Senator JOHNSTON**—And you are aware that they are arguably in the national interest?

**Dr Gumley**—Yes.

**Senator JOHNSTON**—So for anything that fits within a PIC it is in the national interest for it to be manufactured in Australia?

**Dr Gumley**—This is the hard bit: what is the definition of what is in a PIC and what is outside a PIC?

**Senator JOHNSTON**—Let's talk about what the government told us in July in 2009 about PICs. I am quoting from the fact sheet:

PICs are defined as those capabilities that confer an essential strategic advantage by being available from within Australia and which, if not available, would significantly undermine defence self reliance and Australian Defence Force (ADF) operational capability.

Do you think DPCU fits the mould?

**Dr Gumley**—It is arguable.

**Senator JOHNSTON**—It is arguable? The fact sheet does not seem to argue that.

**Dr Gumley**—Because the technology is very diffuse, as I have said. There are many other people who have developed the same technology.

**Senator JOHNSTON**—In the fact sheet there are headings for frequency management in submarines, high-frequency and phased array radars, high-end system and system of systems integration, and the last one is combat clothing and personal equipment. Under that heading it reads:

This capability relates to the ability to undertake ongoing development of the combat uniform, specifically multi-spectral and other signature reducing characteristics, and enhancements to personal survivability (such as ballistic, blast and flash protection). It does not include non-combat clothing nor imply that local manufacturing is always necessary.

Could it be any clearer?

**Dr Gumley**—That is very correct and the key words are 'ongoing development'. It says nothing about having to manufacture it in Australia.

**Dr Watt**—I think you read that out yourself, Senator.

**Senator JOHNSTON**—It says:

PICs are defined as those capabilities that confer an essential strategic advantage by being available from within Australia ...

**Dr Gumley**—The ongoing development.

**Senator JOHNSTON**—It goes on:

... and which, if not available, would significantly undermine defence self reliance and Australian Defence Force (ADF) operational capability.

So you are saying that, notwithstanding this document, DMO does not consider DPCU to be a PIC?

**Dr Gumley**—We consider the ongoing development of the combat uniform to be a PIC. The word is ‘development’. We do not necessarily say that it has to be manufactured in Australia.

**Senator JOHNSTON**—So, if it is a PIC, it does not have to be manufactured in Australia?

**Dr Gumley**—No.

**Dr Watt**—In this particular case it refers to development not manufacture. As you read out, this does not necessarily mean manufacture.

**Senator JOHNSTON**—When the Australian government in 2009 put out priority industry capabilities it had potentially in some circumstances nothing to do with Australian manufacture?

**Dr Watt**—The priority industry capability is to maintain the ability to develop, as Dr Gumley said.

**Senator JOHNSTON**—Dr Gumley, have you had approaches from Senator Carr, the Minister for Innovation, Industry, Science and Research, with respect to this matter?

**Dr Watt**—I think the approaches from Senator Carr would be to the minister.

**Senator Faulkner**—As you would understand, if Senator Carr, as the minister for industry, were to raise a matter with the Defence Materiel Organisation, it would be likely he would do that through the relevant minister.

**Senator JOHNSTON**—Has he approached you, Minister?

**Senator Faulkner**—The relevant minister in this case would be Mr Combet. I can assure you that within government there is a high level of consultation between ministers. I am regularly approached by Senator Carr; I sit next to him in the chamber. So let’s define what we are speaking of. If you would like to define your question, I will get a precise answer for you.

**CHAIR**—We will do that after morning tea.

**Proceedings suspended from 10.30 am to 10.51 am**

**CHAIR**—We will resume. I believe Senator Johnston has the floor.

**Senator JOHNSTON**—Minister, when we left off the question was something like: have you been approached by Minister Carr, who has responsibility for industry, science and technology, with respect to the manufacture of Australian military apparel overseas?

**Senator Faulkner**—At this stage I have not been able to contact Senator Carr to be able to provide you with a response, but as soon as we can I will let you know. I can assure you that the minister for industry is actively engaged on these issues. I would be surprised if these sorts of issues had not been matters for discussion between Senator Carr and my colleague, the Minister for Defence Materiel and Science. But I need to give you a precise answer and to do that I will check with both my ministerial colleagues. And I have not been able to do it in the short time over the break. I am sorry about that.

**Senator JOHNSTON**—To be clear, as a courtesy to Senator Carr you would wish to discuss anything that he has said to you with him prior to discussing it with the committee. I think that is not unacceptable.

**Senator Faulkner**—Apart from what I would describe as casual conversations about these sorts of matters, and I do have them from time to time, I would not consider those formal interactions because it would ordinarily be something that Senator Carr and Mr Combet was engaging in a more formal sense, as you would appreciate. That is what I am checking through for you. You are interested if we could find some detail on that interaction and I am trying to do so for you.

**Senator JOHNSTON**—If I can further assist—

**Senator Faulkner**—If you actually know the answer—

**Senator JOHNSTON**—No, I actually do not know the answer. That is why I am asking the question. But I can tell you that Minister Carr visited one of the manufacturers at Pacific 2010 and had a discussion wherein the status of the December 2009 contract was set out. On 29 January the minister, Minister Carr, advised the manufacturer that the options would not be taken up. I am advised that on 3 February there were further meetings between the manufacturer and the DMO and that they were informed that Mr Lewincamp was undertaking a review of the policy with respect to the option contained in the contract.

**Senator Faulkner**—I do not know of that background. I am aware that Senator Carr attended the Pac '10 because he told me he was going to, and I was grateful to hear of his interest. Some of these ordinarily would be matters that might be progressed with him through his portfolio at estimates. I will nevertheless try and find out what information I can. You know what that conference is like; Senator Carr may well have had discussions with more than one. When I attended I certainly did. I do not if you went or not, Senator Johnston, but I think you did. You would have been in a similar position to many of us who visited. I am not entirely sure which manufacturer et cetera we are referring to here. However, I have the broad picture of what you are requesting.

**Senator JOHNSTON**—I will put a proposition so you know where this is going, and I am sure you know where it is going. Notwithstanding correspondence to DMO from the manufacturer, it was only the intervention of the minister of industry, science and technology that stopped the option being exercised, stopped the progress of a contract with a Chinese manufacturing option in it. Indeed, that minister informed the manufacturer that the option would not be taken up. The point is, had it not been for another minister from outside defence, the matter would have progressed.

**Senator Faulkner**—Dr Gumley might be able to throw some light on it for you. I have said before that it is always a mistake to jump to these sorts of conclusions with a limited amount of evidentiary support for them. All I can do is check that engagement and I will do that, but I do not jump to the conclusion that you jump to. Perhaps Dr Gumley can assist you a little on this.

**Dr Gumley**—Bruck prepared a paper dated 28 January 2010. That paper was hand-delivered to David Mortimer, who handed me a sealed envelope at the DSRAB on Friday of that week. I reviewed that paper on the Saturday, when I had time. Having read that paper on

the Saturday afternoon, I decided there was a problem. There was merit in some but not all of the issues Bruck was raising. I came back to Canberra and early in the next week I worked with Mr Lewincamp. I am not aware of any other intervention in that in making the decision to engage Mr Lewincamp and eventually not to proceed with the Chinese option.

**Senator JOHNSTON**—Let me go further. On 11 December, Mr Tom Traynor of clothes SPO—there is such a person and I presume we all know him—was advised by the manufacturer of the replacement of the Australian manufactured fabric.

**Senator Faulkner**—Sorry, just say that bit again.

**Senator JOHNSTON**—On 11 December 2009, Mr Tom Traynor of clothes SPO was advised of the intention of the successful tenderer to replace the Bruck fabric with an imported fabric.

**Dr Gumley**—I do not know if that is true or not true.

**Senator JOHNSTON**—I do not expect you to, but I am telling you that is in contrast to the material you have given me to this point.

**Dr Gumley**—I do not think so.

**Senator JOHNSTON**—From your knowledge.

**Dr Gumley**—I had no knowledge of any conversation with Traynor and I got this thing a day or two after 28 January.

**Senator JOHNSTON**—Correct. I am not saying that is your fault. I am simply saying that the knowledge was within DMO. The contract was signed on 22 December. So the allegation is that in the full knowledge of within the Clothing SPO there was imported fabric in the contract and the contract proceeded with the option.

**Senator Faulkner**—Let's not deal with allegations. My point to you is always to not deal with allegations. We should just try to establish the facts and proceed as one should at these sorts of hearings. I do not know whose allegation it is but we should not be making allegations. We should be seeking information and facts on these sorts of issues.

**Senator JOHNSTON**—I am putting the facts as I have been told them from a reliable source who is laden with integrity.

**Senator Faulkner**—That may well be so but from time to time these matters are disputed, as you know. As you and I also know, people of goodwill and integrity can come to different conclusions on things. I do not actually have any insight to this at all.

**Senator JOHNSTON**—I do not expect you to, Minister.

**Senator Faulkner**—I know. So I go back to first principles: deal with it sensibly and straightforwardly, and work with you to establish the facts. After establishing the facts we are all open to draw any conclusions we wish to. That is the approach I am taking—hence my comments about allegations and the like. I do not know some of the individuals or organisations you are mentioning. I have no knowledge of them.

**Senator JOHNSTON**—But the department does. That is the problem.

**Senator Faulkner**—They may or may not. For example, regarding the recent questions you have asked there may or may not be any knowledge and it appears that there is no knowledge of it. That does not do anything other than say that we should take a step back, check the facts and provide the information we are able to. On some of these matters—for example, where third and fourth parties are involved—it might just be possible that Defence, after all its best efforts, may actually not be able to throw a lot of light on those sorts of conversations or contacts, or interface with these individuals at all. As you appreciate, that is always the challenge that we have.

**Senator JOHNSTON**—Alright. Dr Gumley, are you aware of whether there were any Chinese samples provided in support of the contract option?

**Major Gen. Cavenagh**—We provided a functional performance specification as part of the tender. I understand that some fabric samples were provided by the subcontractor.

**Senator JOHNSTON**—Do you know the name of the subcontractor?

**Major Gen. Cavenagh**—The subcontractor is Zhejiang Huili Dyeing and Finishing Company.

**Senator JOHNSTON**—Do you know who owns that company?

**Major Gen. Cavenagh**—No, I do not.

**Senator JOHNSTON**—Is that not an important consideration?

**Major Gen. Cavenagh**—Not necessarily.

**Senator JOHNSTON**—Did you test the samples to see that they complied with the specification focusing on the near IR technology management capability and the fire retardant capability?

**Major Gen. Cavenagh**—I would have to check the detail on that.

**Senator JOHNSTON**—Could you take on notice, please, whether the samples were fully tested as being compliant with the specification and whether they matched precisely the specifications of the Bruck fabric?

**Major Gen. Cavenagh**—Yes.

**Senator JOHNSTON**—Minister, what is your understanding of ‘priority industry capabilities’.

**Senator Faulkner**—What I know is that in financial year 2009-10, 95 per cent of all ADF clothing was assessed as being manufactured in Australia.

**Senator JOHNSTON**—Only 95 per cent?

**Senator Faulkner**—I think you should look at the pattern prior. As you would appreciate—

**Senator JOHNSTON**—Two wrongs do not make a right, do they?

**Senator Faulkner**—No. It is true that two wrongs do not make a right but, as you have said, very significant efforts have been made in this area. You ungenerously described things such as ‘dodging a bullet’. I would be more positive in the language that I would use. The

government currently procures around 80 per cent of its combat clothing and personal equipment capability within Australia from the textile, clothing and footwear industry. The situation in relation to PIC policy, as I understand it, is this: certain parts of combat clothing and personal equipment are currently classified by the government as a priority industry capability within Defence's policy framework.

**Senator JOHNSTON**—Which parts?

**Senator Faulkner**—The PIC policy does not limit the manufacture of combat clothing and/or personal equipment within Australia and it identifies capabilities rather than specific companies. The combat clothing, specifically the disruptive pattern combat uniforms, worn by Australian soldiers is currently manufactured in Australia and no Australian troops currently deployed or in training are wearing disruptive pattern combat uniforms made from Chinese fabric—which I think you understand is the case, but we should be clear about that. Of course the government, particularly my colleague the Minister for Defence Materiel and Science, will continue to very closely monitor this particular priority industry capability to ensure that the industry capacity is sufficient to support Australia's capability needs. Broadly, that is my understanding.

**Senator JOHNSTON**—Ninety-five per cent? Could you repeat that figure and what it relates to?

**Senator Faulkner**—My understanding—and I will check if officials can confirm this—is that, in the last financial year, 95 per cent of all ADF clothing was assessed as being manufactured in Australia.

**Senator JOHNSTON**—Right, and 80 per cent of?

**Senator Faulkner**—That is being manufactured in Australia. Apparently I have just been handed the wrong figure. It is 85 per cent.

**Senator JOHNSTON**—Of all combat clothing?

**Senator Faulkner**—I will just check.

**Senator JOHNSTON**—Maybe the major-general can assist us.

**Senator Faulkner**—He might be able to. I would prefer to get the right figure rather than the wrong figure. Is it true that from the period, 1 July 2009 to 30 April, some \$55.4 million of total payments were made to the top 20 suppliers, all of which are Australian-owned companies? Is that correct?

**Major Gen. Cavenagh**—That is correct.

**Senator JOHNSTON**—You see, that is not the problem. It is the ordinary workers we are worried about here, Minister.

**Senator Faulkner**—I am just trying to get the right stats for you, Senator. We want to get the percentage right. So is that a typo?

**Major Gen. Cavenagh**—It must have been.

**Senator Faulkner**—So what is the precise figure?

**Major Gen. Cavenagh**—For the financial year 2009-10, 85 per cent is assessed as being manufactured in Australia and 15 per cent as being manufactured overseas.

**Senator Faulkner**—So the figure then is 85 per cent.

**Dr Watt**—We have got two conflicting figures, Senator. We will confirm which one is true.

**Senator JOHNSTON**—And the second figure you gave me was 80 per cent that is acquired from Australian companies.

**Senator Faulkner**—Yes, Senator, but having just been handed a note with the percentages and now it is suggested that that might be wrong, what I will do is not rely on the note that was handed to me about the percentage. I might actually double-check the percentage before I come back to you. I hope you would accept that as sensible in these circumstances.

**Senator JOHNSTON**—Very sensible. I would really like to have that figure today, Minister.

**Senator Faulkner**—Absolutely. What I was confident of, Senator, is that for the period 1 July 2009 to 30 April the figure in terms of dollar value was \$55.4 million of total payments. What you have heard from General Cavenagh is that this appears to mean that for financial year 2009-10, 85 per cent is assessed as being manufactured in Australia and 15 per cent assessed as being manufactured overseas. However, I will absolutely make sure for you that those statistics are correct and I will ask General Cavenagh to inform me. Are you satisfied—

**Major Gen. Cavenagh**—We will check them.

**Senator Faulkner**—Senator, why don't we leave that and come back to you as soon as we can on it?

**Senator JOHNSTON**—That is good. Without being bound by the figure, there is a percentage of Australian military combat apparel that is not manufactured in Australia. Where is it manufactured?

**Dr Gumley**—In a variety of countries.

**Senator JOHNSTON**—Do you know which ones they are? I know of two—Laos and Vietnam.

**Dr Gumley**—Laos, Vietnam, China, Sri Lanka, Israel, USA, and some European countries for some smaller items.

**Senator JOHNSTON**—What are we getting from Laos, Vietnam and China?

**Dr Gumley**—We get webbing ensemble from Hong Kong and China and Australia—made in three places.

**Senator JOHNSTON**—What is a 'webbing ensemble'?

**Major Gen. Cavenagh**—Individual load carriage equipment—

**Senator JOHNSTON**—So pouches, backpacks—

**Major Gen. Cavenagh**—It could be some of those components, yes.

**Senator JOHNSTON**—Do we know? Where is the fabric for those? I presume they are all DPCU. Where is the fabric acquired from?



**Dr Gumley**—I do not know that myself, Senator. I will have to go and check.

**Senator JOHNSTON**—What is the value—

**Dr Gumley**—Would you like me to continue with the list?

**Senator JOHNSTON**—Sure. I want to know the costs and how much we are spending overseas, and missing out on—

**Dr Gumley**—Okay. We are talking hundreds of thousands of contracts here of different types, so there is a heck of a lot of analysis to be done. Knee and elbow pads come from China. Sleeping bags come from China. Duffel bags come from China. Wet weather jackets are Australian fabric. The trouser comes from China. Extreme cold weather—

**Senator JOHNSTON**—Sorry, which ‘trouser’ are we talking about? Wet weather trousers?

**Dr Gumley**—Wet weather trousers. I think that is what it is. It just says ‘trouser’. Extreme cold weather jacket and trousers and puff clothing—I presume you would know what that is—come from the UK for the garment, Vietnam for the fabric and China for the garment. So there are a wide variety of sources of supply for this equipment, this clothing.

**Senator JOHNSTON**—What is the annual value approximately? A couple of hundred million, I would have thought.

**Senator Faulkner**—No, a lot less than that.

**Dr Gumley**—Nowhere near that.

**Senator JOHNSTON**—Good.

**Senator Faulkner**—The last statistic I was handed at 10.54 am, as timed on the note. It may not have been accurate, but we will give you a precise figure as of 11.16 am.

**Senator JOHNSTON**—All right.

**Dr Watt**—The data is subject to confirmation.

**Dr Gumley**—Do you want an order of magnitude—is that where you are going, Senator—not a precise number?

**Senator JOHNSTON**—First of all, I want to know: how long have you known that somewhere around 15 per cent of Australian combat uniforms were manufactured out of country?

**Senator Faulkner**—I suspect the answer to that is decades.

**Dr Gumley**—I would say many, many years. I have been in DMO since 2004, and I guess that would be the first time I recognised it—when I arrived here.

**Senator Faulkner**—Given evidence at previous estimates committees, I would have been confident that it would be decades.

**Senator JOHNSTON**—And you are going to tell me how much it is worth.

**Dr Gumley**—Eighty-five per cent is worth about \$55 million, so you can do your math and work out what 15 per cent is worth.

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**Senator JOHNSTON**—About \$10 million?

**Senator Faulkner**—Yes. It is certainly in that order—I would have thought in the order of \$10 million to \$12 million, and we will get as precise a figure as we can.

**Senator JOHNSTON**—And 20 per cent of the contracts go to foreign owned companies?

**Major Gen. Cavenagh**—No, I do not believe that is correct.

**Senator JOHNSTON**—We are still looking at that number, are we?

**Major Gen. Cavenagh**—I think that we have about 250 suppliers for ADF clothing—tailors, fabric suppliers, garment suppliers and retailers—almost all of which are Australian. You really do need to go into the detailed breakdown of how each manufacturer or company that we are contracted with provides the products that they are contracted for. For example, if you take Australian Defence Apparel, that is 95 per cent Australian materials and five per cent from overseas and it is manufactured in Australia. You can then move on to another company where it is 77 per cent Australian materials, the rest from overseas, and 18 per cent overseas manufacture. We could step through all of those major contracts and give you a detailed breakdown of costs and what is manufactured in Australia or supplied from raw materials in Australia, materials overseas and overseas manufacture.

**Senator JOHNSTON**—All right. I thank you for that. The Minister for Defence Personnel, Materiel and Science said:

No Australian troops are ... deployed, or in training, wearing combat uniforms made from Chinese fabric.

The minister said that. Why have we specified the words 'deployed or in training'—so that undeployed, non-training troops, of which we have the bulk, may be wearing Chinese fabric?

**Major Gen. Cavenagh**—All of our DPCUs have been made with Australian made fabric.

**Senator JOHNSTON**—Right. But the LCE, the load-carrying equipment, the pouches and the backpacks, are not necessarily manufactured in Australia?

**Major Gen. Cavenagh**—I would have to check the fine detail of all the individual contracts. As I understand it, the material is made in Australia; some of the pouches and other pieces of equipment are made in Australia—it depends on the particular item—and some may be made overseas.

**Senator JOHNSTON**—How many uniforms do we use and consume every year?

**Major Gen. Cavenagh**—It is roughly in the order of 65,000 sets.

**Senator JOHNSTON**—Dr Gumley, we have had a report into the clothing SPO back in 2006 or 2007, the Harding-Treloar report.

**Dr Gumley**—Yes.

**Senator JOHNSTON**—What were the terms of reference for that report?

**Dr Gumley**—We will have to dig them out; I do not have them with me.

**Senator JOHNSTON**—Broadly, do you know roughly what it was about?

**Dr Gumley**—Sorry?

**Senator JOHNSTON**—Do you know roughly what the report was about?

**Dr Gumley**—Yes, certainly, and it was a very thorough investigation. There had been allegations, from suppliers, of practices they thought were unreasonable in the SPO and, over a period of some years, some of these accumulated. So the Harding review—there was a group of three gentlemen—went and had a very good look. They interviewed a large number of people, took evidence and produced a report. That was given to a previous defence minister who instructed the full implementation of that report. I think there were 29 recommendations.

**Senator JOHNSTON**—Twenty-nine recommendations—can you take me through what they were?

**Dr Gumley**—Sure.

**Major Gen. Cavenagh**—Would you like to go through each individual recommendation?

**Senator JOHNSTON**—Please.

**Dr Gumley**—

*Recommendation 1*

DMO implement the Kinnaird process across the Solider Support SPO and the Clothing Group as a matter of urgency.

**Senator JOHNSTON**—So that is first and second pass, and all of the associated—

**Dr Gumley**—Yes, for the large ones, because the small ones do not go through first and second pass. Do you want the status against each one?

**Senator JOHNSTON**—Yes.

**Dr Gumley**—The status is: completed. ‘The clothing and soldier modernisation SPOs do business and interact with Defence and industry in accordance with the DMO policies and instructions. New requirements are treated as either major or minor capital projects—

**Senator JOHNSTON**—Hang on—No. 2 was: ‘interact with Defence and industry in accordance with’ what policy?

**Dr Gumley**—DMO’s policies and instructions.

**Senator JOHNSTON**—So they were not doing that?

**Dr Gumley**—Up to 2006 they were not—well, it is arguable that they were not; that is what some of the findings of the report were. That Harding report is available on the web if you want to read through it all.

**Senator JOHNSTON**—Yes. But let us just go through this. Number 3?

**Dr Gumley**—No, we are still at No. 1.

**Senator JOHNSTON**—Sorry.

**Dr Gumley**—I was reading out that: ‘... endorsed material acquisition sustainment agreements are in place. The implementation of this recommendation has led to organisational changes to ensure the SPOs follow DMO’s endorsed processes for acquisition sustainment in accordance with the Kinnaird process.’ So we actually aligned a SPO into the formal processes we had elsewhere in DMO.

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**Senator JOHNSTON**—Yes.

**Dr Gumley**—

*Recommendation 2*

Land Systems Division fill the position of Head of the Clothing Group within Soldier Support SPO as a matter of priority ...

Status: completed. Positions of deputy director, clothing and soldier modernisation SPOs, are established and filled.

*Recommendation 3*

DMO elevate organisationally the Clothing Group to a SPO.

**Senator JOHNSTON**—Are they currently established in the field?

**Dr Gumley**—Yes.

**Senator JOHNSTON**—So individual SPOs, clothing SPOs, are out with all of the—

**Dr Gumley**—Yes, because—

**Major Gen. Cavenagh**—Sorry—not in the field, Senator. The recommendation was about the establishment of a separate soldier modernisation systems program office and a clothing systems program office, and establishing and filling the correct appointments. They have been established and filled.

**Senator JOHNSTON**—Good. Thank you.

**Dr Gumley**—

*Recommendation 3*

DMO elevate organisationally the Clothing Group to a SPO.

Previously it had been more dispersed, and so it got the status and resources of a SPO. Status: completed. They were elevated to SPO status on 2 October 2006, before becoming fully operational on 31 October 2006.

*Recommendation 4*

Land Systems Division review in detail the size and shape of the Clothing group, the rank and skill levels of the staff within the organisation and determine which specific resources are required for the Clothing Group to improve its performance and implement the additional business activities identified by the Review Team.

Status: completed. A detailed review was conducted in 2006 and approved by the then Minister for Defence. Ongoing reviews and workforce analysis of the group division at branch level resulted in the SPOs currently being resourced as follows. Clothing SPO, 72 persons comprising 16 technical personnel, 11 inventory personnel, 15 procurement officials, 12 fleet and sustain managers, seven commercial personnel, three personnel involved in minor procurement activities, three personnel involved in non-combat clothing prime contract, and five personnel in headquarters, including the clothing hotline, which is manned by service personnel from Navy, Army and Air Force.

In addition, we have the Soldier Modernisation SPO comprising 90 persons—

**Senator JOHNSTON**—So that is 70 people in the ordinary SPO and 90 people in the—

**Dr Gumley**—In the Soldier Modernisation SPO.

**Senator JOHNSTON**—So that is 160.

**Dr Gumley**—Yes. The 90 personnel in Soldier Modernisation SPO is made up of 21 technical personnel, seven inventories personnel, eight procurement officials, four fleet and sustain managers, nine commercial personnel, two DSTO personnel, five ILS managers, 31 project staff and three personnel in the headquarters. You would be aware that the Soldier Modernisation SPO does a lot of what we call ‘future projects for the soldier’.

**Senator JOHNSTON**—MCBAS, TBAS et cetera?

**Dr Gumley**—Yes. Modernisation and making sure we have the best equipment. The current skill levels within the SPOs are as follows. The Clothing SPO has 29 staff with complex procurement competency and 43 with simple procurement competency. All inventory staff are trained in the AIMS BART system, which is about inventory optimisation. Procurement staff are also trained in ROMAN, which is the Defence finance system. The Soldier Modernisation SPO has 49 staff with complex procurement competency, 64 with simple procurement competency, 14 are trained in ROMAN and 13 AIMS trained.

You might recall that the Harding review said we had to adequately staff this, because it was clear there was inadequate staffing. We have done that and we have got qualified people doing this work. Since 2006 there has been working in planning procurement—the endorsed business model facilities. Forward procurement planning links funding to capability requirements and is based on monthly demand analysis to inform priority based replenishment requirements. Senator, I do not know how much you would like to go through this, but I have got many, many pages of these implementations.

**Senator JOHNSTON**—How many pages?

**Dr Gumley**—Fifteen.

**Senator JOHNSTON**—Obviously there were some substantial problems with the SPO?

**Dr Gumley**—The Harding review of mid-2006 found that to be the case, and we have implemented the 29 recommendations to fix those problems.

**Senator JOHNSTON**—Are they fixed?

**Dr Gumley**—I believe so. I think the areas we are now looking at are some of these areas around policy.

**Senator JOHNSTON**—Yes, we are going to get on to the standard of equipment, but policy certainly.

**Dr Gumley**—Certainly the policy. There have been developments in the policy areas. It may be helpful to you, because you are previously talking about the Lewincamp terms of reference, which we will provide to you through the minister, if he agrees to table them.

**Senator Faulkner**—Yes, very happy for those to be provided.

**Dr Gumley**—Minister, may I read into the record the proposed next stage of that terms of reference.

**Senator Faulkner**—Yes.

**Dr Gumley**—At this stage this is just an email. It was sent on 25 May at 10.12. It is from me personally to Frank Lewincamp.

**Senator JOHNSTON**—This was last Friday, was it?

**Dr Gumley**—No, it would be last Tuesday.

**Senator JOHNSTON**—Tuesday, sorry.

**Dr Gumley**—The email reads:

I would kindly request some more work from you as an extension of your draft report. Dan will contact you on contract details. It may take several months to consult industry companies who currently import or subcontract to evaluate their mechanisms and approaches and risks of non-compliance, recalling it is the company's obligation under areas like the Customs Act to get their approvals.

**Senator JOHNSTON**—So it is intended that we would still want to import a lot of equipment?

**Dr Gumley**—Yes, it is, and I will come to that in a moment.

One would think it is in the interests of importers that they could objectively prove compliance.

- (1) What are the practical methods Clothes SPO can undertake to gain quality assurance on supplies from China, South Asia and South-East Asia? Note that Australia has reciprocal QA arrangements with most other Western democracies.

That is where I was coming to previously, you would rely on the laws of the US or Europe where there are strong labour laws.

- (2) With respect to compliance with UN International labour organisation obligations, how can DMO be sure that a foreign supplier meets those requirements e.g. proper wages, no child labour, rights for labour to organise et cetera and what suggested enforcement mechanisms might be used?
- (3) When an Australian company acts as a prime, how do they enforce the QA in their suppliers and what rights might we have to look through the prime to ensure the sub contracted supplier is meeting obligations? This is a reputational risk for any government procurement that needs to be managed and mitigated. Harry Dunstall's team can provide some legal assistance.

**Senator JOHNSTON**—Very good. Minister, will we be able to publish the report?

**Senator Faulkner**—I certainly hope so. You know my approach on these things: that whatever can be provided in the public arena is put into the public arena. But we will see what it says first before we make that judgment. It has only just been commissioned, as you would appreciate, Senator. We have just heard the terms of reference. I doubt that Mr Lewincamp has even started work on the second one.

**Dr Gumley**—I have a meeting with him later this week to determine this.

**Senator Faulkner**—It is a bit early to ask for the report but the principle is of course an important one.

**Senator JOHNSTON**—What is the duration of the contractual term for Mr Lewincamp?

**Dr Gumley**—That is what I will be discussing with him when I meet with him. I think it is Wednesday or Thursday this week.

**Senator JOHNSTON**—You have not set a date?

**Dr Gumley**—I have not set a date because we have to scope out the quantum of work. We have set the questions that I would like him to investigate and provide some draft views on.

**Senator JOHNSTON**—Do we have a Clothing Governance Executive Group?

**Dr Gumley**—Yes, we do.

**Senator JOHNSTON**—Who is on that group?

**Major Gen. Cavenagh**—I have to confirm the details of the exact positions but it does include me, the Deputy Chief of Army and other key appointments involved in overseeing Defence clothing.

**Senator JOHNSTON**—The recommendations in Harding and Treloar asked that the Inspector-General investigate various matters. Did he do so?

**Dr Gumley**—Yes.

**Senator JOHNSTON**—What did he find?

**Dr Gumley**—Recommendation 11 from the Harding review was:

Inspector-General formally investigates the statements made by a company that accused the Clothing Group of acting either illegally or deliberately not in accord with Departmental Policy.

Status: completed; investigation report by the Inspector-General completed; the complainant was debriefed both verbally and in writing.

**Senator JOHNSTON**—Paragraph 2.8 says:

Of particular concern were statements made by a company that accused the Clothing Group of acting either illegally or deliberately not in accord with Departmental policy. In a similar vein, other companies implied that not all tenders were provided with the same information. These allegations appear to be supported with information provided by both the Clothing Group and from industry participants that not all recent Clothing Group tenders had been made available on the Australian Government Tenders website. While the large majority of companies did not believe that the Clothing Group was acting improperly, the strength of negative comment from one representative is such that the allegations, and the wider circumstances surrounding these activities, should be investigated further.

We did the investigation—

**Dr Gumley**—Did you just read from the Harding report?

**Senator JOHNSTON**—Yes. We did the investigation and what did the Inspector-General find back in 2006?

**Dr Gumley**—I will have to get you the details on that one. But the fact is he did report out and the complainant was debriefed both verbally and in writing.

**Senator JOHNSTON**—It is all bound up in recommendation 2 under the heading ‘Industry and commerce’.

**Senator Faulkner**—Could you just say that again, I missed that?

**Senator JOHNSTON**—Under the recommendations in Harding—

**Senator Faulkner**—This is in the Harding report?

**Senator JOHNSTON**—Yes. Under the heading ‘Industry and commerce’, it says:

The Clothing Group establish a system whereby designated companies who deal with Defence, or have expressed a desire to deal with Defence, are certified as holding appropriate qualifications as suppliers to Defence. These qualifications include:

- Having the necessary quality certification such as ISO 9000/1
- Being bona fide operating businesses
- Having the capability to deliver, both in terms of the volumes and responsiveness required
- Meeting the legal requirements and community expectations for workplace standards, not only for themselves but for their subcontractors
- Having ethical standards accepted by Defence

Are all of our suppliers ISO 9000/1?

**Dr Gumley**—I would be sure that they are not because the language actually was ‘such as ISO 9000/1’. ISO 9000/1 is a very tight quality specification. I am sure you are aware of that. It includes design as well as manufacture. Many companies are qualified to ISO 9000/2, which is manufacture. So it depends on what is appropriate for the sort of work that any particular company is doing.

**Senator JOHNSTON**—I am reading from the report. What other qualifications are there for quality certification?

**Major Gen. Cavenagh**—As part of the certification process they look at potential suppliers to provide evidence of their quality system. Some suppliers may have quality systems in place but have not gone to the expense and effort of getting ISO 9000/1 qualification.

**Senator JOHNSTON**—So it is a subjective analysis of the quality capacity?

**Major Gen. Cavenagh**—Yes. It is about having a look at the quality system.

**Senator JOHNSTON**—So when we specify a particular quality certification, which is pretty uniformly used in Australia, we do not necessarily stick to that? Is that what you are telling me?

**Major Gen. Cavenagh**—We would have a look at the actual evidence of what quality systems may be in place by a particular company.

**Dr Gumley**—There is also a practical issue here. We are talking about a supply system that has got 250 companies in it. A lot of those companies are very small. The total business done by these suppliers is probably \$100 million a year—I will get you a more precise figure—and once it is split between 250 companies, it indicates that a lot of the companies do not do a lot of work. You would not expect them to be burdened with the very high overhead cost of an ISO 9000/1 system. The competition would knock them out of the market. So there are some practicalities about the structure that exists in the TCF industry in Australia.

**Senator JOHNSTON**—Okay. Do you recall how much this report cost?

**Dr Gumley**—I certainly do not recall.

**Senator JOHNSTON**—And who were Mr Harding and Mr Treloar?



**Dr Gumley**—I believe Mr Harding was a senior executive from one of the major international oil companies, I think it was. I will have to go and get you his resume. He had a long experience in business. Mr Treloar was a retired Air Vice Marshal who understood the military. If you like we can get you their resumes, if that is helpful.

**Senator JOHNSTON**—Did we undertake some restructuring of the Clothing SPO down in Victoria as a result of this report?

**Dr Gumley**—Yes, we did some very significant restructuring.

**Senator JOHNSTON**—Tell me what we did.

**Dr Gumley**—First of all, we staffed it—let me use the word—properly. With the technological content and the importance of giving the soldiers the best equipment, it was clear that we needed to lift the capability, the skills and the knowledge of the people inside the Clothing SPO and the Soldier Modernisation SPO. We worked hard with those people and we brought professionals in from the TCF industry to join the SPO. It was not just going to be treated in future as what you would call an almost clerical function where they have just a buying function. We brought expertise in. We brought specialist scientists in—you heard me mention the two DSTO scientists involved—and we were lifting the overall skill level.

**Senator JOHNSTON**—What personnel changes—titles, not names—in senior management were made at the Clothing SPO?

**Major Gen. Cavenagh**—They separated the Clothing SPO from the Soldier Modernisation SPO. There was extensive and progressive staff movement to ensure that there was a proper staff rotation within Land Systems Division and to ensure that a range of people with new insights and new experiences were brought in to the new Clothing SPO and Soldier Modernisation SPO. I cannot give you the details about particular names of every individual who was involved in that, but there was an expansion of the two organisations. As stated earlier, Clothing SPO expanded by 72 people and Soldier Modernisation SPO by 90 people, which was a significant expansion in the number of people. A lot of people had to be recruited into those new positions as a result of implementing the recommendations of this report.

**Senator JOHNSTON**—So we get all these recommendations and we expand the number of people inside the group as it then was. We turn it into a SPO; we divide it into two SPOs, in fact: Soldier Modernisation SPO and Clothing SPO.

**Major Gen. Cavenagh**—That is correct. There was also a great deal of effort placed on increasing the range of the skill sets of the people involved and the technical capacity of both of those organisations to ensure the best opportunity to deliver the highest quality products.

**Senator JOHNSTON**—Sure. The inspector-general conducted an inquiry pursuant to these recommendations. Who was the inspector-general and what were his qualifications?

**Dr Gumley**—I will have to check my memory on that one. I think it was Claude Neumann, at the time—the end of 2006.

**Senator JOHNSTON**—Could it have been a Mr Jason Woods?

**Air Chief Marshal Houston**—Yes, I think it was Mr Claude Neumann. We will check that for you, Senator.

**Senator JOHNSTON**—And we are investigating whether his report is available to be released to the committee, Minister?

**Senator Faulkner**—You have not asked that before, Senator.

**Senator JOHNSTON**—Sorry.

**Senator Faulkner**—So when you say we are investigating it, we have not actually been—

**Senator JOHNSTON**—Sorry. If we are not investigating, could we investigate?

**Senator Faulkner**—You are using the present tense when you actually had not raised the issue. But now we are investigating.

**Senator JOHNSTON**—Good. Do you recall what Mr Neumann's findings were, Dr Gumley?

**Dr Gumley**—No, I do not recall well enough to put it on record here. I will have to go and refresh my memory.

**Senator JOHNSTON**—Could you do that today?

**Dr Gumley**—Yes.

**Senator JOHNSTON**—Thank you. Lieutenant General Gillespie, I want to move on to the current status of the use of non-issue and issue equipment. I think you have issued a directive on this; maybe we should start with that directive.

**Lt Gen. Gillespie**—There are a number of issues about issued and non-issued equipment. The first of them that I would talk about is boots, because I think we have discussed army boots in every committee since the First World War.

**Senator JOHNSTON**—Sure. I want to come back to boots a little later on, if I may, but I am happy for you to make a comment about boots.

**Lt Gen. Gillespie**—Let me do it in the order that I have got it in my mind.

**Senator JOHNSTON**—Yes, good.

**Lt Gen. Gillespie**—Right now, we have a perfectly good boot on issue to the Australian Army.

**Senator JOHNSTON**—The Terra.

**Lt Gen. Gillespie**—Yes, the Terra boot. As you know, if you walk down any high street or in any mall you will find lots and lots of shoe shops, lots and lots of views out there about which boot is better than others, and people wanting to exercise their right to wear the boot that they think is most comfortable for them. In that regard, my predecessor, General Leahy, issued a policy on boots. A small number of boots other than the Terra boot were assessed against the criteria that we had for footwear for the Army. General Leahy released a list of other products that people could wear should they choose to but at their own expense. In other words, the Army would only fund the Army-issue boot. If they were on operations and their purchased boots failed they would have to wear Army boots or make other arrangements. So that is one issue on issued equipment and non-issued equipment.

**Senator JOHNSTON**—Is that ruling still extant?

**Lt Gen. Gillsepie**—It is still extant.

**Senator JOHNSTON**—Any soldier can choose his own boots if he wants to?

**Lt Gen. Gillsepie**—If they are on the list of boots that we have agreed meet the technical requirements for—

**Senator JOHNSTON**—An NSN number—?

**Lt Gen. Gillsepie**—The technical requirements for the Terra boot, which provides comfort, fit, heat protection and ankle protection—all those things that we have as our technical requirements.

**Senator JOHNSTON**—Do we have a list of boots that are acceptable?

**Lt Gen. Gillsepie**—Yes, we do.

**Senator JOHNSTON**—Do we give them NSN numbers? Is that the way we describe them?

**Lt Gen. Gillsepie**—No, we do not. We just give the brand. It is out there and the soldiers know what it is.

**Senator JOHNSTON**—How many brand names are there?

**Lt Gen. Gillsepie**—From memory, it is about a half a dozen, but I am not sure.

**Senator JOHNSTON**—Approximately six?

**Lt Gen. Gillsepie**—Yes. There is another issue that comes under equipment that can be worn or not worn. We had an accident on a range in Victoria—I think it was early last year—and the individual involved in that accident was wearing ammunition carrying equipment that was not issued equipment.

**Senator JOHNSTON**—A pouch?

**Lt Gen. Gillsepie**—A pouch. The investigation into that activity showed that, with the pouch the individual was using, a very unlikely set of circumstances occurred. In essence, on a range activity using live ammunition, the member, at the end of the range practice, had his weapon cleared in accordance with the instructions. There appeared to be no ammunition left in his basic webbing, but the reality was that the pouch had created a false bottom and a live round was hidden in that process.

**Senator JOHNSTON**—And when he jammed his magazine into it?

**Lt Gen. Gillsepie**—For the following activity, which was a blank firing activity, when he jammed his magazine into his weapon, the unlikely happened and it loaded the live round that had hitherto been hidden under the pouch. As a result of that activity and the involvement of Comcare in the investigation, the CDF was issued an enforceable undertaking that equipment that is used for the carriage of weapons or ammunition could only be equipment that was issued and had passed our quality assurance test.

**Senator JOHNSTON**—That was a prohibition notice?

**Lt Gen. Gillsepie**—It was a legally enforceable undertaking that soldiers were not to do that. The CDF then put out a directive to bring into effect the Comcare direction. I followed

suit, as I believe my other service chiefs probably did, by issuing a directive to my people along those lines.

**Senator JOHNSTON**—I am told that does not apply to overseas operations.

**Lt Gen. Gillsepie**—No, that is not true.

**Senator JOHNSTON**—You can see where I am going, so please enlighten me.

**Lt Gen. Gillsepie**—The issue there is about whether or not a Comcare enforceable undertaking is enforceable outside Australia.

**Senator JOHNSTON**—That is interesting.

**Lt Gen. Gillsepie**—I take a pragmatic view, as the leader of my organisation, that if there are issues of safety affecting the potential to harm my people in the country, and therefore there is a proper enforceable undertaking, why wouldn't I apply those issues in another environment. My direction to my people is quite clear. The enforceable undertaking is legally enforceable in Australia and, as far as I am concerned, morally enforceable in operating theatres. So I am enforcing the direction that the CDF provided to us.

**Senator JOHNSTON**—So your preference is for no non-standard-issue ammunition pouches or weapons-carrying holsters or other equipment?

**Lt Gen. Gillsepie**—That is true.

**Senator JOHNSTON**—But because the prohibition notice and the other directives from the CDF are not enforceable in theatre, in the MEAD, you cannot enforce that prohibition, notwithstanding you preference that it be an order?

**Lt Gen. Gillsepie**—I think I can enforce it.

**Senator JOHNSTON**—I am told that the ammunition pouches being used are non-standard issue as a preference—that everyone has got non-standard equipment.

**Lt Gen. Gillsepie**—Certainly. They had purchased them before the directive was put out, so people have those pouches. As in all walks of life, there are people who flout directions from time to time. I have just been to the theatre and I have spoken at great length to a whole bunch of soldiers. One of the issues they always raised was the issue of being able to wear non-issue ammunition pouches. I explained to the people the regulatory environment we are in. I explained to them my view of the difference between the legally enforceable undertaking and the moral undertaking process. For example, where do I stand legally if a soldier overseas decides to use his own kit and is killed in action? His body is brought back to Australia and a coronial inquiry starts. We have Australian law being applied to the outcomes of the investigation that has happened. It is an uncertain area for me, so I quite literally stuck to the letter of the law in my direction.

**Senator JOHNSTON**—I think that is laudable, and I support you wholeheartedly in that. But the problem is that the numbers, the intensity, the urgency and the imperatives applied in theatre, in combat, are that non-standard-issue equipment is preferred. Do you dispute that?

**Lt Gen. Gillsepie**—No, I do not dispute the fact.

**Senator JOHNSTON**—That is a problem for us, isn't it?

**Lt Gen. Gillsepie**—Yes and no. One of the things I posed to the soldiers in the discussions while I was there was that, when I entered the Army a long time ago, the webbing we were issued was designed and issued in 1937.

**Senator JOHNSTON**—I sympathise with you.

**Lt Gen. Gillsepie**—The question I asked them was: if I took your current kit from you and issued you with the same 1937 patent equipment that I had, would that prevent you from doing your job? The answer was no sir, it would not. I said: would you be happy with the situation? The answer was no sir, we would not. The point here is about their effectiveness as troops. What they wear is the last in a line of force protection measures that we give them—right from the time they go through Kapooka, through all of their training, through the mission rehearsal exercises et cetera.

The other thing that is very clear to me is that, whilst this is an irritant, they know we are working on the issue and they know that there will be a fix. The vast majority of troops acknowledged that they were among the best-equipped troops in the theatre. The inference is that, because we have some issues with pouches at the present time, we have let out soldiers down. I do not accept that. Is it an irritant for the soldiers? Yes, it is. Are they carrying more weight than we would like them to carry? Yes, they are.

**Senator JOHNSTON**—That is MCBAS. We will come to that in a minute.

**Lt Gen. Gillsepie**—It is not only MCBAS. One of the issues we have with equipment is that the DSTO and industry are literally rushing electronic counter-measures equipment out of the laboratories—things which literally save soldiers' lives. I made the observation to the soldiers that, while not many of them are old enough to remember it, when the first mobile phones hit the street they were a two-hand carry, they were big, they were cumbersome, but the technological leap was that they were not connected to a socket in a wall somewhere. Since that time the industry has developed, miniaturisation has happened, battery technology has changed and we have tiny, little mobile phones today. Some of the kit they are carrying actually fits that analogy. It has come straight out of the laboratory, it is heavy and cumbersome, but it works. My undertaking to them is that we will continue to try and expedite the commercial development of some of these things so that they will become lighter and we can believe that burden.

**Senator JOHNSTON**—Is it not the case that, in terms of Special Forces, we provide squadrons with a non-standard-issue clothing allowance? That is, they can provide equipment that is non-standard issue as they please.

**Lt Gen. Gillespie**—I am not sure of that fact. I do know that every soldier—

**Senator JOHNSTON**—\$25,000.

**Lt Gen. Gillespie**—I do know that every soldier receives a uniform maintenance allowance. Some of the special forces carry equipment that is not standard issue to the rest of the organisation. Some of it I have them qualify for each 12 months. General McCowan provides me certification that (a) the sorts of equipment they are using are still required for the specific types of jobs they have and (b) they are still competent in using it.

**Senator JOHNSTON**—I am told they have an allowance to buy pouches and backpacks. And the backpack they use is not standard issue; it is a special load-carrying device that assists them without damaging their back. We will come to that in a minute. Do they receive an allowance to buy non-standard equipment for in-theatre use?

**Lt Gen. Gillespie**—As I said, I am not aware of that, but I can tell you that there would be a team in Army Headquarters who will provide me an answer very shortly.

**Senator JOHNSTON**—I would really like to know that because that might well go some way towards establishing the fact that we have a problem. And that is that given the choice between non-standard—that is, army surplus and Australian manufactured or even American manufactured goods—and standard issue there will be a considerable preference to move away from standard issue.

**Lt Gen. Gillespie**—I get a bit confused by those sorts of arguments because we are talking about American issued equipment when the last three hours have been about the need to have Australian issued equipment.

**Senator JOHNSTON**—Sure. I will answer that for you in a minute.

**Lt Gen. Gillespie**—One of the issues here is that I find in the press comments that say senior officers are out of touch et cetera. I do not believe that I am. What I would like to do on the issue of the standard of equipment and what we do is read into the record, if I could, a statement by the Regimental Sergeant Major of the Army, who I believe is one of the most outstanding soldiers and leaders that I have ever served with in my 40-odd years service.

**Senator JOHNSTON**—Sure.

**Lt Gen. Gillespie**—Bear with me while I read this. Two issues that will come out of it are the soldiers' view rather than the generals' view and a quite clear acknowledgment of what some of our issues are at the present time. The statement by Sergeant Major of the Army, Warrant Officer Stephen Ward, says:

My primary role, given to me by the Chief of Army, as the Regimental Sergeant Major of the Army (RSM-A) is to speak with and listen to as many soldiers in the Australian Army as possible. I travel extensively throughout Australia and I accompany the Chief of Army on visits to Australian soldiers on operations overseas. I am an infantry soldier by trade. I have used equipment and clothing of the Vietnam era that was on issue in 1979. I have observed, made comment on and been part of the development of LAND 125 load carrying equipment. I have used LAND 125 issued webbing and pouches and Enhanced Combat Body Armour (ECBA) on operations in East Timor. I am knowledgeable about the development of the Individual Combat Load Carrying Equipment (ICLCE) and the Modular Combat Body Armour System (MCBAS) through briefings by the Defence Material Organisation, Land Systems Division (DMO LSD). I wear MCBAS when I visit Australian soldiers on operations.

I would add that on the last occasion we were there—which was last week—he did not because the security force that looked after us and provided us with our equipment provided us with enhanced combat body armour. But on all other visits he has insisted on and worn MCBAS. The statement continues:

I have observed the ICLCE being used by soldiers during mission rehearsal exercises, on operations, on scheduled exercises and live fire activities.

I am tasked to recognise any pressing issues, regardless of their nature, and provide immediate advice back to the soldier asking the question. If I cannot answer any questions I take them back to Army Headquarters and speak to the respective knowledgeable staff and provide direct feedback or through a more public forum such as the Army News. I produce a post visit report for the Chief of Army (CA) and the Deputy Chief of Army (DCA) so that they remain aware and engaged on any issues. I have recently added the Head of Modernisation and Strategic Policy—Army (HMSP-A) to my distribution list—and I can discuss that organisation a little more later. When available, I am a contributor to the CA's daily synchronisation conference where current issues are discussed. I am an invited member of the Chief of Army's Senior Advisory Committee.

I gain a broad perspective on soldier's issues and impressions through visits to the Junior Leader Courses conducted in five regions four times a year which give me direct access to approximately 1,500 senior Private soldiers. I speak to the Subject One for Sergeant course conducted in two regions five times a year which gives me access to approximately 800 senior experienced Corporals from all of Army and non-Army units and groups over a year. I speak to the Subject One for Warrant Officer course which consists of senior Sergeants and is conducted four or five times a year, depending on the course schedule, which gives me access to approximately 400 senior experienced Sergeants.

I conduct visits and forums in unit and formation areas which gives me access to many more soldiers and officers of all ranks in their unit setting. I am advised openly and honestly by the Tier C Regimental Sergeants Major (RSM) of Army about issues that affect their Commands or Divisions. I accompany the CA on the majority of his visits to units.

Furthermore, I rely heavily on the unit and formation Regimental Sergeants Major to assist by raising issues with their chain of command or having them contact me directly so that I can bring any concerns to the attention of a particular staff section or the chain of command in Army Headquarters. I am tasked to keep the CA informed on current issues.

#### Current Equipment Issues

The issued equipment that is given to our soldiers is of world leading quality. This is not just my observation; it is reinforced through statements by soldiers who have combat experience. It performs very well on operations. Overall, soldiers are satisfied with the equipment that is issued. There are some exceptions to specific items. These exceptions include a lack of equipment when conducting force preparation in Australia; they are frustrated with the long lead time it takes to get modifications completed on current equipment and bring it into service; they are dissatisfied with the two and three magazine basic pouch that has been issued with LAND 125 and the ICLCE; they are still reporting that they are dissatisfied with the fasteners on the basic pouch; they are concerned about the impact that the weight of MCBAS is having on the operational and physical capacity of themselves.

Once it is explained to soldiers that equipment must be tested to ensure that it provides for the individual soldier's safety requirements, that it is fit for purpose and that this will take time, they accept that delays will occur. The soldiers understand the constraints by which the Army must operate. I often have the occasion to explain to soldiers that it is just not a matter of walking into a shop and purchasing new kit. There are tender processes, legislated rules and Army's priority issues that must be considered and applied by Army's leadership. There are commercial pressures in the supply of limited stocked items. They are aware that it is their peer group that does the trials on current equipment and the equipment is modified as a result of this group's comments and suggestions. They are aware of the RODUM system.

Specific issues that have been raised directly to RSM-A and solutions offered

Magazine pouches: There have been comments made about the issued two and three magazine basic pouch for the ICLCE. Soldiers have complained that the pouches are not big enough to hold the

required number of magazines. They have complained that the closing clips break. Both these issues have been addressed by making the pouches slightly larger and changing the type of fastener clip. The comments made by soldiers that it is difficult to replace a magazine into the pouch in combat is not new. This issue was common when I was a soldier and it was, and remains so to the best of my knowledge, standard practice to place the magazines in another location. In my case it was down the shirt, in the current circumstances it is a magazine drop bag designed specifically to accept empty magazines easily.

Soldiers have the choice to use a three magazine pouch. It is difficult to identify the currency of the pouches that are issued to individuals due to the logistic supply system that classifies all pouches under the same supply number.

There has been significant questioning of the decision to restrict the use of non-issue webbing and ammunition carrying pouches. To answer soldiers' questions, and there has been continual questioning on the decision, it has been explained that they must use issued pouches due to safety issues and no current standardisation of design associated with non-issued pouches. Soldiers are not accepting of the decision and continue to question it and ask that it be reversed.

Modular combat body armour system: Issues relating to the weight and mobility restrictions of the MCBAS have been raised with me since our mentoring role commenced in Afghanistan. My answer to soldiers has been—MCBAS was designed and developed over a number of years primarily for operations in Iraq. The primary design principle for MCBAS was to offer the soldier the highest level of personal protection from direct fire up to armour piercing rounds and to absorb shrapnel from improvised explosive devices—IEDs. The MCBAS remains fit for purpose and use. It is particularly designed for use where mobility is not a priority. The soldiers' complaint about lack of mobility and ability to aim when wearing MCBAS is valid.

Changes to the operational tasks and roles in the last two years have led to the requirement for a lighter system that allows soldiers to be protected yet remain mobile and have the ability to take rapid sight pictures while carrying out their mentoring tasks with the Afghanistan National Army. Purchases of an interim solution in the form of eagle marine style body armour system have been made. The Defence Material Organisation has taken on the task, with the Chief of Army's direction, to develop a lighter fit-for-purpose Australian designed combat body armour. My understanding is that this will be the tiered body armour system—TBAS. I have received direct feed back from Private Warren, an Australian soldier who lost his leg in the IED explosion that killed Private Renaudo in Afghanistan, who stated in his words 'Sir, thank fuck for MCBAS.' I asked him what he meant and he then went on to describe how shrapnel had hit him over his entire body yet his torso, protected entirely by MCBAS was not injured. He believes that without MCBAS he would have sustained further injuries that may have taken his life.

I have not received any complaints about the effectiveness of MCBAS other than the impact of the weight on the ability of soldiers to patrol over long distances without getting excessively fatigued. I believe that there will be a need to retain MCBAS due to the extensive protection that this equipment offers. All the soldiers' concerns are being address in relation to MCBAS through either the purchase of COTS products or the TBAS.

Cold weather equipment: I have received many very favourable comments about the special issue cold weather equipment for Afghanistan. This includes the sleeping bag, additional cold weather jackets and trousers, under clothing, Zamberlan boots, waterproof socks and head coverings. No soldier has raised the issue of the effectiveness of the issued cold weather equipment for operations. There is a very recent issue raised with me on the size of some of the issued equipment making it difficult to place into back packs. I have recently inspected the latest extreme cold weather sleeping bag and I can confirm that soldiers have a legitimate complaint. It is too large and bulky. It is a new type of sleeping bag that



has replaced a much smaller, more compact bag. This issue is being addressed through the chain of command.

In relation to issues in Australia, soldiers have commented about the quantity of new cold weather jackets that are available for issue, not the quality. My answer to soldiers is that there is adequate stock of various cold weather clothing items that are currently issued for use by soldiers who are not issued the new cold weather jackets. This approach is necessary so that we, as an organisation, do not waste resources. While the older issued clothing is not as flexible in its utility as the new issue kit, it remains functional and fit for purpose.

Steyr and sighting systems: I have received only positive comments about the ACOG sighting system used on our weapons during operations. There are some issues with trigger pressure on the Steyr Rifle Series 2 due to the single shot lock out button not being operable because of a slight moulding overspecification. An armourer advises me that this issue is very easy to fix and is identified when the soldier first fires the weapon on the range.

Clothing and equipment questions raised to RSM-A in the week 10-14 May 2010: In order to demonstrate the breadth of issues that soldiers consider to be important, I have attached a list of clothing- and equipment-specific questions that have been asked by soldiers of the rank of private to sergeant during the week 10-14 May. I have also included the total number of questions asked to give an idea of the percentage of equipment questions.

Junior leader course (Townsville)—84 students. Total questions asked, 18. Equipment specific questions: (1) Why do we have to wear issued webbing and pouches when there are plenty of better pouches available on the open market that we can use. (2) What is happening with our uniform review? (3) What is happening with the Steyr? We heard that it is being withdrawn from use. Can you tell us why?

Junior leader course (Brisbane)—72 students. Total questions asked, 21. Equipment questions: (1) Why can't we wear our own webbing and pouches? (2) Why do we continue to issue poor quality runners at Kapooka? They break easily and are then thrown away.

Subject 1 for sergeant (Canungra)—90 students. Total questions asked, 17. Questions on equipment: (1) What is happening with the pouches now that Comcare has stopped us from wearing personal equipment?

When responding to these questions I reinforce our progress in relation to MCBAS versus TEAS and ICLCE developments. I am writing this statement in the Australian staging base located at Al Minhad Airforce Base, United Arab Emirates on Wednesday 19 May 2010. I had the opportunity to speak for approximately two hours to a group of corporals, sergeants and one warrant officer on issues that are happening in Afghanistan. I held an open discussion with them which commenced with the leading question: 'What is happening in theatre?' There were 12 soldiers in this group who were all involved in mentoring roles.

Two issues were discussed specifically relating to equipment: MCBAS and non-issued webbing. At no point did the soldiers say that the issued equipment was not able to do the job. They complained loudly about the weight of the MCBAS and how it restricts movement but praised its ability to protect the body. They raised the webbing and pouches as an item for discussion and stated that there is better equipment available on the internet. They did not say that the issued equipment could not do the job required of it. I had the opportunity to explain the manufacture date of the issued ICLCE which ranges from pre-2004 to current 2009 items. This indicates that there are going to be items being used by soldiers that do not have the current modifications incorporated into them.

Closing comment. No RSM or commanding officer has formally raised any serious shortcomings in relation to issued equipment to myself or the Chief of Army until we called for comment prior to the

visit to the Middle East Area of Operations. There is always an open avenue for COs to request to get specific issues that will adversely affect their soldiers' ability to operate effectively fixed through the chain of command at any time. COs can raise issues directly with the Chief of Army. There has been a significant amount of work done to address even minor issues that soldiers have raised in their comments on equipment and clothing. Soldiers are impatient at the time it takes to develop, prove, procure and field items of equipment.

Soldiers are being made aware of the force protection items that Army has bought and fielded with a risk mitigation strategy to enable equipment to be made operational due to the importance of the force protection requirements. These items are directly related to overwhelming IED and indirect fire threats. Delivery of effective force protection capacity and capability remains a priority for the Chief of Army.

It is signed by Stephen Ward and dated 19 May 2010. Senator, I read that, lengthy though it is, because it actually uncovers a broad range of issues. They are soldier issues. It acknowledges that we are out there seeking those views and we listen to what our soldiers are saying. The other thing I think it demonstrates is that, whilst there are some specific issues, we are a well-equipped army.

**Senator JOHNSTON**—Can you give me—unless the person wishes to remain anonymous—the rank and title of the person who wrote that letter.

**Lt Gen. Gillespie**—The rank is Warrant Officer Class 1 Regimental Sergeant Major of the Army—Warrant Officer Stephen Ward.

**Senator JOHNSTON**—Okay. Are you willing to table that correspondence?

**Lt Gen. Gillespie**—I am happy to table it.

**Senator JOHNSTON**—I would appreciate it. I do not think you and I are in any great disagreement, but the point that I would make is that the preference for non-issue equipment—and I think you and I are in fierce agreement that our people should have the best equipment available—indicates to me that that aspiration on our part is not being met. You have an occupational health and safety issue as a result of one event, which I think is unfortunate. But—and I am going to get General Alexander up here in a minute—the standard-issue backpack, I suspect, is a huge, long-term Commonwealth Comcare liability issue because of its nonflexibility. The soldiers will say to me that the boots are quite good and then they will put their feet up on the table and show me the split in them underneath the ball of the foot. Everybody does it. The Terra boot has a problem.

**Lt Gen. Gillespie**—With soldiers who show you the boot, you need to be astute enough to ask which version of the boot they are wearing. There were acknowledged problems with earlier series of the boot. The latest series 5 boot, I think, has addressed all of those issues.

**Senator JOHNSTON**—These are quite senior officers, telling me that everybody is pretty happy but: 'Oh, I've got a bit of a problem with the boots. The boots are good, but I've got a bit of a problem.' They are not whingers; that is the problem. And it has got a metal shank in it. You know it has got a metal shank in it.

**Lt Gen. Gillespie**—Again, Senator, the latest series 5 of the boot that is on issue has a fibreglass shield in it, not a metal shield.

**Senator JOHNSTON**—Good. How many boots with fibreglass shanks in them have now been issued? What is the percentage?

**Lt Gen. Gillespie**—I cannot tell you that. All I know is that the series 5 boot—and I am saying to you, when people come and flop their boot on the table, the question to ask is which series of boot it is—as we go through the shelf stock, will be issued to our soldiers who choose to wear that and not another that they take from the approved list. The other issue, which people will tell you, I am sure, is, ‘The boot lasts four months and then we’ve got to throw it out.’

**Senator JOHNSTON**—They do say that, funnily enough.

**Lt Gen. Gillespie**—Here is my view. The soldiers who are in Afghanistan and Timor wear the boot seven days a week for about 18 hours of the day. They wear it in some of the harshest conditions you can have, either in a desert environment or a jungle environment. If the boot lasts four months under those conditions—that is several years by anybody else’s definition of how long a boot should last—I think they are doing a pretty good job.

**Senator JOHNSTON**—Okay. The Booz Allen Hamilton report, which I am sure you have seen, suggests, I think, there are issues with the boot.

**Lt Gen. Gillespie**—This is the third time now. The series 5 boot, I think, addresses all the issues that have been raised.

**Senator JOHNSTON**—The series 5 boot was inaugurated late last year, wasn’t it?

**Lt Gen. Gillespie**—Yes. But the point that I make is that soldiers comment, we take their comments and so far those comments have led to five versions of the Terra boot, an Australian manufactured boot.

**Senator JOHNSTON**—It is an Australian manufactured, moulded-sole boot.

**Lt Gen. Gillespie**—Made to an Australian last, which is different to other nations’ last, because a major anthropometric study that was done several years ago decided that the Australian foot shape was different to the American and British foot shapes, and so we have it made to actually fit the Australian foot.

**Senator JOHNSTON**—I am going to read you a letter in a moment from a sergeant, but I want to ask whether you are aware of the audit investigation into protective combat fleece jacket by Mr Jason Woods?

**Lt Gen. Gillespie**—Yes, I am.

**Senator JOHNSTON**—Are you aware of the report into allegations regarding tender procedures for MLC by the inspector general group—again, Jason Woods—on the modular load carriage system?

**Lt Gen. Gillespie**—I am not aware of that one.

**Senator JOHNSTON**—Are you aware of the report into Command ISF Timor Leste field survey of Land 125 load bearing TLBG6 survey 2, by Major Ian Potts, Mr Phil Radosovich and Dr Heysham Mendis? Does that ring a bell?

**Lt Gen. Gillespie**—I do know that there was a report done.

**Senator JOHNSTON**—Are you aware of the report entitled *Pack Frames and its effect on perceived weight of the pack and comfort: a preliminary report*? I am not sure who wrote that report. Have you seen that report?

**Lt Gen. Gillespie**—I have seen mountain climbers observing on Army packs, if that is what you are referring to.

**Senator JOHNSTON**—It was a comparison of three backpacks—one or two of which are standard issue and a DG6 frame by a firm in Australia called CrossFire.

**Lt Gen. Gillespie**—I think the real issue is whether I know of complaints about our equipment? The answer is yes. Have I been able to demonstrate that the system listens to the accusations that were made in the *Sydney Morning Herald* last month and supported by some statements from you that we were a non-caring, non-listening, non-agile organisation? What I think I have demonstrated with the RSM and other comments that I have made is that I have acknowledged where there are weaknesses, I have acknowledged where we are listening and I have acknowledged that through things like the series 5 boot we are progressing through this process as we go on.

The second issue that I would make in that regard is that I have to make Army equipment generally fitting the median of all of the Army trades that use the equipment. Sometimes, some of those trades have specialist roles such as the special forces that we build special bits of kit because the median does not work. When you have a requirement to fit out for 50,000 people that sort of thing what you take is a medium—perfectly, good useable equipment. When we have people who have individual taste in footwear and in the clothing that they want to wear—let's not make any bones about this; there is an element of fashion in some of the things that get described here—then there will always be people who are not quite happy with it. The issue that you have to ask yourself is: does the equipment work and are our soldiers prevented from doing the task that they have been given because of that equipment? I would say to you that I think that is not the case.

**Senator JOHNSTON**—I accept that, and I am not sure that the responsibility for the provision of this equipment lies with you. But the point is: you and I would both want to see that our personnel have the best equipment available.

**Lt Gen. Gillespie**—It does rest with me, and it rests with me because under our legislation in this country I am the employer of every soldier. I therefore have a responsibility under all of the occupational health and safety legislation for not only what they wear but the environment in which they are employed. Clearly it rests with me.

**Senator JOHNSTON**—Yes, okay. Let us go back to the issue I made—that is, that combat troops have the best equipment we can give them. Is that unreasonable?

**Lt Gen. Gillespie**—It is not unreasonable but it has some sting in the tail. For example, MCBAS in its best version, its most robust version, is nearly 11 kilograms. The best protective plates in the world are on issue to our troops in that combination. They will withstand a specific number of direct hits in the same place with 7.62 armour-piercing ammunition. Have our soldiers got the best possible plate in the world? Yes, they have. But the sting in the tail is that it is bloody heavy.

**Senator JOHNSTON**—Exactly. There is a balance.

**Lt Gen. Gillespie**—It is a balance of these sorts of things. In the TBAS equipment set that we are looking at we are providing levels of weight and armour so that an operational commander on the ground can best balance his force protection requirements with the task that he has been allocated. Have they got the better? Yes, they have. Is the best what they want right now? No, they actually want something a little less than the best.

**Senator JOHNSTON**—The point about this is that in this article that you quite rightly refer to and are clearly annoyed with, and I want to give you an opportunity to respond to it, it says:

In March last year, a team of soldiers in Afghanistan were put under prolonged exposure to enemy fire while removing a dead colleague whose body armour released prematurely—making it harder for them to drag his body to safety.

Is that an accurate description of what happened?

**Lt Gen. Gillespie**—No, it is not.

**Senator JOHNSTON**—Do you want to tell me what is wrong with that article?

**Lt Gen. Gillespie**—Yes, I can. Corporal Hopkins was the soldier referred to. I notice that even on our Facebook site his wife waded into that debate, saying that people needed to understand that her husband was shot in the one part of his body where there was no protection. The facts of the matter are that he was shot. People under fire had to manoeuvre to move what was then not his body but his inert form from in the line of fire to a place where they could provide first aid. They did that. Then his body armour was removed by the patrol medic so that he could administer first aid. From that point to the helicopter extraction point he was moved on a combat stretcher by his patrol mates and he was not re-dressed in his body armour for that transit.

**Senator JOHNSTON**—So at no time whilst wounded what he sought to be moved and the body armour released prematurely?

**Lt Gen. Gillespie**—No, it was released by the patrol medic so that he could give first aid. The other inference in that article is that the weight of MCBAS dangerously exposed troops to fire. The reality of it is that he was a fully grown man fully armed and equipped with ammunition, grenades and the rest of the issue that happens with it. The difference between Eagle Marine and MCBAS body armour was about 1.5 to three kilograms at its worst. To infer that a three-kilogram difference was exposing our soldiers to other fire is just not true.

**Senator JOHNSTON**—Sure. What does TBAS weigh?

**Lt Gen. Gillespie**—Several versions of TBAS we are looking at. The lower protection level, the requirement is for body armour that is about 5.5 kilograms.

**Senator JOHNSTON**—In comparison to MCBAS—

**Lt Gen. Gillespie**—Sorry, that is at level 2. We have currently got it at 5.3 and the team is confident that they can probably bring it down to five kilograms.

**Senator JOHNSTON**—So five kilograms as opposed to 11.

**Lt Gen. Gillespie**—Five kilograms as opposed to 11 at the top end. Then there is a version 3 in the middle of it and they are looking at 7.5 kilograms, perhaps as low as seven kilograms, as opposed to the top tier, which is MCBAS, which can range from eight to nearly 11 kilograms depending on the plates that are in it.

**Senator JOHNSTON**—In terms of percentages, that is a substantial reduction.

**Lt Gen. Gillespie**—Yes, it is. But not only is the new body armour about replacing MCBAS in that sense, the philosophy for load carrying has been the H-pack that I am sure you are aware of which we hang bits of kit off. That has been the way we carry equipment. One of the problems we have with equipment at the present time is that that belt-based system has to go around the body armour. That creates bulk and if we are trying to move soldiers tactically in some of our vehicles it is pretty hard to fit into the seats. There are two ways of addressing that. One is to re-equip the vehicles with bigger and broader seats. The other is to rethink the way we carry our equipment. In the TBAS body armour system that we are looking at, what we are doing is to do away with the belt and the H-pack harness and build the body armour itself as the basic load carrying equipment. So without any weights, solid protection in there, this becomes our load carrying equipment on which we hang our packs and those sorts of things. It is infinitely mouldable by soldiers to fit whatever design they need in it.

**Senator JOHNSTON**—When we come back after lunch I will ask you about who has manufactured that TBAS system and what the process for tender, et cetera, is.

**CHAIR**—The committee will suspend for lunch.

**Proceedings suspended from 12.30 pm to 1.34 pm**

**CHAIR**—I call the committee to order. Are there any statements to be made from the front table?

**Senator Faulkner**—Yes. Chief of Air Force is able to give some further information in relation to those questions. He has already responded to many of the issues raised by Senator Brandis, but he does have some more information available. Would that suit?

**CHAIR**—Yes, that suits.

**Air Marshal Binskin**—There were a number of detailed questions last night. This should close out the majority of the questions. One of the questions last night was: how many members of 34 squadron have taken sick leave because of stress related illness? The answer there is zero. How many officers have left 34 squadron on a request for reassignment or resignation from Air Force because of stress related symptoms. Here we looked at the intent of the question, and looked broadly across the squadron and we came up with three. Three members in the last five years have requested posting out of 34 squadron due to family-related stress issues. On the question of how many, if any, of those that have left—reassignment or discharge—have complained of PTSD or symptoms similar to that, the answer is zero. We also tasked commander joint health to have his people compare 34 squadron sick day statistics for the period July 2008 to the present, as detailed on PMKeyS and compare them to two other airlift group units. We could have compared across Air Force. We went to air lift groups simply because of the multi crewed environment and similar

operations. The outcome of that comparison in sick days was that 34 squadron had the least number of sick days per person over the period of the three squadrons. In short, the results that we found are indicative of a high performing unit where the people have a lot of pride in what they do and how they do it.

**CHAIR**—Thank you. Any further statements?

**Lt Gen. Gillespie**—I have a responses to a couple of questions asked by Senator Johnston. And then if you would indulge me, I would like to go through the new body armour and talk about that.

**CHAIR**—You have the floor, General.

**Lt Gen. Gillespie**—On the issue of special forces having an allowance for purchasing their own kit, Special Operations Command do not get any non-standard equipment allowance with the exception of a small allowance payable to people involved in the TAG, and that amount is payable every three years to enable them to buy civilian clothing so that they can execute their task as part of the counter-terrorism force. That is because they buy different sizes of clothes to fit things underneath and that sort of thing. So it is not about buying additional equipment; it is about buying civilian clothes.

Special Operations Command personnel do not get any allowance to purchase equipment for use in Afghanistan. Special Operations Command soldiers do receive an annual allowance of between \$6,862 and \$34,292, which is the special forces disability allowance. That is in recognition of the hazard and stress associated with service within the special forces environment. This allowance replaced the old special action forces allowance on 13 December 2007.

You also asked about the costs of developing TBAS. Up to an additional three tiers, with the in-service MCBAS representing the fourth tier, are being developed to provide operational command flexibility in meeting the protection and mobility requirements of their soldiers during operations. The initial design was completed by SMSPO based on special forces user requirements, and it took into account issues previously raised by soldiers in RODUMs. Prototypes have been manufactured by Australian Defence Apparel, utilising the development provision of the current survey and quote clause of the MCBAS support contract. The operative date for the support contract was October 2009, and this is valid for five years. An initial user trial of the prototypes was conducted in November 2009 by Special Operations Command units and 3RAR, with user feedback incorporated into the next version of prototypes, which have been manufactured by ADA for a second user trial by Special Operations Command units and 1 Brigade. The second trial has commenced.

Costs to date are \$3.266 million. These funds have been spent on the development and manufacture of the prototypes—200 of each tier for the first trial and 400 of the tiers for the current trial—and include the costs of the trial and ballistic testing of the soft armour inserts. These costs include the manufacture of the soft armour inserts, development and manufacture of the side ballistic plates and acquisition of additional in-service ballistic plates. The likely cost of one TBAS is \$5,500. This includes one each of the three tiers, soft armour inserts for each tier, and one set of ballistic side plates. It is unlikely that all three tiers will be required

by all soldiers issued TBAS. It is more likely that a soldier will be issued a single tier of TBAS that is most appropriate to his or her combat role.

It is also planned that TBAS will replace the Eagle Marine body armour which is currently on issue to special operations and some of our mentoring teams. One complete set of Eagle Marine body armour is approximately \$7,000, exchange rate dependent. It is expected that the Force Protection Review funding in the next financial year will be used to acquire TBAS via the current support contract for OT&E and initial issues to deploying troops. The future is likely to be a competitive tender process to manufacture and further develop TBAS to meet the ADF's emerging requirements.

If I could, because people have been flashing it around, I would just like to talk a little bit about this. What we envisage is at the present time a four-tier system of which you can see two tiers represented here. The fourth tier is a BAS construction and the point I would like to make there is that if you are doing sentry duty at the embassy in Baghdad, where the biggest threat to you is a vehicle-borne bomb, then BAS is what you will wear, but in between we will have three stages. The first of those stages is a very lightweight set of body armour, and this is designed specifically for special operations diving for navy clearance divers. What the initial trial shows from this is that we have not met their requirements, so this is back to the drawing board at the present time. The two in-between sets—level 2 and level 3, which is about the equivalent of the Eagle Marine body armour—

**CHAIR**—General Gillespie, I am advised you are off mike and hence you will not be picked up by our broadcast.

**Lt Gen Gillespie**—As I mentioned to you, the old load-carrying equipment was an addition over the body armour and that is not a very successful way of going forward. So what we would anticipate doing is that this particular pack will become our load-carrying equipment, without any soft armour inserts in the sides or the plates in the front or back. As people come through Kapooka they will be issued with this as their basic load-carrying equipment. Then with the issue of packs and add-on pouches et cetera we would dress this to become the load-carrying equipment.

**Senator JOHNSTON**—That is No. 2, is it? TBAS No. 2.

**Lt Gen. Gillespie**—Yes. As people then move from Kapooka to whichever organisation they are going to be with, there would be a better assessment made of which version of the body armour is more appropriate. If you are operating in Afghanistan at the present time then it is more likely that tier 3—the Eagle Marine type equivalent—would be what we would have in that sort of process.

There has also been a lot of debate over camouflage. It is our intention at the present time that we would manufacture it like this: we have discovered—I think it was in the *Army* newspaper of the issue before last—that we now have a paint system which we can issue to soldiers so they can camouflage their pack in accordance with their own requirement for the area that they are in.

The nice part about the technology of this paint is that you can spray it on and it is robust but, if you then stand in a shower where there is warm water at 40 degrees, it washes away and you are left with this. We think in that regard that we will have something that soldiers



will be eminently happy about, because they can personally camouflage their kit. More importantly, we do not have to go to the expense of tailoring DPCU and DPDU camouflage packs and therefore doubling up our inventory in that sort of process.

There is another piece of kit that we are looking at at the present time, and you will have seen that we are trialling it. We currently issue soldiers who go to Afghanistan with two uniforms. We issue them with the disruptive pattern uniform—which is common and which you see me wearing around Canberra every now and then—and we issue them with the desert camouflage uniform. That is a pretty expensive proposition. We anticipated working in a desert, and desert pattern camouflage was really what we wanted. When we started mobility operations with the mentoring teams in a way that we had not done previously in Afghanistan, we found ourselves operating mainly in the green zone and therefore soldiers had a preference for the DPCU rather than the desert pattern uniform.

What we want to do to try and get over the expense of each soldier having to carry into theatre eight different uniforms—we issue them with four of each—is to see if we can come up with a mid-pattern cam that fits both bills. We have worked with DSTO on that. We have developed a prototype. We are about to undergo some trials on that, and those trials look promising. What we might then do as a process is that everybody would be issued the mid-pattern cam and we would keep small stocks of the DPCU and the DPDU, the desert pattern uniform, in Q stores so that if you needed those uniforms specifically for a task you could draw them, use them and put them back in the Q store after industrial laundering and we could get on without having to issue every soldier with those things. That is what we used to do a long time ago in the organisation—you would draw them as protective gear and give them back after they had been used. That is the sort of agility that we are trying to bring into the process at the present time.

One of the frustrations for me in this process is that there is a very small team in the DMO working on these pieces of equipment for us. It is their No. 1 task at the present time, but I have got to say that, because they are such a small team, in the month and a bit since the release of the *Sydney Morning Herald* article on our equipment, they have produced almost no new work for me on what is my priority task. Basically they have been taken up reviewing the RODUM processes, justifying that they have taken into account all the documentation, helping briefs for me, helping briefs for CDF and briefs for the minister. For that very small team, their agenda has been stolen, and I find that to be particularly frustrating at the present time.

So, Senator, thank you for your indulgence, but what I really wanted to demonstrate here is that I am far from being a commander who is out of touch, which was the accusation; we are far from being an organisation that does not listen, which was an accusation; and we are far from being an organisation that has no agility, which was an accusation.

**Senator JOHNSTON**—Did TBAS go to tender?

**Lt Gen. Gillespie**—It has not yet, because we are using a clause in a contract for the developmental side of it. Once we have decided on what the final version of it will be and its specifications we will likely go to tender for that.

**Senator JOHNSTON**—And you are using a particular firm, that is obviously going to be a tenderer, to do the developmental work.

**Lt Gen. Gillespie**—We are.

**Senator JOHNSTON**—Did we tender the developmental work, at \$3.266 million?

**Lt Gen. Gillespie**—I do not think we did.

**Major Gen. Cavenagh**—When we tendered for MCBAS, we had a developmental clause in that contract. Once we had this operational requirement come through to develop a new system quickly, we used the developmental clause in the MCBAS contract to start developing this TBAS system.

**Senator JOHNSTON**—How many final tenderers were there in MCBAS?

**Major Gen. Cavenagh**—I am not sure that I have that available at the moment.

**Senator JOHNSTON**—Can you take that on notice for me?

**Major Gen. Cavenagh**—I will track that down.

**Senator JOHNSTON**—How many people are using MCBAS currently?

**Lt Gen. Gillespie**—I have not got the actual figures. It is an issue to all the soldiers in the Middle East. Some of them have since been issued enhanced body armour, which was a previous, lighter version to MCBAS. When they said that they needed some more agility than MCBAS provided, some of those stocks were issued. We have currently provided 200 sets of Eagle marine, with the potential for another 200 sets to go in with some cross-delivering from Special Operations Command shortly.

**Senator JOHNSTON**—So we have sought to replace MCBAS with 200 sets of Eagle marine, with an option for a further 200 sets.

**Lt Gen. Gillespie**—Yes, and some ECBA, enhanced combat body armour, which is about the same weight as Eagle marine but does not have the same utility for hanging.

**Senator JOHNSTON**—How many sets of those?

**Lt Gen. Gillespie**—I could not answer that off the top of my head. I will have to get you an answer for that one.

**Senator JOHNSTON**—Please.

**Lt Gen. Gillespie**—We have endeavoured to ensure that those troops in Afghanistan who have a high-mobility requirement have been issued with some body armour optional to MCBAS.

**Senator JOHNSTON**—What brand is the enhanced body armour?

**Lt Gen. Gillespie**—It is our own. It has been developed through the 125 process.

**Senator JOHNSTON**—Who is the manufacturer?

**Lt Gen. Gillespie**—I do not know the answer to that.

**Major Gen. Cavenagh**—Of which particular—

**Senator JOHNSTON**—Major General, enhanced body armour? We have MCBAS, Eagle and enhanced body armour.

**Major Gen. Cavenagh**—I cannot tell you the supplier of the enhanced body armour, but I can say that MCBAS was sourced through an open invitation-to-register process which was released in December 2006. It led to 16 responses from around the world, including five from Australian companies. The subsequent request for tender was released in May 2007 to the short listed ITR respondents and resulted in a contract being awarded to Australian Defence Apparel in 2008 for the manufacture and supply of MCBAS and a five-year services support contract.

**Senator JOHNSTON**—How many short listed were there?

**Major Gen. Cavenagh**—I will find that out.

**Senator JOHNSTON**—Two, I think. Why has TBAS No. 1 not made the requirements?

**Lt Gen. Gillespie**—I do not know the answer. All I know is that, from the team on the SPO who were developing it when it was trialled with the special forces and some Navy clearance divers, it did not meet their requirements. That was to do with water egress, ingress et cetera.

**Senator JOHNSTON**—Before I leave this, with respect to Corporal Hopkins, I put it to you that his body armour released when it should not have. You said, ‘No, that’s not what happened,’ and I accept that. Paragraph 66 of the report says, and I will use the word ‘redacted’ when we have redacted information:

CPL Hopkins was wearing all mandated protective equipment at the time of the incident, including his—

redacted—

Body Armour and Kevlar Helmet. The CO MRT—

redacted—

OC OMLT, LT—

redacted—

and other soldiers made specific comment during the course of the inquiry on the weight of—

redacted—

impacting on the operations they are undertaking. Evidence was given that—

redacted—

while providing high levels of protection, it is not optimal for the type of light infantry operations that the OMLT were conducting. Evidence was further given that a form of body armour that provides a better—

redacted—

would be more suitable for the OMLT operations. The CO and OC OMLT clearly stated that this issue was not a contributing factor in CPL Hopkins’ death and the available evidence supports this position. The—

redacted—

did contribute to the difficulty in recovering CPL Hopkins from an exposed position and evacuating him to the casevac location. Witness statements indicate that the patrol had great difficulty in evacuating CPL Hopkins' body to the medivac helicopter and this was attributed in part to the—

redacted. My proposition is that very many of those redacted words are in fact 'MCBAS'.

**Lt Gen. Gillespie**—They are. I do not mind admitting that. The second issue is that I have discussed the issue of the weight for OMLTs and those sorts of things. The other issue that I covered in my words to you before was that if he had been wearing Eagle marine body armour and he had been wearing the top tier of MCBAS, which I am not sure that he was in that circumstance, then the difference in his dead body weight would have been less than three kilograms. So the soldiers are stating the obvious: when you are lifting a mate under fire in those conditions, dead body weight is heavy and it is difficult to handle. I do not think it is a fair conclusion to draw that it was to do with the particular type of body armour that he was operating with.

**Senator JOHNSTON**—Thank you for that. Can I go to Dr Gumley. With respect to these latest rounds of audits and inquiries, are you familiar with the audit investigation into the procurement of the combat fleece jacket by a Mr Jason Woods?

**Dr Gumley**—What is the question? Have I seen it?

**Senator JOHNSTON**—Are you familiar with the audit investigation into procurement of the combat fleece jacket by Mr Jason Woods?

**Dr Gumley**—Yes, I think it was back in 2005.

**Senator JOHNSTON**—2005. Is that available publicly?

**Dr Gumley**—I am not aware of whether it is or is not? I would have to check that. It is five years ago now.

**Senator JOHNSTON**—Sure, Minister, could I ask you to review that to see if you would be prepared to release that publicly?

**Senator Faulkner**—I can assure you that I have not seen it. I would need to look at it and seek some advice on it. I am very happy to do just that and have a look at the document that you are referring to. I have to frank with you: it is not one that I have any knowledge or awareness of. We will have a look at it.

**Senator JOHNSTON**—Thank you. Dr Gumley, are you aware of the reporting into Command ISF Timor Leste field survey of Land 125 load-bearing TLBG6, survey 2, by Major Ian Potts, Mr Phil Radosovich and Dr Heysham Mendis?

**Dr Gumley**—I am not aware of that one.

**Senator JOHNSTON**—Could you make some inquiries as to whether it is around?

**Dr Gumley**—Yes.

**Senator JOHNSTON**—Minister, could you review that with a view to having it released publicly?

**Senator Faulkner**—I will certainly have a look at it. I am always happy to do that, as you know.

**Senator JOHNSTON**—Okay. Dr Gumley, are you familiar with the report *Pack frames and its effect on perceived weight of the pack and comfort: a preliminary report*?

**Dr Gumley**—I have heard that report is in existence, but again I am not overly familiar with it. Again, with the minister's permission, we will have a look at that and see what should be done with it.

**Senator JOHNSTON**—Can I take you to some of the commentary within it. It says that the frames were looked at to see if there were any causative factors relating to the increased number of back injuries within the battalion. Is anybody aware of a back injury issue with respect to pack frames and pack design?

**Lt Gen. Gillespie**—I can say to you that there are two packs. The Land 125 pack is a large pack.

**Senator JOHNSTON**—Do we have one here?

**Lt Gen. Gillespie**—No. It is a large pack and it is adjustable in terms of the frame and height. For small-framed people there was also an intermediate pack developed so that people could have packs of different design and weight to cater for that issue—that is, large-frame people and small-frame people.

**Senator JOHNSTON**—Major General Alexander, are you familiar with issues of back problems arising from the current issued packs to non-operational soldiers?

**Major Gen. Alexander**—I have made some inquiries into the health operations area within Joint Operations Command to determine whether there have been increased or excessive numbers of reported back injuries within the area of operations. My understanding from that inquiry is that there has been no reported increase within the JOC space.

**Senator JOHNSTON**—I am not so much concerned about the JOC space because I know which pack is being used; I am talking about the ordinary guys that are in Australia.

**Major Gen. Alexander**—It has not come to my attention.

**Senator JOHNSTON**—Can I read this to you and you can comment on it, if you wish:

It was noted through this study that the redacted frames caused the packs to sit on the lumbar curve. This causes the soldier to lean forward to stoop through the mid-spinal region and poke the chin out leading to headaches, neck, arm pain and numbness. In addition, the greater the weight of the packs, the increased effect on the posture, causing soldiers to lean further forward to help counter-balance the weight. In addition, the frames sit on top of the pant line with minimal padding between the frame and the vertebrae, leaving bruising and in some cases blistering.

When a soldier takes a step, the frame proceeded to come away from the back and swing in to the lower back. The frame is perfect for a square surface. Unfortunately, the back is not square. On the action of walking the pelvic girdle drops slightly and rotates with the leg that is put forward. This allows the pack to shift its centre of balance to the side on which the step is taken on, which in turn places extra weight on the shoulder side that the step is taken. This in turn locks the hips and shoulders together so the spine and muscle groups fight each other with every step hugely fatiguing the soldier by the end of the day. This pressure and sway of the pack is exacerbated by the stride length of the soldier—the longer the stride, the more the movement—and the type of terrain.

The other point that was noted was that the straps on the frames sat on the lateral side of the mid-clavicular line, impinge on the glenohumeral joint and load on acromion and brachial plexus. This is

caused by the insertion points of the straps being close to the spine and not tapering off once going over the top of the shoulder. This places considerable amounts of stress on the shoulders.

This sound like torture to me.

**Major Gen. Alexander**—It sounds like load bearing equipment to me—

**Senator JOHNSTON**—That is what it is—a backpack.

**Major Gen. Alexander**—And all manner of load-bearing equipment will have some degree of impact on the body. The body is not designed to actually carry that degree of weight in any degree of comfort. The best possible equipment is to ameliorate those effects as much as possible. They won't ever remove them. I am not actually aware of that report though.

**Senator JOHNSTON**—Well, it is interesting:

The DG-6 frame has multiple fixture points for the straps, allowing the soldier to alter the straps to sit in the correct position. The straps are formed to sit naturally across shoulder blades and muscle groups. Sternum straps assist to bring some load over the solid cartilage joints anchoring the front of the clavicle. The sternum strap slides up and down for proper fit. The top trim tabs are invaluable for adjusting the way the straps curve over the shoulder, there are two spike buckles which attach to top frame slots to accommodate the shorter torso. With this adjustment feature, each soldier's pack will conform to their body shape and will continue to hold its position once adjusted. The straps allow for minimal adjustment during a pack march, as they taper off allowing them to be thinner under the arm.

In addition the frame has a feature that allows the backrest to be lengthened or shortened to suit each soldier's torso. When adjusted correctly the DG-6 frame flexes with each step. Unlike the redacted ... frames the DG-6 flexes on the walking action. When the pelvic girdle drops, the frame flexes along the back hugging the spine to prevent any sideways rocking of the frame. Thus preventing the pack from moving around, therefore decreasing lower back injuries and bruising.

There is a stark contrast, I put to you.

**Major Gen. Alexander**—You seem to be describing a frame that is a variable frame or a frame that can be modified to suit an individual's torso, which of course suit the great variety within defence. That would seem to me that would be work that would need to be examined by DSTO and other organisations.

**Senator JOHNSTON**—Can I just suggest to you that the frame I have just described is used by SAS and the other frames, the redacted frames, are used by ordinary soldiers.

**Major Gen. Alexander**—Again, without looking at the report and without it being analysed, what you are describing certainly is a variable frame system that may well be more easy to modify, but without good scientific analysis—and DSTO is obviously the organisation that looks into these types of load-bearing equipment research and investigation systems.

**Senator JOHNSTON**—Sure. Back to you, Dr Gumley: you do not know anything about this report—sorry, Major General, you do.

**Major Gen. Cavenagh**—I understand that the report you have referred to is the report prepared by the 2nd Battalion Royal Australian Regiment regimental aid post in 2005. Apparently, the medical officer and the contracted rehabilitation case manager at 2RAR in the RAP in Townsville had noticed there were some lower back complaints, so this was brought

to the attention of the commanding officer. He asked that measures to prevent the lower back complaints were to be investigated.

**Senator JOHNSTON**—And were they?

**Major Gen. Cavenagh**—This was all done internally within 2RAR. He tasked his own staff, which resulted in the production of that report that you have there, and I understand that that report essentially stayed internal to 2RAR.

**Senator JOHNSTON**—Well, it is pretty important, isn't it though, if there is such a contrast between the standard issue pack and another pack which is the preferred option of the people in the trial? Then some of our special forces—or all of them, I am told—use the DG6 as a pack and our ordinary infantry have to wear the other pack, the pack that causes the pain.

**Major Gen. Cavenagh**—All I can say here is that, when we have a user requirement that we need to meet, we go through a developmental process. The developmental process involves producing various types of pack. We then go into a trials process where Army units are involved in trialling the packs and providing feedback as to what is appropriate for their actual combat role and what is not. That feedback is then incorporated into the designs of the pack. When the designs are finalised and accepted by Army, we will then go into production.

**Senator JOHNSTON**—This is a 2005 report which clearly sets out some pretty fundamental health issues, may I put to you, and here we are five years later and I do not think we have come any further, have we?

**Major Gen. Cavenagh**—As I said, I am not aware of that report being passed further outside of 2RAR—

**Senator JOHNSTON**—Well, I have got it.

**Major Gen. Cavenagh**—Until quite recently. Any issues that are raised by soldiers or in any reports or in any further lessons that we have learnt from operational experience all go towards contributing to new user requirements that are developed for subsequent acquisitions of packs or any other personal equipment.

**Lt Gen. Gillespie**—There are two types of packs available to soldiers: there is the large ICLCE pack which you are talking about here; and that is supplemented by a lighter-weight commercial pack, the Rush 72.

**Senator JOHNSTON**—The Rush 72 is manufactured in China and it has a funny brown colour.

**Lt Gen. Gillespie**—The Rush 72 was developed for people doing vehicle-mounted operations. The fact of life is that there is a heavy large pack and a lighter pack available to troops for which soldiers through their commanding officers can have their unit entitlement varied because it is an in-service piece of kit. One of the reasons that people do not like the large pack is that it is large. One of the reasons that the large pack is large is from a lot of the feedback that was given through the trials is what soldiers wanted to carry in it. It is a little bit of a catch 22 situation. On the issue of backs, I am quite a pragmatist in this area. The weights that are being carried by soldiers in Afghanistan cannot be good their frames. helmets, body armour, radios—

**Senator JOHNSTON**—But some can be better than others.

**Lt Gen. Gillespie**—ECM for handling bombs, et cetera—

**Senator JOHNSTON**—We will talk about helmets in a minute.

**Lt Gen. Gillespie**—I said earlier on in the piece the soldiers are concerned that they are carrying weight and I am concerned to try to reduce that as and when we are able to. In between all of those things is actually something that I as a commander think is good; that is, because of the weight and because of how quickly they become tired in some of the environments we are in, we are actually controlling their operational tempo in a way that is not too bad. Because if other things were in effect, one is they would be dying in larger numbers and two is Australian soldiers being what they are, they will go looking for work. Having them a bit tired at times isn't such a bad thing.

**Senator JOHNSTON**—Can I put to you that what we put in the field in the MEAO is totally different from what we issue to the bulk of our forces in Australia.

**Lt Gen. Gillespie**—Yes.

**Senator JOHNSTON**—Why is that?

**Lt Gen. Gillespie**—Because the MEAO is right at the forefront of all of our developments. Soldiers say that we are not issuing them the kit for training before they go to the MEAO and the MEAO is the first time they get it. One of the reasons for that is that we are working in an agile way to get them the latest and best kit, and sometimes we cannot acquire it in stocks so that they do their MRE with it. They meet up in the theatre when they do their RSO and I training, as we call it there. Before they go into Afghanistan they do that in another base. They are married up with their equipment and away they go. Sometimes the vagaries of our acquisition system and the availability of the world's best stuff on the market means we cannot get it in the numbers we want, so we build it as rapidly as we can.

**Senator JOHNSTON**—Are you aware of the word 'ergonomics'?

**Lt Gen. Gillespie**—Yes.

**Senator JOHNSTON**—And 'biomechanical studies'?

**Lt Gen. Gillespie**—Yes.

**Senator JOHNSTON**—The study I have just put to you is a biomechanical study. Do you consider that important in terms of soldiers throughout Australia and their backpacks?

**Lt Gen. Gillespie**—Absolutely I do, which is why I use the Defence Science and Technology Organisation to help us design these things. They have experts in those fields. It is another reason why I do not rush out and simply buy stuff off the shelf because I have not been able to satisfy myself that they meet those requirements.

**Senator JOHNSTON**—Is it not true we are using the 1994 pouches still today—sorry packs?

**Lt Gen. Gillespie**—Yes, we are using the LAM125 packs.

**Senator JOHNSTON**—It is a 1994 pack.

**Lt Gen. Gillespie**—I think, I am not sure.



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**Major Gen. Cavenagh**—Yes, we are still acquiring the IT field pack 94.

**Lt Gen. Gillespie**—Some of the effects that you read out in that report for a small-framed person are absolutely accurate; they would not have been the same results that you got from a large-framed person. The LAM125 pack at that time, the load carrying equipment, was based on a belt. The belt has packaging to protect the body from those sorts of things. So as a system I think the ergonomics are built there. If you take bits and pieces one by one, then you could defeat that argument.

**Senator JOHNSTON**—Obviously you and I have to disagree. We are using a 1994 pack. I have read you a biomechanical assessment in 2005 that says these guys are injured, they have blisters on their pant line, on their backs, they have huge problems—I cannot say any more to you. I have the report. No-one seems to know about the report. We use different gear in the MEAO from what we are giving to the thousands of people we have in service in Australia. I cannot do any more than that.

**Lt Gen. Gillespie**—The issue on the MEAO, let us not get overdramatic about this—

**Senator JOHNSTON**—I am not being overdramatic.

**Lt Gen. Gillespie**—Where am I likely to have my soldiers killed? It is in the MEAO. Where is all my effort going to go at the present time? It is in the MEAO.

**Senator JOHNSTON**—But the loads are the same. Walking around Adelaide and walking around Darwin is the same as walking around Tarin Cowl surely.

**Lt Gen. Gillespie**—The loads aren't the same; the altitudes aren't the same; the temperatures aren't the same.

**Senator JOHNSTON**—Well the injuries in Townsville seem to be worse than what is over there.

**Air Chief Marshal Houston**—Just to put an environmental aspect to this: Tarin Cowl is a much more demanding environment than anywhere in Australia with high temperatures at the moment and density altitudes that exceed 6,000 feet, in fact sometimes on some really hot days go up to 7,000-8,000 feet.

**Senator JOHNSTON**—Well Darwin is pretty hot and pretty wet.

**Air Chief Marshal Houston**—Sea level.

**Senator JOHNSTON**—Yes, but still nevertheless tropical. What we have seen and what I have put to you is that these packs rub and blister the back—and we are still using them. You do not appear concerned about that, but let us move on.

**Dr Watt**—Before you move on, Senator, I know the Chief Defence Scientist has some answers to your earlier questions that he would like to give you.

**Senator JOHNSTON**—Great.

**Senator Faulkner**—Can I just say, Senator Johnston, you should not suggest that it is not a matter of appearing concerned. There are different views. I think it is a very harsh and unfair judgment to suggest that CDF and Chief of Army are not concerned. These are individuals who dedicate their time to concern about these issues. I accept the point that you are making,

if you are making the point that there might be different views. That is fair enough. There might be different views. But it is not a matter of a lack of concern. I just want to make that point.

**Prof. Clark**—I will return to the questions you sought answers on with regard to the disruptive pattern combat uniform and the disruptive pattern desert uniform. Just a general introduction: reflectance values and the pattern of the vegetation and the environment govern the signature of the soldier, both in the visible and in the near infra-red spectrum. You asked about the time taken for the DSTO effort on developing this camouflage technology associated with the environment that we will be working in. For the DPCU, the DSTO has been working on the contemporary version of that over the past 10 years, using the northern Australian environment as a benchmark to specify what needs to be achieved by industry in its manufacturing processes. Those industry processes involve dyeing and printing techniques. With regard to the DPDU, the DSTO has been working on this since 2002 to develop it specifically for Iraq. This is what is deployed in Iraq and Afghanistan.

**Senator JOHNSTON**—So 10 years and eight years respectively?

**Prof. Clark**—Yes. I indicated previously that we had issued the specifications in May 2004 to DMO, so it was roughly two years before that for the DPDU. As to the detail of what is involved in colours, patterns and near infra-red reflection, this involves identifying a cross-section of representative backgrounds; photographing the vegetation, which is then digitised and analysed; and constructing colours and reflectance values present in those backgrounds which are then extracted from the data to give the spectral colours to achieve the required visual disruption, including the pattern. That is applicable to the visible part of the spectrum. With regard to the near infra-red part of the spectrum, it is necessary to add pigments that reflect appropriately in the near infra-red so that you will see the pattern in night vision goggles. You will not lose the pattern definition. You have to put in special NIR pigments to achieve that.

**Senator JOHNSTON**—Are you able to tell me what those pigments are?

**Prof. Clark**—I have not got the precise pigment details.

**Senator JOHNSTON**—That is classified, isn't it?

**Prof. Clark**—I will come to the classification. What I am saying is that the pattern components have near infra-red reflectance values associated with each of them which must be specified to the manufacturer to obtain a pattern that does not degrade when seen in night vision goggles.

With regard to classification of this work, the end specifications provided to industry are unclassified and they are openly published. I will talk about the background work leading up to this within DSTO. Because it involved a range of activities, it was handled at the restricted level.

**Senator JOHNSTON**—That is the 10 years and the eight years at restricted level?

**Prof. Clark**—Yes.

**Senator JOHNSTON**—Why was it restricted?

**Prof. Clark**—A lot of the things that we do in those areas use assets which we classify. Our activities are classified at that particular restricted level. That is not unusual for our organisation. That is actually quite a low level of classification for most of the work that we are involved with.

**Dr Watt**—I think there is an important point there. While the way the work was done was classified, the results were released to industry and were unclassified.

**Prof. Clark**—And, indeed, openly published. With regard to cost, it is difficult to cost the full range of 10 years worth of work, but I could give you one example which is probably the pertinent one you are interested in—namely, the near infra-red reflectance work. Over and above salaries, which involved two people working for two to three years, the approximate amount spent on developing those particular specifications was \$565,000.

Another thing we have done is to develop a near infra-red reflectance test method to be used as an agreed standard by industry. This work was done for DMO. Using laboratory controlled procedures, using incident light from 400 nanometres to 1,050 nanometres and collecting the reflected light with spectrophotometer equipment, we were able to obtain the ratios to guarantee getting the appropriate level of near infra-red reflectance from the disruptive patterns.

I will return to the matter of intellectual property.

**Senator JOHNSTON**—Just before you do, what was the \$500,000 spent on? You mentioned \$500,000, over and above the wages, for 10 and eight years respectively. What was that spent on?

**Prof. Clark**—What I said was that for the near infra-red reflectance studies, which involved some two people working for two to three years, over and above the salary costs of those people the actual amount expended on that work was close to \$565,000.

**Senator JOHNSTON**—And then there were the salaries on top of that.

**Prof. Clark**—Yes.

**Senator JOHNSTON**—How many people worked in each of the 10- and eight-year periods in developing the DPCU?

**Prof. Clark**—There would have been several people working on this on and off. They would not have been doing this continuously over that period.

**Senator JOHNSTON**—It is still a sizeable investment.

**Prof. Clark**—Returning to intellectual property, I think the key point is that, once industry have our specifications, they must develop the intellectual property to achieve those specifications through a manufacturing process.

**Senator JOHNSTON**—And there are two of them in Australia that do it?

**Prof. Clark**—Yes. We do not provide the manufacturing technique to industry, although we stand by and have been involved in assisting industry to develop it. I will stress two things with regard to IP. The intellectual property value in the current Australian disruptive pattern combat uniform textile specifically relates to the industrial method of achieving the specified near infra-red reflectance values, not to the values themselves, which is what we provide.

**Senator JOHNSTON**—So the specification is not IP, in your view.

**Prof. Clark**—That is Commonwealth property and Commonwealth determined—

**Senator JOHNSTON**—If it was owned by a private company, would it be intellectual property?

**Prof. Clark**—This is openly published—

**Senator JOHNSTON**—Yes, but if it was owned by a private person, the pigments and all of the methodology to develop it would be intellectual property, wouldn't they?

**Prof. Clark**—I think it is probably a debatable point as to how much—

**Senator JOHNSTON**—You are saying that the methodology in meeting the specifications is the intellectual property.

**Prof. Clark**—That is definitely the key intellectual property here. To say it in another way, no technologies were provided by DSTO in the tender process. Only the reflectance values required to meet the tender requirements were provided to DMO, who released those values as part of the tender. The intellectual property is being developed by industry in developing the manufacturing process to meet those specifications. That is the relevant point that I think you were concerned about.

**Senator JOHNSTON**—Thank you very much, Professor. I appreciate that. Can I come to Dr Gumley. Can you take us through what happened with the MLC tender that was abandoned?

**Senator Faulkner**—Before you go there, can I raise an issue that I would like the committee to be aware of. Chair, I would like to advise you and committee members that I was advised over the lunch break that the Defence Export Control Office received via email on 10 February 2010 an allegation to the effect that the disruptive pattern camouflage uniform specifications, and possibly fabric samples, have been exported without appropriate clearance under the terms of the Defence and Strategic Goods List. It is not fully clear when the alleged export took place, but the email suggested that a precedent from five years earlier—so we are talking about 2005—indicated that this was a breach of regulation. Chair, this does give rise to some complex issues about what might or might not have been compliant under the Defence and Strategic Goods List and about what might actually have been exported. So I have asked the secretary of the department to task the Defence Export Control Office to investigate this matter in detail.

It should be understood that this was an allegation, not a standard export application. It will require the DECO to undertake a broad range of work, including engaging with companies to explore what might have been exported in the past. The secretary will report to me on this and will refer any possible relevant issues for consideration to the Customs and Border Protection Service, if so required. But I wanted to let the committee know that at the earliest available opportunity.

**Senator JOHNSTON**—Given that there are very severe criminal sanctions with respect to breaches, would it not be appropriate to have an independent inquiry? I just suggest that to you and I will leave that entirely with you.

**Senator Faulkner**—The secretary will have a close look at this material—it has literally just come to our attention. I think in the first instance what I have outlined is sensible. In very short order, if anything further is required, you have my absolute assurance that it will be done. But we are talking here about—as I have indicated; the substance is clear—an allegation contained in an email. It is not a standard export application. Nevertheless, it is absolutely appropriate that this be dealt with in a very robust way, and that is why I wanted to say this to the committee at the earliest opportunity. I can assure you, Senator, and I can assure the committee it will be dealt with in a robust way.

**Dr Watt**—It seems to me that there is quite a bit to go before we decide we have reached the point that you have raised. I think Dr Gumley has some more relevant material that might be worth—

**Senator JOHNSTON**—We are assuming, I take it, that the DPCU, its samples and its specification may well fall under the umbrella of DECO?

**Dr Watt**—That is one of the things that needs to be looked at.

**Senator Faulkner**—Senator Johnston, I understand your question and why you ask it. My approach is that I am going to progress this on the basis of no assumptions—which I hope you would appreciate. When I said I would deal with it robustly, that is what I meant: we will deal with it in a very thorough way. None of us need have any assumptions.

**Senator JOHNSTON**—Good. Dr Gumley?

**Dr Gumley**—The minister mentioned just then that there are some very complex issues involved. Back on 10 February, I asked the head of the Clothing SPO: ‘Have we unwittingly given sensitive intellectual property to the Chinese which would allow them to reverse-engineer near infrared reflectance?’

**Senator JOHNSTON**—That is my concern. I am pleased to hear you ask the question. You and I are at one on this.

**Dr Gumley**—And here is the answer that was given to me:

Synopsis: no, in my opinion.

This is from the director of Clothing SPO.

IP lies in the dye technology and this has not been compromised. If the specifications reveal too much information and this was done with DSTO approval, it appears unlikely that the specifications provide any information that could not be deduced by a person knowledgeable in these matters.

Facts: DSTO approved the release of specification Army (AUST) 6795, issue 1, dated April 2004, which includes the NIR specification on 15 April 04. This was the first use of the NIR specification. DSTO was consulted by—

I will redact that name, if you do not mind—

of CLOSPO on 24 September 08 regarding the release of the NIR values for the disrupted pattern uniform in an unclassified specification.

The DSTO replied by email on 25 September 2008:

It seems that this specification is currently not restricted although probably limited release. It is my understanding that DEF (AUST) 8188 was based on a 1995 DSTO publication that measured the colour and reflectance of the North Australian environment. This is an unclassified document.

So the issues are complex because it makes it clear from this response that all we might be talking about may be unclassified, anyway.

**Senator JOHNSTON**—Sure. But let me just put a proposition to you. In order to get a replication of the product in line with the specification, a sample—in my respectful advice to you in all the research I have done—has to be given to the Chinese manufacturer. Your question about reengineering is at the absolute nub of the matter. What we are alleging is that not only has the DSTO's 10 and 8 years of research respectively been prejudiced but the intellectual property in manufacturing the combat uniform of an Australian manufacturer has been given to a Chinese manufacturer. We have a whole department inside Customs called 'Antidumping' that runs at some great expense to the Commonwealth every year, because anything you give to the Chinese gets remanufactured and turns up on our doorstep for a fraction of a price that we manufacture it at. I thank you for the issues you have brought to our attention. I think that an inquiry into this matter on those lines is long overdue. I stick with my comments to the minister that, given the penalties involved, and I think the national interest involved, this should be done independently. But I will leave that to the minister to sort out. He has that at his fingertips.

Can I talk to you about the MLC tender contract? It commenced with an industry briefing in late 2007 by Lieutenant Colonel Craig Oakley.

**Dr Gumley**—We do not have any exact detail.

**Senator JOHNSTON**—About MLC—modular load carriage.

**Dr Gumley**—Backpacks.

**Senator JOHNSTON**—For the benefit of committee members, MLC encompasses what pieces of equipment?

**Major Gen. Cavenagh**—With regard to the modular load carriage, the request for tender was regarding securing a prime systems integrator to deliver webbing and packs.

**Senator JOHNSTON**—Webbing?

**Major Gen. Cavenagh**—Webbing as in harnesses, pouches and backpacks.

**Senator JOHNSTON**—And they all had to be integrated so that they were, as the general described, interoperable and fitting as a unit. We use the word 'modular' for MCBAS. These were designed for an integrated system for each of the three items that were to be used by the soldier.

**Major Gen. Cavenagh**—As I described earlier, when we go ahead and have designed and tested any piece of the combat ensemble for the soldier, one of the key factors we are looking at is to ensure that it works together as a system. So it is not just this tender; it is a normal part of the business that we do.

**Senator JOHNSTON**—So we needed an integrated system provider. What was the capability number—Land 125 phase?

**Major Gen. Cavenagh**—I will have to get you the detail of what this was being done under, what coverage it had.

**Senator JOHNSTON**—What was the value of the particular tender?

**Major Gen. Cavenagh**—Approximately \$20 million.

**Senator JOHNSTON**—How many tenderers were there?

**Major Gen. Cavenagh**—The request for tender closed on 7 February 2008, and there were five responses received.

**Senator JOHNSTON**—So five Australian manufacturers.

**Major Gen. Cavenagh**—I am not sure whether they were all Australian, but there were five responses received. At the completion of the initial short-listing stage, two tenderers were selected to progress to the detailed evaluation stage.

**Senator JOHNSTON**—What date was that?

**Major Gen. Cavenagh**—The request for tender closing, or the—

**Senator JOHNSTON**—No, when you yielded the tender to two preferred tenderers.

**Major Gen. Cavenagh**—I would have to get those details timings for you. I will just see what I can do.

**Senator Faulkner**—While General Cavenagh is doing that, could I come back with one other piece of information I promised the committee?

**CHAIR**—Yes.

**Senator Faulkner**—I thank the committee for its courtesy. It has to do with an issue that was dealt with before the lunch break. I am advised by DMO that, in the 2009-10 financial year up to April 30, of the aggregate uniform, which in layman's language is all ADF clothing, 85 per cent by value was manufactured in Australia; therefore, 15 per cent by value was manufactured overseas. I just wanted to ensure that figure was in the record. I thank you, Chair, and Senator Johnston and the committee for the courtesy to enable me to do that.

**CHAIR**—Thank you.

**Senator JOHNSTON**—Following on, what is the total cost of aggregate clothing in Australia? There is 85 per cent by value from Australia, so what is the 15 per cent that goes offshore worth?

**Senator Faulkner**—The figure that I recall being provided in evidence this morning was—

**Dr Gumley**—We will have to check again.

**Senator JOHNSTON**—Take it on notice.

**Senator Faulkner**—We will, as long as you are happy for it to be taken on notice so we can give you a precise figure. It was in the order of \$55 million for that period. We might be able to get you better figures on notice.

**Dr Gumley**—We will get some better figures on notice.

**Senator JOHNSTON**—Thank you. Major General, we had two short listed tenderers.

**Major Gen. Cavenagh**—To answer your question, it was Land 125 phase 2B. In answer to the question about the date of the down selection, there was a stage 1 screening report for the Land 125 soldier modernisation program signed off on 25 February 2008.

**Senator JOHNSTON**—Good. Those two tenderers were required to produce samples.

**Major Gen. Cavenagh**—Defence purchased samples off the two tenderers for trial. Thirty sets were procured from the two short listed companies at a cost of \$170,000.

**Senator JOHNSTON**—It was originally 10 sets, which comprises 300 items, and then raised to 30 sets, comprising 900 items. Correct?

**Major Gen. Cavenagh**—I do not have that detail.

**Senator Faulkner**—Sorry, Senator, but before you go on I would like to come back to the information I just provided to you, which is accurate. For clarity's sake, given the issue has been taken on notice, would you please define what you would like? There are a range of different figures here. It goes to definition of clothing and equipment, and I want to be really clear on what information you would like from us in terms of the dollar figure. What I gave to you was the percentage in relation to aggregate uniform. I am happy to provide the dollar figure for aggregate uniform, but I felt you might have wanted something else.

**Senator JOHNSTON**—I want the total annual value for Defence Apparel, and then I want the value of the percentage which is not produced or manufactured in Australia and which goes offshore, which we suspect is 15 per cent, approximately.

**Dr Gumley**—On the data of the 85-15 split, to respond to your question promptly we looked at the top 20 suppliers. They represent some very high percentage of demand. We will have to go through the other 100 or 200 suppliers and all the little rats and mice there and add them all up, so it is going to take a little while.

**Senator JOHNSTON**—These are clothing items?

**Dr Gumley**—Yes, clothing items, but—

**Senator JOHNSTON**—Green things.

**Dr Gumley**—Or black.

**Senator Faulkner**—Black or green.

**Dr Gumley**—As the minister said, that included all clothing items, so it includes ceremonial uniforms, the braid, the buttons—

**Senator Faulkner**—It is easy enough to give a percentage, but when we are going to give a dollar figure it is a question of defining the dollar figure. I am pretty clear what you want, so we will make sure in the answer provided with a dollar figure that there is absolute clarity on what it refers to. Would that assist you?

**Senator JOHNSTON**—Yes, thank you.

**Senator Faulkner**—If we do that, I think we are there.



**Senator JOHNSTON**—Coming back to this tender: we have two tenderers and we have asked them to produce 30 sets to see if they can do the job and to sample their performance—correct?

**Major Gen. Cavenagh**—Yes, that is the information I provided.

**Senator JOHNSTON**—Did both tenderers provide 30 sets?

**Major Gen. Cavenagh**—I do not have the details to answer that.

**Senator JOHNSTON**—All right. We then had the tender fall over. The tender did not go ahead. They still have not provided this equipment, as I understand it. What happened?

**Major Gen. Cavenagh**—There were some allegations of impropriety in the tender process made on 23 September 2008.

**Senator JOHNSTON**—By one of the two tenderers?

**Major Gen. Cavenagh**—By an unsuccessful tenderer.

**Senator JOHNSTON**—By one of the two final tenderers?

**Major Gen. Cavenagh**—That is correct.

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

**Major Gen. Cavenagh**—I am sorry; I will correct what I have just said. On 18 July 2008 a member of the public, in a conversation with a Defence staff member, alleged that a DMO procurement officer had received money from a potential tenderer and had inappropriately influenced the outcome of the modular load carriage equipment tender.

**Senator JOHNSTON**—So there was an allegation of corruption and fraud?

**Major Gen. Cavenagh**—That is correct.

**Senator JOHNSTON**—From a person in the public? Do we know who that person was?

**Major Gen. Cavenagh**—I am sure we do know who the person was.

**Senator JOHNSTON**—Did we report it to the police?

**Major Gen. Cavenagh**—On the same day that allegation was reported to the Inspector-General Division for investigation.

**Senator JOHNSTON**—Was this person related to any of the contractors—the tenderers?

**Major Gen. Cavenagh**—I could not tell you.

**Senator JOHNSTON**—Anyway, it is a member of the public.

**Major Gen. Cavenagh**—The inspector-general found that there was no evidence to support the allegations, and the member of the public who had raised the allegations was not prepared to confirm that he had made the allegations, nor would he provide substantiation of any wrongdoing, and he stated that he did not wish to pursue the allegations.

**Senator JOHNSTON**—So there were no problems. What happened after that?

**Major Gen. Cavenagh**—After that, the director-general was not satisfied with the overall situation as it stood and that resulted in him requesting the Inspector-General Division to investigate further.

**Senator JOHNSTON**—So there were two investigations, one at the behest of a member of the public and the other because the director-general was not confident with the outcome and a further investigation was incurred.

**Major Gen. Cavenagh**—The director-general asked for both those investigations to take place.

**Dr Gumley**—In doing so, I think the director-general was acting very prudently.

**Senator JOHNSTON**—Of course he was, absolutely—no question.

**Major Gen. Cavenagh**—Subsequent to that, the director-general, when visiting Darwin, was advised that the CEO of a company had said that it would take the DMO to court over the tender for the MLC equipment. A short-listed bidder that was unsuccessful was debriefed on 23 September. At the conclusion of the debrief, a company representative raised the allegation that a DMO staff member had improperly influenced the tender process.

**Senator JOHNSTON**—How had he improperly influenced the tender process?

**Major Gen. Cavenagh**—I am not sure I have all of that detail here, but the director-general advised the company representatives that the Inspector-General Division would investigate their allegation, and the company representatives seemed satisfied with that response. On 23 September the Inspector-General Division was advised of the allegation.

**Senator JOHNSTON**—Go on. The inspector-general found what? Brigadier Horrocks was in charge of all this, wasn't he?

**Major Gen. Cavenagh**—That is correct.

**Senator JOHNSTON**—And he is not here today.

**Senator Faulkner**—That is not right. As per a request that you made just this morning, we have asked him to attend. I might make the point that this has not been easy. The only request we have received for the brigadier to attend has actually come at the table today, even though the witness lists were available some days ago. But we have made great efforts to try and ensure, for your benefit, that the brigadier does actually come to the hearing, which I hope you appreciate. He will be here, I think, in relatively short order.

**Senator JOHNSTON**—Good.

**Senator Faulkner**—We have really tried to facilitate this. He has had to come from Melbourne, which I am sure you appreciate. Normally some notice might be given of this. I think it is almost unprecedented.

**Senator JOHNSTON**—Everybody knows that this clothing issue was going to be canvassed, as it was canvassed last time. To have Brigadier Horrocks, who presided over a failed tender, not here today—when this is, if I may say, the most obvious issue that this estimates was going to look at—is quite stunning—

**Senator Faulkner**—I do not agree with that.

**Senator JOHNSTON**—in its disdain for the committee.

**Senator Faulkner**—That is an outlandish thing to say. The witness list for these hearings, as you know, was published a number of days ago.

**Senator JOHNSTON**—And I asked for DECO to be here last Thursday and have seen no representative from DECO. Mr Jennings is strategic, not DECO. So what is the point?

**Dr Watt**—Mr Jennings is responsible for DECO, so you have got something better than DECO; you have got the responsible officer.

**Senator JOHNSTON**—No. He did not know any of the details regarding the emails or the approaches. He is not DECO. So I am not permitted to cross-examine those people.

**Senator Faulkner**—Might I suggest that what one does in relation to this—as I have always done myself—is look at the witness lists and see if these things are adequate. I hope that you would acknowledge that, in the case of Brigadier Horrocks, we have made a great effort, in difficult circumstances, to ask him to attend the meeting. I would have thought it ought to engender a positive note of appreciation.

**Senator JOHNSTON**—It is very much appreciated if Brigadier Horrocks is here—if he is here.

**Senator Faulkner**—Well, he is not here yet, but he is literally on his way and it should not be too long. In the 11½ years that the previous government was in office, these sorts of courtesies were never extended. It is doing the right thing. Instead of being ungenerous, perhaps a positive acknowledgement is warranted.

**Senator JOHNSTON**—A very positive acknowledgement for Brigadier Horrocks being here.

**Senator Faulkner**—The brigadier will be here soon, I understand, so you will be able to ask him whatever questions you wish to directly.

**Senator JOHNSTON**—Thank you. What was the problem with the second inquiry? Why was the tender abandoned? What had happened? What did the inspector-general find?

**Major Gen. Cavenagh**—In January 2009 the Inspector-General Division investigation did not find any evidence of corruption in the tender process for the MLC equipment. However, they did conclude that perceived and actual bias existed within the tender process. This conclusion led to a recommendation to appoint an independent probity auditor to conduct a comprehensive audit of the tender process.

**Senator JOHNSTON**—Tell me what the actual bias was.

**Major Gen. Cavenagh**—I do not have those details here.

**Senator JOHNSTON**—I put them to you:

... a \$23 million project for backpacks—

which is what we are talking about—

webbing and pouches was halted partly because the newly appointed project manager—

and I will redact his name—

mishandled the tender. [He] contacted a company that had been eliminated from the tender, and was alleged to have sought its assistance on behalf of—

and I will redact the other company, the final winner of the tender—

which was still competing for the contract.

Isn't that the subject matter? The DMO official administering the tender went out to see if someone else could assist one of the two final tenderers because they were favoured. That is the actual bias, is it not?

**Major Gen. Cavenagh**—The reasons for the tender being cancelled may have included that but they also—

**Senator JOHNSTON**—I am sorry: did you agree with what I just said, did you?

**Major Gen. Cavenagh**—I am not sure of the exact sequence in all of this and I would have to check the detail of the investigating reports to confirm if that was actually a part of the reasons for the closure.

**Senator JOHNSTON**—Dr Gumley, what is your understanding?

**Dr Gumley**—I believe this was part of the reasons.

**Senator JOHNSTON**—Well give me the whole story, to your understanding. You are the main man who runs all of this; tell me what happened to this tender.

**Dr Gumley**—From reading the two reports—

**Senator JOHNSTON**—Yes.

**Dr Gumley**—the inspector-general report and the probity report, there was an allegation, which was never proven, in fact, but it remains an allegation, that the project manager—again, we will not mention his name here unless you—

**Senator JOHNSTON**—No. It is an allegation. Let's give him the benefit of the doubt.

**Dr Gumley**—It is an allegation; we will give him the benefit of the doubt. Again, it was never proven; it was an allegation. He may have contacted one of the subcontractors, because this was a tender for a consolidated supply. Of the two main tenderers, each had a range of smaller suppliers who were going to be supplying into them. It may have been a case of overenthusiasm by the project manager in that he may have been trying to build up the bids, if you like, or work in some way. There is enough there that we should have cancelled the process, because at the very least there is a perception of bias, even if nothing is proven to have actually happened.

**Senator JOHNSTON**—You see, the wording that the major general used was 'actual bias'. So there was a finding—

**Major Gen. Cavenagh**—If I may, I will give that further explanation. The inspector-general's report concluded that. That is correct. But that led to the appointment of a probity auditor to really get to the heart of the matter about what evidence there was.

**Senator JOHNSTON**—So there was a third inquiry?

**Dr Gumley**—No, there was an external probity audit. You have the inspector-general giving a view. The inspector-general is internal. So there is enough there now that you go to an external party, who cannot themselves be implicated in this, as a probity auditor to examine all the facts and give a report. The probity auditor came out and said there was a perception of bias.

**Senator JOHNSTON**—There was a perception of bias.

**Major Gen. Cavenagh**—The reason they gave for cancelling the tender was that there had been significant administrative breaches that included not following the planned sequence of events such as assessing value for money before completion of the detailed evaluation and tender documentation shortfalls. So the tender evaluation working groups do their business, then all of that comes together and then you go through the assessment of the value for money. What happened in this case was that they got that out of sequence, and that in itself is enough to cancel the project, which is why it was cancelled. It was that, and also they found perceptions of bias but no actual proof of bias.

**Senator JOHNSTON**—Minister, can we have these three reports—firstly, the inspector-general’s report with respect to the matter of fraud and corruption; secondly, the inspector-general’s report with respect to the matter of perceived and actual bias; and, thirdly, the final probity report with respect to the last of those two matters?

**Senator Faulkner**—I do not know of any precedents for such reports to be in the public arena.

**Senator JOHNSTON**—The committee needs to get to the bottom of this. We have had a very significant tender abandoned because of actual and perceived bias. That is a serious matter and we need to look into it further.

**Senator Faulkner**—As I said, in relation to inspector-general and probity auditor reports, I am not aware of any such reports being placed in the public arena. I am not aware of what classifications they might have.

**Senator JOHNSTON**—So you will not give them to us.

**Senator Faulkner**—I will check what the status of the reports is. You would appreciate this was a matter that occurred some time ago. Some of this was on the boil just at the time, in fact, when I became defence minister. So I will need to go back and refresh my memory about the circumstances. I will look at the reports and make a judgment. These are different to some of the other things which you have asked for in status, which I hope you would acknowledge. It would be very unusual, perhaps unprecedented, for reports of that nature to be placed into the public arena. However, let me look at that and I will come back to you.

**Senator JOHNSTON**—The reason why this matter is, in my view, so important, is that the allegations that prevail with respect to this particular tender are that, of the two tenderers, one was favoured and that the official concerned, knowing that there was an incapacity of the favoured tenderer, went to an unsuccessful tenderer and said: ‘Can you assist the favoured tenderer? We do not want to give the contract to the second tenderer.’ That is one of the allegations, but there are very many allegations. That particular second unsuccessful contractor has complained for many years that he has been blackballed and victimised in various defence contracts, and I think you may know exactly what I am talking about.

The point about all of that is that a tender was abandoned due to a complaint by that particular unsuccessful tenderer. So there is an element of a smoking gun here. The parliament needs to get to the bottom of what has happened here. There were two inspector-general inquiries and one probity audit, the end result being that a \$23 million tender was abandoned after 12 months. And the soldiers to receive the equipment are still waiting for the gear. I

would ask you to consider what I have just said in adjudicating whether or not the parliament should look at those matters.

**Senator Faulkner**—I am happy to consider those statements that you have made in looking at the question that I have taken on notice to give an appropriate level of consideration to. I can assure you I will apply those factors in my consideration, as I will no doubt bring other factors to bear as well. But I certainly give you the commitment I will do that.

**Senator JOHNSTON**—Dr Gumley, how many Rush 72 backpacks have we purchased in the last, say, 12 months?

**Dr Gumley**—I do not know that number.

**Senator JOHNSTON**—Can we find it? Do we know where they are manufactured?

**Dr Gumley**—I will just check the detail.

**Senator JOHNSTON**—With respect to these backpacks, there is a current shortfall of approximately 600.

**Dr Gumley**—I am not aware of the source of that data.

**Senator JOHNSTON**—I am advised that there is a shortfall.

**Major Gen. Cavenagh**—The information that I have is that the Rush 72 pack, which has been required for operations only, was first procured in 2008. A total of 6,404 have been issued, with 2,690 being in 2008 and 3,714 in 2009. They are costing us about \$175 per item.

**Senator JOHNSTON**—And where are they from? China, I think you will find.

**Major Gen. Cavenagh**—I think they are made in China. I will have to confirm that.

**Senator JOHNSTON**—What have we done to fill the gap with respect to the failed tender? There was a \$23 million tender, I think. Obviously there were a significant number of packs to be provided.

**Major Gen. Cavenagh**—There are a number of packs that we are procuring. Since October 2005 the large field pack 05 has been manufactured in Australia and supplied to the ADF by Robco Products. Ongoing procurement action is being undertaken to maintain the availability of those packs.

**Senator JOHNSTON**—What procurement action has that been?

**Major Gen. Cavenagh**—Specifically what are you after?

**Senator JOHNSTON**—What backpacks?

**Major Gen. Cavenagh**—That was with regard to the large field pack 05. In April of 2008, Soldier Modernisation SPO established a two-year standing offer, with options for additional years, with a company by the name of Trade Partners for the provision of the large field pack 1994 to fill the DP1 sustainment requirement. Three contracts were initiated. The first contract commenced in May of 2008 for 12,000 packs, with fortnightly deliveries until contract completion. The second contract commenced on 25 June 2009 for 6,000 packs, with fortnightly deliveries until completion. The current contract for a further 6,000 packs commenced on 24 September 2009 and has deliveries scheduled through till mid this year. As

I said, the standing offer has an option to extend for an additional two years, which has been exercised by the Commonwealth.

**Senator JOHNSTON**—What is the fate of the tender—abandoned?

**Major Gen. Cavenagh**—The tender that we were previously talking about was cancelled. A user requirement has been developed by Army for a single load carriage system that is still under development to replace both of the current in-service load carriage systems that we have been talking about. It will cover both the webbing and the packs. At this stage it is anticipated that an open request for tender will be released in this coming financial year for the provision of this single load carriage system to Defence. We will be putting something out in the next financial year, based on Army finalising its requirements for its new system.

**Senator JOHNSTON**—Are those packs the interim packs that we have described? What have we done about webbing, for instance? We have we got that from?

**Major Gen. Cavenagh**—The individual load carriage equipment version 1 was, from memory, introduced in around 2005. I would have to confirm that. There was a change in design for one of the sizes of the pouches based upon user feedback and we have subsequently issued new pouches for that.

**Senator JOHNSTON**—Where do we get those from?

**Major Gen. Cavenagh**—I understand that they were contracted to a company by the name of CrossFire but I would have to confirm that.

**Senator JOHNSTON**—And how many?

**Major Gen. Cavenagh**—Again, I will have to confirm all the details of the pouches.

**Senator JOHNSTON**—Alright. I appreciate your assistance, General. I will now go to boots. Notwithstanding the latest version of Terra, we have a report called the Booz Allen Hamilton report. Is that for publication?

**Major Gen. Cavenagh**—The Booz Allen Hamilton report, from memory, actually did a comparison of a range of boots which are available commercially. The sensitivity here is that there is an assessment—

**Senator JOHNSTON**—An evaluation?

**Major Gen. Cavenagh**—An evaluation of how all of these commercial boots stack up and their pluses and minuses. We would have to seek guidance as to whether any of that information, which is commercially sensitive, could be released.

**Senator JOHNSTON**—Do you have a cost for the Booz Allen Hamilton report?

**Major Gen. Cavenagh**—I personally do not have a copy but my organisation does have a copy.

**Senator JOHNSTON**—Can we get that? So the report was obviously done by Booz Allen Hamilton and it was done at whose request?

**Dr Gumley**—It was recommendation No. 22 of the Harding clothing review from 2006. As I mentioned earlier, we carried out all 29 recommendations and it came out of that. We found an external consultant who did the work in late 2007 and early 2008, and they issued a

report. The DMO and the Australia Army tasked Booz Allen Hamilton to assess the boot against eight criteria to determine the boot's fitness for function. Do you need to know those eight criteria?

**Senator JOHNSTON**—Do you say 'the boot' or 'boots'? Were they evaluating several brands or just the Terra?

**Dr Gumley**—No, they actually looked at a number of brands.

**Senator JOHNSTON**—I would like to know what the eight criteria were.

**Dr Gumley**—Criteria performance against original unit user requirement performance against the specifications where the boot meets current manufacturing standards, assessing for inherent orthopaedic issues, serviceability of the fitness regime, serviceability of the maintenance regimes, the need for structural or non-structural improvements and to seek extensive stakeholder comment.

**Senator JOHNSTON**—Right.

**Dr Gumley**—They engaged with defence personnel, the footwear industry and expert podiatrists. Extensive use of feedback was obtained through a web based questionnaire which received more than 1,000 responses and visits to Puckapunyal, Holsworthy, Singleton and Townsville. Army personnel with wide ranging experience and trainees or those who had just returned from operation service were surveyed. They attempted a survey approach across a very wide, if you like, customer base.

**Senator JOHNSTON**—There is a pretty valid assessment of the state of boots in the ADF in 2008. Has that document been published?

**Dr Gumley**—I am not aware that it has been published.

**Senator JOHNSTON**—Minister, can that document be published?

**Senator Faulkner**—I do not know anything about the document.

**Senator JOHNSTON**—Can I ask you to have a look and see if you will publish it.

**Senator Faulkner**—Of course. It is always difficult to be asked about a document I have been seen. I assume it is not here at the table.

**Senator JOHNSTON**—It is a question on notice.

**Senator Faulkner**—Sure. I am happy to look at it for you. If it is at all possible to do so, I would be keen to do so.

**Senator JOHNSTON**—Mr Gumley, can I put it to you: we had an incident with respect to boots on Anzac Day in Townsville and in Darwin.

**Dr Gumley**—That was not the Terra boot.

**Senator JOHNSTON**—No, I realise that.

**Dr Gumley**—That was dress shoe.

**Senator JOHNSTON**—What dress shoe do we issue?

**Major Gen. Cavenagh**—There are two issues here. One is in regard to the shoe. The shoe and the boot are supplied by Lymington Group located in Sydney.



**Senator JOHNSTON**—When you say ‘and the boot’ you mean the Terra boot is supplied by Lymington.

**Major Gen. Cavenagh**—No. I am just referring here to the parade boot.

**Senator JOHNSTON**—The parade boot, right.

**Major Gen. Cavenagh**—And the dress shoe.

**Senator JOHNSTON**—And the dress shoe. I am told that it was a hot day in each of those two locations, and after parade when ADF personnel Navy and Army—Navy in Darwin and Army in Townsville—marched off a number of soles of these shoes and/or dress boots detached and were left on the parade ground.

**Dr Gumley**—That is correct. There was a manufacturing—

**Senator JOHNSTON**—I was really hoping that that was just a media beat-up.

**Dr Gumley**—That is correct. There was a manufacturing defect. They had been glued but they had not been stitched and so there has been a warranty withdrawal. The company, Lymington, have agreed to replace all inventory and existing issued boots under warranty.

**Senator JOHNSTON**—At no cost to the Commonwealth?

**Dr Gumley**—At no cost to the Commonwealth.

**Major Gen. Cavenagh**—There were a series of boots that were withdrawn and replaced at a reduced cost because they could be restitched or have stitching applied to them.

**Dr Gumley**—The manufacturer had the responsibility of making good or replacing.

**Lt Gen. Gillespie**—Senator, perhaps I could help here.

**Senator JOHNSTON**—General, I would love you to help me.

**Lt Gen. Gillespie**—I first became aware of the issue of the failure of the adhesive on the sole of the parade boot at the ramp ceremony for Corporal Hopkins’s return. I created a small scene about that. I cannot remember whether you were there at that process.

**Senator JOHNSTON**—I do not think I was.

**Lt Gen. Gillespie**—It was most undignified and, more importantly, it had soldiers walking without soles on their shoes on a really hot tarmac in Newcastle. As a result of that—

**Senator JOHNSTON**—When was that, General, I am sorry?

**Air Chief Marshal Houston**—It was about February-March last year.

**Senator JOHNSTON**—March 2009.

**Lt Gen. Gillespie**—Subsequent to that, there was a welcome home parade in Darwin, where, again, there were soles of boots left on the ground. The action that I took with the CEO DMO and the staff resulted in the process that you have just heard, which is that it was taken up with the manufacturer and the manufacturer agreed to have returned to him all of the defective stock and to stitch them, and that has since happened. That happened before the Townsville incident. The scene of the Townsville incident is, unfortunately for Army, an own goal in the fact that sitting in the Q-stores in Townsville were boots that had been properly repaired by the contractor. But despite several issues through the chain of command and the

Army newspaper, the soldiers involved in the parade had not exchanged old boots for the restitched boots.

As an issue, it happened. It has been addressed, as far as I am concerned. The contractor accepted all the costs associated with that. Now, after the Townsville incident, again, I have reinforced to army's chain of command to get the old boots swapped so that the ones that they have, if they are brand new, can be sent back to the manufacturer for repair.

**Major Gen. Cavenagh**—If I could just clarify the remedial actions that have taken place. Firstly, I will talk about the boots. Clothing SPO contracted Viclab, an accredited testing facility, to conduct quarterly independent tests on all types of pre-and post-2007 manufactured boots. It was found that it was the pre-2007 boots and shoes that were the issue.

**Senator JOHNSTON**—We are talking about parade boots and parade shoes?

**Major Gen. Cavenagh**—Yes, that is correct. The results of the latest testing identified that, as I just said, the post-2007 manufactured boots meet the specifications. The Lymington Group has conducted further testing on fully stitched boots through Viclab, and test results have met the specifications. Clothing SPO raised a contract amendment so that the boots were not just glued but also included some stitching.

**Senator JOHNSTON**—Some stitching or proper, fully stitched boots so that the soles do not come off?

**Major Gen. Cavenagh**—Stitching on the boots complements the glueing that takes place to ensure that you have a belt-and-braces type approach to the sole. As part of this the Lymington Group also formally agreed to extend the warranty period from one year to two years and the latent defect period to four years. Those changes have now been included in amendments to the standing offer deed. Lymington have offered to have all current stocks of boots returned to them for stitching to be applied at nil cost to defence.

**Senator JOHNSTON**—There is transport. Who is paying for that?

**Major Gen. Cavenagh**—We would be paying for the transport to get them there.

**Senator JOHNSTON**—That is a cost.

**Dr Gumley**—That is in all manufacturers' warranties—return to base. It is fairly standard in commerce.

**Senator JOHNSTON**—Yes, but it is putting us to some expense.

**Dr Gumley**—Yes, there is some expense there but they are fairly standard commercial terms and we have a four-year latent defect clause now instead of a two-year one.

**Senator JOHNSTON**—How many pairs of dress boots and shoes are we talking about?

**Major Gen. Cavenagh**—To date a total of a little over 65,000 pairs of boots have been delivered against the standing offer.

**Senator JOHNSTON**—And they are all defective?

**Major Gen. Cavenagh**—No. In some of the pre-2007 manufactured footwear is where the defects have been found. The technical advice on the sole separation—and it is similar for both—was that sole breakdown could be due to long-term storage, wherever that may be. It

could also be due to poor manufacturing processes, and the sole breakdown could also occur due to hot weather and the climate, particularly in the tropical areas.

**Senator JOHNSTON**—When was this contract awarded?

**Major Gen. Cavenagh**—The patent leather parade boots were originally procured under a standing offer deed which was awarded to the Lymington Group on 20 February 2003.

**Senator JOHNSTON**—So there was no tender process?

**Major Gen. Cavenagh**—The standing offer was as a result of a request for tender process initiated in October 2002.

**Senator JOHNSTON**—And there was a contest?

**Major Gen. Cavenagh**—There was.

**Senator JOHNSTON**—And this boot won the contest?

**Major Gen. Cavenagh**—That is correct.

**Senator JOHNSTON**—Who did the evaluation and who did the tender selection process?

**Major Gen. Cavenagh**—Again, I do not have the details of the actual individuals involved, but it would have been, I think it was the Clothing Group back then.

**Senator JOHNSTON**—And subsequently became the Clothing SPO.

**Dr Gumley**—After all the reforms.

**Senator JOHNSTON**—Yes. So Clothing Group chose this boot back in 2003.

**Senator Faulkner**—It sounds like I should have been asking Senator Hill all of these questions back then.

**Senator JOHNSTON**—The soles had not come off them then. That is the problem.

**Senator Faulkner**—They were just bought. It took them a while.

**Senator JOHNSTON**—The soles had not come off, they were not due.

**Senator Faulkner**—So you reckon Senator Hill is in the clear. I will let him know you said that. He will be most amused to hear that.

**Senator JOHNSTON**—Have you got any information as to what was the value of this contract and what technical assessment was made? What did you say, 60,000 pairs or something?

**Major Gen. Cavenagh**—So far have been delivered. I do not have the detail of any testing or assessment regime they went through or the value—

**Senator JOHNSTON**—It does not sound like there was any. Can you take that on notice and give me a full description of what testing regime for 60,000 pairs of parade boots and shoes was undertaken to determine who won the tender?

**Major Gen. Cavenagh**—I will take that on notice.

**Senator JOHNSTON**—Obviously temperature is now at the forefront of our mind. On Anzac Day soldiers marched off a parade ground leaving the soles of their boots behind. I have never heard anything like it. It is a scandal, pure and simple. And in Darwin, Navy people telling me.

**Dr Gumley**—When we first found out about this issue the first time it happened we treated it pretty seriously. We had a very robust discussion with the manufacturer about the defects and I believe we have achieved a restitution that is commercially reasonable.

**Senator JOHNSTON**—I accept that.

**Dr Gumley**—It would appear from the data we have been able to get in the last hour, when I said we have got to add up all the little companies as well as the top 20 companies—you are certainly keeping the people at the Clothing SPO busy at the moment—\$64.5 million appears to be the 10-month figure for financial year 2009-10 up to 30 April, and the 85-15 split is confirmed in the data I have just been given. The imported amount is going to be 15 per cent of about \$65 million, which is about \$9.7 million.

**Senator JOHNSTON**—About \$9 million to \$10 million.

**Dr Gumley**—\$9 million to \$10 million is imported in the 10 months, so you would think that if you were to pro-rata that for 12 months it would be in the order of \$11 million to \$13 million would be imported.

**Major Gen. Cavenagh**—You asked earlier about how many short-listed tenderers there were for MCBAS. There were five. The company that supplies the enhanced combat body armour is Hellweg International.

**Senator JOHNSTON**—Where are they from?

**Dr Gumley**—Hellweg are in Melbourne.

**Senator JOHNSTON**—So they are manufactured in Melbourne?

**Dr Gumley**—The Hellweg company is in Melbourne. Where their source of supply is we would have to check.

**Senator JOHNSTON**—Just pausing on that, how many times have we been to visit an offshore manufacturer of Defence apparel in the last, say, five years?

**Major Gen. Cavenagh**—I am not sure of any systematic program. The last time I am aware of was earlier this year.

**Senator JOHNSTON**—Where?

**Major Gen. Cavenagh**—Vietnam.

**Senator JOHNSTON**—We actually went to Vietnam?

**Major Gen. Cavenagh**—We had a Defence representative in Vietnam visit that company.

**Senator JOHNSTON**—So a Vietnamese person?

**Major Gen. Cavenagh**—No, a Defence representative.

**Senator JOHNSTON**—The attache in Hanoi?

**Major Gen. Cavenagh**—Yes, went and visited the company.

**Senator JOHNSTON**—Right. And gave you a report?

**Major Gen. Cavenagh**—Yes, on a specific issue.

**Senator JOHNSTON**—It was not a workplace conditions issue?

**Major Gen. Cavenagh**—It was involved in workplace conditions.

**Senator JOHNSTON**—All right. Well, let me rephrase the question. My apologies for a poor question.

**Senator Faulkner**—Senator Johnston, can I just interrupt you for a moment, to indicate to you that I have been advised that Brigadier Horrocks has arrived, so it might be best if he comes to the table after the break—if that suits you.

**Senator JOHNSTON**—Beautiful.

**Senator Faulkner**—No problem, thank you.

**Senator JOHNSTON**—How many times have we sent a person to a foreign manufacturer to check on workplace conditions—sweatshop conditions—to see that Defence apparel is not being manufactured in that fashion?

**Major Gen. Cavenagh**—I will have to take that on notice.

**Senator JOHNSTON**—We will take it back five years.

**Major Gen. Cavenagh**—Okay.

**Senator JOHNSTON**—All right. The next issue I would like to go to is helmets. Have we got a problem with helmets? I am told we do. We have replaced a whole lot of helmets.

**Lt Gen. Gillespie**—I am not aware of helmet issues specifically, with the exception that, when the current helmet is worn in combination with some of the kit on the MCBAS and when you take a prone position, you cannot get your head back at the angle that you need to.

**Senator JOHNSTON**—No doubt that is the problem I have been referred to and cannot remember.

**Lt Gen. Gillespie**—And that is one of the key features of the design of the TBAS that we are talking about, to make sure that we do not end up with that issue of one piece of kit not perfectly sitting with the other.

**Senator JOHNSTON**—And we are going to solve that?

**Lt Gen. Gillespie**—Yes.

**Senator JOHNSTON**—I will come back to the cost in a minute. I am also told that, with respect to the F88, we cannot get the butt into the shoulder with a MCBAS such that the ocular can be zeroed by the person pulling the trigger. Does that strike a chord?

**Lt Gen. Gillespie**—That is a common complaint. It is a complaint that I have recently seen disproved by troops down in Victoria during the AASAM competition. If you take a standard firing position, in the way that soldiers normally do these things, yes, it is difficult to get it up so you can get your head into the ocular site. But down in Puckapunyal I saw a clear demonstration of soldiers who were firing very well; they had worked out a way of getting around that.

**Senator JOHNSTON**—What is the way?

**Lt Gen. Gillespie**—It was having it on a different position on the body armour and using a slightly different firing position with your arms and head. In fact, they had worked out that there are certain parts of the MCBAS body armour that build a nice little catch for the butt of the weapon. So it is an issue if you use our current TTPs; it was not an issue apparently—as demonstrated to me by young soldiers—if you think it through. We will take it on as a training issue.

**Senator JOHNSTON**—But TBAS is going to solve any suggestion of a problem?

**Lt Gen. Gillespie**—TBAS will be different, yes.

**Senator JOHNSTON**—Thank you. It strikes me, when I talk to people who tell me about that, that there is a complete misunderstanding of the necessities of mounting and dismounting. We have discussed this before. I forgot to mention the rifle. We spent a lot of money developing the F88, if I remember. To have a body armour system designed where people actually say to me ‘I can’t zero the ocular, because I cannot get the butt into my shoulder’ strikes me as a disconnect. We are going to solve that—that is what you are telling me?

**Lt Gen. Gillespie**—Absolutely. Remember—and we have said this over a couple of estimates now—MCBAS was developed at a time in our operational deployment where our biggest threat was from vehicle-borne bombs. So we built it based on armoured corps people telling us, engineers telling us, et cetera what bits and pieces they wanted added to the kit, and to protect them in that environment we did that. Now what we have acknowledged is that for the sorts of mobility operations we are currently involved in—we were not in all the time we have been in Afghanistan involved in these sorts of operations—there are some shortcomings with the full system, which is why we are deeply into the development of the TBAS, to address a whole range of those things.

**Senator JOHNSTON**—Who is designing the TBAS?

**Lt Gen. Gillespie**—We, with the people from DMO, are doing the design of the equipment.

**Senator JOHNSTON**—Who designed MBAS?

**Lt Gen. Gillespie**—We did it in a very modular, fit-each-threat-as-it-came-up fashion. This has been done as a soldier system. I have described it to you today, where we are going right from load carriage all the way through the business. We are taking into account issues to do with helmets. We are taking into account how they attach different pieces regardless of which corps and speciality you are from. It is a time where we have actually taken a breath and gone back to first principles of design for a new system.

**Senator JOHNSTON**—The next issue is the cold and extreme cold weather underwear tender.

**Senator Faulkner**—Senator, after you have concluded that, I will ask VCDF to come to the table to respond to your Joint Logistics Command contracts, and I appreciate that you will probably want to go back to the MLC issue.

**Senator JOHNSTON**—Yes.

**Senator Faulkner**—Are you happy with that?

**Senator JOHNSTON**—Yes.

**Proceedings suspended from 3.30 pm to 3.48 pm**

**CHAIR**—The committee will come to order. Does someone at the front table have something they wish to say at this stage?

**Senator Faulkner**—Could we take the opportunity now for VCDF to respond to Senator Johnston's questions as proposed on Joint Logistics Command. I know Senator Johnston wants to come back on some other elements of clothing. I have indicated also to the committee that Brigadier Horrocks is here if committee members wish to call him.

**Lt Gen. Hurley**—Senator Johnston, you asked a series of questions yesterday about Joint Logistics Command contracts and the management of those contracts in Victoria Barracks in Melbourne. I would like to table a table which lists all the contracts that are currently managed there, the operational contracts, and go through a few explanatory notes, if you are happy with that, Chair.

**CHAIR**—Indeed so, General.

**Lt Gen. Hurley**—I will begin as they are being handed out. Senator Johnston you have drawn our attention to a paragraph in the white paper that referred to the cost of contractors compared to public servants.

**Senator JOHNSTON**—APS, I think they are described as.

**Lt Gen. Hurley**—That has been recognised as noted in the white paper and, under the strategic reform program there is a program for conversion of contractors to APS positions. That actually includes Joint Logistic Command; we are part of that. It also includes the job-skilling of the Public Service to make sure we have the appropriate skills to fill in those positions as contractors go.

However, there are still a number of areas where we need to buy expertise, and some of the contracts I will talk to reflect that. Of the operational contracts run by the supply chain management branch in Joint Logistics Command, there are 22 operational contracts. Twelve were tendered and 10 were sole sourced, of which three involved PSPs. Of these three, one of those contracts was tendered and two were sole sourced.

I will just draw your attention to the second page of the table. In the second row under the title 'Commercial Planning Partner Contract' it says tendered to 'PDL TOLL'. Those are two PSPs who bring to Joint Logistics Command expertise on overseas services that are available to support the conduct of our operations in the various locations we are in at the present time. That is specific knowledge and they can quickly access services for us. We had no expertise at the time of the awarding of the contract in January 2006 in that capability.

**Senator JOHNSTON**—That is in the MEAO?

**Lt Gen. Hurley**—Primarily, but it could be elsewhere as we require. If you go to the third last page, there is a table there which lists half a dozen or so contracts. The top two contracts—JLC9019 and JLC9031—referred to PSPs. The first one, JLC9019, to Kiah

Consulting, refers to a person we brought in to assist us in the DIDS contract remediation. It was sole sourced, taken on recommendation from defence legal, who were aware of the commercial expertise and particularly negotiation expertise this person brought to us, particularly in relation to foreign companies. His work was invaluable in helping us ensure a successful outcome to the DIDS contract negotiations and he will remain until the expiry of his contract at the end of June 2010.

**Senator JOHNSTON**—One man?

**Lt Gen. Hurley**—One person.

**Senator JOHNSTON**—Nice work if you can get it!

**Lt Gen. Hurley**—The second one was another single person who was brought in again for the DIDS contract remediation. He brought particular expertise in fuel arbitration from the resources sector, which was necessary as part of the contract, and also participated in the renegotiation of our contract to support our operations in Timor. His work was of such high quality that he has now been retasked to be the project manager for our Middle East logistics and base support contract renegotiations, which are currently underway.

They are the PSPs that have been involved in contracts. It is important to note that PSPs have no financial delegations. The chief of Joint Logistics Command develops the acquisition strategies for our major contracts. The director-general of the supply chain management branch is the delegate. With all our sole sourced contracts, when they come to the end of their terms, we look to see whether they should be tendered, although under annex A of the Commonwealth Procurement Guidelines there is an exemption for sole sourcing to support military operations if required. However, we prefer to try to work to the spirit of the CPG and look for competition.

**Major Gen. Cavenagh**—If I may just correct the record, we were talking about the Booz Allen Hamilton report. I said that that was a comparative trial. It was not a comparative trial. That was a Booz Allen Hamilton assessment of the Terra boot.

**Senator JOHNSTON**—Of the Terra boot only?

**Major Gen. Cavenagh**—That is correct.

**Senator JOHNSTON**—So not benchmarked against any other publicly available product?

**Major Gen. Cavenagh**—No. The Booz Allen Hamilton assessment was of that boot.

**Senator JOHNSTON**—I think it is very important that we have a look at that report, Minister.

**Brig. Horrocks**—The assessment of the boot was conducted as a result of the 2006 ADF review. It was a recommendation from that review, and that is what the recommendation asked us to do. Clearly, as we went through that review, and at the conclusion, it was determined that we would then do a comparative assessment. Who determined that? It was us—by the DMO in conjunction with Army. In fact, the report was written for the Chief of Army. We provided a report back to the Chief of Army at the time on the Booz Allen report, and the recommendation was that we then go forward and conduct a comparative analysis. We



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conducted a comparative analysis in conjunction with DSTO, Land Engineering Agency and Booz Allen plus a number of accredited agencies, both in Australia and overseas.

**Senator JOHNSTON**—Are those reports available?

**Brig. Horrocks**—They contain a lot of commercial-in-confidence information and highly sensitive information. For example, the Booz Allen report deals specifically with the Terra combat boot, produced by Redback Boot Co. Pty Ltd, an Australian company based in Sydney. The report deals with all the techniques that that company uses in the production of that boot, and it is a full assessment based upon that boot. To release that information publicly would obviously provide an advantage to other companies who would get that information. Having said that, we have released a redacted version of that and currently an FOI request is in for the release of that report.

**Senator JOHNSTON**—So the redacted version is publicly available?

**Brig. Horrocks**—Correct.

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

**Brig. Horrocks**—It was sent to the person who requested it. Like all FOI requests, it is sent to the individual—

**Senator JOHNSTON**—So if I requested it I would get a redacted version?

**Brig. Horrocks**—I would have to consult with Legal and the minister.

**Senator JOHNSTON**—Thank you for coming up. I understand you have been put to some great inconvenience; I appreciate you attending. I am talking about the MLC failed tender that we touched on last time. Colonel Craig Oakley explained in 2007 to an industry briefing that there was a substantial threshold of compliance in order to win the MLC tender contest. Do you recall that briefing?

**Brig. Horrocks**—I recall when it occurred. I did not attend the briefing.

**Senator JOHNSTON**—No—late 2007. But you are aware of the fact that the industry was given a specific briefing?

**Brig. Horrocks**—Correct.

**Senator JOHNSTON**—One of the terms of tender was that the MLC be compatible with MCBAS.

**Brig. Horrocks**—Correct.

**Senator JOHNSTON**—Did the short-listed tenderers have a copy of MCBAS?

**Brig. Horrocks**—From memory, the specifications on MCBAS were restricted, so when we got to the short-listing stage we would have provided the specifications so that they could then adjust, if required. Whether or not that was required, I do not know. I would have to take that question on notice.

**Senator JOHNSTON**—MLC was an integrated systems provider type tender, so that integration was a vital part of the tender. Please tell me you provided MCBAS in a tangible form, not in specification, to the two final tenderers.

**Brig. Horrocks**—At that stage the tender responses were based upon what they had initially tendered. The key part of that tender was to select a prime vendor who would then manage the supply of load carriage equipment. The intention was to provide the specifications once we were satisfied—because of the restricted nature—that that prime vendor could undertake what it was we were asking of them.

**Senator JOHNSTON**—But you wanted it integrated with MCBAS. Are you telling me that you did not give them a copy of MCBAS? These are manufacturers. They have factories and they have equipment that needs to be evaluated. They did not have a copy of MCBAS?

**Brig. Horrocks**—At that stage there was no requirement to give them the specifications or MCBAS. It depends on what stage we are talking about. Initially and right up to short-listing and even past short-listing, as I said, I will have to take it on notice at what point they were going to be given the specifications. The point is that we were after a prime vendor, somebody who could manage load carriage for us and supply it, as far as we were concerned, to the requirement that we were given in accordance with the capability manager.

**Senator JOHNSTON**—It was a term of the tender that the design be compatible—‘integratable’ is my word; ‘compatible’ was the word used, I believe, in the tender document—with MCBAS, yet one of the tenderers alleges that they did not receive a copy or a set of MCBAS. I find that odd.

**Brig. Horrocks**—As I say, the key purpose was to select that prime vendor and at a point in time—and I will take that on notice, as I have said—they were going to be given the specifications. Now it may not have been until we had selected the tenderer and gone through the contract negotiation that we would have said, ‘Okay, here is an element of the requirement of the statement of work,’ and we would have then worked with them in terms of that integration.

**Senator JOHNSTON**—Sure. One of the allegations is that one of the two tenderers was a US based tenderer who had an unfair advantage because they had access to US body armour and were able to make sure that they complied with the strict terms of the tender, whereas the other did not.

**Brig. Horrocks**—The assumption there is that the US based body armour is the same as the Australian—

**Senator JOHNSTON**—They manufactured body armour.

**Brig. Horrocks**—Like any company who enters into that situation, they establish themselves and determine themselves whether they can or cannot respond to the requirements of the tender.

**Senator JOHNSTON**—It was an unfair tender because they could access a set of body armour and the other one could not, yet the stipulation was that it be compatible.

**Brig. Horrocks**—The key aspect is the MOLLE system of the body armour. The MOLLE system is a way of attaching the pouches—pouch load carriage equipment—to the body armour. I will take on notice whether the two tenderers had knowledge of being able to attach the pouches to the MOLLE system. But the MOLLE system, as far as I am aware, is publicly available; it is freely available. So there is nothing there that would hinder a tenderer in

working out how they would go about attaching pouches to that body armour. But, as I said, I will take it on notice.

**Senator JOHNSTON**—All I am saying is that we have heard today that there is a difficulty from soldier to soldier in getting the butt of the rifle into the shoulder so that the ocular can be zeroed on the F88. For people to be developing other articles of apparel to integrate or to be compatible with that, I would have thought they should have been given a copy. I think it is fundamental. Nevertheless, that is the way we do our business. Do you have a record of exactly how many RODUMs have been received on MCBAS?

**Brig. Horrocks**—Yes, I certainly do. Just bear with me, Senator.

**Senator JOHNSTON**—I know the feeling.

**Brig. Horrocks**—In total there have been 28 RODUMs related to the modular combat body armour system. I can then go through them, if you would like.

**Senator JOHNSTON**—Before you do, I am aware that there is a capacity for RODUMs to deal with more than number of complaints; is that true?

**Brig. Horrocks**—A RODUM is submitted by an individual. It represents a report on one particular item or it may represent a report on that item but across a group of individuals who are operating that particular item.

**Senator JOHNSTON**—Thank you. So the number of RODUMs needs to be further specified into the number of RODUMs affecting the number of items—I think we understand each other on that. So how many RODUMs and how many items?

**Brig. Horrocks**—I have not added them up in total but I can go through each of them and tell you for each RODUM how many items of equipment they represent.

**Senator JOHNSTON**—Please—hang on, different items of equipment?

**Brig. Horrocks**—Sorry, for that particular item of equipment.

**Senator JOHNSTON**—Numbers of MCBAS suits.

**Brig. Horrocks**—Are represented—exactly. Going from February 2009 to March 2010, in February 2009 we have a RODUM that represents 10 items that are affected. It was found during testing that the quick release could not be opened by a single hand pull when the armour was either wet or submerged in water.

**Senator JOHNSTON**—What is the significance of that, just pause to tell me about quick release? If someone has a wound, you need to get the gear off.

**Brig. Horrocks**—I will defer to the capability manager.

**Lt Gen. Gillespie**—The quick release has a number of functions. You have just mentioned one of them. The other is there may well be a need to cut and run and get rid of the armour quickly. You may well come out of a vehicle doing a river crossing and you need not to drown by being dragged to the bottom by 11 kilograms of body armour. That is what the quick release mechanism is all about.

**Senator JOHNSTON**—Thanks, General. That is number one. There were 10 in that RODUM.

**Brig. Horrocks**—Yes, Senator. This is March 2009, this is when the RODUMs were submitted, representing eight modular combat body armour systems. It is from a different unit. In fact, if I can just go back to that one that I told you earlier, the 10 items, that was actually raised within my organisation within the Soldier Modernisation Systems Program Office. The reason that was raised is so that we are alerted to it, we are following it, we know there is an issue there and we are working through to resolve it, to make sure it is recorded accordingly. Nevertheless eight were raised for exactly the same issue on 26 March—sorry, when I say eight, eight quantities were affected. That was raised by 2RAR which is based in Townsville.

**Senator JOHNSTON**—It's commandos?

**Brig. Horrocks**—No.

**Senator JOHNSTON**—Infantry?

**Brig. Horrocks**—A light infantry unit. In March 2009, one was raised on one item, and that was to do with faulty stitching. In April 2009, a RODUM was raised representing 15 items of MCBAS dealing with the shoulder strap and its inability to maintain the quick release system. One was raised, in April 2009 again, in relation to fraying of the material on one side of the body armour. In late June a RODUM was raised representing 460 items of MCBAS, and this was to do with the firing of the weapon from the prone position, which is the lying down position.

**Senator JOHNSTON**—What is the problem?

**Brig. Horrocks**—You have already raised it—

**Senator JOHNSTON**—You cannot get the butt on the shoulder?

**Brig. Horrocks**—It is to do with getting the right sight picture to be able to operate—

**Senator JOHNSTON**—Cannot get the helmet back?

**Brig. Horrocks**—It does not mention the helmet but it certainly mentions the inability to operate it in the prone position. In July 2009 one was raised representing 21 items of MCBAS. This was to do with the shoulder strap not able to maintain the quick release, and also it is not suitable for operation in the Australian light armoured vehicle. On 16 July one was raised representing one item—this is the helmet issue that you just spoke about.

In August 2009 one was raised representing 17 items, and that is where the armour inhibits the movement and the ability to maintain an adequate sight picture. So that is exactly the same issue that we spoke about previously. In November 2009 one was raised on one item representing the quick release. And then in March of this year one was raised representing 181 items. It is dealing with the integration of the body armour to the rest of the soldier combat equipment. The remaining I believe are basic and in small quantities. I do not have them here. They are the significant ones. The remainder of the 28 deal with minor manufacturing issues.

**Senator JOHNSTON**—Seven hundred sixteen in a year with respect to MCBAS. Have we ever had such a RODUM response for so many items of kit in a year?

**Brig. Horrocks**—I would have to take that on notice. I have not done a trend analysis on that.

**Senator JOHNSTON**—I think that would be close to the record, wouldn't it though?

**Dr Watt**—I think that is speculation.

**Senator JOHNSTON**—It is speculation. It was rhetorical speculation; it was speculation based in amazement that we have men in the field who are taking enough time to complain effectively 716 times. That is over half the people we have in combat theatre at any one time. How much did it cost us to develop MCBAS?

**Brig. Horrocks**—The development was part of the overall acquisition cost. I would have to take that question on notice to break out the development cost of that.

**Senator JOHNSTON**—How many units did we buy?

**Brig. Horrocks**—Eighteen thousand eight hundred eighty-eight.

**Senator JOHNSTON**—At a cost of?

**Brig. Horrocks**—Previously I have tabled this and I should have it at my fingertips—

**Senator JOHNSTON**—I did not have the 716 though.

**Brig. Horrocks**—No, because previously we were discussing the initial acquisition which was 14,688 which was \$60 million.

**Mr JOHNSON**—Sixty million dollars?

**Brig. Horrocks**—Sixty million dollars for the 14,688. It has increased to \$80 million, so \$80 million for approximately 19,000 sets.

**Senator JOHNSTON**—We got the two tenderers to produce 30 sets, if you recall. First of all we wanted them to produce 10 sets, 300 individual items—this is MLC of course—and then 30 sets, 900 items. Did both tenderers produce 30 sets?

**Brig. Horrocks**—I have not been advised that they did not, but again I could take that on notice. That was the requirement.

**Senator JOHNSTON**—Could you please take that on notice. I want to know whether the two final competitors were treated exactly the same and both had to produce 30 sets of MLC integrated systems.

**Brig. Horrocks**—Just in terms of that though, the modular load carriage tender was cancelled because the process had not been followed.

**Senator JOHNSTON**—We are going to get to that.

**Brig. Horrocks**—So in terms of whether they did or did not, I will take that on notice. But, because the process had not been followed correctly, that is why the tender was cancelled.

**Senator JOHNSTON**—I fully accept that. I am just looking at what the course of the tender was, whether there was any indication that things were not going well from an early point.

**Brig. Horrocks**—I can tell you that the probity auditor found that up to short listing the process had been followed appropriately.

**Senator JOHNSTON**—I am talking about after short listing.

**Brig. Horrocks**—And that is when the process had not been followed.

**Senator JOHNSTON**—That is why I asked the question. The 30 sets were done by the short listed two?

**Brig. Horrocks**—Yes.

**Senator JOHNSTON**—Did the tender specify that DPCU fabric had to be used?

**Brig. Horrocks**—Again, I would take that on notice.

**Senator JOHNSTON**—Could you also take on notice whether in fact the two short listed actually use DPCU as specified?

**Brig. Horrocks**—Yes.

**Senator JOHNSTON**—Were either of the short listed tenderers given the opportunity to change their sample types at any time during the evaluation of their presented sets?

**Brig. Horrocks**—Again, I will take it on notice. The detail here is to do with the project manager, the person responsible undertaking all those activities. That is why we passed all of the activities in the documentation to the inspector-general and the probity auditor to look at. As far as they were concerned, particularly the probity auditor, as a result of the shortcomings in not following the process we ended up cancelling.

**Senator JOHNSTON**—All right. Would you also take on notice whether the successful tenderer complied with the target timelines given on the pre-production samples? I would like to know the comparative dates of delivery of the pre-production samples.

**Brig. Horrocks**—I will take it on notice.

**Senator JOHNSTON**—I would like to know by percentage not by dollars, and you can redact whatever you like, the percentage differential in price. We had a member of the public give advice to somebody within your organisation that there was corruption and fraud involved in this contract. Did you ever meet that person?

**Brig. Horrocks**—No, Senator, but once I was alerted to it, I immediately advised the inspector-general's department to investigate it.

**Senator JOHNSTON**—I am thankful to you for that, and that is exactly what you should have done. How were you advised of that allegation?

**Brig. Horrocks**—I would have to take that on notice.

**Senator JOHNSTON**—It is not every day someone walks into your office and says, 'I have just been told that someone has taken some money to rig this contract.'

**Brig. Horrocks**—That was not what was told to me.

**Senator JOHNSTON**—You tell me what happened the best you can remember.

**Brig. Horrocks**—From memory, Senator, it was third-hand that one of my staff members was having a conversation with this individual and this individual stated that there were concerns with the person responsible for the modular load carriage. As soon as I heard that, that is what I advised the inspector-general's department. So it was third-hand verbal information that I was provided with.

**Senator JOHNSTON**—Was it conceivable that the person who made the allegation—you may not know this—

**Brig. Horrocks**—And this was in 2008 too—

**Senator JOHNSTON**—Yes—

**Brig. Horrocks**—In early 2008, so I—

**Senator JOHNSTON**—Was it conceivable that that person was in a position to know of such activity? In other words, was there credibility?

**Brig. Horrocks**—Not to my knowledge, but any allegation, any issue, is taken very seriously.

**Senator JOHNSTON**—Sure. But your officer took it seriously?

**Brig. Horrocks**—Absolutely.

**Senator JOHNSTON**—And you took it seriously?

**Brig. Horrocks**—Yes.

**Senator JOHNSTON**—Can you tell me why he took it seriously and did not treat it as some sort of scuttlebutt, gossip or whatever? What was the basis for your concern?

**Brig. Horrocks**—The 2006 ADF Clothing Review spoke about ensuring that we deal ethically and openly with industry, so obviously I am interested in anything at all that would suggest otherwise and I will investigate it fully.

**Senator JOHNSTON**—Okay. The allegation was that the person in charge of this particular \$23 million tender was not playing with a straight bat, if you follow me, and you reported that to the inspector-general?

**Brig. Horrocks**—Correct.

**Senator JOHNSTON**—The investigator-general?

**Brig. Horrocks**—The inspector-general.

**Senator JOHNSTON**—Thank you. I thought it was the inspector-general. Do you know the name of the inspector-general?

**Brig. Horrocks**—I would have to take that on notice.

**Senator JOHNSTON**—Mr Newman?

**Brig. Horrocks**—No, I do not believe it was Mr Newman at the time.

**Senator JOHNSTON**—Mr Woods? Was it Dr Williams by that stage?

**Brig. Horrocks**—No, it was an acting, I think, from memory.

**Senator JOHNSTON**—Someone acting, okay. Did you personally meet with him?

**Brig. Horrocks**—No, I met with the investigator, the person appointed.

**Senator JOHNSTON**—He appointed an investigator?

**Brig. Horrocks**—Correct.

**Senator JOHNSTON**—And who was that? Mr Newman?

**Brig. Horrocks**—No, Mr Jason Woods.

**Senator JOHNSTON**—Do you know how long his initial investigation took?

**Brig. Horrocks**—It was based upon not a lot of evidence, from what I could see, so it did not take a lengthy period of time.

**Senator JOHNSTON**—He got to the bottom of saying, ‘Who said this?’ and he went and interviewed him, and what happened?

**Brig. Horrocks**—Senator, I—

**Senator JOHNSTON**—The witness went to water?

**Brig. Horrocks**—You would need to speak to the investigator and speak to the inspector-general’s—

**Senator Faulkner**—These questions really, as you would appreciate, Senator, are better directed to the inspector-general than to Brigadier Horrocks. I think we have to be a little fair about this. I am sure you would accept that.

**Senator JOHNSTON**—Did you see the results of Mr Woods’s inquiry?

**Brig. Horrocks**—At all stages I was kept informed of the inquiry.

**Senator JOHNSTON**—But you did not see any results of the report?

**Brig. Horrocks**—I saw the reports when they were released to me.

**Senator JOHNSTON**—Finalised?

**Brig. Horrocks**—Yes.

**Senator JOHNSTON**—At the first instance, what was Mr Woods’s finding?

**Brig. Horrocks**—Again from memory here: that there was no basis to the allegations or he could find no basis to the allegations.

**Senator JOHNSTON**—What happened next with respect to this particular—

**Brig. Horrocks**—I was not satisfied with that. I wanted more.

**Senator JOHNSTON**—Why were you not satisfied?

**Brig. Horrocks**—Because this was a serious allegation. It concerned a member of the Australian Defence Force, the Australian Army, and I wanted to ensure that this was investigated as thoroughly and extensively as possible.

**Senator JOHNSTON**—Yes—and you thought that that had not happened?

**Brig. Horrocks**—I was uncertain as to whether it had or not, and I wanted to ensure that that was the case.

**Senator JOHNSTON**—You wanted to be doubly sure? So what did you do?

**Brig. Horrocks**—I asked that they continue with their investigation and find out as much as they could. But, as I said, you really need to—I think you are going back into the territory where I cannot answer these questions. I can only say what I asked, which is that the investigation be fully conducted.



**Senator JOHNSTON**—You are the man on the spot. I am interested in what you did.

**Brig. Horrocks**—I have already answered that.

**Senator JOHNSTON**—The second inquiry was conducted by whom? You wrote to the inspector-general and said, 'I'm concerned.' What happened?

**Brig. Horrocks**—They did not close the inquiry; they continued with it.

**Senator JOHNSTON**—The same person?

**Brig. Horrocks**—I believe so, and he may have been assisted.

**Senator JOHNSTON**—How long did that inquiry last?

**Brig. Horrocks**—I will just have a look at the timings that I have here in front of me. Going back to that first report, the fact that the allegations were not substantiated was why it was not issued. I will say that what did concern me is that I was visiting the 1st Brigade to look at what issues they had in terms of clothing and so on, and I was advised up there that the CEO of a company had said that he would take the Defence Materiel Organisation to court over the tender for the modular load carriage. That concerned me, and it was related to the same issue.

**Senator JOHNSTON**—So you were alerted to the fact that one of the tenderers was unhappy.

**Brig. Horrocks**—Very much unhappy. As a consequence, I conducted a debrief on 23 September.

**Senator JOHNSTON**—You conducted a what?

**Brig. Horrocks**—With the tenderer who had not been identified as the preferred tenderer, I conducted a meeting. I met with them to talk about why they had not been selected as the preferred tenderer. At that stage I could not go into detail with respect to that, because in terms of the process you wait until you are completed before you do that, but I wanted to talk to them and make sure that, if they had any concerns, there was the opportunity to raise them.

**Senator JOHNSTON**—Who made the determination of the preferred tenderer?

**Brig. Horrocks**—The delegate, who was the project director at the time.

**Senator JOHNSTON**—And that was the focus of the allegation—the project director?

**Brig. Horrocks**—Correct.

**Senator JOHNSTON**—So he had made a determination, there had been some unsubstantiated allegations, they had been replicated by the unsuccessful tenderer and you were alerted to a problem.

**Brig. Horrocks**—I believe that at the time there was an article in one of the newspapers leading up to there. There were suggestions that there were some concerns in this particular tender.

**Senator JOHNSTON**—So the inquiry continued because you were unsatisfied.

**Brig. Horrocks**—The inquiry was ongoing while it was not substantiated. That is when I was unsatisfied. I wanted it to continue because, as I said, of my visit to the 1st Brigade and

what I had heard there and also what was reported in a newspaper. I conducted my debrief with the unsuccessful tenderer on 23 September. At that point, towards the end of that session, the allegation was raised that there had been bias in the tendering process.

**Senator JOHNSTON**—What was the nature of what was alleged to have happened? Tell me what the allegation was.

**Brig. Horrocks**—That the project director had contacted one of the non-shortlisted companies and asked them whether they were still available to supply and to support the modular load carriage tender. That is what is alleged to have been said.

**Senator JOHNSTON**—Sure. And you gave that information to the inspector-general?

**Brig. Horrocks**—I did indeed.

**Senator JOHNSTON**—Do you know if the unsuccessful tenderer was in fact interviewed?

**Brig. Horrocks**—Yes, they were. Absolutely. You mean interviewed by the inspector-general?

**Senator JOHNSTON**—Yes, the investigating officer.

**Brig. Horrocks**—Yes.

**Senator JOHNSTON**—Do you know if the person who made the allegation was interviewed by the inspector-general?

**Brig. Horrocks**—Yes, that person was interviewed by the inspector-general.

**Senator JOHNSTON**—Do you know of anybody else who was interviewed by the investigating officer?

**Brig. Horrocks**—Quite a significant number of people were interviewed—all those who had any sort of—

**Senator JOHNSTON**—The project manager?

**Brig. Horrocks**—The project manager was.

**Senator JOHNSTON**—His team members?

**Brig. Horrocks**—One of his team members was.

**Senator JOHNSTON**—Who else?

**Brig. Horrocks**—I was interviewed. As I said, the contractor was. I think that is about it.

**Senator JOHNSTON**—What happened after that? The inspector-general's report?

**Brig. Horrocks**—No, shortly after that, that company that was not the preferred tenderer contacted me, I think late on the Friday, saying that a document had come into their possession—or they did not actually say it was a document; they said something had come into their possession—and that I should be alerted to that and they wanted to hand it over to me. So I met with them on the Monday morning and they presented to me a document that had come into their possession.

**Senator JOHNSTON**—What was that document?

**Brig. Horrocks**—It was the Defence Science and Technology Organisation report, or their part of the report, on the tender evaluation.

**Senator JOHNSTON**—I am sorry—say that again. There was a DSTO report?

**Brig. Horrocks**—That is correct. There was a DSTO report that was one of the many documents that made up the tender evaluation.

**Senator JOHNSTON**—And they had it?

**Brig. Horrocks**—It had come into their possession.

**Senator JOHNSTON**—This is the unsuccessful tenderer?

**Brig. Horrocks**—Correct.

**Senator JOHNSTON**—What is the significance of them having that document?

**Brig. Horrocks**—The significance is that it talks about the two tenderers who were under assessment and about the technical and scientific assessment of the two tenderers and their equipment.

**Senator JOHNSTON**—What was its conclusion?

**Brig. Horrocks**—There were a number of conclusions.

**Senator JOHNSTON**—Tell me what you recall were the conclusions. What was the gist of the importance of the document?

**Brig. Horrocks**—The importance of the document is that it contributed to the tender evaluation amongst all the other aspects that were considered in the tender evaluation.

**Senator JOHNSTON**—In what respect did it contribute?

**Brig. Horrocks**—I believe it was the performance of the equipment under the trials that were conducted.

**Senator JOHNSTON**—So it indicated that one of the two preferred tenderers was performing better than the other?

**Brig. Horrocks**—Only in those aspects that were assessed. It also indicated those areas where the advantages or strengths of the two tendered solutions lay and also their disadvantages. So it was a balanced report that provided information on the performance of the equipment that was assessed.

**Senator JOHNSTON**—They gave you the document. I take it they gave you the document because it indicated that the unsuccessful tenderer was a better performing product.

**Brig. Horrocks**—No, I believe they gave it to me—

**Senator JOHNSTON**—Why do you think they gave it to you?

**Brig. Horrocks**—Because they were disturbed that it had come into their possession—

**Senator JOHNSTON**—Point 1.

**Brig. Horrocks**—and they wanted to alert me to the fact that there was an unauthorised release of this document. As to their conclusions as to whether theirs was better or not, you would have to ask them; I cannot answer that. In fact, I must admit that I do not recall

discussing that in any detail. The discussion was more along the lines of: 'How did you get this? Where did this come from?'

**Senator JOHNSTON**—What was the answer?

**Brig. Horrocks**—They were unsure. They were not able to tell me how they—

**Senator JOHNSTON**—It had been delivered anonymously?

**Brig. Horrocks**—Correct.

**Senator JOHNSTON**—Was there anything that you recall within the document that indicated that the process of evaluation had been flawed?

**Brig. Horrocks**—It raised or highlighted areas where there could have been improvements, but not necessarily that the process was flawed.

**Senator JOHNSTON**—But the very fact that the document was an internal tender document that should not have been available to anyone other than the evaluators of the tender was of concern?

**Brig. Horrocks**—Absolutely. I reported it to the Defence Security Agency as soon as I was alerted to it.

**Senator JOHNSTON**—What happened with respect to that?

**Brig. Horrocks**—They investigated and provided a report. They were unable to determine the source. They did make recommendations in terms of the management of tender documentation, which we have implemented.

**Senator JOHNSTON**—That is the document. We have got the inspector-general's report. What happened then? What did the inspector-general's report say?

**Brig. Horrocks**—There were a number of things that happened from then.

**Senator JOHNSTON**—Because the inspector-general's report opened a can of worms, did it?

**Brig. Horrocks**—No, it made two recommendations. It did not open a can of worms. It made two recommendations: a probity auditor be appointed who had the subject matter expertise to look at what had been undertaken and an inquiry officer be appointed to deal with the alleged actions of the project director.

**Senator JOHNSTON**—Why was a probity auditor necessary? Why was that recommendation made? What was the substantiation of that recommendation?

**Brig. Horrocks**—Because the inspector-general—again, I would like them to answer this. In summary, the probity auditor had the subject matter expertise to look at the tender process and at exactly what had happened in that tender process. They had that thorough understanding of what should have happened and so they were able to undertake that audit of the full process and to make recommendations from that.

**Senator JOHNSTON**—Which issues did they focus upon as being a problem?

**Senator Faulkner**—I am not sure that that is a fair question to the brigadier, Senator. It is a question better directed to the relevant authority.

**Senator JOHNSTON**—I am sure the brigadier knows the answer.

**Senator Faulkner**—I am not sure of that; but, even so, I think the view I have expressed is a fair one.

**Senator JOHNSTON**—He has answered all my questions to this point, Minister. I would have thought, given the cancellation of the—

**Senator Faulkner**—The brigadier is certainly very much trying to assist you—

**Senator JOHNSTON**—He is.

**Senator Faulkner**—but I am asking you to be cautious in the questions, as you appreciate that some of these matters are directly the responsibility of other authorities within Defence. That is the point I am making to you.

**Senator JOHNSTON**—You were given a copy of the inspector-general's report as the commanding officer of the section.

**Brig. Horrocks**—I was not the commanding officer. I was the director-general—

**Senator JOHNSTON**—Sorry.

**Brig. Horrocks**—responsible for all the tendering activities, and they included one of them.

**Senator JOHNSTON**—All right. The director-general of tendering.

**Brig. Horrocks**—Of land combat systems.

**Senator JOHNSTON**—And you received a copy of the inspector-general's final report.

**Brig. Horrocks**—Correct. Because I was the one who raised the concern and asked them to undertake the investigation; hence, I received a copy of the report.

**Senator JOHNSTON**—And he recommended the probity auditor.

**Brig. Horrocks**—Correct.

**Senator JOHNSTON**—What was the problem? Why did he recommend a probity auditor?

**Brig. Horrocks**—As I have indicated, Senator, because of the subject matter expertise required to understand the procurement process and tendering involved, they recommended that this be undertaken by an appropriately qualified organisation.

**Senator JOHNSTON**—He gave reasons in his decision, didn't he, and you have seen that decision?

**Brig. Horrocks**—I do not have it verbatim in front of me but that is my understanding. I did discuss with them as to why they said that, and that is my understanding.

**Senator JOHNSTON**—Wasn't there perceived and actual bias?

**Brig. Horrocks**—That was not a recommendation.

**Senator JOHNSTON**—No.

**Brig. Horrocks**—You are talking about the recommendations, and the recommendations were that a probity auditor be appointed to investigate.

**Senator JOHNSTON**—Perceived and actual bias.

**Brig. Horrocks**—Not just that; the whole of the tendering process.

**Senator JOHNSTON**—Okay. The probity auditor conducted that review.

**Brig. Horrocks**—Correct.

**Senator JOHNSTON**—As a result of that, we cancelled the tender.

**Brig. Horrocks**—That was their recommendation, and I could see no reason why not to cancel. In fact, I was not prepared to go ahead with it, given the allegations and given the finding of the probity auditor.

**Senator JOHNSTON**—So the investigation was carried out initially with respect to the unsubstantiated allegation of a member of the public and the allegations of the unsuccessful tenderer.

**Brig. Horrocks**—Correct.

**Senator JOHNSTON**—Was there a debriefing with the unsuccessful tenderer?

**Brig. Horrocks**—That is what I have spoken about; it was on 23 September.

**Senator JOHNSTON**—You say you were present?

**Brig. Horrocks**—I insisted that it happen and, not only that, I insisted that I be the one there. Normally I would not get involved but, given the allegations and given what was happening, I wanted to make sure that I was fully across what was happening.

**Senator JOHNSTON**—The allegations were never made in front of the person that the allegations were about?

**Brig. Horrocks**—Not that I am aware of.

**Senator JOHNSTON**—All right.

**Brig. Horrocks**—But the individual had been informed as a result of the Inspector-General's recommendations and also the outcome from the probity auditor report.

**Senator JOHNSTON**—The tender was cancelled.

**Brig. Horrocks**—Yes.

**Senator JOHNSTON**—How many people were involved in the tender?

**Brig. Horrocks**—From the start?

**Senator JOHNSTON**—Yes, from the DMO perspective—people underneath the Director-General, meaning you.

**Brig. Horrocks**—Below me was the director of the Systems Program Office, who really has the direct responsibility. Below that individual is the project director, who is responsible for the conduct of the activity. That project director was then supported by a range of commercial staff, technical staff, and DSTO and contracting staff. So there were a number of people both directly involved and indirectly involved.

**Senator JOHNSTON**—So the two principle people involved in this are the project manager and the project director. Is that correct?

**Brig. Horrocks**—And also the Systems Program Office director—those three people—and also myself.

**Senator JOHNSTON**—Let us just deal with those three people because you are the complainant, effectively, in this. We do not have a problem with you. The point is that those three people were interviewed in the inquiry.

**Brig. Horrocks**—I do not believe the director of the program office was interviewed, but certainly the project director and one of his staff were interviewed.

**Senator JOHNSTON**—Where are those two now?

**Brig. Horrocks**—The staff member was a reservist and I am unsure where he is. He certainly does not work in Land Systems Division. The other member certainly does not work in the Land Systems Division at the moment. I am unsure where he is.

**Senator JOHNSTON**—Is he still in service?

**Brig. Horrocks**—I believe he is.

**Senator JOHNSTON**—But he is not in Land Systems?

**Brig. Horrocks**—No.

**Senator JOHNSTON**—Were any members that we have spoken of disciplined as a result of this?

**Brig. Horrocks**—At this stage no members have been disciplined as a result of this.

**Senator JOHNSTON**—Has anybody been counselled?

**Brig. Horrocks**—I certainly informed the project director of the investigation outcome and also of the probity auditor's outcome. I also counselled the individual in that process, yes.

**Senator JOHNSTON**—Has anybody been retrained?

**Brig. Horrocks**—No.

**Senator JOHNSTON**—So just counselling was given. Do we have any knowledge of how much was expended, not just by the two final tenderers—the successful and unsuccessful preferred tenderers—but by the rest of the tenderers? Do you know how much was spent in this tender?

**Brig. Horrocks**—No, I would not know. That is not something we would commonly be aware of.

**Senator JOHNSTON**—At least we know the unsuccessful tenderer prepared 30 MLC kits.

**Brig. Horrocks**—Yes. I have been informed—and there was a question I took on notice with respect to that—that both tenderers did provide 30 sets of kit.

**Senator JOHNSTON**—And they were DPCU?

**Brig. Horrocks**—I would need to check on that.

**Senator JOHNSTON**—Are you aware of a meeting held in Edinburgh, South Australia, in 2009 with respect to MLC assessment involving a Mr Bill Stoate? Does that name mean anything to you?

**Brig. Horrocks**—We spoke earlier on about an individual who had raised allegations.

**Senator JOHNSTON**—Yes.

**Brig. Horrocks**—He is the person from whom the allegations were raised. Also, in terms of a meeting, could you restate the date when it happened?

**Senator JOHNSTON**—I think it was in late 2008 or early 2009.

**Brig. Horrocks**—I do not have the exact date when the Inspector General's investigator interviewed Mr Stoate, but I believe it would have been in early 2008.

**Senator JOHNSTON**—Righto, good. That tender was to provide webbing, packs, pouches—and what else?

**Brig. Horrocks**—Essentially the load carriage equipment and the packs, so really it covered utility pouches, the harness system that they were to be attached to, a medium-sized pack and a larger pack. They are the essential ingredients of the modular load carriage, which is what we were intending to acquire.

**Senator JOHNSTON**—To the value of \$23 million?

**Brig. Horrocks**—Approximately.

**Senator JOHNSTON**—Tell me exactly what you did. The existing pack was the 1994 pack, I think?

**Brig. Horrocks**—That is one of the packs that is in service, but the pack that was to be acquired in the initial instance under the modular load carriage would not have replaced that. It was not initially going to replace it. We also had a pack that was required under the first version of the Land 125 soldier combat system, which is a much larger pack that is only issued to combat soldiers, and the aim was to keep that pack in service. The medium-sized pack, however, would have been the first pack that we would have acquired, and the rest of it really would have been on the load carriage equipment itself. The key focus was the prime vendor, and if that prime vendor brought to the table improved load carriage equipment, certainly, we would have acquired that. I have tabled this information before, Senator, and you have asked this question before about a number of contracts that are currently being used to supply load carriage equipment and packs and so on. The aim was to bring those into a single contract instead of having them across a number of contracts.

**Senator JOHNSTON**—So they were Eagle, all of the various things that have been out and been purchased?

**Brig. Horrocks**—They may not have been Eagle.

**Senator JOHNSTON**—SORD?

**Brig. Horrocks**—They may not have been SORD either. This was on the standard load carriage equipment and the packs that we required to support those contracts. The two that you have just mentioned are actually for specialist requirements.



**Senator JOHNSTON**—Yes.

**Brig. Horrocks**—We buy in accordance with the capability needs and they may require us to continue to buy those.

**Senator JOHNSTON**—So is Enhanced one of them? Is that right?

**Brig. Horrocks**—No.

**Senator JOHNSTON**—So who is it? Is it Platypus? I have all of these names in my head. Who provides all of these various pouches, packs, backpacks and systems, given that the tender has fallen over?

**Brig. Horrocks**—I believe there are seven suppliers?

**Senator JOHNSTON**—Who are they?

**Brig. Horrocks**—I need to check who they all are. I will have to take that on notice. I do not have it immediately in front of me.

**Senator JOHNSTON**—Okay. Of the seven, I want to know exactly what they provide, where they are manufactured, what the cost is, how many units we have acquired and whether there is a follow-on contract option or there has been a follow-on exercise of contract. Are you familiar with the Rush 72 pack?

**Brig. Horrocks**—Yes, I am. I have seen it and I have handled it. I have not worn one on operations and I have not been issued one to wear on operations. But I am aware that we acquire one for the Middle East area operations. We acquire a different Rush 72 in colour for operations within East Timor. It is issued to soldiers going on operations.

**Senator JOHNSTON**—Where does that come from?

**Brig. Horrocks**—It is made in China. We buy it from an Australian company that sources it from China.

**Senator JOHNSTON**—Is it made of DPCU?

**Brig. Horrocks**—It is made in accordance with the requirements given to us by the capability manager. Is it in DPCU? No, it is not.

**Senator JOHNSTON**—Does it have an infra-red signature management technology system in it?

**Brig. Horrocks**—No, we do not buy the pack to have any sort of camouflage signature management.

**Senator JOHNSTON**—Does it have fire-retardant chemical in it?

**Brig. Horrocks**—I will have to take that one on notice.

**Senator JOHNSTON**—I would like to know about that. I think that is pretty important. Are you aware of Joint Logistics Command requesting that a mounted pack be given an NSN? Do you know what an NSN is?

**Brig. Horrocks**—It is a NATO standard number that is assigned to items of equipment that we acquire.

**Senator JOHNSTON**—Do we call it ‘NATO standard number’ or ‘national service number’?

**Brig. Horrocks**—NSN. We go for the acronyms now.

**Senator JOHNSTON**—All right. We will say ‘NSN’. Are you aware of Joint Logistics Unit (SQ)—whatever that means; I think you know what that means—

**Brig. Horrocks**—South Queensland, I would say.

**Senator JOHNSTON**—South Queensland, right. Are you aware of them seeking an NSN so that they could purchase something other than a Rush 72?

**Brig. Horrocks**—No, I am not aware of that.

**Senator JOHNSTON**—Could you look that up for me.

**Brig. Horrocks**—I would like to defer to Joint Logistics on that but we can certainly look that up and get back to you, Senator.

**Senator JOHNSTON**—The request was intercepted and cancelled—and I would like to know why.

**Air Chief Marshal Houston**—We might just take that on notice because we do not have Commander, Joint Logistics in the room at the moment.

**Senator JOHNSTON**—The person who cancelled it was Colonel Sorial. Is he one of your personnel?

**Brig. Horrocks**—He is the Director of Soldier Modernisation. He may have provided advice, but I will take it on notice.

**Senator JOHNSTON**—I am told he cancelled it.

**Brig. Horrocks**—He has no command responsibility within the Joint Logistics organisation.

**Senator JOHNSTON**—Well, that is certainly the inference: he intercepted it and did what he needed to do to stop people buying something to replace what they did not like.

**Brig. Horrocks**—The Rush 72 pack is bought because that is what we are asked to buy by the capability manager. The requirement is to purchase that, and we are told that the soldiers who operate it are satisfied with that pack. If there is a change to that, and a change to the pack that we require, we would receive that change to the requirement from the capability manager. If we have not got that, that is the pack that we have been asked to acquire and that is what we acquire.

**Senator JOHNSTON**—And there are 6,000 of them?

**Brig. Horrocks**—Approximately, yes.

**Senator JOHNSTON**—And there is a shortfall of 600 units.

**Brig. Horrocks**—No. I was told that there was a question asked earlier and I have checked on that. I am not aware of any shortfall of the Rush 72 pack and certainly the people who acquire it have not been told there is a shortfall of that pack.

**Senator JOHNSTON**—All right. Thank you, Brigadier Horrocks. I appreciate all of your answers. I want to go on to cold and extreme condition underwear.

**Senator Faulkner**—Senator, that is fine. In the interests of transparency, given that you have asked some questions about RODUMs, I think I should indicate to the committee some action that I have taken into relation to that issue. I think it is appropriate that I do so because I would not like someone to suggest that the committee discussed this issue and the minister did not indicate that he had played a role in relation to RODUM. Let me be clear, Chair and committee members, that, as the committee knows, Defence's procurement processes have undergone significant reform following the 2006 clothing review and are subject to, we hope, continuous improvement to assure quality equipment is provided to our troops. As, of course, we have heard at this estimates hearing and at previous estimates hearings, the reporting system on defective or unsatisfactory material, the RODUM system, allows soldiers to report any issues that they feel they should raise relating to equipment that is defective, unsatisfactory or that can be improved in some way.

I am very concerned, as is my colleague the Minister for Defence Materiel and Science, to ensure that the RODUM system is working optimally and in that spirit have decided that we should have an independent review into the reporting of defects by ADF personnel of ADF personal equipment and combat clothing. The plan is for an independent, external reviewer to examine and make recommendations on the effectiveness and the efficiency of the current system, including the policy and procedures for reporting defects in ADF personal equipment and combat clothing. It is to have a particular focus on the RODUM system. The review is to access the ease of use and responsiveness of the current reporting system for the individual ADF member and his or her chain of command and also—and this is very important—the feedback arrangements following any defect report. The review will also assess whether the current system provides adequate and timely advice on reported defects to both higher ADF command and senior DMO management. I am very pleased to be able to say that the former very distinguished Commonwealth public servant Mr Jeff Whalan has agreed to undertake the review.

**Senator JOHNSTON**—Good.

**Senator Faulkner**—As committee members know, he is a very experienced person and is very much suited to this important task. The plan is for the review to provide options to improve the operation of the current reporting system or, if it is considered that systematic weaknesses exist, suggest an alternate system to ensure the adequacy of the reporting of defects. The review will also take into account the recommendations of the 2006 ADF clothing review in relation to RODUMs and assess the progress that has been made in terms of the implementation of the recommendations of that review. The review is to examine the scope and nature of the claims made in relation to defective ADP personal equipment and combat clothing in the last 12 months and the adequacy and timeliness of the current regime in responding to these claims. I wanted to make sure the committee was aware of this. It is a decision that I took last week and I did not want this matter to be canvassed at this committee and a suggestion made that I had not made it public. It had been my intention to make it public in the near future, but as yet I have not had an opportunity to do so.

**Senator JOHNSTON**—Thank you, Minister.

**Senator Faulkner**—The secretary reminds me that we have not been able to make a public announcement because we have been trying to see if we were able to successfully engage the services of Mr Whalan to conduct the review. I am very pleased that in very recent times he has agreed to do so. What I am saying now perhaps pre-empts the need for any other form of public announcement, but I did think it was proper for this committee to be aware of that. If it is of value or interest to the committee, I will be very happy to provide the committee with copies of the terms of reference for the review. I will also make it public in the very near future.

**CHAIR**—I think it would probably be useful if you provided the terms of reference to the committee in due course.

**Senator Faulkner**—I am very happy to do so, Chair.

**Senator JOHNSTON**—So that all those people who might be listening and interested in this subject matter might know the proposed format, I take it that submissions will be taken to the secretary of the review and the reviewer will follow up on those submissions?

**Senator Faulkner**—One of the difficulties is that these matters need to be discussed with Mr Whalan, who has literally just agreed to undertake the review. I am always very respectful of those sorts of processes. As soon as we are able to, of course we will make that public. I think it is appropriate in these circumstances for us to have an opportunity to talk those issues through with the reviewer and then make them public, the broad principle, of course, being that it is important for those who wish to contribute to have an opportunity to do so. That goes without saying. Having had those discussions with Mr Whalan, we will obviously, through all the mechanisms available to us, make that clear. I hope the committee will see the very strong benefit of undertaking this action. But, as I say, even though the circumstances are that Mr Whalan has just agreed to the review that we decided to undertake last week, I thought it best that the committee be apprised of it in the circumstances, particularly in the questioning on this important issue.

**Dr Watt**—Just to follow up on that, the terms of reference make it clear that submissions will be invited and are to be lodged within two months of the commencement of the review. The review will commence shortly and we will make sure that plenty of information is posted on the Defence website. We will obviously be contacting any individual persons. Knowing Mr Whalan, while I cannot speak for him, I am fairly certain that he will be following up on all submissions and canvassing matters widely.

**Senator JOHNSTON**—Very good.

**Senator Faulkner**—Thank you, Senator. For the committee's benefit, I table the terms of reference. The review, for the purpose of the record, will be called 'the Review of the Reporting of Defects (RODUMs) with Australian Defence Force (ADF) Personal Equipment and Combat Clothing'.

**CHAIR**—Thank you, Minister. The document referred to by the minister is accepted by the committee. Are there any further matters on that, Minister?

**Senator Faulkner**—No. As I said, I think it was important for the committee to be made aware in the circumstances of some of the questioning that has been undertaken on these issues.

**Senator JOHNSTON**—Dr Gumley, can I talk to you about the cold and extreme cold weather underwear tender?

**Lt Gen. Gillespie**—Senator, before you move on, could I answer one of the questions that you asked earlier on, on body armour, so that we can hopefully leave that subject behind us for today.

**Senator JOHNSTON**—Yes.

**Lt Gen. Gillespie**—You asked about the numbers of MCBAS in theatre.

**Senator JOHNSTON**—Yes.

**Lt Gen. Gillespie**—Currently MCBAS and the Eagle Marine body armour are issued to the MTF and to the Special Forces. There are approximately 2,500 to 3,000 sets of MCBAS deployed into Afghanistan every 12 months. At the completion of each rotation, the MCBAS is returned to Australia for assessment of its serviceability and the plates are X-rayed to confirm their ballistic integrity. Serviceable items are then returned for future use. So the annual consumption is 2,500 to 3,000 sets.

**Senator JOHNSTON**—Very good.

**Lt Gen. Gillespie**—There are approximately 600 sets of Eagle Marine body armour deployed, principally with the SOTG, but 140 sets are now with the MTF and I am hopeful that in a very short time we might be able to increase that by up to 200 for the MTF. We have modified 195 sets of MCBAS to support level 3 ballistic plates. You will remember that I said before that we have the world's best in there at level 4, but they are heavy and the whole idea of modifying them for level 3 is to lessen the weight but decrease the protection that comes with that. There are 40 sets of enhanced combat body armour in the theatre. They support a range of activities including visits by people like me.

**Senator JOHNSTON**—Thank you; I appreciate that.

**Dr Watt**—Senator, I wonder if I might pick up on one from yesterday, for the sake of completeness, while the flow has stopped. You asked yesterday how many SES officers have their entitlements and their employment arrangements for first-class travel and for me to provide data for 2008-09 and 2009-10. As of today, 1 June, there are nine SES band 3 level and chief of division level in the DSTO who have access to first-class overseas travel through their employment arrangements. As at 30 June 2009, there were 10 personnel. As to how many business class trips have been undertaken by band 3s, since 1 July 2009 a total of 11 SES band 3 and chief of division grade 3 level individuals have undertaken a total of 21 business class trips overseas. In the same period there were 1½ first-class trips undertaken. In one case an officer took a first-class trip on the basis of medical advice. In the second case, on an urgent trip when there were no business class seats available an officer was approved for first-class travel for a single leg only, the whole trip being there and back.

**Senator JOHNSTON**—Very good.

**Dr Watt**—As I said, first-class travel is comparatively rare.

**Brig. Horrocks**—Excuse me, Chair. I have some answers to questions on notice.

**CHAIR**—Could you give those answers, Brigadier.

**Brig. Horrocks**—Certainly. Senator Johnston, you asked earlier about the contract with the option to purchase the camouflage uniforms that was under discussion.

**Senator JOHNSTON**—The Chinese option, yes.

**Brig. Horrocks**—You asked about the terms of the contract and the value of the contract. The terms were our standard ASDEFCON (Complex Materiel) Volume 1 terms. As to the contract value, I can give you the exact number, but it was for approximately \$6.5 million. Within that contract was the option to exercise, if we so desired, for additional quantities. That was valued at \$7.1 million if indeed we did exercise that option, which we did not.

**Senator JOHNSTON**—Do you have the numbers on those? It was \$6.5 million for units and \$7.1 million for units. I would like to know the unit comparison, if you could give it to me.

**Brig. Horrocks**—The unit comparison for the \$6.4 million is approximately 100,000 uniforms and for the \$7 million it is approximately 130,000 uniforms, so it is an increase of approximately 30 per cent.

**Dr Watt**—Chair, while we are at it, we can also answer Senator Johnston's question about pet removals.

**Senator JOHNSTON**—About what?

**Dr Watt**—Pet removals; the removal of pets.

**Senator JOHNSTON**—Did I have a question on pet removals?

**Dr Watt**—I apologise; it was Senator Trood.

**Senator JOHNSTON**—Nailed me up and it's not even Easter!

**Senator Faulkner**—We knew, Senator Johnston, that you would not remove any pets!

**Dr Watt**—It is riveting information, Senator!

**Senator JOHNSTON**—It is in my pile, but I never got to it!

**Mr Lewis**—You were seeking figures about how much it was costing to move large numbers of animals in relation to removal costs generally. Currently, there is no limit to the amount of number of pets removed at Commonwealth expense. In 2007-08, 3,468 members were paid \$2.6 million to move 11,501 pets. The average allowance payment was \$743. The maximum payment to one member was \$8,375 and another member received \$6,969.

**Senator JOHNSTON**—What sort of pet was that? An elephant?

**Senator Faulkner**—That was a herd of elephants, Senator!

**Mr Lewis**—I will give you some examples shortly. In 2008-09, 3,212 members were paid \$2.7 million to move 11,135 pets. The average allowance payment was \$840. The maximum payment to one member was \$8,255, and three other members received between \$5,000 and \$6,000. I have a couple of examples of the transfers. One person had four horses and one dog.

Another person had six horses, one dog and a cat. Another person had one horse, five cats, four birds and three dogs. Another had three horses and one dog. They are just a few examples. It just depends on the individual circumstances.

**Senator TROOD**—No aquariums?

**Mr Lewis**—In my small sample here, I am afraid I have no aquariums.

**Senator Faulkner**—There are aquariums.

**Dr Watt**—There are certainly aquariums.

**Senator Faulkner**—But you will need to wait just a little longer to find out about them.

**Senator TROOD**—I am on the edge of my seat, Minister.

**Senator Faulkner**—Senator, please don't fall off.

**Mr Lewis**—There was similar question in relation to cars. First of all, there is an existing limit on the number of vehicles removed at Commonwealth expense, as the minister flagged yesterday. Currently, an ADF member can move a maximum of two private road vehicles and two towable vehicles. Defence currently removes about 8,200 vehicles per year, at a cost of \$10 million.

Lastly, if you want some sense of that in the context of the overall cost, in relation to the total relocation cost of animals, cars et cetera as part of full costs in the last two years, the total expenditure on removals and relocation for ADF members in 2007-08 was \$207.409 million. In 2008-09 it was \$209,555,000.

**Senator JOHNSTON**—Can I raise an issue there?

**CHAIR**—Wait a minute. CDF wants to say something.

**Air Chief Marshal Houston**—Apologies, Senator. I will just let you know that the soldier who is being medivaced to Germany touches down in 30 minutes time in Germany and will move to the hospital at Landstuhl.

**CHAIR**—Thank you.

**Senator JOHNSTON**—CDF, I am going to write to the minister about a matter. I do not take any issue with all of the horses, dogs and cats, other than this. A soldier has come to me who needs an eye operation worth \$6,000, for a retinal disease, and he has been told he cannot have it. He has been in service for four or five years and it is his whole life. I will write to the minister. I do not want to make an issue of it and I do not think he wants me to make an issue of it, but when I hear that there is \$8,000 worth of horses being carted around the place I think we can do little better about the health issue for that particular soldier. I flag it so that you will see it.

**Senator Faulkner**—I do not want to go back over the ground that we went over last night with Senator Trood's questioning. Senator Trood did put some questions on notice. We need to bring some perspective to this, to try and get a sensible outcome on the issue of pet transfer and boarding et cetera. No-one is interested in affecting a small number of domestic animals, dogs and cats and the like. There are some other issues that you can see we are grappling with. I do not know the details of the case that you mention. Let me assure you that we will

look very closely at that, as we always do with any matters raised in that way. It is true, to some extent, that this brings a sense of perspective to what we do. As I said yesterday, it is a matter of getting some balance and good sense into some of these issues. From time to time, if you have an uncapped entitlement, sometimes things can get a little out of hand.

**Senator JOHNSTON**—I will ask you to bear that in mind when I write to you about this particular soldier.

**Senator Faulkner**—I certainly will bear it in mind. But I can also assure you, Senator, it would not just be a comparison with that matter. We try and deal with any of these things always on their merits. I think Defence has a good record in doing that, and that should be the case with that issue you raised with me or with other issues raised with me. I can guarantee you, Senator, we will do that, as always.

**Senator JOHNSTON**—Thank you, Minister.

**Senator Faulkner**—Without going into detail any further, I said a lot on the record last night about pets and motor vehicles and the like, and I do not want to go back. I just commend the senators—because I know you were not here at that time, Senator—to the *Hansard* record of the time, putting these things, I hope, into some perspective from the point of view of the public record.

**Brig. Horrocks**—Excuse me, Chair, I still have some questions on notice I can answer.

**CHAIR**—Okay. I have also been given the eye by the Mr Minns, I think, who wants to give a response. So why don't you finish, Brigadier Horrocks and then we will go to Mr Minns.

**Brig. Horrocks**—Thank you. Senator Johnston, you asked, with respect to the ADA contract, if the full specification, including the near-infrared signature management technology, was provided to the Chinese manufacturer that was being looked at for the option of managing the fabric. The answer is no.

**Senator JOHNSTON**—And/or a sample.

**Brig. Horrocks**—And the answer again is no.

**Senator JOHNSTON**—How do you know that?

**Brig. Horrocks**—I have asked and I have asked and I have asked, Senator. And I have asked not just internally but also the company, ADA, and confirmed that, or my people have done that and confirmed that, and the answer is no. A function performance specification, however, was included in the request for tender. This did not include intellectual property and it did not include the commercial process for the application. I answered this previously, I think, Senator. The specification itself, though, was included and that is unclassified. It does not contain intellectual property and it does not contain classified or restricted information.

**Senator JOHNSTON**—That is your position?

**Brig. Horrocks**—Not just my position, Senator; that is also the advice—

**Senator JOHNSTON**—The Commonwealth's position?



**Brig. Horrocks**—from the Defence Science and Technology Organisation, having discussed it with them, and we have confirmed that this is the case—that the information is open source. I am sure this has been discussed before, Senator. I may have missed it.

**Senator JOHNSTON**—DSTO have been here.

**Brig. Horrocks**—So I do not need to rehash over that.

**Senator JOHNSTON**—There is an element of opinion in it.

**Dr Watt**—That is something, Senator, that we said we will be looking very closely at. We also have Mr Jennings and Mr Minns to answer some of your questions, and the CDF.

**Mr Minns**—This is to clarify an answer given to Senator Johnston late yesterday afternoon. It was about the work done in the detailed diagnostic process with consulting partner Third Horizon. We did talk about the fact that they commenced that diagnostic work in August 2009. They continued working on it until December and the contract fee for that was as advised yesterday, \$3.6 million. We then had another contract with them in the first quarter of 2010, the purpose of which was to do more detailed implementation planning and refinement of the design and seek agreement on all the aspects of the flow-through workforce impacts of the design for shared services. The fee for that amount was \$1.4 million.

**CHAIR**—Thank you, Mr Minns. Senator Johnston?

**Senator JOHNSTON**—Mr Jennings has something he would like to say.

**Air Chief Marshal Houston**—And I have too.

**Mr Jennings**—Just to follow up with some information requested by Senator Trood last night on freedom of information. The senator asked me if I could provide information relating to the 2007-08 financial year in relation to the time taken for requests and the total number of requests. I have four pieces of data to provide which show you the trend over the last three years. In 2007-08, of 126 FOI requests, 48 of those were answered within the statutory 30-day period; that is, 38 per cent of the total number of requests. Just to show how that compares with the information that I provided last night, in the following financial year, 2008-09, there were 151 FOI requests and, of those, 23 were answered within the 30-day statutory period; that is, 15.2 per cent. In the current year, 2010 to date, there were 224 FOI requests and, of those, 170 or 75.9 per cent were answered in the 30-day statutory period. That includes a lot of catching up of backlog in terms of FOI queries into the defence department. If I take only those FOI queries that came into the department in the 2009-10 financial year, there are 172. Of those 172, 159 have been answered within the 30-day statutory period, which is 92.5 per cent of the total.

**Air Chief Marshal Houston**—Senator Trood asked at 21.43 last night about other no liability payments of cash that we have made in East Timor. The answer to his question is as follows. Other than the most recent incident, which was made under the tactical payment scheme, the following no liability payments have been made since the inception of Operation Astute in mid-2006. Firstly, one act of grace payment was made to an individual for loss of earnings as a result of ADF damage of a civilian taxi in October 2008. Secondly, five claims against the Commonwealth for loss or damage of personal property and damage to motor vehicles. These claims were made by the Commonwealth, although the status of forces

agreement with Timor Leste would normally have covered these payments. A decision to make the payments utilising Commonwealth funds was made by the commander on the grounds of operational expediency in order to maintain goodwill with the local population and was made following legal and financial advice.

On 27 and 28 July 2007 a helicopter landing damaged crop through rotor wash. On 22 November 2007 another helicopter landing damaged a corn crop. On 17 July 2009 a locally employed civilian's mobile phone held by the ISF at a guardhouse was claimed by an incorrect individual. On 29 September 2009 there was damage to a motor vehicle. On 16 October 2009 there was damage to a motor vehicle.

Then four separate incidents have occurred in which the ADF made repairs utilising Commonwealth material; however, no compensation payment was made. On 14 and 15 June 2006 repairs were directly undertaken by ISF which involved the cost of labour, tools and stores to repair an accommodation building. On 5 July 2006 repairs were made to the Cuban clinic. Again there were the costs of labour, tools and stores to make repairs. On 6 October 2006 a civilian hire vehicle was damaged as a result of reversing into a tree. The vehicle was repaired prior to returning it to the owner. In May 2007 there was helicopter damage to homes due to rotor wash. Roofing was repaired at Commonwealth expense. Again there were the costs of labour, tools and stores to make repairs. That completes the response.

**CHAIR**—Thank you CDF.

**Senator JOHNSTON**—I am going to give Dr Gumley and Brigadier Horrocks the benefit of putting a whole lot of questions on notice with respect to cold weather underwear. I am sure you will be pleased to hear that. You obviously know the issue. It is Melba, XP merino and the Mont contract. We will come back to that at the next estimates. There will be questions on notice on that.

**Dr Gumley**—Are you going to prepare some now?

**Senator JOHNSTON**—Within the next day or so there will be questions on notice, pursuant to the process, because we are running out of time.

**Senator Faulkner**—Thank you for that. We will deal with them in the appropriate way.

**Senator JOHNSTON**—The bad news, Dr Gumley, is I would like to know about the projects of concern.

**Senator Faulkner**—Does this mean that Brigadier Horrocks is able to leave?

**Senator JOHNSTON**—Thank you, Minister. Brigadier Horrocks, thank you for coming up. I appreciate your answers. They were most helpful. I sincerely mean that. How many projects of concern are there, what are they and where are we at?

**Mr King**—At present there are eight projects of concern and one sustainment activity of concern. Overall, since their inception in early 2008 as a managed process, they have been very successful. You will be aware of course that the charter is to remediate projects but in extreme conditions we cancel. In the case of Seasprite, very early on that happened.

**Senator JOHNSTON**—I have not got time to ask you questions on Seasprite, you will be pleased to know.

**Mr King**—I am very pleased.

**Senator JOHNSTON**—I thought you would be.

**Mr King**—On the more positive outcomes from the process, the FFG upgrade is quite a standout, in that all four ships are now in the hands of the Navy. In the early days we had M113 and Air 87 that were fairly easily remediated and taken off the list. The big one at the moment that is still in process but much more stabilised is AEW&C—

**Senator JOHNSTON**—Wedgetail?

**Mr King**—Wedgetail. You will be aware that we have been asked for, and I believe agreed to, a private briefing on certain settlement matters about that project with the Boeing company.

**Senator JOHNSTON**—Thank you for reminding me.

**Mr King**—On the technical front of course two aircraft have now reached initial acceptance and are in the hands of the RAAF.

**Senator JOHNSTON**—Very good.

**Mr King**—I think all early reports are very positive about how the performance is going.

**Senator JOHNSTON**—I note that.

**Mr King**—We have also started early engagement with CEA, an Australian SME, on that project. We have hopes for not just achieving the original technical specification on the radar but possibly exceeding it may be even earlier than we thought. It is promising, but, as you know, I am fairly cautious and we will take that one step at a time. I think that part of that process is very encouraging.

In the case of HFMOD, very soon we will be making a recommendation to Minister Combet to remove that from the projects of concern. The fixed network has reached final acceptance. We are very pleased with the functioning of that.

On the Antiship Missile Defence, that is the upgrade using the Australian indigenous radar on the Anzac ship class, I am pleased to be able to report that today we installed the new foremast successfully, which takes the new radar, and this afternoon we expect to install the aft mast.

The finally factory acceptance testing at CEA of their first operational system is completing at Fyshwick. We have been set back a couple of weeks. I do not think that is surprising for a highly technical project like this. We have got I think until 23 July to get it shipped anyway to not impact the program at all. On balance, I am comfortable that we will make that delivery.

Of course, that goes through the one plus seven strategy then, which is we install it in the first ship, trial it and if that is successful we will then go back to the government and ask for the additional money required to install it in the remaining seven ships. I think as I have reported before, that program will develop a world-class affordable lightweight phased array radar that is second to none in the world.

**Senator JOHNSTON**—Very good.

**Mr King**—The other project probably of interest is Vigilair.

**Senator JOHNSTON**—Certainly. Networkcentric warfare depends on Vigilair, doesn't it?

**Mr King**—It is certainly a major part of the hub, of course, which will kink a remarkably large number of feeds, as you would be aware, but in particular AEW, JORN and so on. It is not quite at the point where we could recommend it to the minister for removal, but certainly Boeing have nearly remediated that project and I would think that in not too many months we would be in a position to recommend it.

One of the projects has not been remediated as quickly as we had hoped and has been the subject of ANAO report JP 2070. I report that here because I am sure you will want to discuss it. However, since that has been on the list of projects of concern—and I do not think this came out in the ANAO report—we have done a lot of work in Australia. The project has fired 15 weapons in Australia: 12 practice rounds—dummy rounds which test that the launch system, the prelaunching, has been successful—and three live exercise weapons, live except obviously for the warhead. All practice weapons were successful and two of the three exercise weapons were successful; one failed. Weapons have been fired from both the Anzac ships and the FFG, so the system is integrated into both ships. More importantly, I think what is sometimes overlooked in these projects where we do this is that we have to deal with the safety of the weapon. Clearly what we are doing is embarking a weapon intended to sink a ship on a ship, so it is all very well to have the weapon work but there is a lot of work that has to be done with integration, safety in the magazine, launching safety and so on. That progress has been made exceptionally, as has progress with shore support, the weapon preparation and turnaround facility. We also have to practise and teach our team to recover the weapon after firing, and we have to be very mindful of the cost of the firing. Each firing, with all the recovery, remediation and so on, returning to operation, is an exercise worth about \$300,000.

Where we took a little criticism was that we had not finalised the test program to bring it into final service, and we had not acquired a mobile target. I would like to put a little environmental information around that. It probably sounds quite simple but it is more challenging than it seems. There are in fact only two mobile targets that we can find anywhere in the world that are successful in testing this weapon. One of the reasons is that this weapon has very superior fuse performance in terms of not being easily distracted from a real target. It is actually smart enough to know when you have put a dummy target there and not to attack it and cut off. You have to have a very smart target. That smart target is available only either from France or from Italy. We had to evaluate that it met all the testing we wanted, and it does not quite complete the whole chain. By that, I mean we were unable to use hull-mounted sonar to determine where the target is and then fire the weapon. So we were looking for a target that would prove the whole chain. No such target exists and it would be impractical to develop one, so we have done an evaluation and either the French or the Italian would be the suitable target. Because there are so few of them in the world, we have written to the French and have had meetings with them, and the French have agreed to shorten their test program and to lease us their target from early next year so that we can complete our test program.

The other thing we have done since then is that we have worked very hard, between DMO and Navy, to rationalise our test program—and note what I said before about the cost of a test firing. Where we had a candidate list of maybe needing up to 30 firings to test all modes, all safety and so on, we have now been able to engage with the French in classified and sensitive information and get access to the records of something like 185 firings, including the

information that the French have used to certify and accept the weapon. We know the weapon is now accepted into service in France, Germany and Italy. We have identified that test information and had a good look at it. It is now being sent to Australia for translation.

**Senator JOHNSTON**—Into what platforms in Europe has this weapon been integrated?

**Mr King**—It is in the French frigate.

**Senator JOHNSTON**—What about aircraft?

**Mr King**—I would have to get you an answer on that. I do not know.

**Senator JOHNSTON**—What about helicopters?

**Mr King**—We are using the maritime solution. I think it is being integrated on the NH90, but I would have to confirm that.

**Senator JOHNSTON**—That is of significant interest for us, is it not?

**Mr King**—It will be, but we were most interested in moving forward with the maritime test environment because, you will be aware, the government reduced the scope of the project to the maritime environment.

**Senator JOHNSTON**—For another day.

**Mr King**—So the very promising news out of all of that is that the weapon seems to be performing at a very high standard. It is a very competent weapon. It is certified as both a safe and a competent weapon. We can translate a lot of that test data into our environment and use it for what they call objective-quality evidence for our own test program. We will then have a much reduced test program to do the final testing of specific Australian operational and acceptance needs. We think in the case of weapons acceptance—that is, the material acceptance—we probably will only need one more test firing by DMO. The balance of the firings will be conducted by the Navy under their operational test and evaluation program.

One of the other things that is quite tricky for us but important is to be able to certify using the Collins as a target. Obviously there is a significant amount of safety work you need to do there—and highly sensitive work it is. But we also believe that because of a lot of the information we have received from the French we have been able to move down that path a lot further than we thought. As you would be aware, it was the subject of an adverse report by the ANAO, but I would like to report that the progress we have made over the last two years in bringing this weapon into operation has been very substantial. I think that, more importantly, for all the information we have it will be a very competent weapon in our arsenal that we will be able to use for many years.

**Senator JOHNSTON**—Very good.

**Mr King**—The Echidna program has now been considered by government and has been reduced in its level of fitment. That is another project that I think will very soon be taken off the list, because we are completing the approved government actions on that program.

So I think the big ones that we are still working on there include AEW&C Wedgetail; ASMD, which will take some time to complete; and Land 121 phase 3 Overlander, the medium heavy, which is now the subject of the retender. That retendering phase has been done in close cooperation with the shortlisted tenderers. I personally participate in that to

make sure that we only ask for the information and supplies that are essential. I was assured by industry that they were comfortable with our process. They asked us for a couple-of-week sextension for their tender period, which we have granted. That will be a process that we will go through.

**Senator JOHNSTON**—Thank you for that. I go to Collins submarines. Firstly, I note that we do not talk about unit-ready or task-ready days in the PBS anymore. I find that a very unhappy event. We just talk about platform-ready days.

**Air Chief Marshal Houston**—As I said in my opening remarks, we would be delighted to brief you on some of the more sensitive aspects of preparedness. I think it is important to acknowledge that our submarines are part of our deterrent force. As such, it is of course important that we maintain a level of operational security in terms of their availability. We will make ourselves available to members of the committee to brief you in detail on those preparedness aspects. One of the reasons for the circumstances we have is, I think, that we were putting just a little bit too much out on our submarines. It is important that we recognise the fact that other nations watch very closely how our capabilities are going. It is very important that we look at operational security as a priority in terms of looking after our submarine force. So, again, we are available to brief you at a time of your convenience as we did earlier in the year.

**Senator JOHNSTON**—I appreciate that. Is this a permanent change of policy or do you anticipate that sometime in the future there will be the capacity to publish that data?

**Air Chief Marshal Houston**—One of the things about that capability is the posture of that capability. We would want to keep the posture of that capability—its preparedness levels—under wraps for obvious reasons. There is no other nation in the world that has put as much out on submarines as we have, and what we are doing is being sensible about the fact that we are required to maintain a deterrent posture. A large part of that is provided by a submarine capability.

**Senator JOHNSTON**—Thank you. I will not ask a single question with respect to that capability other than in a private briefing.

**Air Chief Marshal Houston**—We would be delighted to do that.

**Senator JOHNSTON**—Thank you. I appreciate that. I go to Hawkei version of the Bushmaster.

**Dr Gumley**—You mean Land 121 phase 4?

**Senator JOHNSTON**—Yes. Can someone tell me why we are not going sole source on that?

**Dr Gumley**—As you are aware, we have the JLTV option, which is between three American manufacturers in the United States. We did a market test on the manufacture and support of an Australian option, which had to be at least 50 per cent Australian value added in this country. Twelve or 13 people responded. We got that down to a final three, and those three are all very competitive with each other. Certainly the Thales is one of those three, but there are also two other very competitive options.

**Senator JOHNSTON**—The problem I have is that you have an operation down there that is our single most effective and successful export item. I would have thought it reasonable and logical that if they can manufacture a vehicle that we are exporting around the world and that fits the MEAO perfectly because everybody wants one—

**Dr Gumley**—There is no evidence that the Hawkei fits the MEAO specification at this stage. There is a lot of marketing from that particular company, and I accept that; however, there are other options out there, and one of the principles of government procurement is government neutrality, which we have followed in this case.

**Senator JOHNSTON**—Have the other two shortlisted participants got any vehicle that has ever been MRAP certified?

**Dr Gumley**—The other two contestants have a vehicle of overseas design. They are undertaking to manufacture and support it in Australia if they were to be successful.

**Senator JOHNSTON**—I know that. The point is there is a massive investment operation down there at Bendigo other than sole source, and we have had so much success with the product that they have eventually produced.

**Vice Adm. Tripovich**—You asked about the other two companies. They are offering vehicles based on existing designs. General Dynamics Land Systems is offering a vehicle based on their MOWAG Eagle IV vehicle, which is already in production. They will be proposing a number of changes to it to meet our specific requirements. Force Protection Europe is offering the Ocelot vehicle, which is already in existence and is part of a UK Ministry of Defence tender for their light protected patrol vehicle program. As the managing director of Thales said in a recent news article on the weekend, their vehicle is highly developmental. There are lots of good signs and it is well down the path, but each of them offers their own. Importantly, the requirements for this vehicle are different from the requirements for Bushmaster.

**Senator JOHNSTON**—It is a much smaller vehicle.

**Vice Adm. Tripovich**—It is much smaller, so there are different challenges for them to meet to meet the blast shock protection and the like. What we are doing is appropriate to second pass activities. We are making a modest investment, which is exactly what we should be doing. It would be a grave mistake for us to sole source at this stage. Each of those three and the joint light tactical vehicle program carry all their own risks, which we are carefully investigating so we truly know the risks, costs and schedule implications of all of those options each time we go to government.

**Dr Gumley**—Think where we were in 2004 with Bushmaster. It was before the days when we called things projects of concern, but it was deeply concerning. The contract had to be reset. The volumes had to be reduced. There were technical problems that had to be overcome. By perseverance and a lot of hard work by both the company and Defence and DMO we got there. But it was a challenge.

**Senator JOHNSTON**—That is the point I make.

**Dr Gumley**—It has been wonderfully successful for everybody that we did actually persevere. However, as you know from these projects of concern, you need to have a risk

mitigator to make sure that you have got a few eggs in the basket in case something does go wrong.

**Senator JOHNSTON**—I am not sure I agree, but you know more about it than I do.

**CHAIR**—The whole thing is sus with this mob.

**Senator JOHNSTON**—Can I talk about shark repellent? As you know, one of our mine clearance divers suffered some very serious injuries as a result of a shark attack in Sydney Harbour. We have acquired some shark repellent. It is an off-the-shelf purchase. It took us apparently seven months to evaluate it. Could someone tell me why it takes seven months to do that?

**Vice Adm. Crane**—I have not looked at the exact details, but as I understand the issue it is not a repellent as such. It is a shark shield, which is something that the diver wears that creates an electrical field that acts as a repellent. It has been an issue for many years as to whether it was an appropriate repellent for sharks. There have been theories in the past that it actually might have the reverse effect. So a number of studies have been done to satisfy ourselves that it is actually something that we are comfortable our divers should be wearing. I suspect that is why it has taken that length of time.

**Senator JOHNSTON**—I am told the South Australian Police have been using it for a couple of years. The company has been in existence for a long time. What did we do to evaluate it?

**Vice Adm. Crane**—I have not got the details. I would not wish to mislead you. I would have to go and get them.

**Senator JOHNSTON**—They are \$760 a unit?

**Vice Adm. Crane**—Yes.

**Senator JOHNSTON**—The last thing I have on my list, and it may not even be a DMO issue, is the Cyber Security Operations Centre inside DSD.

**Senator Faulkner**—CSOC is a DSD issue. Mr Merchant, who is with us, would be able to help you and we are happy to assist. There are some limitations about what we can say here.

**Senator JOHNSTON**—Mr Merchant, can you tell me how much we have spent on this very important piece of defence equipment?

**Mr Merchant**—What I can say is that for this financial year, 2009-10, we are programmed to spend just short of \$3 million.

**Senator JOHNSTON**—That is now. That is what we have and will spend before the end of next month?

**Mr Merchant**—Yes, that is for this financial year.

**Senator JOHNSTON**—And have we spent it?

**Mr Merchant**—I think we are on track to achieve that, yes.

**Senator JOHNSTON**—\$3 million?

**Mr Merchant**—Yes.



**Senator JOHNSTON**—Does that buy us electrical goods?

**Mr Merchant**—The main component of that is for additional staff, and there is also some equipment.

**Senator JOHNSTON**—How much of the \$3 million is staff?

**Mr Merchant**—The staff component is just over \$1 million. Actually, there is almost \$1.5 million for capital, so the bigger component is capital.

**Senator JOHNSTON**—Is the capital electrical goods relevant to cybersystems?

**Mr Merchant**—It is equipment relevant to cybersystems. But our approach here is obviously also to leverage off DSD's existing capabilities.

**Senator JOHNSTON**—Good. How much is in the budget for this one? Excuse my ignorance of the budget documents. Is there a line item for anything to do with the cybersecurity centre?

**Mr Merchant**—For 2010-11, are you talking about?

**Senator JOHNSTON**—Yes.

**Mr Merchant**—We are programmed to spend a total of \$2.7 million.

**Senator JOHNSTON**—So it is actually less.

**Mr Merchant**—Slightly less, yes.

**CHAIR**—If there are no other matters on DMO, we will return to the agenda. That takes us to capital facilities and defence support, outcome 1. That takes us to remaining defence programs, Navy, Army, Air Force, intelligence capabilities, defence science and technology, chief information officer, housing assistance, Kings Highway upgrade and other administered items. There being no questions, thank you very much, CDF. I think the service chiefs for being in attendance. I thank the secretary of the department and all of the officers for their assistance over the last two days. That concludes our deliberations on the Department of Defence and DMO. We will now commence with Defence Housing Australia.

[6.01 pm]

### **Defence Housing Australia**

**CHAIR**—I welcome officers from Defence Housing Australia to the table.

**Senator JOHNSTON**—Welcome to the table. I want to talk to you about Darwin. I think you were involved in some other matters in Darwin with the Public Works Committee back in April of this year.

**Mr Howman**—That is correct.

**Senator JOHNSTON**—I happened to be up in Darwin the other day and a number of people said to me that they had a problem with the number of defence houses in a particular suburb—the name escapes me; it started with W and is adjacent to the air base—which are vacant. I have an aerial photograph that has the vacancies marked. I will show you. They number some 115. I am told that the price of property and rental accommodation in Darwin is

absolutely as tight as it has ever been. Please explain to me what the problems are with us opening up these houses on commercial term leases.

**Mr Howman**—I would just like to confirm the area that you are talking about.

**Senator JOHNSTON**—It is the one with the golf course up one end.

**Mr Howman**—Or are you talking about on-base houses?

**Senator JOHNSTON**—I think it is a bit of both. I think it used to have a line across it and they opened it up. There is a golf course up one end.

**Mr Howman**—Quickly looking at this map, I believe it is the on-base housing at the RAAF base in Darwin.

**Senator JOHNSTON**—Okay.

**Mr Howman**—These houses are owned by Defence, not by DHA. We manage those houses on behalf of Defence. We are in the process of replacing many of those houses, as you are aware, in Lyons and there is also another program coming along in the future called Muirhead. I think you are aware of that particular program. The Public Works Committee is in the process of adjudicating on the first phase of that particular program.

**Senator JOHNSTON**—What is the duration of the first phase at Muirhead?

**Mr Howman**—The first phase is for 166 lots, and of that DHA will take about 50 houses. Provided we get the Public Works Committee approval in June of this year, civil works should commence early next year.

**Senator JOHNSTON**—Let us go back to this on-base housing. You manage it.

**Mr Howman**—We manage the maintenance of these particular houses, that is correct.

**Senator JOHNSTON**—The on-base and off-base qualification was recently changed such that I think a very large proportion of what was previously on-base is now off-base.

**Mr Howman**—That is correct. That is the process that is occurring in Darwin.

**Senator JOHNSTON**—You are saying that that photo deals with on-base.

**Mr Howman**—I cannot see the street names but I believe it is the on-base housing. It is the RAAF base in Darwin.

**Senator JOHNSTON**—I drove around an area that, if not on that map, is adjacent to it and the vacancies are of a similar proportion. You know the numbers.

**Mr Howman**—All I know is that at the moment Defence has a policy to move all houses off-base in Darwin. We are in the process of moving people off the on-based housing.

**Senator JOHNSTON**—Is that why they are vacant?

**Mr Howman**—That is correct.

**Senator JOHNSTON**—Okay. What about the houses you manage up there? What is the vacancy rate?

**Mr Howman**—I do not have the exact figure of the vacancy rate in Darwin—it may come to me shortly.

**Senator JOHNSTON**—Can you take it on notice?

**Mr Howman**—Yes.

**Senator JOHNSTON**—Thank you. What are the problems with opening that up so that we can take a bit of pressure off for the people in Darwin?

**Mr Howman**—I cannot comment on that. They are not our houses; they are Defence houses. They are on a defence facility. Defence owns the houses. They do have a policy to move all houses off the RAAF base in Darwin due to operational requirements.

**Senator JOHNSTON**—So there are no other houses apart from on-base houses?

**Mr Howman**—I understand that the houses in the photograph you have given me are all on-base houses at RAAF base Darwin.

**Senator JOHNSTON**—If they were under your jurisdiction—let us be hypothetical to help me—would there be problems with that? Have you done it before? What is the history of opening up vacant defence housing to the public?

**Mr Howman**—Occasionally we do just that. For example, we have built houses ahead of units being posted into a particular area. We did that in Canberra before HQJOC staff moved in. We let those houses out to the local public.

**Senator JOHNSTON**—On commercial leases?

**Mr Howman**—Absolutely.

**Senator JOHNSTON**—And who administered those leases?

**Mr Howman**—We normally use real estate agents to administer those on our behalf.

**Senator JOHNSTON**—Bonds are taken, leases are signed, everything is commercial.

**Mr Howman**—That is correct. We will set the leases for the period that is available, noting that when the defence people arrive we need the houses to be available on arrival. Then we are in a position to move the civilians out of the houses and put the defence personnel into those houses.

**Senator JOHNSTON**—Do you know your stock numbers in Darwin—the ones that you as DHA have?

**Mr Howman**—It is in the order of 1,800 houses.

**Senator JOHNSTON**—And on notice you are going to have a look at the vacancy rate.

**Mr Howman**—Yes. I can also give you the exact numbers that we have up there. In totality I think we are managing about 1,800 houses.

**Senator JOHNSTON**—Is it conceivable that there would be some capacity to provide commercial tenancies to some of the DHA houses?

**Mr Howman**—The majority of DHA houses are, I understand, populated. One of the reasons for that is that they are very new houses. Many of those are in the suburb of Lyons. We find that when members are posted into Darwin they look on our system and see the housing in Lyons is available and they will tend to select those as they are so new.

**Senator JOHNSTON**—We talked about Muirhead. What else is happening?

**Mr Howman**—Around Australia?

**Senator JOHNSTON**—First of all, let us deal with Darwin. Then we will talk around Australia.

**Mr Howman**—Sure. At the moment we have the first stage of Muirhead in front of the Public Works Committee. That focuses on the first 166 lots. The second phase onwards will focus on the remainder of Muirhead. We are currently in the process of determining whether we will require an equity joint venture partner for those or not. Once the DHA board has reviewed that and we move forward we will move to the Public Works Committee with that particular program as well. All up, Muirhead will have around 1,100 houses.

**Senator JOHNSTON**—For DHA?

**Mr Howman**—No. That is in total. We will take about one-third of those, and 15 per cent will be made available for social and welfare housing. The remainder will be sold on the open market. Another project we have ongoing in Darwin at the moment is on the Navy base at Larrakeyah. We are replacing 61 houses at Larrakeyah with 97 new houses. The houses on Larrakeyah at the moment are very old, built just post Tracy, I think, in the early seventies. They are very old houses, very small, with very poor cross-flow ventilation. Consequently we are taking the opportunity to increase the density from 61 to 97. I think that is a much better use of the land there, when you consider that land supply in Darwin is very short.

**Senator JOHNSTON**—Yes, that is why I am raising these issues. It is absolutely terminal.

**Mr Howman**—Absolutely, so we are looking at how we can increase the density there. Consequently, when we go to Muirhead, of course we are looking at maximising the use of the land as well. We are putting on there the maximum number of lots that we believe you can put there, being mindful that in the tropics you need to make sure you have a good flow of ventilation, a good flow of air, because of the tropical climate, so you really cannot effectively build a house lot much smaller, to the same sorts of small standards that you have in the southern states. We need to make sure that they are a little bit larger. In Darwin we are also building houses in some of the other developments which are being constructed by commercial developers, such as down towards Palmerston, where there are some developments coming along, but we are only taking out small numbers of lots there, maybe half-a-dozen or a dozen at a time. We do that to disperse the defence members throughout the community, and there is a real desire to do that. That is why on Muirhead we are only maximising our take-out to 30 per cent—and, once again, it will not be 30 per cent in one particular area; over the six, seven or eight years of that development we will disperse the members throughout that whole community.

**Senator JOHNSTON**—Do you have a full-time officer or office in Darwin?

**Mr Howman**—Sure. We have a number of staff up there doing a range of tasks. One particular task is the capital program, which is looking at buying the land, the leasing activity, the construction activity and so forth, so we have an officer up there for that. And our staff have been very heavily involved in the joint venture that we had for the Lyons development. You may remember that. It has been going on for some years now.

**Senator JOHNSTON**—Yes.

**Mr Howman**—So we have had staff up there predominantly for that. In fact, I visit there myself frequently. I was up there only two weeks ago when we opened the Tommy Lyons Neighbourhood Park, in Lyons. We have a lot of experts going to and from, and we have our local people because in the tropics you need local advice and people who have lived and worked in the tropics to understand the conditions up there.

**Senator JOHNSTON**—Where have you travelled from to be here tonight?

**Mr Howman**—From Canberra.

**Senator JOHNSTON**—Good. Hallelujah! I thought you were going to tell me Sydney or Melbourne. Tell me about Townsville. What is happening there?

**Mr Howman**—In Townsville we are building quite a lot of houses per year. It is in the order of 100 or so a year for the next few years in Townsville. The reason is twofold. No. 1 is that 3RAR are moving to Townsville at the end of next calendar year, so we are in the process of ramping up for that move. We are a fair way ahead of the game for that. As you are aware and would appreciate, you cannot just develop around 300 houses overnight, so we need to lead into that. One of the issues with Townsville for us, I guess, is that DHA have a shortage of broadacre land to develop ourselves, so our strategy for Townsville in the short to medium term is to buy retail land from the developers. There are quite a few developers up there. There is quite a lot of land opening up, especially to the north and to the north-west.

**Senator JOHNSTON**—That is a preferable way of going forward, isn't it?

**Mr Howman**—It is a good way of going forward for DHA—providing, that is, that we can negotiate a reasonable price when we buy in bulk. That is a good way forward for us. It lowers our risk, it shares the risk and it allows us to make sure that we are distributed amongst the community as well, which of course we like to do. Townsville is quite a large program for us. Up the road is Cairns, of course. We built a few houses this year but next year I believe we do not have a building program for Cairns. The other driver for the house constructions in Townsville is the lease expiries which are occurring. As you would appreciate, our model requires us to build, purchase or direct-lease houses for a period of time. We sell them, release them back and put members in there and then the leases expire. So we have an ongoing program around that as well.

**Senator JOHNSTON**—What about 5RAR going to Adelaide? They are all young blokes, but is there a Defence Housing issue there?

**Mr Howman**—It is actually 7RAR, I believe.

**Senator JOHNSTON**—You are quite right: 7RAR. They have broken off from 5RAR.

**Mr Howman**—I am sorry to correct you there.

**Senator JOHNSTON**—No, you are quite right. Thank you.

**Mr Howman**—7RAR are moving, we understand, from Robertson Barracks in Darwin to Adelaide. The bulk of that move will occur towards the end of this calendar year and we have had quite a large program happening in Adelaide over the last year or so in building up for that. Be mindful that our requirement is to only house the married members with dependents.

**Senator JOHNSTON**—Of which there are not many.

**Mr Howman**—That is not quite true. Sorry to correct you again—

**Senator JOHNSTON**—I was only surrounded by young men when I was up there.

**Mr Howman**—but we have had to construct around 300-odd houses over the last year or so to be ready for that. It has been an interesting market in Adelaide. You will recall one of the issues that we have in Adelaide is the fact that we have not got available to us a lot of broadacre land so we have been required to buy land off the open market place again. We have had a good arrangement with the Land Management Corporation, LMC, down in Adelaide and we have been able to negotiate good discounts through them and through their developers. We have had no real difficulty in the supply although it has been very tight. Our main competitor in the marketplace has been the first home owners, of course, and my feeling is that there may have been some upward movement in the price of land because land is short and there is a supply and demand issue. I think as we move forward though that that will settle down a little.

**Senator JOHNSTON**—The pressure might ease a bit?

**Mr Howman**—Absolutely; I hope so. Most of the houses we are building there are in the northern suburbs. There is a lot of land opening up around the Lake View area up towards Gawler and around that area, but you may be aware that a parcel of land was referred in parliament last Thursday by Minister Kelly which is down near Port Adelaide. It is called Largs North. We are in the process of going forward through the Public Works Committee process in order to gain approval to develop that land on behalf of the LMC, and of that we will take out about a third as well. It is well located for the Submarine Corporation at Osborne. With the coming of the new ships and submarines and so forth it is a great place for the submariners to be, and also DMO staff whilst the programs are going on. It is about a two kilometre drive.

**Senator JOHNSTON**—What about Western Australia? Is there anything much happening there?

**Mr Howman**—Your home state.

**Senator JOHNSTON**—Yes.

**Mr Howman**—It is a great place. I lived there myself for about four years. We do not have a large program there at the moment.

**Senator JOHNSTON**—It is Senator Bishop's home state too.

**Mr Howman**—Yes, I realise that.

**Senator Faulkner**—I do think it is quite inappropriate that the witnesses start to schmooze the committee members like that. Nothing has been said that is very positive about the state of New South Wales.

**Senator JOHNSTON**—It is a welcome change of pace, Minister. I think we are all welcoming the change of pace. Go on, Mr Howman.

**Mr Howman**—To get back to the question, we have a higher rental assistance number in WA, the reason being that we have a shortage of housing stock there. Once again that has been driven by the cost of houses in WA. You will recall during the last few years that there

has been quite an inflation in house prices over there. We need to be commercial in the way we provision houses, so predominantly the way we are provisioning houses at the moment in WA is through the rental assistance program. We are not getting any complaints or issues from the members. However, moving forward we certainly have two programs we need to look at over there. One is the better supply of land, so we are in discussions with Defence in regards to procuring some Defence land which we could develop. That land, if we are successful in moving forward with the process on that, could supply in the order of 200 lots and that would solve the housing shortage that Defence has over there for many, many years into the future.

**Senator JOHNSTON**—Whereabouts is that land?

**Mr Howman**—It is in towards Subiaco.

**Senator JOHNSTON**—Karrakatta?

**Mr Howman**—That's correct, yes. Defence are currently understanding the usage of that land and whether there is the opportunity or not to provide some of that land. There is already an area there—

**Senator JOHNSTON**—A very successful development there.

**Mr Howman**—Yes, there has been.

**Senator JOHNSTON**—I like the sound of that.

**Mr Howman**—Yes, and you will recall that there was some housing on base there. So that is the area we are talking about, around where the old on-base housing was. It is close to Subiaco, so it is well located for members' spouses—those who wish to work in the city. So I think it is a good thing for them as well. Plus it is close to either the CBD for people working there and also to Swanbourne Barracks, of course.

That brings me to the other program which we have in place, and that is that over the next few years we need to do some work on the houses out at Seaward Village, which is abutting on Swanbourne. The reason for that is that many of the houses now are upwards of 20 years old. Many need some refurbishment to be done. There are in the order of 40 plus that I think do not meet the standards which come into effect in 2017. They are deficient of amenities such as ensuites and so forth.

**Senator JOHNSTON**—They are bungalow style almost, aren't they?

**Mr Howman**—Yes, you could describe them as such.

**Senator JOHNSTON**—You are quite right—they should be improved. I appreciate your commentary on that.

**Mr Howman**—The other area of interest in Western Australia is up north of Karratha. We have been provisioning a few houses up there as well, and that is predominantly because of old lease expiries. That has been a challenge for us over the years because of the mining activities which are occurring there and, once again, the cost of land and the cost of house construction in that area. However, we are still able to sell and lease back houses over there, and that is supporting the program quite well.

**Senator JOHNSTON**—Fabulous. Mr Howman, thank you very much for that. I am very impressed with your very broad knowledge of the subject matter. I am sure the people in

Darwin who told me about that are not as happy as they might have been that there is not as much stock available for commercial leases, but that is life. Thank you very much.

**Senator KROGER**—I want to follow up on questions I raised at the additional estimates in relation to the great state of Victoria. My colleague seemed to miss out not only New South Wales but Victoria. I was asking you about off-base housing stock that was empty and whether there were any plans for that. At that time you indicated that discussions had taken place with the immigration department in relation to scoping out the possible use of those homes. I was wondering whether there was any advancement on those scoping discussions.

**Mr Howman**—I have not had any discussions at all with any other department in regard to any houses of DHA's in Victoria, so I am certainly not in a position to answer that.

**Senator Faulkner**—Perhaps I can help here, Senator Kroger. I think this was done during examination of the estimates of the department, not Defence Housing Australia. That is my recollection. I do recall your questions, but I think they were asked of the department, as opposed to Defence Housing.

**Senator KROGER**—You are 80 per cent correct, Minister, in that Mr Bowles was here and the CDF was also still here, so we did have that discussion—you are absolutely right.

**Senator Faulkner**—That is more than 80 per cent, then, Senator, isn't it?

**Senator KROGER**—You are probably right.

**Senator Faulkner**—I suppose eight out of 10 is not bad.

**Senator KROGER**—I will let you have that one. But Mr Bowles did say that he thought there had been some discussions, so I thought you might have been aware of whether there had been any developments.

**Senator Faulkner**—Officials can correct me if I am wrong, but they would have been handled on a Department of Defence and Department of Immigration and Multicultural Affairs basis. So it was that sort of agency-to-agency discussion, as I recall the evidence that was provided.

**Senator KROGER**—Then I presume you would be advised what the intentions were with that particular housing stock.

**Senator Faulkner**—Quite possibly not, because there may not necessarily be an involvement at all for Defence Housing. This is not a conclusion you could automatically draw. It is possible but, as the officials have said, they are not aware of it. Most of those things would be handled on an agency-to-agency basis.

**Mr Merchant**—At the time of the additional estimates, Mr Bowles was the Deputy Secretary, Defence Support, in the Department of Defence. He has now moved on and is working on the home insulation issues. His position in Defence has now been taken on by Simon Lewis. I think the recollection of the minister is right, and it certainly accords with my recollection: this was handled by the Department of Defence, and I think it would have continued to be handled by the Department of Defence, particularly the Defence Support group, now headed by Mr Lewis.



**Senator KROGER**—I would like to put on notice a request for any updates in relation to that housing stock.

**Mr Merchant**—Certainly.

**Senator Faulkner**—We are happy to do that. This is the housing stock that you identified in your previous question?

**Senator KROGER**—I will be more specific. At Point Cook, Victoria, there is off-base housing. There were some 13 houses, and discussions were underway at that time in relation to their possible use. It was specifically the off-base housing that was the issue.

**Senator Faulkner**—Yes. I am very confident that there have been no further discussions between agencies in relation to that matter. Without the relevant officials at the table, I will certainly undertake to double-check and take the issue on notice. I am, however, very confident that that matter has not progressed beyond where it was at the last estimates. If there is anything further I can add I certainly will, and we will give you a formal response on notice just to tie up the loose end.

**Senator KROGER**—Thank you, Minister.

**Senator COLBECK**—You might have to take on notice these questions with respect to average construction costs in different locations around the country. I understand that you would have different styles of property. There is detached housing—for example, bungalow style, if you want to call it that. I do not know whether that is the politically correct term—and there are also apartment style properties. Can you give us a sense of the average cost for construction of those different types of properties in your key centres.

**Mr Howman**—I can give you an answer to that. Construction costs vary from state to state.

**Senator COLBECK**—I understand that.

**Mr Howman**—The variation depends on the type of house, particularly whether it is a five-start house or a six-star house. It depends upon the type of land—that is, whether it is on a slope or not on a slope or whether it is north facing or not north facing. We vary in costs from about \$220,000-odd and upwards, maybe to \$250,000 to \$260,000. I can give you a closer per suburb cost at a later date, if you wish.

**Senator COLBECK**—Yes, would you take that on notice. So that is a rough construction cost per unit?

**Senator Faulkner**—We are happy to take it on notice, Senator. Where are you looking? Are you looking at a specific location?

**Senator COLBECK**—I am looking specifically at Darwin and regional Northern Territory—say, out in some of the more remote areas in the Northern Territory and down through Newcastle and Queensland in particular.

**Senator Faulkner**—Down through Newcastle from the Northern Territory?

**Senator COLBECK**—Newcastle is where I know DHA has a lot of housing and also the bases in Queensland.

**Senator Faulkner**—Yes, I know that.

**Senator COLBECK**—I am trying to get a range of property construction costs per square metre.

**Senator Faulkner**—I am just trying to nail down what you would like. In the Northern Territory, Darwin and outside Darwin is what you are asking for?

**Senator COLBECK**—Yes, for Darwin and regional Northern Territory.

**Senator Faulkner**—Newcastle, New South Wales. Were there any other locations?

**Senator COLBECK**—Yes. Townsville and anything you have in metropolitan Victoria.

**Senator Faulkner**—So you are talking about metropolitan Melbourne, effectively?

**Senator Colbeck**—Yes.

**Senator Faulkner**—The best thing we can do is that I will ask.

**Mr Howman**—I have some data here that I can give you, now that I have clarity on that.

**Senator Faulkner**—The problem is going to be time. Is that document able to be tabled.

**Senator COLBECK**—If you can table the document, that would be fine.

**Mr Howman**—I would rather extract the data out of the table, if that is okay.

**Senator Faulkner**—Why don't we extend for a couple of minutes and allow the witness to do that, Chair, because it might assist Senator Colbeck.

**CHAIR**—Proceed, Mr Howman.

**Senator Faulkner**—If the committee is comfortable, we will do that.

**Mr Howman**—In the areas you have mentioned, Darwin, the average cost of construction for DHA—and be mindful that our houses are not specified like a normal house; we have got particular—

**Senator COLBECK**—They would be above spec a little bit.

**Mr Howman**—Sure. The average is about \$358,000 in Darwin. For the Hunter area, we would average around \$248,000 for the construction of a house. For Townsville, we are averaging in the order of \$257,000 per house. I think you mentioned Melbourne: Melbourne, we average around \$228,000 per house; Brisbane, we are currently averaging around \$244,000 per house. You need to—

**Senator COLBECK**—Average size; square metres?

**Mr Howman**—Average size would be around 160-170-square metres. You need to be a little careful with that, being mindful as I said that our specifications are different to average.

**Senator COLBECK**—Above spec. I understand that they would be perhaps more towards commercial spec—

**Mr Howman**—Correct.

**Senator COLBECK**—so they will survive rental type circumstances. I understand that in a specification sense. I just wanted to get those rough parameters.

**Senator Faulkner**—Chair, just before we end, can I come back to Senator Kroger because I have a little more information on this. I think the status of the 13 houses, I understand that you mentioned, Senator, at the previous estimates—I will take your question on notice so you can absolutely be given all the contemporary information. My understanding is that the 13 houses you were speaking of have been demolished, but there are 33 houses which have been fenced off but no decision has been made to use that accommodation. I think that is the status. As I said, I will take that question on notice for you at the end of the hearing and provide you with a status report to assist you. I will also go back to the previous *Hansard* of the previous estimates just to make sure we cover off the issues for you. In a very broad brush, that is my understanding of the current status.

**Senator KROGER**—That is one way to resolve what to do with them.

**Senator Faulkner**—You mean demolish them.

**Senator KROGER**—Yes, absolutely.

**Senator Faulkner**—Some would say: we're all in the demolition business.

**Senator KROGER**—Touche.

**CHAIR**—Thank you, Minister. I thank the officers from Defence Housing for attending this evening and providing that information as requested. This now concludes deliberation of Defence and agency estimates. We will resume at 7.35—

**Senator Faulkner**—Senator Stephens will be with you, and I am looking forward to joining you again tomorrow.

**CHAIR**—Thank you, Minister. We will resume at 7.35 to discuss estimates for DVA.

#### **Proceedings suspended from 6.32 pm to 7.34 pm**

#### **Department of Veterans' Affairs**

**CHAIR**—Good evening, everyone. I reopen this meeting of the Senate Foreign Affairs, Defence and Trade Legislation Committee. We are here to discuss budget estimates in respect of the Department of Veterans' Affairs. I welcome Mr Ian Campbell, secretary of the department. I welcome also Senator Stephens, the parliamentary secretary looking after our interests tonight, and other officers of the Department of Veterans' Affairs. Mr Carmody, also welcome to you. I have not seen you for a while. Does either the minister or Mr Campbell have an opening statement to make?

**Senator Stephens**—No, thank you.

**Mr Carmody**—No, thank you.

**CHAIR**—In that case we will turn to the portfolio overview, dealing with corporate and general matters.

**Senator FARRELL**—The opposition have indicated that in government, God forbid, they would implement a wide-ranging freeze on Public Service positions. Can you tell us what implications you anticipate this would have for Veterans' Affairs and your clients?

**Mr Campbell**—Obviously, any freeze on staff, and therefore the non-replacement of staff who have left, retired or left for whatever reason, would have an impact upon service to the clients of the department.

**Senator FARRELL**—Can you tell us in what way?

**Mr Campbell**—Yes, if I could just go on. The policy that I have seen is not clearly defined, so I am not quite sure whether they have a particular view on service delivery agencies, although I did hear the shadow minister for veterans' affairs at the Tasmanian state RSL congress say that Veterans Affairs direct service delivery staff would not be affected—it would only be those who were not direct service delivery staff. But that does not make it much clearer for me because I am not quite sure what the definition of 'direct service delivery staff' is. I can guess what some people may think it is.

**Senator FARRELL**—How would you interpret it, Mr Campbell?

**Mr Campbell**—I would argue that 'direct' is not quite relevant in my portfolio. I would argue that the vast bulk of staff—all but probably 60 or 70—are actually involved in servicing veterans in one way or another and that the 60 or 70 do veterans' issues but do not provide services for health, income support and compensation. The worry I would have is that a freeze on any level of staffing ultimately would impact upon our time taken to process and pay our providers because we are a very large provider of health services. If the impact were felt in the IT area, which I think most people would not see as being direct service delivery, that would also concern me. Sooner or later the systems by which we pay veterans—that is, income support and disability pension—and pay providers for health services would start to create problems when the system goes down. So I cannot quantify an impact but I would say that any lack of replacement of staff leaving over any period of time would have an impact upon the services that are provided to veterans and their families.

**Senator FARRELL**—What sort of turnover do you have at the moment?

**Mr Campbell**—The turnover at the moment is about 10 per cent.

**Senator FARRELL**—Ten per cent per annum?

**Mr Campbell**—Yes. It can be as high as that, but you then have to work out which turnover would continue to occur if you had a service-wide freeze. I know that they are not talking about a service-wide freeze. We currently have just under 2,000 staff—not all full time—so over three or four years you would be talking about well over 100 staff, maybe 200 staff, and that could have a substantial impact upon service delivery.

**Senator FARRELL**—The turnover levels, I guess, are higher in the non-full-time areas—no?

**Mr Campbell**—No. Our turnover varies from year to year, sometimes with economic conditions, but we have a relatively old agency. Not only is the agency old in chronological terms—

**Senator FARRELL**—Relative to what, Mr Campbell?

**Mr Campbell**—To the rest of the Public Service. The organisation goes back to 1918—that is not the oldest but it is very close to the oldest—and, on average, our staff are aged in

their 50s. I think it is the high 40s or low 50s—that is, in the top three. In addition to normal staff movements we are looking at, over the next four, five or six years, a significant number of staff retiring on age grounds, not necessarily at 54/11 but retiring in their 50s or early 60s.

**Senator FARRELL**—Given that scenario, it is possible that the turnover rates may be higher than the 10 per cent that you have just mentioned?

**Mr Campbell**—If there is a freeze right across the Public Service it would not be as high as 10 per cent because some of that turnover is people going to other departments. So the actual attrition rate, which for resignations and retirements is down around the four to five per cent, at a point because of our average age if there is a freeze or a lack of replacement over any period of time, we would probably have a higher rate of natural attrition due to retirement than most other agencies because of the average age of our staff.

[7.40 pm]

**CHAIR**—As there are no further questions, we are dealing with corporate and general matters under the portfolio overview. Are there any questions in that area?

**Senator KROGER**—Yes, thanks, Chair. Mr Campbell, what is the usual process that the department takes in preparing and responding to questions on notice?

**Mr Campbell**—Do you mean questions on notice to Senate estimates committees such as this one?

**Senator KROGER**—Absolutely.

**Mr Campbell**—When we get them we draft answers—and sometimes they can be done quite quickly, sometimes they take a long period of time. Then the answers are provided to the minister and the minister's office and then a final clearance is given and they come to the committee.

**Senator KROGER**—Mr Campbell, how can you account for returning a question on notice to the last addition? There is does refer to it that wayal estimates only this afternoon, some 15½ weeks after that particular additional estimates? Of the total number of questions, which was 51, one was returned today and the other 50 were eight weeks past the date by which those questions were asked to be responded to.

**Mr Campbell**—It is unfortunate that we took so long this time. I would point out that in previous estimates committee hearings we have been more timely than we were this time. It is just the amount of work that has been on for us over the last six to eight or nine weeks. We have had a budget, the commencement of the various ex-service annual conferences, and the issuing of a couple of review papers. I apologise for the delay. I ask you to look at our record. We have not normally been this tardy and I hope we are not this tardy again in the future. But I would put it down to the amount of work.

**Senator KROGER**—It just makes it very difficult, as a senator, to respond to complaints from veterans when they complain about the tardiness of responses from the department to individual concerns when, personally, my only experience of your timeliness is 51 questions of which 50 were only received on 28 May and the last one received today. It gives very little opportunity for us to look at those responses to see whether there are any further follow-up questions that need to be asked.

**Mr Campbell**—Senator, as I said, I have apologised. I think there were extenuating circumstances concerning the amount of work that was going on and, while you might not have experienced the timeliness in the past, I am sure that the secretary will tell you that the timeliness of these answers is not our normal record. I assure you that there was no hidden agenda here in keeping anyone waiting. It is just unfortunate the way it unfolded.

**Senator KROGER**—I hope that further questions on notice are taken in a better spirit perhaps with an attempt to respond within the time frame that is given. I want to turn to the Dunt review and some of the recommendations made in that review. I have the recommendations here but in particular I turn to recommendation 6.1 which referred to ‘Initiatives such as the Single Claim Form, Separation Health Examination and the Client Liaison Unit’. I understand that a separation health examination trial was running until mid-2009 and was to be evaluated with a view to a national rollout. I was just wondering, firstly, how that trial proceeded.

**Mr Douglas**—The trial did complete. There were three agencies involved in conducting the trial: the Department of Veterans’ Affairs, the Australian Defence Force and ComSuper. Consequently there were three separate phases of the evaluation strategy necessary—in other words, an evaluation from each of the individual agencies’ perspectives. Two of those evaluations were able to be completed relatively quickly. The third agency required additional time to conclude their evaluation. The Australian Defence Force, not surprisingly, bore the majority of the direct workload for completing the health examination at the time of separation from the military. They did so in the last few weeks. We now have those three evaluation reports, so we will be in the process of reviewing them and preparing further recommendations on where to proceed from here.

**Senator KROGER**—What is your anticipation of that time frame for the review of the evaluations and putting together a submission from that in terms of the outcome of those?

**Mr Douglas**—As I said, the evaluation from Defence has only relatively recently been concluded. Given that they bore the lion’s share of the workload, I am somewhat reluctant to make too firm a commitment, given that I have not even had the opportunity to read the report. I think there is a clear agreement from the three agencies concerned that there is a strong desire to find a way that makes this work, given that it really does depend on the obstacles identified as to what needs to be done and how to proceed. Given that, I do not believe we could conclude with a recommendation to government by the end of this financial year. I think it would be much more in the first quarter of next financial year.

**Senator KROGER**—From your observations of the other two evaluations, was there a view that the approach of the single medical assessment would be a successful one?

**Mr Douglas**—That is certainly one of the favourable aspects of the evaluation thus far. On the other hand, anecdotally from Defence’s perspective, Defence have of course seen somewhat of an increase in their workload, given that they are now covering off health examinations for the needs of three agencies, not just one. The question is just how much of an issue that is for rolling out the process across the board. That is what we have to consider.

**Senator KROGER**—Did you have feedback from the ex-servicemen community in relation to the trial?

**Mr Douglas**—The trial is done at the separation phase of a serviceman's time in the Defence Force. This is a process which is occurring before much of the contact would occur with an ex-service organisation. A separation health examination does not necessarily lead to a claim being lodged in every circumstance. Nevertheless there is obviously a linkage between this process and the currently also being trialled single claim form, and that has significant involvement from the ex-service community. They were extensively consulted on the design of the form. They have been extensively involved in the preparation of completed forms and will of course be extensively committed in the evaluation of the trial outcome from that trial.

**Senator KROGER**—I would have thought anything that would be seen to be simplifying the process and making it easier for them would be considered in a favourable light.

**Mr Douglas**—There is no doubt that, when you look at the separation health examination, the number of additional medical diagnoses or examinations required is much lower, and the degree of additional burden on potential claimants is much lower. The question is: how much does that balance off against the workload required by the Defence doctors to do a fuller health examination?

**Senator KROGER**—Do you respond to all the questions in relation to the Dunt review?

**Mr Douglas**—In the first instance, yes.

**Senator KROGER**—I will follow on with you, then. The second recommendation I want to come to is 6.2, which is in relation to claims involving chronic mental conditions. The recommendation was that DVA develop a protocol for managing the provision of advice to clients at risk of self-harm. Has the development of a protocol started? Has that been established?

**Mr Douglas**—The protocol, from my understanding, has been endorsed. There was extensive consultation with the ex-service community and the protocol is now in use by our claims processing staff.

**Senator KROGER**—So that is up and running as we speak?

**Mr Douglas**—Indeed.

**Senator KROGER**—Can you furnish me with the details of the protocol?

**Mr Douglas**—I will have to take that on notice. I do not have it with me tonight.

**Senator KROGER**—That would be terrific. For how long has the protocol been implemented?

**Mr Douglas**—I would have to take that on notice. In rough terms, from memory, it is about three months.

**Senator KROGER**—So there probably has not been time to evaluate the effectiveness of the protocol. Is that a reasonable suggestion?

**Mr Douglas**—That is a reasonable conclusion, though I am not aware of much self-harm being exhibited by clients. It is one of those things where no news is good news.

**Senator KROGER**—Recommendation 6.3 is that every VRB hearing for a veteran involving a mental health related condition should aim to have at least one member with a clinical mental health background on the two or three member board. How many claims in 2008-09 involved mental health related conditions? If you have the figures for 2009-10 I would be happy to have those too.

**Mr Douglas**—I do not know. We would have to take that on notice. It is a possibly a question we would need to ask of the Veterans' Review Board.

**Senator KROGER**—That would be helpful because it would give us some context. Has someone with a professional background in the mental health area been appointed?

**Mr Douglas**—That recommendation was held over pending the appointment and commencement of the new principal registrar of the Veterans Review Board. That appointment has now been made. The individual concerned has been in place for only a short time—he commenced in late March—so I would not expect that this is a matter he has yet turned his mind to. But, given that we are in a period of regular monitoring of the status of the implementation of the review recommendations, we will no doubt be asking him to turn his mind to it shortly.

**Mr Campbell**—Perhaps I could add to that. I know a little bit more about the recruitment process than Mr Douglas does, which is understandable. The members of the VRB have a statutory time frame. Those time frames expired late last year but we extended them when we appointed a new principal member. They have now been advertised, and the principal member is now undertaking reviews in all capital cities. In the context of that, he is looking at that recommendation.

**Senator KROGER**—I guess they have a contractual period for which they are appointed to the board?

**Mr Campbell**—I think the current members had a three-year term, which was extended. Sorry, they had different terms but they all came to maturity on the one date. There are about 40 members and I think the principal member is thinking of staggering their appointment so that he does not have all 40 expiring on one day.

**Senator KROGER**—There are not many boards where the members' terms all expire on the one day.

**Mr Campbell**—That was the previous principal member. I think the current principal member is actually handling it slightly differently.

**Senator KROGER**—Recommendation 6.5 is in relation to DVA considering a further step in the primary application process whereby an application could be returned to a veteran to seek further supporting documentation or evidence in relation to their claim. I understand that this was designed to expedite the claim process so that obtaining further documentation did not delay the claim application process. Has this occurred?

**Mr Douglas**—I am across most of the detail of many of the recommendations, but I am afraid that I will have to take that one on notice.

**Senator KROGER**—Okay, that is fine.



**Mr Campbell**—Senator, could you just hold on for one second. We might have somebody here who can answer that question.

**Senator KROGER**—Thanks, Mr Campbell.

**Mr Douglas**—No, we would need to check on the detail, but could I just make the observation as a point of principle that we are encouraging our claims-processing staff, wherever there is a possibility that further information could be obtained which might turn the balance on a claim, rather than simply to reject it, to go back to either the advocate or the claimant or their representative to seek out whether they have additional information which might help decide the claim in their favour. That is a point of principle.

**Senator KROGER**—I have a couple of further points on that one, but I will put them on notice so that you can deal with all of them at once. In relation to recommendation 9.1:

The ACPMH have been contracted by DVA to evaluate its Mental Health Initiatives for 2007-10 ...

Can I ask how that evaluation is progressing?

**Mr Douglas**—I do not believe it has been received yet.

**Mr Campbell**—That is, the report has not been received.

**Mr Douglas**—No, the report has not been received, I believe.

**Senator KROGER**—Do you have any idea when that is—

**Mr Douglas**—I would have to take that on notice.

**Senator KROGER**—So we have no idea when that will be publicly released either. Does that appear in the budget, or is that an item that will come up next time around?

**Mr Douglas**—No, that has been done from existing funding arrangements with the Centre for Posttraumatic Mental Health.

**Senator KROGER**—In existing funding arrangements?

**Mr Douglas**—No additional funding was necessary for that.

**Senator KROGER**—Review recommendation 9.4 was:

A ... review of PTSD programs in Australia should be urgently commissioned.

I understand that the government agreed to fund a review of departmentally funded PTSD programs. Is that correct?

**Mr Douglas**—Correct.

**Senator KROGER**—There was a review that was meant to commence in 2009, late last year.

**Mr Douglas**—The tender for that has been called and is either about to close or in the process of being evaluated, but I will take that on notice to give you precise dates.

**Senator KROGER**—Thank you very much. I now have some questions on departmental staffing. I am happy to put them on notice if they cannot be responded to—

**Mr Campbell**—Perhaps we will see how we go.

**Senator KROGER**—I am interested in the breakdown, essentially, of staff who administer and/or are trained in the various acts: VEA, MRCA and SRCA. Could you give me an indication of how many staff are trained in and administer the VEA?

**Mr Winzenberg**—In our PBS we have the numbers of staff by outcome, which are the numbers of staff that deal with those particular outcomes. So, for example—

**Senator KROGER**—Can I just ask, preliminary to that: is there a crossover between the three acts? Are they multiskilled in managing, or is each area specifically administered by a different group of people?

**Mr Campbell**—Perhaps Mr Telford should answer that question given his responsibility for those three acts.

**Mr Telford**—There is indeed a crossover. In fact, it would be very difficult to answer that question, inasmuch as we do train people specifically under each piece of legislation, clearly, as they move into the assessment and related activities associated with those claims. However, they are not necessarily working just on one piece of legislation. It is not necessarily three silos. In fact, having people working across the three pieces of legislation—and we are moving to that model now—has great benefits in order to determine liability irrespective of the claim under which the individual is putting in an associated form. As we move to a single claim form, of course, that cross-skilling will be far more critical than it currently is, when we still get three separate forms depending upon the piece of legislation under which the individual is claiming.

**Mr Campbell**—If I can just make it a little bit more complex: Mr Telford has been talking about compensation processing under the three acts. Of course, where we provide health care, for example, we will actually be providing health care to a person under multiple acts and we will be doing that through a single channel. So, to reinforce Mr Telford's answer to your first question, it would be very difficult for us to say with any fine grain of detail—I could do it at a high level—that these are exactly the resources that work on SRCA, MRCA or the VEA in terms of compensation health care, because, as Mr Telford said, we already do it in health, where we do run across acts, and we are moving to that direction in compensation as well.

**Senator KROGER**—I am talking in very general terms here, then. What would a rough percentage be of those who would be across all three acts or moving to that situation? Is it a small number? Is it a large number within the department?

**Mr Telford**—Well, can I say medium? I do not have those figures in front of me and, as I said, it would be very difficult to do that. As the secretary was saying, it is a matter of what element of the process they are actually engaged in, whether it is liability determination, needs assessment or rehabilitation assessment, and you can talk about permanent impairment versus processing of accounts and reimbursement of accounts. There are a whole stack of activities under each one of those particular acts. Certainly the people who are cross-trained, if I can call it that, across MRCA and SRCA are significant, and we are moving to have people trained across MRCA and SRCA versus the VEA increasingly as we move to a model which, as I said earlier, looks at the individual's needs as opposed to the acts under which they are making an application to accept liability.

**Senator KROGER**—So it would not be possible to get an indication by act—

**Mr Telford**—I could fine down some of the—

**Mr Campbell**—No, Senator, I do not want to mislead you. I do not think it would be possible to give you a figure that was meaningful that we would be happy with, because we structure our outcomes according to income support, compensation and health—and that is where Mr Winzenberg was leading with his answer, too, with the various outcomes. I think to take it on notice would be slightly misleading because I do not think we could give you a figure that was really meaningful because it does vary according to the function under the various acts.

**Mr Telford**—And it would be out of date, almost, because we are moving, as I said, to cross-train. So it would be out of date as soon as you got it, even if we could do it.

**Senator KROGER**—Okay, I will think about that further. Chair, that is all for corporate and general matters.

[8.03 pm]

**CHAIR**—In that case, we will turn to outcome 1, Compensation and support. Are there questions on that topic?

**Senator KROGER**—Yes. I turn to program 1.1, Veterans' income support and allowances. The budget papers show that a declining number of claims are expected to be processed, yet it is planning for an increased number of pensioner initiated reviews. I am just wondering why that is the case.

**Mr Campbell**—There are two very different reasons. The first is that the number of new claims reflects the number of veterans turning 60, because you are eligible for a service pension at age 60. Obviously, with the ageing of the veteran population, most of those from the Vietnam era, pre Korea and World War II have reached the age of 60. Most Vietnam veterans are now 60. The new claims coming in are some of the older ones in later deployments and some who might have been in retirement and not needed the service pension but then needed it later on, so it is just a reflection of the demographics of the veteran population.

The pensioner initiated reviews are where a pensioner has a change in their income circumstances and they ask us to review their circumstances with a view, because their investments have fallen away, to them actually getting a higher level of pension. In the current economic circumstances, particularly with what has happened in the share market over the last two years and therefore what has happened in various superannuation funds, unit trusts et cetera, it is not surprising that there is an increased number of pensioners coming to us and saying, 'Could you please review because I think I am eligible for a higher level of pension.' So there are two different reasons: one is the demographics of the veteran community; the other one is the economic circumstances.

**Senator KROGER**—When you look at the figures, you see there is quite a significant decline in primary claims, so I guess what you are suggesting to me is that the number of reviews that have been submitted indicate that there is a significant issue in relation to changing income circumstances.

**Mr Campbell**—I think the economic conditions of the last couple of years would confirm that. One of the beauties of our system and that of Centrelink is that we review very quickly, particularly when a pensioner requests it. In the main, people in these circumstances are requesting it because they are going to be eligible for a higher level of pension.

**Senator KROGER**—On the same issue: in the last financial year's budget estimate compare to this year's there seems to be a 60 per cent increase in the actual number of new claims processed versus budgeted. I am looking at the 2009-10 PBS, where we have 6,653 budgeted new claims, as against, under '2009-10 Revised budget' in the PBS just out, 10½ thousand new claims processed. Does that seem right, or am I reading that wrongly? Last year's figure for budgeted new claims to be processed was 6,653 and in the last PBS we have 10,500. There is quite a substantial difference there.

**Mr Campbell**—The figures are right. My feeling is that that probably reflects more the economic circumstances than a significant misreading of the number of veterans turning 60. They become eligible for income support when they turned 60. This also picks up the income supplement for widows, doesn't it, Mr Telford?

**Mr Telford**—Yes.

**Mr Campbell**—So this would also reflect an underestimate of the number of widows who became eligible for income support supplement, which is an income and asset tested payment.

**Senator KROGER**—So that is included in that?

**Mr Campbell**—And that would also be reflecting the economic circumstances.

**Senator KROGER**—Can you do a breakdown of those claims?

**Mr Campbell**—I would have to take that on notice.

**Senator KROGER**—Can you take that on notice please. Looking at it again, there are 16,000 more pensioner reviews than budgeted for. I would presume that you would provide a similar analysis for that?

**Mr Campbell**—The economic circumstances, yes.

**Senator KROGER**—How many of these would have been appealed to the VRB?

**Mr Campbell**—I would suspect almost none, if none.

**Senator KROGER**—Really?

**Mr Telford**—None.

**Mr Campbell**—None.

**Senator KROGER**—That is impressive.

**Mr Campbell**—My colleagues behind me are silent, so I think I am right.

**Mr Telford**—We are saying 'none'.

**Mr Campbell**—This is income support, though, not disability compensation.

**Senator KROGER**—Yes, I understand. So how many claims are expected under the deseal-reseal scheme this year?

**Mr Campbell**—That is a very different question. I might ask Mr Bayles and Mr Telford to answer that.

**Mr Telford**—Sorry, what was your question again, Senator?

**Mr Campbell**—‘How many claims are expected under the F111 scheme?’

**Mr Telford**—Not income support?

**Senator KROGER**—No, in relation to the—

**Mr Campbell**—The claims there will be compensation claims, so I may ask Mr Bayles to talk about that.

**Mr Bayles**—The budget measure that was announced in the budget relating to the F111 desal-reseal program involved an extension of the current scheme to include a new group of people, estimated to be about 2,400, who may become eligible for compensation claims under a particular provision in the Safety, Rehabilitation and Compensation Act 1988. That particular provision is section 7(2), which enables claims for certain conditions to be accepted without a causation test. It is estimated that there are now 2,400 individuals who may be able to make claims under that provision for conditions that may be related to that particular type of service. Our best estimate is that about a third of them would make claims for compensation under that provision for conditions that may be accepted under section 7(2) of SRCA.

**Senator KROGER**—I will come back to that in a moment because I want to discuss the program in a little more depth. So you are anticipating a decrease in income support claims?

**Mr Campbell**—F111 and income support are two completely different—

**Senator KROGER**—I understand that and I will come back to Mr Bayles—

**Mr Campbell**—We are anticipating a decrease in income support claims in the coming years because of the age profile of the veteran community. That is because most of the Vietnam veterans are now aged 60 and the younger veterans—that is, veterans from the Gulf War et cetera—are not yet anywhere near the age of 60.

**Senator KROGER**—In relation to the assistance provided by ESOs does the department keep records of the number of claims that are lodged with the assistance of an ESO?

**Mr Telford**—No.

**Senator KROGER**—None whatsoever?

**Mr Telford**—We keep them, depending upon whether or not they indicate they have come in from an individual. In some cases the system can record that information, but it is not necessarily considered something that we would routinely record for the purpose of determining a claim.

**Senator KROGER**—I have a particular issue I want to raise in relation to an ESO in Victoria. Is it normal for a claim to be some 35 pages long?

**Mr Telford**—The length of the claim depends upon the amount of supporting material that the claimant wishes to attach to it.

**Senator KROGER**—What would be the average size, though, of a claim that comes across the desk?

**Mr Telford**—I would not be able to tell you, but 35 pages seems rather long.

**Senator KROGER**—You would think that would be excessive?

**Mr Telford**—It depends on the condition, though.

**Mr Campbell**—Under MRCA and SRCA a claim is a claim and that is one condition. Under the VEA a claim can have multiple conditions as part of that claim. So it is quite possible that a claim could be made under the VEA, whether the individual was claiming six or eight conditions. Maybe they would put in some of their service records—we can get those from Defence—and they would have supporting documentation, including medical documentation. It is horses for courses.

**Mr Telford**—I thought you were talking about income support. We have moved from income support to compensation. If we are talking about income support claims then that depends upon the amount of financial circumstances behind the individuals. That claim could well be 35 pages long, depending upon their investments and all the rest of it.

**Senator KROGER**—Mr Campbell, you do have multiple claims at one time?

**Mr Campbell**—Mr Telford was quite right to pick up that I was talking about disability claims. Most, not all, of the claims that are submitted by ESOs are in respect of disability compensation. The advocates work more on disability compensation and not so much on the income support ones. So if you have an ESO that has a 35-page application, my guess is it would be for a disability pension. But we would have to see it to be sure.

**Senator KROGER**—Is it unusual to have more than one claim submitted at a time, to have multiple claims?

**Mr Campbell**—No.

**Senator KROGER**—That is quite common practice?

**Mr Campbell**—Quite common.

**Senator KROGER**—I am asking for your guidance here. Is it true that the department has stopped providing reply paid envelopes for the return of forms?

**Mr Telford**—Yes, we have.

**Senator KROGER**—Could you furnish me with any information about what saving that has provided to the department?

**Mr Telford**—It was not so much a saving as it was particularly related to the circumstances you are referring to, where we have ex-service organisations who are submitting claims on behalf of veterans, which is what we are talking about. We provide funding under the BEST program to these organisations to support them in their activities, including a range of computer activities, consumables, staffing and a range of activities within those centres. The construction of the claim and the submission of that claim to the department, we believe, is within the gamut of that funding.

**Senator KROGER**—The particular advocacy group that I am referring to, which is in Victoria, assist with and process hundreds of claims every year on behalf of veterans and their families. It has created a huge impost on them because they are spending significant sums on postage, so it is some thousands that they are having to come up with and take out of other services that they are able to provide. So I was really interested to know whether you are aware that the change in policy to not provide reply paid envelopes is adversely affecting some advocacy groups.

**Mr Telford**—Without knowing the organisation you are talking about, I would suggest that that is part of what they would be considering in the construction of their application for funding under the BEST program. That, I would suggest, would not be a significant part of the level of funding that we provide to the organisations, which is quite considerable—without knowing the organisation you are talking about.

**Senator KROGER**—Can applications be lodged online or sent electronically?

**Mr Telford**—Not at present, no.

**Senator KROGER**—Are there any moves to investigate the opportunity to do that and therefore eliminate some of the costs involved?

**Mr Telford**—We always look at increasing the amount of online applications that we have, but certainly we are not moving universally to have all our claims submitted online. At the moment there are some that can be submitted online—I do not know which ones they are—but we are moving to increase the number. That will happen as the complexity of the form and the supporting documentation that goes with it means it needs to be done, as was mentioned. If you are talking about an application for compensation then there will be significant supporting documentation that goes with that, so what does the organisation do? Do they scan that in? How do they deal with that? Do they just submit part of the claim or not? It is more complex than just whacking in a form where you do not have supporting documentation, necessarily.

**Senator TROOD**—I have some questions on 1.2, disability support. I want to clarify the impact of the government's change in the Veterans' Entitlements Amendment (Disability, War Widow and War Widower Pensions) Bill 2007, in relation to pension entitlements. My understanding is that there was a change in this legislation in 2009 and a break in the relationship between the disability pension and the MBR factor.

**Mr Telford**—In what year?

**Senator TROOD**—In 2009. There was a reversal of the legislation that was introduced in 2007 with, I think, new legislation last year which affected the relationship between the disability pension and the MBR factor. Is that your field, Mr Telford?

**Mr Telford**—I am not quite sure what you are referring to, Senator, but I suspect that you are talking about the introduction of a new measure which was part of the Harmer review.

**Senator TROOD**—Yes.

**Mr Telford**—That has put in place a new measure which was developed by the ABS and is used in conjunction with the CPI and MTAW, and that did develop a new factor—that is correct.

**Senator TROOD**—What do you call that new factor?

**Mr Telford**—I cannot remember what the acronym stands for. Can someone help me here?

**Mr Bayles**—It is to do with pensioner cost of living index.

**Mr Telford**—It was a measure which related to the additional costs of those in the aged age group.

**Senator TROOD**—Here is some assistance, Mr Telford.

**Mr Campbell**—Pensioner and beneficiary cost of living, Senator.

**Senator TROOD**—Thank you.

**Mr Telford**—Pensioner and beneficiary cost of living index. It is called PBLCI for some reason.

**Senator TROOD**—It sounds like a friendly animal. Please continue, Mr Telford.

**Mr Telford**—That is all.

**Senator TROOD**—Okay. But this introduced a differential, as I understand it, between pension recipients, is that not correct?

**Mr Telford**—No.

**Senator TROOD**—Well, in relation to their entitlements. There was a multiplier, or a factor, applied to different pension holders, is that not correct?

**Mr Telford**—Yes.

**Senator TROOD**—And it had a different impact on the results of pension recipients?

**Mr Telford**—No, it does not. It just introduces a third factor which is taken into account. It just tries to level out the cost of living associated with the aged population versus the others.

**Senator TROOD**—So this adds another element—

**Mr Telford**—That is right.

**Senator TROOD**—to the calculations that are being made in relation to entitlements?

**Mr Telford**—Correct.

**Senator TROOD**—Is the addition of that element true for all holders of disability pensions?

**Mr Telford**—Income support. Income support then creates a factor which has an impact on disability pensions, that is right.

**Senator TROOD**—I see. Is it generally beneficial to their position?

**Mr Telford**—Oh yes.

**Senator TROOD**—Okay. So this was a response to a concern within the veterans community, is that right?

**Mr Telford**—No.

**Senator TROOD**—About the nature of their interests or the rights of their entitlements?



**Mr Telford**—No, it was a result of the Harmer review into more sustainable pension arrangements and it was introduced in those reforms and flowed through to our systems as well.

**Senator TROOD**—Okay, the argument being that this will ensure that these pensions maintain a relevance into the future whereas those recipients of pensions would have fallen behind in their entitlements. Is that right?

**Mr Telford**—Sustainability over a longer term was certainly a key objective of the Harmer review.

**Senator TROOD**—Was there a specific intention in the Harmer review to review disability pensions in particular?

**Mr Telford**—No.

**Senator TROOD**—Why was that?

**Mr Telford**—The government made a decision that this was a review into income support.

**Senator TROOD**—I see. So essentially there was no argument to look more broadly at all pension entitlements?

**Mr Telford**—It was not within the terms of reference, no.

**Senator TROOD**—I see. Was your department responsible for drawing up the terms of reference?

**Mr Telford**—No. This policy was run by FaHCSIA and undertaken by that organisation in conjunction, obviously, with a range of other departments, including us.

**Senator TROOD**—Did you make a contribution to the development of the terms of reference?

**Mr Telford**—I do not recall. I think that they were pretty much set in terms of the remit which that review was given—and it was clearly given in respect of income support pensions, not DVA disability pensions.

**Senator TROOD**—I think that solves problems here.

**CHAIR**—Senator Xenophon wants to come in and ask five minutes worth of questions on Maralinga. We are past that section. I presumed that because it is a budget measure—

**Senator XENOPHON**—Not necessarily, because this relates to measures external to the budget, arguably.

**Senator TROOD**—I am happy for him to do that.

**Senator XENOPHON**—Thank you. It will be pretty short. The recognition of military personnel who participated in nuclear tests at Maralinga, Emu Field and Montebello Islands through disability pensions and healthcare benefits is welcomed, but can I ask whether any consideration was given to paying lump-sum compensation to veterans?

**Mr Campbell**—The commitment that was made at the time of the 2007 election was that the government would review the recommendations of Clarke that had not been accepted by the previous government back in 2003-04. The recommendation in Clarke in respect of the

British Nuclear Test Program—I will use that term, which is the full term—was for them to get ‘non-warlike hazardous’, which is in effect non-warlike. There was no recommendation for a lump sum.

**Senator XENOPHON**—Was there any consideration given, for instance, to the United States system, where they give lump-sum compensation to their nuclear veterans?

**Mr Campbell**—The answer is no, because that was not in the government remit. I might ask Mr Carmody and Mr Bayles to talk, because I think there is a bit of a misunderstanding around what actually is provided overseas.

**Mr Carmody**—As to what is provided overseas and, firstly, in terms of lump-sum payments, as Mr Campbell said, the VEA system does not provide for lump-sum payment. Moving to payments overseas, the United States system that you refer to does in fact have some eligibility for an ex-gratia payment but under very strictly limited circumstances and very, very tight constraints. The practical reality is that the access to disability pensions and what is available under the current decision under Clarke is much more extensive.

**Senator XENOPHON**—Do you concede that the acceptance of the £20 million ex-gratia payment back in 1993 from the British government mean that no compensation is available to Australian veterans or their widows, or that, if any compensation is awarded, it would have to be paid back to the British government—in terms of the nature of the deal?

**Mr Carmody**—I thought we had addressed this before, but the \$20 million pounds was not paid for compensation; it was paid for rehabilitation of test sites. It also—

**Senator XENOPHON**—That is what the deed said.

**Mr Carmody**—It also was not paid to this portfolio. That is my understanding: it was paid for the rehabilitation of test sites.

**Senator XENOPHON**—Anyway, there is an argument about the nature of the deed. Finally, is the government liaising with the veterans who are seeking compensation through the British courts; and is any assistance being offered to those veterans who are seeking to join a class action in the UK?

**Mr Campbell**—The answer is we and the government are aware of their interest but no financial assistance is being provided to those individuals.

**Senator XENOPHON**—Is that something that is under further consideration or has the final decision been made?

**Mr Campbell**—I can never speak finally for government’s decisions because I am a bureaucrat, but there is no current proposal, which is probably the best way I can put it for them, to be paid any assistance with legal costs.

**Senator XENOPHON**—Mr Carmody, are you suggesting I need to put this to another department—that if any lump sum compensation was awarded to Australian veterans via any British court case; and would that have ramifications in relation to the \$20 million pound settlement back in 1993?

**Mr Carmody**—No. My answer was only—in fact I might not have been clear—in relation to what happened to the \$20 million pounds in 1993. My understanding was very clearly that it was for remediation; that was all.

**Senator XENOPHON**—Okay, I will leave it there. Thank you.

**CHAIR**—Are we still on outcome 1?

**Senator KROGER**—We are, and I just want to come back to the war widow entitlement and the removal of that entitlement for new claimants who enter a de facto relationship. I was wondering how many applications for war widow status were received from remarried war widows who are not able to receive a pension because they applied for it after they were married again.

**Mr Telford**—Is your question: the number of women who have remarried post the death of their veteran and have applied for a war widow's pension?

**Senator KROGER**—Yes. What I am interested in is those widows who have been unsuccessful in their pension claims because they have remarried in the first instance after their claim had been knocked back.

**Mr Telford**—I do not know that number, but it would not be very large. I think that people who are advising them, whether it be advocates or others, would understand clearly the rules around the fact that once a woman separates from and remarries a veteran, they lose their eligibility but I do not have those figures.

**Ms Spiers**—I concur with Mr Telford that we cannot give you the figures of those that have claimed that have remarried. To give you an indication of the reasonably low number that we are aware of, we have probably seen about 11 claims for act of grace payments for those ladies over the last three years, so very low numbers. So these are the ladies that—

**Senator KROGER**—So what determines an act of grace payment?

**Ms Spiers**—An act of grace claim is a claim administered by the department of finance for where there has been an unintentional consequence of legislation and a person can make a claim for an act of grace payment. These ladies are excluded from entitlement under the Veterans Entitlements' Act because they have remarried prior to claiming and often feel their only recourse is to look for an act of grace. So the numbers that we have seen through claims to the department of finance for act of grace claims have been relatively low over the last three years as an indicator.

**Senator KROGER**—Thank you. I hear that you say it is relatively small, and by relatively small you are suggesting only—there were 11 act of grace—

**Ms Spiers**—It is approximately 11 over the last three years that I have been aware of.

**Senator KROGER**—You would have a record of claims that were knocked back from those who were no longer eligible?

**Mr Telford**—Yes, but we would not necessarily know the reason for that—

**Ms Spiers**—Without looking at the files.

**Mr Telford**—That is right—without looking at the files. But the major reason that there would be a denial of a widow's pension would be around the fact that the veteran had not died of war caused disabilities—that would be the major reason. We do not record the reason on our system, so we could not find the reason that the person was denied a pension.

**Senator KROGER**—I am particularly concerned about the instance where a widow may have applied and have been refused, for whatever reason; or perhaps she did not even immediately applied for a claim and entered into a de facto relationship quickly, then realised she had forfeited her opportunity to claim without appreciating the legal consequences of what she had done.

**Mr Telford**—It is an issue of dependency. If a woman separates from her veteran husband, and enters into a new de facto relationship or a de jure relationship, she is no longer considered to be a dependent of the veteran. It is fairly straightforward—

**Senator KROGER**—Yes, it is but—

**Mr Telford**—And a war widow's pension relates to dependency.

**Senator KROGER**—Yes. It is the definition of that, though also what they would be eligible for. In some of these instances it is a very fluid group of individuals that we are talking about. What savings do you think that you have achieved by removing that entitlement?

**Mr Telford**—Are you talking about the new entitlements now?

**Senator KROGER**—By removing the entitlement, when you are talking about a small number.

**Mr Telford**—The new de facto relationships will be a saving of \$1.4 million over four years.

**Senator TROOD**—I have some questions about the Building Excellence in Support and Training—the BEST program. I think that is in outcome 1.4. As I understand it there was a review of advocacy training, and I think that the government's response has not been delivered yet—has it? Is that correct?

**Mr Campbell**—There was a review of the BEST program in advocacy and training. The review has not yet been handed to the minister, so the minister is obviously not in a position to respond. I envisage that the minister will receive it in the near future. I suspect he will then issue it to the veteran community for comment and consultation.

**Senator TROOD**—I see. Do we know how long that is likely to be?

**Mr Campbell**—Before he puts it out? I cannot really speak for the minister, but I would not be surprised if—

**Senator TROOD**—No, of course, but I wondered whether you had received any intimations—

**Mr Campbell**—I would not be surprised if it is able to be released within the next four to six weeks.

**Senator TROOD**—That is good, thank you. Can you tell me how many applications for BEST have been received by the department for this year—the 2009-10 year?

**Mr Campbell**—Unless I am significantly wrong it is within a ballpark figure of, I think, about 250 to 260 or 265—something like that.

**Senator TROOD**—Do you have any comparative figures as to the numbers for last year?

**Mr Campbell**—Not on me, but I would be surprised if they were vastly different.

**Senator TROOD**—Okay—perhaps you could take that on notice for me and give me those figures. I wonder whether or not you have received any intimation or concerns expressed by the ESO community about the delay which I understand exists in relation to the processing of these applications?

**Mr Campbell**—There was a delay last year, and that may be the concerns that the ex-service community put to you—and they were discussed at various times in this committee. We are still operating on a timetable that would have the grants process finalised and hopefully decisions taken by the government so that the ESOs would be aware at the beginning of the financial year what their grants were.

**Senator TROOD**—Have you sought to take steps to try and speed up the process in any way? Have you put more staff on it or concentrated the effort in some fashion?

**Mr Campbell**—There are a number of things we have done in the process, but at this stage I do not think we will run into the unfortunate delays that we had last year.

**Senator TROOD**—That is encouraging. I think there is an increase in the funding budgeted in relation to this matter this year. Is that correct?

**Mr Campbell**—Are you talking about program funding?

**Senator TROOD**—Yes.

**Mr Campbell**—Yes, there was a carryover of some underspent funds from last year.

**Senator TROOD**—Is that essentially the explanation?

**Mr Campbell**—That is the main explanation, yes.

**Senator TROOD**—You may have just mentioned this in passing. Do you have a time when you expect the notification of ESO funding to be concluded?

**Mr Campbell**—This government has tried to have it done by the end of June. Unfortunately, we fell short of that last year, but the objective is that they will be informed by the end of June or the beginning of July.

**Senator TROOD**—I have some questions about the government's response on the deseal-reseal matter. I think it is part of the same area. Recommendation 8 was accepted by the government with some modifications. I want to clarify whether or not the claims that refer to the SRCA are from the date of inclusion of the injury or from the date of the injury. Is it clear where the entitlement is established with regard to that matter?

**Mr Bayles**—Can I just clarify that. Do you mean the date of conclusion?

**Senator TROOD**—My understanding is that, in relation to these claims, there is a question about whether or not your claim is accepted, and from that date there may be an entitlement, or the entitlement relates to the date of the injury. In some cases there can be quite profound differences in relation to the claimant's entitlement. Is it clear in your mind which is the relevant date?

**Mr Bayles**—It is the date the condition manifests in terms of the legislation under which benefits would be provided.

**Senator TROOD**—So it is essentially backdated to the date of the injury?

**Mr Bayles**—The SRCA legislation of 1998 encompasses some previous antecedent legislation—a 1971 act and a 1930 act. It matters when the condition manifests as to which piece of legislation you would be covered by in terms of the range of benefits you can get for that particular condition. What we are talking about is that the condition might have manifested in a particular time frame, and that will determine which act it applies to. But the 7(2) provision I referred to earlier has an equivalent provision in the 1971 act, and the recommendation applies to both the equivalent provision in the 1971 act and the provision in the 1988 act.

**Senator TROOD**—So there is a process already established for dealing with these 7(2) claims—

**Mr Bayles**—Correct.

**Senator TROOD**—and, insofar as there may be more of them as a result of decisions, they will be processed in the same way as in the past. Is that correct?

**Mr Bayles**—Correct.

**Senator TROOD**—Thanks, Mr Bayles. I have questions about some of the guidelines, which are slightly troubling. Perhaps they should not be, but I am interested in your response. There is a form 'F11105: guidelines for using statutory declarations in applications for tier classification', which requires the provision of statutory declarations, as I understand it, with regard to providing proof of the claim. I think claimants are required to present two statutory declarations.

**Mr Bayles**—Yes.

**Senator TROOD**—It is also my understanding that the claims themselves are not determinative of the entitlement—the department assumes the right to go behind the statutory declarations and determine the accuracy of the information in the statutory declarations. Is that also correct?

**Mr Bayles**—The statutory declarations are one piece of evidence that can be used in relation to a claim for tier status. The guidelines make it clear that there are other forms of evidence: primary, secondary and tertiary evidence. Statutory declarations are rated as tertiary evidence. The intention of the use of statutory declarations is that they would be used not in the majority of cases. In the majority of cases we will be able to find some primary or secondary evidence of somebody's involvement in the program and we will be able to determine their entitlement to a tier classification. The statutory declaration could be evidence provided by the applicant. But if we do not have a statutory declaration and we get a claim,

the department with the assistance of the Department of Defence will attempt to find primary and secondary evidence. The statutory declaration may come into play where we do not have any primary or secondary evidence. There will be a test of plausibility in relation to the statutory declaration in terms of whether the evidence in the statutory declaration makes good sense, or whether there is anything in that statutory declaration that looks impossible or could not be so.

**Mr Campbell**—I might be able to help here; I think I know the issue that has been raised with you. There are some members in the F111 community that are concerned about the statutory declarations. Two weeks ago last Friday the minister and I and Mr Bayles had a meeting with a representative group of them in Brisbane. The minister and I made certain undertakings about reporting back. We agreed with that group of representatives that they will come back to us some time this month, probably mid this month, with some suggested alternative ways of finding the information we require without necessarily having the stat decs. While they are in the guidelines as they exist, we are talking with the F111 community to see what other alternatives there could be.

**Senator TROOD**—Perhaps you appreciate my anxiety here. To make a false declaration is an offence and you would seem to be—I do not mean to impute ill will here—seeking to prove that people had made a false declaration and therefore creating an offence.

**Mr Campbell**—That is why I said to you that the minister and I did meet with a representative group in Brisbane two weeks ago last Friday and they are now coming back to us in the middle of this month with suggestions. Under these circumstances, I would say this is still an issue that we will be working through with the people who are affected.

**Senator KROGER**—I am trying to understand this. The people wishing to make a claim and who sign a stat dec would be co-workers or commanding officers. How long ago are we talking about?

**Mr Campbell**—That is one of the major points that the group that we met with made, quite rightly—those people might not be around, they might not know where they are, and indeed some of them might be deceased. That is the very point they were making to us.

**Senator KROGER**—Absolutely.

**Mr Campbell**—And that is why we have talked to them quite openly, and they are coming back with their suggested ways through—some time, I think, in the middle of this month.

**Senator KROGER**—And it is the commanding officer who has put in a claim himself, or—

**Mr Campbell**—No. I think it was the co-worker who has put in a claim.

**Senator KROGER**—A co-worker who has put in a claim or a commanding officer.

**Mr Campbell**—We are well aware of the concerns of the group and that is why we met with them and they are coming back to us with their suggestions.

**Senator KROGER**—Okay, thanks.

**Senator TROOD**—You will be familiar with this problem already, I am sure, Mr Bayles and Mr Campbell: the absence of adequate documentation with regard to many of these

claims. The documents were destroyed or are unavailable or they were poorly kept et cetera. I sat on that inquiry for a period of time and I remember hearing quite compelling evidence from time to time of people who had a legitimate concern. They believed they were affected by this work but there seems to be no documentation in relation to their work or, indeed, even being involved with the aircraft. What are you doing in those circumstances where there just does not seem to be a record of individuals working on these aircraft, or adequate documentation which proves their case?

**Mr Bayles**—That is where statutory declarations may be needed—if there is absolutely no evidence at all.

**Senator TROOD**—I see.

**Mr Bayles**—But the department will take on the onus of trying to find any primary or secondary evidence it can to support somebody's application. The complexity of the previous scheme involved the need to determine the number of days that individuals worked in the deseal-reseal program in order to determine their tier classification. That was one of the difficulties, in that there were not records of how many days individuals did the work. With the extension of the tier 3 classification to a wider group, the number of days does not become an issue in respect of that tier 3 classification. It is just that they were there doing that work. So it might be a little bit easier with this scheme than in the previous scheme.

**Mr Campbell**—And, of course, this is a compensation scheme and there are 31 conditions that were recognised in the health study. If they have one of those 31 conditions and they were on base then I think there is a pretty straightforward case.

**Senator TROOD**—Thank you. There was a recommendation in the inquiry report that suggested that the department should identify someone with some expertise in this area who could assist in the processing of these claims. Has that person been employed?

**Mr Telford**—We have worked up all the documentation required for that individual—the statements of duties and so forth—and that position is being advertised—

**Mr Bayles**—This week.

**Mr Telford**—this week. They will go through the normal processes and be appointed. They will work in Brisbane alongside the individuals who are processing the claims.

**Senator TROOD**—When do you expect this position to be advertised?

**Mr Telford**—This week.

**Mr Bayles**—This week.

**Senator TROOD**—And when do the applications close?

**Mr Bayles**—In two weeks time, on 17 June.

**Senator TROOD**—How long would it normally take to be able to fill a position of this kind, Mr Telford?

**Mr Telford**—We would hope to have an individual on board within six weeks or so.

**Senator TROOD**—I see. Until that person is employed, will there be a delay in the processing of claims—



**Mr Telford**—No.

**Senator TROOD**—or will his or her responsibility essentially be to make sure that claims are processed in a timely fashion et cetera?

**Mr Telford**—That is right. This person will not be responsible for processing claims. They will commence and go forward in the normal process. This individual will have a role of not being a delegate but being one step removed in order to be able to examine the processes and how things are going and report back appropriately through me and the secretary and so forth. It will not cause any delay.

**Senator TROOD**—Will that person be an employee of the department?

**Mr Telford**—Yes.

**Senator TROOD**—I might put these questions on notice. I presume you have some statistics about the overall time it is taking to process claims in relation to these matters?

**Mr Telford**—By all means put them on notice, but we probably will not be able to answer them, because we do not know yet what the new regime is going to involve. As Mr Bayles has indicated, there are issues around statutory declarations which will take who knows how long. We do not quite know yet how long some of those investigations will take. There is also an undertaking to review a whole range of files which had been rejected in the past because of statutory declarations and other matters. So it will be months down the track before we will be able to say exactly what processes are in place, where the hold-ups may be, what we should be measuring and how we go about streamlining those and getting people trained.

**Senator TROOD**—Have you begun the process of review yet?

**Mr Telford**—Yes, we have started the process of extracting those files.

**Senator TROOD**—I assume you are at the early stages of this process.

**Mr Telford**—That is right. We are getting people—staff and the individual we just talked about—on board, training up staff who are moving into the area and so forth. We are gearing up pretty quickly, but I could not guarantee that I could give you any information on that for some months to come.

**Senator TROOD**—I see.

**Senator KROGER**—How many staff are you looking at designating for this particular area?

**Mr Bayles**—That will depend on the number of claims that we receive. We have staff on board already who have begun the process but, as Mr Telford mentioned, it is very early days and we need to assess the extent of applications that we will receive. We will put staff on depending on the number of applications that are flowing through to us.

**Senator KROGER**—As I understand it, you have already received some applications, of which, presumably, some have been accepted and others rejected.

**Mr Bayles**—We have not accepted any claims yet. We have begun reviewing claims that were previously rejected. It is very early days. We have not started to make decisions on those cases yet. They are beginning to come through from examination. The initial cases we will

look at it will be cases where we will probably be able to say yes and accept someone into tier status 3, but it is only just beginning to happen.

**Senator KROGER**—Sure. Are those that you have rejected a large or small number?

**Mr Bayles**—About 500 applications were rejected previously. We are going through those. That will take some months to do.

**Mr Campbell**—I would add one other thing to assist the people who are answering your questions. At the meeting that I mentioned I had with the minister two weeks ago in Brisbane, we undertook to give them a status report at the end of the calendar year—that is, in six months time—about the progress, including on this issue of the number of claims, rejections et cetera. I think they were quite happy with that because they knew that it would take some months for this to flow through.

**Senator TROOD**—Have you advertised or do you intend to advertise for claims?

**Mr Bayles**—Yes, we are.

**Senator TROOD**—Have you set a date for that advertising yet?

**Mr Bayles**—We have begun to look at how we would do that. We have not yet placed the advertisements. I hope that we can do something in June to encourage people to come forward. As you know, we have a website available. I have written letters to over a thousand individuals, both those who were covered by the previous scheme and hundreds of people who applied under the previous scheme and did not get benefits. So we have written to about a thousand people and the website has been quite widely advertised, but we do intend to do some press advertising this month.

**Senator KROGER**—I received a copy of a form that was sent to me from a DVA client in relation to the Veterans' Children Education Scheme. I am happy to give you a copy.

**Mr Campbell**—Is this a form for additional tutoring?

**Senator KROGER**—Yes. I am under instructions here. I would not be game to go back without being able to say I had done it. When the form was given to me I had no idea what it was all about and I had to ask them. There is no identification on it.

**Mr Campbell**—I saw the form, I suspect from the same source as you, probably about a week ago. I have asked for background to it but I do not have it yet.

**Senator KROGER**—Do you have the form?

**Mr Campbell**—I do not have it with me but I have seen the form.

**Senator KROGER**—You do not need this copy then.

**Mr Campbell**—I understand the question that has been asked by the individual and I think it is not an unreasonable question. He has asked in respect of his daughter.

**Senator KROGER**—Yes. It probably is the same person. There is no identification on it.

**Mr Campbell**—I have asked for a briefing on it, but that was only about four or five days ago and I have not received it yet.

**Senator KROGER**—You have it in hand; that is all we need to hear. I have just one other item for the outcome. This is in relation to the Clarke review, in particular to processing times under SRCA and MRCA. They seem to be much higher than claims made under the VEA. Looking at what is in front of me, there seems to be a difference between 120 days and 32 days—is that right?

**Mr Telford**—Seventy-five days for VEA.

**Mr Campbell**—The 32 days is income support. The days you are talking about here are compensation. When you talk about the time taken to process these, which is what Mr Telford is talking about, it is compensation comparisons with SRCA, MRCA and VEA.

**Senator KROGER**—So I am not comparing apples with apples here?

**Mr Campbell**—No. The 32 is income support. In the other comparison it is 75 days for the VEA, which Mr Telford talked about.

**CHAIR**—Are there further questions on outcome 1?

**Senator KROGER**—No.

[9.02 pm]

**CHAIR**—We will turn to outcome 2.

**Senator KROGER**—Following on from the discussion about the deseal-reseal workers, can I get a clarification on the white card and the gold card? Who should I speak to in relation to that?

**Mr Campbell**—Perhaps if you could go into the question a bit more.

**Senator KROGER**—If a person is involved in DSRS and has a white card, do they automatically become entitled to a gold card?

**Mr Telford**—No, they do not.

**Senator KROGER**—If somebody has a condition for which they have had support with a white card approved and the treatment of that condition creates a secondary condition, does the white card cover that secondary condition?

**Mr Telford**—They would have to come back to the department and have that condition accepted by us as being related to whatever injury or disease they initially claimed for. If that was demonstrated then that additional condition would be added to their white card.

**Senator KROGER**—Sure. An example that would illustrate it is someone being treated for cancer where the treatment that they have had creates a secondary condition. I am asking whether it would be covered under that circumstance.

**Mr Telford**—In some of those cases it is directly linked to that condition and they would not have to come back to us. It would depend upon the individual condition we are talking about, but the general situation is that if you had two conditions you would need to have those accepted as accepted disabilities. But the way you are constructing it, it would be almost one condition relating to the other, so it would just continue on.

**Senator KROGER**—Correct, because observations have been made that the treatment for the primary condition has created other issues, whether they were stress—

**Mr Telford**—Make it as easy as possible.

**Senator KROGER**—and whether there is consideration for that. I now come to Veterans Health Week; I understand that is being brought forward, is it? When is that being held this year?

**Mr Douglas**—I believe it has.

**Mr Campbell**—I think it is about the third week of July.

**Senator KROGER**—Is that normally held later in the year, or earlier in the year?

**Mr Campbell**—This is only the second year for it in recent times. It was discontinued some years ago, and the government undertook to have it. Last year, which was the first one since the 2007 election, was held in October-November I think, and this year it will be in July.

**Senator KROGER**—Does that have an advertising budget?

**Mr Campbell**—I suspect that to the extent that we use awareness there must be some small amount of money, but there is not a specific advertising budget for it that I am aware of. Certainly, money that would be spent on advertising and awareness would not be large amounts of money.

**Senator KROGER**—Does it have an overall budget?

**Mr Campbell**—Because it is done by each DC, it is run—

**Senator KROGER**—By different agencies?

**Mr Campbell**—Sorry—deputy commissioners, who are our state managers. The state manager in Victoria has national responsibility for it, and he is not here tonight. But each state decides what activities they will do in concert with the veteran community within their state. The activities they do in Brisbane may well be different to what they do in Hobart, for example.

**Senator KROGER**—So it is coordinated more on a state basis?

**Mr Campbell**—It is implemented on a state basis, but such things as the date of it is always set on a national basis.

**Senator KROGER**—Sure, but local activities are organised on a state basis. I have a couple of questions in relation to the DVA dental care fee structure, which I am happy to put on notice unless you have quick responses for them now.

**Mr Douglas**—You can try me and we will see how we go.

**Senator KROGER**—Can you tell me what it is, or is that too complicated?

**Mr Douglas**—There are thousands of items on the dental fee structure.

**Senator KROGER**—Maybe I will put some specific questions to you on notice.

**Mr Douglas**—That would be helpful.

**Senator KROGER**—I will put my outstanding ones on notice.

[9.07 pm]

**CHAIR**—If there are no more questions under outcome 2, Health, we will turn to outcome 3, Commemorations.

**Senator TROOD**—I have a couple of questions in relation to Gallipoli activities. Can you give us a brief run down on the role the department is playing in relation to the planning for the centenary of Gallipoli, if, indeed, you are doing anything?

**Mr Campbell**—Do you mean the centenary of Gallipoli or the centenary of Anzac and World War I?

**Senator TROOD**—You can tell me both—if you are doing things in relation to both that would be helpful.

**Mr Campbell**—They are two very different things. The centenary of Gallipoli will be the service that is held there on 25 April 2015. This year, six weeks ago, we had the 95th anniversary. There are four services there on 25 April: there is the dawn service, which we and New Zealand share, and there is Turkish involvement in that; there is Lone Pine, which is the Australian service; there is the 57th Regiment service, which is Ataturk's regiment; and then there is Chunuk Bair, which is the New Zealand memorial, and which they organise. Together with the New Zealanders, we are very well advanced in planning for our annual services there, but everything we have been doing now for the last 18 months has been with a view for planning for 2015. I think that while there is a long way to go, and we have 2011, 2012, 2013 and 2014 to go before 2015, work is well in train there.

With regard to the more general issue, which is what I think your question is about, the Prime Minister announced in April, on Anzac Day, actually, the creation of a commission made up of former Prime Ministers Hawke and Fraser, together with Rear Admiral Ken Doolan, National President of the RSL, asking them to seek views from the community and having community consultations and providing advice to the government on how the Centenary of Anzac might well be commemorated. As said, that was announced on Anzac Day. We are now in discussions with the two former Prime Ministers and Admiral Doolan with a view to working through the process of how we go about seeking community views and what the terms of reference are. All that is in hand between the members of the commission, the minister and the department.

**Senator TROOD**—Is the commission essentially a responsibility of your department, Mr Campbell?

**Mr Campbell**—They are reporting to the Prime Minister but the responsible minister—and, therefore, the minister they will work with—is the Minister for Veterans' Affairs, and, therefore, we will provide the support, yes.

**Senator TROOD**—Is this one of these situations where the Prime Minister will be receiving the reporting and you will be paying all the costs? Or is his department going to bear the cost?

**Mr Campbell**—If the head of the Department of the Prime Minister and Cabinet is watching—and I suspect he is not—I would like him to pay for the costs. But, no, I will be bearing the cost.

**Senator TROOD**—Have you done any costings yet?

**Mr Campbell**—No, because we are still talking to the members of the commission about their process—what sort of consultation should there be, how widely they want to advertise and things like that.

**Senator TROOD**—Do you have a timeline on where you think you will be in a few months time?

**Mr Campbell**—We are talking with the three individuals to get this right. The two former Prime Ministers are both very busy men, as is the head of the RSL, and setting an artificial time frame of, say, 31 December might be silly given their other commitments. We are working through with them now an appropriate time frame.

**Senator TROOD**—That is helpful and I am grateful to you for that information. That provides me with some useful information. There is a figure in your budget for \$3.9 million worth of capital works, as I understand it. Is that related to Gallipoli activities?

**Mr Campbell**—I might ask General Stevens to come to the table. While we are finding the figure you are referring to, my guess that it is very largely relate to the Western Front Interpretative Trail, which we have talked about at previous committees and General Stevens is managing that.

**Major Gen. Stevens**—Can you point me to the figure?

**Senator TROOD**—That is a reasonable question. It is in program 3.2.

**Mr Carmody**—This is 3.9. It is not a matter for General Stevens but he may as well stay at the table, as you might have questions of him anyway. Now that I have found the reference to it, this is the issue of the road at Gallipoli. You will recall that some years ago there were some issues with regard to significant erosion and some roadworks.

**Senator TROOD**—Indeed I do.

**Mr Campbell**—The Turkish government have made a decision about what they are going to do and how they are going to protect both Anzac Cove and protect the battlefields on the landward side of the road. They are paying for all of that, but we have been providing some assistance with consultancy work with engineering firms et cetera. That is what that amount is for.

**Senator TROOD**—So this is about a road?

**Mr Campbell**—It is about a road and about protection of Anzac Cove. Anzac Cove is eroding quite rapidly and it is causing the road to collapse. Unless the road is stabilised there, there has to be—

**Senator TROOD**—So there is some sort of retaining wall or something like that?

**Mr Campbell**—There will be on Anzac Cove, yes. It is a very small wall.

**Senator TROOD**—Can you tell us how small a wall it is?

**Mr Campbell**—Up to about two metres in places and it will go for the length of the wall. I think it is 2.3 metres.

**Senator KROGER**—So 2.3 metres high?

**Mr Campbell**—Yes.

**Senator TROOD**—At the highest point, but not necessarily uniformly.

**Mr Campbell**—If you have a look at Anzac Cove and the beach south of it, which is Brighton Beach, Brighton Beach already has walls like this, and the cemeteries that are north of Anzac Cove, including where Simpson is buried, also have walls to protect them. What has been happening at that area where there is no protection is that the beach is being eroded. This is a national park on the coast with only one road. On the other side of the road are the battlefields. So the risk that everybody is running, and the Turkish authorities are very concerned about it, is that further erosion at the beach will mean that, to maintain the road, further cutting will have to occur on the landward side, which means that you are getting into the battlefields.

So to protect the battlefields on the landward side of the road you actually have to protect the beach to stop the erosion. They have worked very carefully on this and one of the last tests they did was that they did some ground-penetrating radar on Anzac Cove to make sure that there was nothing buried there that you would not expect on a beach.

As I said, the Turkish government are paying for all the capital works. But, going back to 2005-06, the Australian government provided some assistance with consulting works and engineering works. That is what that amount is about.

**Senator TROOD**—I see. This is essentially the building activity.

**Mr Campbell**—No, this is not the building. The Turkish government paid for the building.

**Senator TROOD**—So they are paying for all of the building of the wall et cetera.

**Mr Campbell**—We have paid for some assisting works in engineering and consultancy works.

**Senator TROOD**—How long is this wall?

**Mr Campbell**—It is 600 metres, which is the length of Anzac Cove.

**Senator TROOD**—And it abuts an existing wall.

**Mr Campbell**—And the ones that protect the cemeteries, yes. But, as I said, the important thing about it is—and this might sound a bit counterintuitive—the beach has to be protected to protect the battlefields on the other side of the road.

**Senator TROOD**—I was there many years ago, so I understand the nature of the problem from my recollections.

**Mr Campbell**—I was there on Anzac Day and at parts along at Anzac Cove now the vertical drop from the road to the beach is up to 15 to 20 metres. What is happening is you are getting wash and erosion from the Aegean Sea and then you have the flow of water coming down from the ridge, which is then washing away the top. So it is being broken away in two ways.

**Senator TROOD**—You made reference to this a moment ago, I think, and you led me to believe that you were confident that these works would not interfere with any graves, any individuals or anything of that kind.

**Mr Campbell**—Certainly. It is on the beach and it is to protect the beach so that the battlefields are protected. No, there is no record of any graves or any burials there. As I said, the Turkish authorities went over the total area with ground-penetrating radar and they did not find anything.

**Senator TROOD**—I see. What sort of time frame are we are looking at? Have we completed the engineering consultancy works or not?

**Mr Campbell**—It is the Turkish government doing it now. My understanding is that they are preparing the tender, and they have a very well-defined, clearly defined process of tenders and how long government tenders have to be let, and then the works will be done. But they are assuring us that it will be done before next Anzac Day—

**Senator TROOD**—The next Anzac Day?

**Mr Campbell**—Anzac Day 2011, but that it will be done before the wet. Their winter—I should not call it a wet; it is not actually a wet in the northern states.

**Senator TROOD**—That is a Queensland term.

**Mr Campbell**—Their winter can be quite severe. It does actually snow down there and they get quite a bit of rainfall, which causes more washing away and more erosion. So their aim and objective is to have it done before the winter sets in, which in their time is probably late October or early November.

**Senator TROOD**—Is this process proceeding in a frame of consultation and cooperation? More particularly, are there Australians involved in inspection of the site works at all or not?

**Mr Campbell**—The works will be undertaken by the Turkish government—

**Senator TROOD**—I understand that.

**Mr Campbell**—and these works will be under the stewardship of the local governor. With the works they did five years ago that was not the case. Of course, we have a consulate down there and I have an officer in Ankara, and they have very close relationships with the Turkish governor. Yes, they will be watching what is happening and obviously talking to people. But the responsibility for building the road and all of the associated works is with the Turkish authorities.

**Senator TROOD**—I appreciate that. I was keen to know not that we would have a supervisory role but that at least there was not any objection on the part of the Turkish government to Australian officials monitoring, if you will, the progress.

**Mr Campbell**—I do not know how long ago you were there. I know Senator Bishop was there in 2005. The Turkish authorities are really very good to us, to our tourists who are over there and to government officials. Their level of cooperation is superb.

**Senator TROOD**—Thank you.



**Senator KROGER**—This is something that you no doubt know about, and I hope that you do. Apparently there is a village in France called Croix Blanche near Bullecourt.

**Mr Campbell**—It is a cross-roads rather than a village, I think.

**Senator KROGER**—There is currently a road being built on a site where there is a suggestion there might be some remains under there—men still listed as missing and presumed killed. I have some details about a couple of them here. Is that right?

**Major Gen. Stevens**—It is. I have been advised of this by Mr Lambis Englezos, who tells me that he believes that a couple of Australians died there during the Battle of Fromelles. There was a medical aid station of some sort established there. Some Australians died there and he believes they were buried there. Now they are doing road works in the area. I think he is concerned they may be uncovered by the road works. I cannot answer the question as to whether they were recovered. I cannot even answer the question as to whether they were buried there in the first place, or whether they were recovered. All I can say is that in the normal course of these works in France if at any stage remains are discovered then there is a protocol that is put into place immediately to protect the remains, recover the remains and then they go through the same identification process as in the big Fromelles recovery.

**Senator KROGER**—The suggestion is that it is only 50 metres or so away from where the road is being built. Do they engineer these works in a sensitive way? They do not totally desecrate an area if they do come across some remains.

**Major Gen. Stevens**—As far as I am aware we are not talking about an established cemetery; we are talking about a battle field burial. If the battle field burial was never recovered then there will be no sign that it is there. The normal course of action would be that the road works would go ahead but if in the course of any of those road works remains are discovered then the road works stop and they recover the remains respectfully and then we go through the process.

**Senator KROGER**—Thank you.

**CHAIR**—Anymore questions on this outcome?

**Senator TROOD**—I will put some on notice.

**CHAIR**—That concludes our examination of the Department of Veterans' Affairs. Thank you.

[9.24 pm]

#### **Australian War Memorial**

**CHAIR**—I welcome officers from the Australian War Memorial.

**Senator TROOD**—Since we have been advised that the director is unavailable—

**Ms Anderson**—Yes, I would like to forward his apologies.

**Senator TROOD**—That is fine, and thank you for appearing. You will know that I have an interest in the final volume of the Vietnam history.

**Ms Anderson**—I certainly do.

**Senator TROOD**—How are we getting on there? Have you had any feedback from the publisher?

**Ms Anderson**—Yes, we have. As you know, we have delivered the manuscript. We are keeping in touch with the publisher, and the publisher at this point is up to the copy edit process of the publication schedule. At this point they have not returned the copy edit and until they do that they do not feel comfortable about giving us a final schedule. We expect the copy edit to be back within at least a month or so.

**Senator TROOD**—A month or so?

**Ms Anderson**—That is my understanding at this point although they have not given us an exact date.

**Senator TROOD**—That is good. Thank you very much. I have a couple of questions about the Gallipoli Victoria Cross medals tour. Could you explain the reason for the destinations on the tour, please.

**Ms Anderson**—You would be aware of the background in that we took the opportunity while the Hall of Valour was closed for redevelopment, and at this point we are not exactly sure of the schedule for that. However, that was the main reason for taking the opportunity to tour the nine VCs from Gallipoli. We started off in Western Australia. I thought that was an appropriate place to start. Northern Territory was also one that we thought was quite appropriate given that the large number of Australian Defence Force personnel who were up there would have an interest in it. Then subsequently there will be touring after that. We had to take into account the time that we had available which was limited given it was while the Hall of Valour was closed and we did actually need them back in time for the Hall of Valour opening. So there was a limited period of time at however many venues we could fit into the touring schedule.

**Senator TROOD**—How long will the tour now be?

**Ms Anderson**—At this point we are hoping that we will fit in with the schedule for the Hall of Valour. We do not know exactly when the Hall of Valour will be open because that depends on when the construction manager is appointed. We hope that will be soon and that we will be able to finalise details. So until then we have not been able to make a call on just exactly how long the tour will be.

**Senator TROOD**—Are we talking three months or six months? Presumably we are talking longer than six months, or thereabouts?

**Ms Anderson**—An estimate at this point for when the Hall of Valour may be open is December. That was our first estimate. However, we still do not know, depending on the construction schedule, whether that will be met or not.

**Senator TROOD**—I see. I think I am right in recalling that the tour does not necessarily take in all states. Is that right?

**Ms Anderson**—At this point, that is correct.

**Senator TROOD**—Can we correct that, or is it not possible?

**Ms Anderson**—The director has actually discussed this as well on various occasions in the past. I know he is very keen that we take in as many states as possible, and we know that Tasmania is very keen to see the tour down there as well.

**Senator TROOD**—I am sure one of our colleagues is.

**Ms Anderson**—That's right. We would of course be very happy to be able to take it down there but at this point we cannot make a call until we know the schedule for the Hall of Valour.

**Senator TROOD**—So if it were to be a bit longer there is a possibility it might be extended to Tasmania, for example?

**Ms Anderson**—That is my understanding, yes. We would be delighted to be able to do that if in fact the schedule allowed that.

**Senator TROOD**—Good. I do not have any further questions on that, but I did want to ask a couple of questions about staffing in the memorial. I see you are projected to lose further staff—a further seven staff redundancies.

**Ms Anderson**—That is correct.

**Senator TROOD**—Could you explain to me please: are these positions that will not be filled if people retire, or are you cutting down on staff—what is happening here?

**Ms Anderson**—We are expecting to be able to manage that over the year 2010-11 through not filling positions, for example, that are vacant, which has been one of our strategies over the last year or so. At this point that is in place; we will have to see how that strategy progresses as does the year.

**Senator TROOD**—Has this loss of positions been forced upon you by the efficiency dividend, or is it an inability to argue successfully that the War Memorial needs more money—or is it both?

**Ms Anderson**—It has been a combination of factors: the efficiency dividend—which, we are aware, everyone is subject to, and we work towards that—and the economic climate. Also, in the past we have managed to augment our funding by sponsorships or through various interest-bearing accounts et cetera. So all those factors combined are obviously putting some pressure on the budget.

**Senator TROOD**—I think I am right in saying that this is at least the second year in which you have lost staff, and I think you told us, perhaps a year ago, that you were doing the same things—not replacing people who were leaving, et cetera. What is the figure—is it somewhere around 16 or 18 staff that you have lost over the last couple of years, or will have lost at the end of this budget year?

**Ms Anderson**—Over the last couple of years—I believe that would be correct.

**Senator TROOD**—How are you coping with these departures? Where are these people coming from within the memorial?

**Ms Anderson**—It is not one particular area, and we are coping, at this point, by reviewing how we do things and how much of things we do, and by capping, where we can, expenses on functions. It is a general strategy, across the board.

**Senator TROOD**—So are you taking people out of the research department, for example, or are they essentially in the area where exhibitions are conducted et cetera?

**Ms Anderson**—It is really across the board in that we have a varied program and, being a small institution, everything is integrated. So we cannot actually choose one particular area where we might have a look; we just have to look across the whole area and see how we can best manage and still keep our functions and core business at the level we need.

**Senator TROOD**—Finally, have you been able to secure any additional corporate or private funding which might enable you to offset some of these losses from public funding?

**Ms Anderson**—We are always looking at that. We are at the point of negotiating a sponsorship. I believe it is not quite finalised yet.

**Senator TROOD**—Is this a new sponsorship, or is it an extension of an existing arrangement?

**Ms Anderson**—It is a new one related to a Gallipoli scholar. I might ask my colleague Helen Withnell if there are any other details at this point.

**Ms Withnell**—We are in the process of negotiating, through the ANZAC Foundation, a significant donation towards our staff salary.

**Senator TROOD**—This is a new venture, is it?

**Ms Withnell**—This is a new venture. This particular senior staff member has been designated as the Gallipoli Fellow for the next five years, and that will be supported by a donation from a foundation.

**Senator TROOD**—For what period did you say?

**Ms Withnell**—Five years—to the end of 2015.

**Senator TROOD**—Do you have other prospects the moment?

**Ms Withnell**—We are always looking around.

**Senator TROOD**—I am sure you are.

**Ms Withnell**—We have another one, that I am not able to talk about at the moment, from a previous sponsor.

**Senator TROOD**—We are looking for encouragement that the War Memorial's excellent record and activities can be sustained—notwithstanding the meanness of government!

**Ms Withnell**—We are always looking out, and, as I said, we have another one in the pipeline at the moment that I am quite hopeful will be successful as well.

**Senator TROOD**—Good. Thank you. I do not have any more questions, Chair.

**CHAIR**—Are there any further questions? There being none, I thank the officers of the Australian War Memorial for attending this evening and providing assistance to the committee. Thank you, also, Senator Stephens, for being here to provide overview this evening. I thank Hansard for their help for the last two days. We will see you all tomorrow. I declare this hearing closed.

**Committee adjourned at 9.35 pm**