



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE
AND TRADE

ESTIMATES

(Supplementary Budget Estimates)

WEDNESDAY, 1 NOVEMBER 2006

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SENATE**STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE****Wednesday, 1 November 2006**

Members: Senator Johnston (*Chair*), Senator Hutchins (*Deputy Chair*), Senators Bishop, Ferguson, Hogg, Payne and Trood

Senators in attendance: Senators Adams, Mark Bishop, Chris Evans, Faulkner, Ferguson, Hogg, Hurley, Johnston, Ludwig, Nettle, Payne, Trood and Webber

Committee met at 9.02 am

DEFENCE PORTFOLIO**In Attendance**

Senator Colbeck, Parliamentary Secretary to the Minister for Finance and Administration

Department of Defence**Portfolio overview and major corporate issues****Portfolio overview**

Mr Ric Smith, AO, PSM, Secretary of Defence

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

Air Vice Marshal Tony Austin, Head, Defence Health Services

Mr Peter Jennings, Chief of Staff Australian Defence Headquarters and Head of Coordination and Public Affairs

Commodore Mark Campbell, Director General Navy Aviation System

Mr Mark Remmers, Project Director, AIR 9000

Brigadier Andrew Dudgeon, Director General Army Aviation System Branch

Major General Tony Fraser

Mr Frank Roberts AO, Head, National Operations Division

Budget summary

Mr Phillip Prior, Chief Finance Officer

Mr George Veitch, First Assistant Secretary Budgets and Financial Planning

Capability development

Lieutenant General David Hurley, AO, DSC, Chief Capability Development Executive

Air Commodore John Harvey, Director General New Air Combat Capability

Defence Materiel Organisation

Mr Frank Lewincamp, Chief Operating Officer, Defence Materiel Organisation

Outcome 1: Defence capabilities are supported through efficient and effective acquisition and through-life support of materiel**Output 1.1: Management of capability acquisition (including major capital equipment projects)****Output 1.2: Capability sustainment****Output 1.3: Policy advice and management services**

Dr Stephen Gumley, Chief Executive Officer Defence Materiel Organisation

Major capital facilities projects

Mr Geoffrey Beck, Head Infrastructure Division

Air Commodore Brian Plenty, AM, Director General Headquarters Joint Operations Command Project

Defence outcomes**Outcome 1: Command of operations in defence of Australia and its interests****Output 1.1: Command of operations****Output 1.2: Defence Force military operations and exercises****Output 1.3: Contribution to national support tasks**

Lieutenant General Ken Gillespie, AO, DSC, CSM, Vice Chief of the Defence Force

Outcome 2: Navy capability for the defence of Australia and its interests**Output 2.1: Capability for major surface combatant operations****Output 2.2: Capability for naval aviation operations****Output 2.3: Capability for patrol boat operations****Output 2.4: Capability for submarine operations****Output 2.5: Capability for afloat support****Output 2.6: Capability for mine warfare****Output 2.7: Capability for amphibious lift****Output 2.8: Capability for hydrographic, meteorological and oceanographic operations**

Rear Admiral Russ Crane, Acting Chief of Navy

Outcome 3: Army capability for the defence of Australia and its interests**Output 3.1: Capability for special operations****Output 3.2: Capability for medium combined arms operations****Output 3.3: Capability for light combined arms operations****Output 3.4: Capability for army aviation operations****Output 3.5: Capability for ground based air defence****Output 3.6: Capability for combat support operations****Output 3.7: Capability for regional surveillance****Output 3.8: Capability for operational logistic support to land forces****Output 3.9: Capability for motorised combined arms operations****Output 3.10: Capability for protective operations**

Lieutenant General Peter Leahy, AO, Chief of Army

Outcome 4: Air Force capability for the defence of Australia and its interests**Output 4.1: Capability for air combat operations****Output 4.2: Capability for combat support of air operations****Output 4.3: Capability for surveillance and response operations****Output 4.4: Capability for airlift operations**

Air Marshal Geoffrey Shepherd, AO, Chief of Air Force

Outcome 5: Strategic policy for the defence of Australia and its interests**Output 5.1: International policy, activities and engagement****Output 5.2: Strategic policy and military strategy**

Mr Michael Pezzullo, Deputy Secretary Strategy

Outcome 6: Intelligence for the defence of Australia and its interests

Output 6.1: Intelligence

Mr Stephen Merchant, Acting Deputy Secretary Intelligence and Security

Business processes

Chief Information Officer

Air Vice Marshal John Monaghan, AM, Chief Information Officer

Defence support

Mr Martin Bowles, Deputy Secretary Defence Support

Mr Geoffrey Beck, Head Infrastructure Division

Mr Mark Cunliffe, Head Defence Legal

People

Defence personnel

Major General Mark Evans, DSC, AM, Head, Defence Personnel Executive

Ms Sue Parr, Acting First Assistant Secretary, Personnel

Department of Veterans' Affairs

Portfolio overview

Corporate and general matters

Mr Mark Sullivan, Secretary

Mr Ed Killesteyn, Deputy President

Mr Ken Douglas, General Manager, Service Delivery

Mr Barry Telford, General Manager, Policy and Development

Mr Chris Harding, General Manager, Business Integrity

Outcome 1: Eligible persons (including veterans, serving and former defence force members, war widows and widowers, certain Australian Federal Police personnel with overseas service) and their dependents have access to appropriate income support and compensation in recognition of the effects of their service.

1.1: Means tested income support, pension and allowances

1.2: Compensation pensions, allowances etc

1.3: Veterans' Review Board

1.4: Defence Home Loans Scheme

1.5: Incapacity payments, non-economic lump sums through SRCA

1.6: Administer individual merit reviews of SRCA decisions

1.7: Incapacity payments, non-economic lump sums through MRCA

1.8: Administer individual merit reviews of MRCA decisions.

Mr Mark Sullivan, Secretary

Mr Ed Killesteyn, Deputy President

Mr Ken Douglas, General Manager, Service Delivery

Mr Barry Telford, General Manager, Policy and Development

Mr Chris Harding, General Manager, Business Integrity

Outcome 2: Eligible persons (including veterans, serving and former defence force members, war widows and widowers, certain Australian Federal Police personnel with overseas service) and their dependents have access to health and other care services that promote and maintain self-sufficiency, wellbeing and quality of life.

2.1: Arrangement for delivery of services

2.2: Counselling and referral services

2.3: Deliver medical, rehabilitation under SRCA and related legislation

2.4: Deliver medical, rehabilitation under MRCA.

Mr Mark Sullivan, Secretary

Mr Ed Killesteyn, Deputy President

Mr Ken Douglas, General Manager, Service Delivery

Mr Barry Telford, General Manager, Policy and Development

Dr Graeme Killer, Principal Medical Adviser

Outcome 3: The service and sacrifice of the men and women who served Australia and its allies in wars, conflicts and peace operations are acknowledged and commemorated.

3.1: Develop and implement commemorative initiatives

3.2: Maintain, construct and refurbish war graves and post war commemorations

3.3: Coordinate and manage the delivery of commemorative and related activities at Gallipoli.

Mr Mark Sullivan, Secretary

Mr Ed Killesteyn, Deputy President

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

Outcome 4: The veteran and defence and certain Australian Federal Police communities have access to advice and information about benefits, entitlements and services.

4.1: Communication, community support to the veteran community and providers, including veterans' local support groups.

4.2: Advice and information to members of the defence force community under the SRCA

4.3: Advice and information to members of the defence force community under the MRCA.

Mr Mark Sullivan, Secretary

Mr Ed Killesteyn, Deputy President

Ms Jo Schumann, General Manager, Corporate

Mr Chris Harding, General Manager, Business Integrity

Mr Ken Douglas, General Manager, Service Delivery

Mr Barry Telford, General Manager, Policy and Development

Mr Neil Bayles, acting National Manager, Parliamentary and Corporate Affairs

Ms Karin Malmberg, acting Chief Finance Officer

Outcome 5: Serving and former defence force members and dependents have access to support services provided through joint arrangements between DVA and Defence.

5.1: Joint Defence/DVA projects.

Mr Mark Sullivan, Secretary

Mr Ed Killesteyn, Deputy President

Ms Jo Schumann, General Manager, Corporate

Mr Chris Harding, General Manager, Business Integrity
Mr Ken Douglas, General Manager, Service Delivery
Mr Barry Telford, General Manager, Policy and Development
Mr Neil Bayles, Acting National Manager, Parliamentary and Corporate Affairs

Output group 6: Provision of services to the Parliament, Ministerial services and the development of policy and internal operating regulations—attributed to outcomes 1 to 5.

Mr Mark Sullivan, Secretary
Mr Ed Killesteyn, Deputy President
Ms Jo Schumann, General Manager, Corporate
Mr Chris Harding, General Manager, Business Integrity
Mr Ken Douglas, General Manager, Service Delivery
Mr Barry Telford, General Manager, Policy and Development
Mr Neil Bayles, Acting National Manager, Parliamentary and Corporate Affairs
Ms Karin Malmberg, Chief Finance Officer

CHAIR (Senator Johnston)—I declare open this meeting of the Senate Standing Committee on Foreign Affairs, Defence and Trade. I welcome Senator Colbeck, who is representing the Minister for Defence; Air Chief Marshal Angus Houston, Chief of Defence Force; Mr Ric Smith, Secretary of the Department of Defence; and officers of the defence organisation. The committee will now consider the topics nominated by senators for the defence organisation, beginning with a portfolio overview and major corporate issues. We will then move on to outputs, business processes and people. Review of Defence estimates will conclude this evening at approximately 6.30 pm. After the dinner break, we will move to the Department of Veterans' Affairs. When written questions on notice are received, the chair will state for the record the name of the senator who submitted the questions and the questions will be forwarded to the department for answer. The committee has resolved that Thursday, 14 December 2006 is the return date for answers to questions taken on notice at these hearings.

Under standing order 26, the committee must take all evidence in public session; this includes answers to questions on notice. Witnesses are reminded that the evidence given to the committee is protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee. Such action may be treated by the Senate as a contempt. The giving of false or misleading evidence to the committee may constitute a contempt of the Senate. The Senate, by resolution in 1999, endorsed the following test of relevance of questions at estimates hearings:

Any questions going to the operations or financial positions of the departments and agencies which are seeking funds in the estimates are relevant questions for the purpose of estimates hearings.

The Senate has resolved that there are no areas in connection with the expenditure of public funds where any person has a discretion to withhold details or explanations from the parliament or its committees unless the parliament has expressly provided otherwise. An officer of a department, the Commonwealth or a state shall not be asked to give opinions on matters of policy. He or she shall be given a reasonable opportunity to refer questions asked of the officer to a superior officer or to a minister.

This resolution prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanations of policies or factual questions about when and

how policies were adopted. If a witness objects to answering a question, the witness should state the ground upon which the objection is taken, and the committee will determine whether it will insist upon an answer, having regard to the ground which is claimed. Any claim that it would be contrary to the public interest to answer a question must be made by the minister and should be accompanied by a statement setting out the basis for the claim. We will begin with an opening statement by Air Chief Marshal Angus Houston.

Air Chief Marshal Houston—Thank you. I would like to provide a very quick update on some of the operational aspects that we have been dealing with of late. But, before I do that, perhaps I could indicate that our organisation at the moment is a very busy organisation, an organisation that is at a very high level of operational tempo. Since we last spoke with you, you would recall that we were dealing with Timor at that time and, at the end of June, we topped out with 5,200 troops deployed. Those 5,200 troops were deployed to 10 different operations and, of course, five of those were very large operations, which were in Iraq, Afghanistan, Timor and the Solomon Islands, and a substantial operation in our northern approaches, Operation Resolute.

Those operations have, because of the diversity and the types of the operations, presented some significant challenges for the organisation. I want to make the very strong point that a lot of people, not just the 5,200 who are deployed, from all parts of our organisation have been very focused on those operations and have contributed substantially to the success of them. It is very much a whole of organisation activity and one which we all share in. Through all of this, we have continued to maintain a very sharp focus on our region and on the challenge that is presented by the terrorist threat that is ever present in the islands to our north.

I will start with Operation Catalyst and, in terms of our operational achievement, I would stress that we are about the rehabilitation and reconstruction of Iraq. The ADF continues to support Iraq's move towards a new future through the conduct of elections and the establishment of both national and provincial government. Clearly, there are significant challenges in Iraq and there is no doubt in my mind that one of the biggest challenges facing the Iraqi government is the issue of sectarian violence. Breaking the cycle of violence is, I think, one of the most pressing issues for the Iraqi government. Nevertheless, I am very proud of what we have been doing in Iraq.

If we have a look at the activity of the Australian Army training team, we find we finished the task of raising the two battalions of the Iraqi Army 2nd Brigade of the 10th Division in Al Muthanna, and through that process we trained over 1,600 troops. Those troops are now providing security for the provincial government in Al Muthanna and Al Muthanna has achieved provincial Iraqi control, and the troops that we trained are providing that vital security.

Our own training team is now centred on Tallil, Camp Ur, near An Nasiriyah in Dhi Qar province and we continue to help the Iraqi army with their training program. We are doing some basic training in Tallil. We are doing some NCO training in Kirkush and we are also doing some counterinsurgency training in Taji, just north of Baghdad.

The Al Muthanna task group has successfully completed its job of providing a secure environment for the Japanese reconstruction force. Following a move to its new base at Camp

Terendak in Tallil it has been restructured as the Overwatch Battle Group (West). Following the assumption by the Iraqi security forces of control of the security in Al Muthanna in July, the battle group has assumed operational overwatch of the province, where it continues to mentor and assist the Iraqi security forces that we have trained. Of course, they also remain poised to assist if a very serious security crisis develops in the province that cannot be resolved solely by the Iraqis. I might add that there has been no suggestion of a crisis like that arising. Things are going reasonably well in Al Muthanna at the moment.

In September Dhi Qar was the second province to transition to Iraqi provincial control. Following the Italian withdrawal, our battle group yesterday assumed responsibility for the overwatch of this province as well. I would stress again that the Iraqis are providing the security. We are just there to provide assistance, training and backup should that be required. The transfer of security to Iraqi control is central to coalition plans for an eventual draw-down and is a demonstration that good progress is being made.

Elsewhere in the Middle East, HMAS *Waramanga* continues the job of providing security in the northern Arabian Gulf and in the protection of the oil terminals through which Iraq exports 90 per cent of its oil. The earnings from this trade are absolutely critical to the rebuilding of the country and, of course, account for some 85 per cent of the gross domestic product for the country of Iraq.

For the last four months, the Royal Australian Navy has been providing the command element consisting of Commodore Peter Lockwood and his staff. They are responsible for all maritime security operations in the northern gulf, with up to 10 ships and over 2,000 personnel under Commodore Lockwood's command. I was out there recently and I can report to you that he is doing an outstanding job in what is obviously a very important role for Australia.

Our security detachment continues to provide protection and escort of Australian diplomatic personnel in Baghdad in a very challenging environment. Our C130 transport aircraft are supporting operations in both Iraq and Afghanistan, and have achieved a very good mission success rate. Our AP3C Orion aircraft continue to conduct intelligence, surveillance and reconnaissance operations overland in Iraq and also over the Arabian Gulf and the north Arabian Sea. Of particular note is that our AP3Cs are now being tasked to provide direct support to our battle group in southern Iraq.

I will turn now to Operations Astute—our operations in East Timor. The Australian Defence Force has also made a significant contribution to the improved security environment in Timor Leste. Since May 2006, the ADF has worked tirelessly with the government of Timor Leste, other national institutions and international organisations to prevent a recurrence of the violent events of April and May 2006. The ADF's activities have contributed to a more stable environment, allowing the East Timorese to begin to rebuild their institutions, although, as was evidenced last week, there do remain isolated incidents of violence.

The ADF is providing the necessary security support to the new UN mission known as the United Nations Integrated Mission in Timor Leste or UNMET. The provision of this security support creates the conditions for the UN to be able to focus on its assistance program to Timor Leste. Despite the progress made in the restoration of law and order, the security

situation in Timor Leste remains fragile and will remain vulnerable to outbreaks of interethnic violence. The ADF will continue to work closely with UNMET police in quelling street violence and thereby also preventing damage to property.

The build-up of the UNMET police has meant the police have the capability to be the first responders to any incident. The ADF and the other troop-contributing nations to Timor Leste will provide the necessary additional capability should the police be unable to manage a situation. The police are expected to reach a mandated strength of 1,608 by January of next year—right now, their numbers are in the order of 1,000.

I will turn now to Operation Resolute. There has been significant change to command and control arrangements supporting the ADF contribution to civil maritime surveillance and response. Operation Resolute commenced on 17 July and combined several of our maritime security operations into one operation. We have combined operations Relex 2, which dealt with unauthorised arrivals; Cranberry, which was Defence's contribution to civil maritime surveillance; Mistral; and Celesta, which is the Southern Ocean fisheries patrol and the patrols protecting Australia's gas and oil infrastructure. This has enabled us to provide a more flexible response capability in protecting Australia's maritime borders. The tasks contained within these previous operations have been fully subsumed into Operation Resolute and the pooling of the resources previously allocated to these operations provides us with much greater flexibility in being able to select the most appropriate response capability in any given circumstances.

Operation Resolute is commanded by the border protection command, which was formerly known as the Joint Offshore Protection Command, and this command has assumed responsibility for the operational coordination and control of maritime enforcement activities across the Australian exclusive economic zone and adjacent areas. Whilst it is still too early to assess the full effectiveness of Operation Resolute, I think it is achieving the principal aim of providing the government of Australia with a more effective and flexible capability in protecting Australia's maritime borders.

I will turn now to Operation Slipper in Afghanistan. Our contribution to the international fight against terrorism in Afghanistan has seen the special forces task group returning home from their 12-month deployment to Afghanistan. I can now share some of the detail of their work with you. The mission of the special forces task group was to work against the Taliban leadership elements in Uruzgan province and to prevent anticoalition militia from basing their activities in this region. They were very successful in disrupting the ability of the anticoalition militia to mount insurgent operations.

Out of the 395 days of their deployment, they were in the field and away from their operating base for 306 of those days and, during this time, over 100 ground patrols and 217 offensive air support missions were conducted. There were 139 separate combat incidents ranging from skirmishes with small groups right through to battles against fairly large numbers of enemy militia. Regrettably, 11 of our troops were wounded in action. That we lost none is a testament to the skill and professionalism of our special forces.

The special forces task group significantly undermined the insurgency capability of the enemy, thus making a notable contribution to the international coalition fight against terrorism

and the future stability and security of Afghanistan. In achieving their mission, the special forces task group exhibited that unique mixture of determination, practicality and compassion which have traditionally put Australian special forces among the finest in the world.

Our commitment to Operation Slipper continues with the recent deployment of our almost 400-strong reconstruction task force. The reconstruction task force has a clearly defined role to work on reconstruction and improvement of provincial infrastructure and community based projects to assist the Afghan government achieve a stable and secure future for its people.

These projects, which are all in the province of Uruzgan, will be developed in consultation with local authorities. Currently the reconstruction task force are in the process of constructing a trade training school. This school will run four-week basic trade training courses for local nationals. The intention is to provide graduates with trade accreditation that is recognised by the Afghan government. The reconstruction task force are also providing training to Afghan national army engineers. An Afghani engineer platoon is undertaking training with a view to be employed on the reconstruction task force missions by the end of this month. The reconstruction task force are working very hard and are making a substantial and ongoing difference to the lives of the Afghanis living in the province. The task for the reconstruction task force is a challenging and dangerous one, but I have great confidence in their skill and determination.

As I have indicated, the ADF continues to perform very well in protecting our national interests. Of course, time constraints this morning prevent me from going into detail on each of our operations. I firmly believe that all ADF people deployed on operations for Australia continue to do a magnificent job for our country and I think they should be commended for their considerable efforts. I might leave it there.

CHAIR—Thank you, Air Chief Marshal. Mr Secretary, can I go to you for an opening statement, please?

Mr Smith—Thank you, Mr Chairman and senators. I am of course closely involved with the CDF on matters of defence policy and issues relating to our several deployments and I endorse fully his remarks about the tempo of our organisation at this time. It is affecting all areas of our work. I do, of course, have particular responsibilities for our financial management. That has rightly been the subject of much interest to this committee over the years. I want to say something now about last year's financial statements.

I am pleased to inform the committee that the CFO, Mr Prior, and I signed off on the Defence 2005-06 financial statements and concluded that they reflect a true and fair view of Defence's financial position, except for some uncertainty over the value of \$1.8 billion of general stores inventory and \$2.2 billion worth of repairable items. This is out of a net asset position, of course, of \$51 billion. Additionally, there is some uncertainty relating to the flow-through impacts of these balance sheet items on the income statement for 2005-06. Our position on that is set out on page 351 of our annual report. The ongoing uncertainty in these areas remains of concern in an accounting sense and we do acknowledge the work that remains to be done in the area of inventory in particular. Overall, however, I consider this audit result a considerable achievement given where we have come from over the previous two years—namely, an inability to form an opinion. We always said it would take time to

remediate and reform our financial management systems, and it has taken time, but this year's results confirm that we are well and truly on the right track.

You will recall that Defence's financial statements for 2004-05 reflected material uncertainty in five areas. As well as seeking to reduce the number and severity of those qualifications the 2005-06 statements faced additional major challenges in the form of implementation of the new international financial reporting standards, which our government has adopted, and the demerger of the Defence Materiel Organisation's accounts from those of Defence. In order to reduce both the number and the severity of our past qualifications, we have put a project discipline around both the immediate and longer term remediation of individual audit findings. Progress against these plans has been reported each month to a Financial Statements Project Board, which I chair. Again you will recall that we went through these plans with the committee in some detail on a couple of occasions.

In regard to leave liabilities, we undertook extensive sampling of leave records, a controls review and a high-level analytical review. The results of this analysis showed that Defence has a robust controls environment for its leave recording and error rates of less than 1.5 per cent across both civilian and military leave records.

For explosive ordnance, we have been able to confirm valuations for the amounts that had previously been qualified. And in regard to infrastructure, plant and equipment we completed a national stocktake and a re-evaluation of 11,800 information and communication technology assets, and conducted analysis of over one million purchase transactions, in order to determine an appropriate asset capitalisation threshold.

In addition, we used selective testing and confirmations to validate the existence of approximately \$1 billion worth of the \$3.2 billion balance of repairable items at 30 June 2006. The successful completion of these activities provided me with the confidence to assert with the CFO that there were no material misstatements in the balance sheet, apart from the general stores infantry and repairable items, and the Auditor-General has endorsed that position.

The introduction of the Australian equivalents to International Financial Reporting Standards, AIFRS, required us to revisit our accounting policies and reporting processes in a number of areas in order to clearly state our interpretation of the new requirements. We developed 29 position papers on critical accounting issues which are of significance to Defence. The position papers were subject to review by the Department of Finance and Administration and the Australian National Audit Office, and in some cases were developed following extensive dialogue with the Australian Accounting Standards Board. These papers are I think important beyond just Defence in setting out interpretations relevant to the public sector as a whole.

The merger of DMO was a significant task from both a technical accounting and a resourcing point of view. The DMO 2005-06 financial statements were signed as true and fair without any qualifications, providing me with the confidence that we have managed the financial split well and have adequate processes in place to manage the significant transactions which take place across the two organisations.

As to the future, my expectation is that the inventory issue will be significantly reduced by June 2007 and that Defence will be able to successfully demonstrate its high level of

competence in financial management. Beyond inventory, we must lock in the reforms that we have achieved to date and make sure that that traction holds, and we must improve our timeliness. But overall, I think that what has been achieved over the last couple of years has been outstanding. I want to pay tribute particularly to the work of the CFO, Mr Prior, and his people, and to those in DMO—Dr Williams, Mr Lewincamp, Brigadier McGahey and others—for their contribution to the work that we have done. I pay tribute as well to the chiefs and the CDF for their shared commitment with me in addressing these issues. Thank you.

CHAIR—Thank you. We will commence with the portfolio overview, beginning with Senator Bishop.

Senator MARK BISHOP—Thank you, Chair. I welcome Chief of Defence Force Houston and Mr Smith from the Department of Defence. Thank you for that overview of the activities of the forces over the last 12 months and the more recent update, Air Chief Marshal Houston. It was fascinating. I want to go through most of the things you have raised in order—Afghanistan, Iraq, East Timor—and some of the less prominent exercises. And I have a few issues to discuss briefly arising out of your comments, Mr Smith, before handing over to my colleagues.

Air Chief Marshal Houston, firstly, in respect of Afghanistan, is the province, due to its characteristics and the nature of the warfare that has been so prominent there and that you have outlined so starkly in your statistics, still an attractive target for the Taliban to base its operations?

Air Chief Marshal Houston—I think the whole area of southern Afghanistan is an area where the Taliban have deployed into, and throughout the four provinces in the south you will find some Taliban sanctuaries. It is not just a problem in one province; it is something that affects all the provinces in the south of Afghanistan.

Senator MARK BISHOP—In the province where we had major responsibility and major activity you referred to almost 395 days in the field, 217 defensive missions and 139 separate combat operations—clearly, a continuing high level of intensive work. Is it fair to say now that we have cleaned out the Taliban from that province where we had prime responsibility?

Air Chief Marshal Houston—I think what we achieved involved some very successful operations to undermine the Taliban leadership in that particular province. In terms of cleaning out the Taliban, I think that is probably the wrong way to put it. I think we really disrupted their operations in that province. Of course we are now into a situation where a very large reconstruction force has moved into the province to basically do reconstruction, to rehabilitate the province and to, hopefully, win the hearts and minds of the people. I think what we did was good preparation work for that reconstruction operation. You should also bear in mind that we only had 200-odd people in our special operations task force. We now have, with the Dutch and ourselves, almost 2,000 people. That 2,000 force comprises a very significant security capability and force-protection capability to support those members of the task force who will be involved in the very important reconstruction work.

Senator MARK BISHOP—You were very careful in your selection of words and I gained the impression that, in terms of disrupting the leadership of the Taliban, the role of the task force was to seek out those terrorist elements and take up the fight and to impact as much

harm upon them as we could. So our role was very proactive as opposed to being defensive or reactive. Is that a fair summary?

Air Chief Marshal Houston—The mission of the special forces task group was to go out and do special reconnaissance. Where they found Taliban concentrations they would seek out the Taliban leadership, and they did that very effectively.

Senator MARK BISHOP—I want to go to the decision to withdraw—and press reports have endorsed this and, by implication, you endorsed it this morning. If those forces in the field have been engaged in hundreds of battles for something like 300 days out of a total deployment of 400, by and large, those forces were close to physical and mental exhaustion, or reaching the limits of their ability to perform at the levels they need to. Was that the basis of the decision to withdraw or was it otherwise?

Air Chief Marshal Houston—If we go back to July last year, the government made a decision to deploy the special forces task group for 12 months. It was always the plan to bring them out in September of this year and in September of this year they came out. You paint a picture that suggests that they were in a state of exhaustion. That is not true. Essentially, we had three rotations through the 12 months so a large number of our special forces people are deployed through Afghanistan. One of our objectives was to keep them at their very top in terms of their ability to conduct their operations throughout the deployment. But it was time to bring them back.

One of the things that you need to be aware of is that our 200-person force has been replaced by a force of almost 2,000. In fact, 2,000 is about what it is—there are 1,400 Dutch and our 500 or so Australians. That force includes special forces elements provided by the Dutch. It also provides for a substantial battle group that can go out and do conventional operations. So what we have there now is a much larger force to go out and take up the challenge presented by the Taliban.

Senator MARK BISHOP—I take it from your final comment then that the challenge from the Taliban is still extant in the province.

Air Chief Marshal Houston—I think the challenge from the Taliban is still extant through the whole of the south of Afghanistan. Uruzgan is just one part of an area where there is substantial Taliban activity.

Senator MARK BISHOP—You have made the point that the task force group had been proactive in reconnaissance, seeking out harmful elements, engaging them and inflicting damage on their leadership. The government has made a call that the 12-month period was not to be renewed for that task force group. There is now a much more sizeable multinational group there comprising the elements you outlined. Are you as a military man satisfied that that group of 2,000, comprising a number of nations and different elements, is capable of maintaining control of that province over the next 12 to 18 months?

Air Chief Marshal Houston—I might add that the special forces movements were taken on my advice. My advice was that they needed to come out in September. There are a number of reasons for that. In terms of the province, a provincial reconstruction team of 2,000 is a substantial number of people given the geography of the province. The province has only one major population centre in it, and that is a small town—the small town of Tarin Kowt. The

rest of the province is very dispersed and very rural, but in an Afghan way, if you understand what I mean.

Senator MARK BISHOP—I do.

Air Chief Marshal Houston—So the challenge of providing security I think needs to be concentrated in the area around Tarin Kowt, which, of course, is the key ground in the province. The ISAF coalition has identified an Afghan development zone around Tarin Kowt. That is where our operations will be focused on—both our operations and the Dutch operations. I am of the view that a force of about 2,000 is exactly what we need to perform that task. I think we have the right balance between force protection and reconstruction.

The three lines of operation that we are pursuing in the province are, firstly, governance; secondly, development—and, of course, the development includes, very importantly, rehabilitation and reconstruction; and, thirdly, security. All of those are very closely linked. That is the strategy that is being employed within the province. I think we have the right resources in place to achieve that strategy. Importantly, the reconstruction task force that we have put together is exactly what is required to achieve those lines of operation.

You would have heard me talk about the fact that we are going to be doing training of Afghans. We are also going to have Afghan engineers embedded within our operation, and we will be out there doing a lot of engineering work in and around Tarin Kowt with the Afghans in a very cooperative way and in a way that I think will make a substantial difference to the lives of the people who live in Tarin Kowt. So I am very excited about what we are about to do.

Senator MARK BISHOP—Thank you, Chief. Just paraphrasing your comments: there being only one significant population centre in the province and our activities being to keep control of that and the development zone around that population centre, has our focus now shifted to more of a garrison type duty, as the British used to run in Afghanistan when they were up there in the latter part of the 19th and the early part of the 20th centuries—as opposed to penetration of and activity and presence throughout the entire province?

Air Chief Marshal Houston—Our primary role with the reconstruction task force has always been reconstruction. Clearly, the reconstruction needs to be supported by a very robust protection capability and we have that embedded within the task force. I would not characterise our job as being a garrison job; I would characterise it as being reconstruction and supporting the security operations in and around Tarin Kowt. I think that is a very viable mission and a very important mission, and I think Tarin Kowt is the vital ground in the province.

Senator MARK BISHOP—There have been a series of press reports over the last six weeks to two months about attacks and, as a consequence, the closure of schools and community centres in Uruzgan province. Can you outline to us the details of that and what the PRTs are doing, if anything, to put a stop to that.

Air Chief Marshal Houston—I am not aware of exactly where you want to go there, except—

Senator MARK BISHOP—Is there a concerted campaign by Taliban elements to destroy extant schools, community infrastructure and government facilities?

Air Chief Marshal Houston—All I will say is that the Taliban are very active throughout southern Afghanistan with those sorts of activities. That typifies the way they do business, going in and basically taking down a school, intimidating the local people; that is what these people are about. And that is why we are there: to provide a better future for the people, in a much safer environment—an environment where they will not be intimidated by these people.

Senator MARK BISHOP—Is that still part of the routine environment in Uruzgan province?

Air Chief Marshal Houston—I think that in all of the provinces of southern Afghanistan you get those incidents from time to time. We are aware of the odd incident like that in Uruzgan, but those sorts of incidents occur right across the area in which the Taliban operate.

Senator MARK BISHOP—You refer to those incidents in that province and across the entirety of southern Afghanistan as isolated, which to me means erratic, irregular, not continuous. Is that an appropriate description? Or is there an ongoing, planned level of concerted activity to create the damage and havoc that you have referred to?

Air Chief Marshal Houston—I think the Taliban obviously have a campaign plan and they pursue that. I guess it follows typical insurgency lines. They work out there in the more remote areas of the provinces and they go into very small population centres and they intimidate the people.

Senator MARK BISHOP—In the southern part of Afghanistan, Uruzgan province and the other provinces there, is poppy growing a feature of agricultural production or is that more up in the hills?

Air Chief Marshal Houston—I think poppy growing is a feature of rural life right across Afghanistan.

Senator MARK BISHOP—Are we involved in any campaigns to eradicate that production capability in the areas where we have responsibility?

Air Chief Marshal Houston—No. We are very focused on utilising our engineer capability. We have two engineering teams and our focus is on reconstruction, particularly in and around the town of Tarin Kowt.

Senator MARK BISHOP—So is there international agency activity or coalition activity to put a stop to the poppy production or is that to be done later—in the southern areas where we are working?

Air Chief Marshal Houston—In the area where we are working, that is really a responsibility for the Afghan government. Essentially they are running, if you like, that part of the activity and we are not directly involved in it.

Senator MARK BISHOP—Looking forward to the future, what sort of commitments and, consequently, time lines and goals are you setting in place for our activity over the next 10 years in Afghanistan, or is that reviewed every 12 months by government?

Air Chief Marshal Houston—All of these matters are matters for government, but the government have given us a very clear direction that the reconstruction task force needs to be in place for about two years. Clearly, there will be a review at some stage where we will look at our activities, and government will seek as much information from us so that they can then make a considered decision on where we go into the future. I think you will find that, for most of the nations that are deployed in Afghanistan at the moment, their deployments are on about a two-year basis. Clearly what happens into the much longer term is a matter for all the governments who make up the ISAF coalition.

Senator MARK BISHOP—Is the commitment of our government and your immediate planning based around two years, starting at the end of October?

Air Chief Marshal Houston—Two years. I think, regarding the starting point, we had the first elements in September. So I am looking at two years—

Senator MARK BISHOP—Towards the end of 2008—is that right?

Air Chief Marshal Houston—Yes.

Senator MARK BISHOP—Obviously you are thinking about a presence for longer than that and that is still at a formative stage—is that right?

Air Chief Marshal Houston—We have actually been focused very much on the here and now and sustaining this through two years. So at this point we have not really looked at what we will be doing beyond 2008. At some stage, I imagine in the next few months, we will have a discussion with government, and government will give us some direction as to the way we might go.

Senator MARK BISHOP—You outlined that you have a three-part strategy—governance, development and security—in terms of the province. Could you briefly outline for us what training programs and institution building you are conducting for the police and the military in the province of Uruzgan?

Air Chief Marshal Houston—First of all, I would say that it is the strategy of the ISAF coalition. This is a strategy that has been adopted by all of the nations that are participating in the ISAF coalition. In terms of the training of police, we are not actually directly involved in that. The Dutch are leading in the province of Uruzgan, and in terms of police we are not directly involved in that. Our focus is very much on training people to be tradesmen providing reconstruction in and around Tarin Kowt and also working closely with the Afghan engineers in achieving these projects that have been mapped out with the provincial engineer in Uruzgan and his staff. So we have been working very closely with the provincial authorities and with the engineers in the Afghan National Army, and we are doing all this training work for young people who want to be tradesmen. That is our focus.

Senator MARK BISHOP—Is that construction training work, engineering training work and tradesmen training work, which is obviously critical for the future, being done purely within the engineering corps of our forces there or have we, for want of a better description, retained private firms to engage in some of that training activity?

Air Chief Marshal Houston—We are doing the training activity. In terms of the engineering work that needs to be done around Tarin Kowt, there is a huge amount of work

that needs to be done so we will from time to time use Afghan contractors to do the work. We will do a lot of subcontracting. We will work very closely with the local people to basically reconstruct the things that need to be reconstructed. In certain instances we will do it and in other cases we will set up a project and manage the project using contractors and subcontractors who are in and about the province and, clearly, some of those might be Afghan contractors that come from other provinces.

Senator MARK BISHOP—Finally on Afghanistan, the comments you made about the level of engagement by the task force were quite startling, the more you think about them, as to the level of engagement, the level of activity, the prolonged periods out in the countryside and the relatively minor casualty rates—11 men wounded and none killed. Clearly, that is a testament to their professional abilities and the training and the leadership, and you would be particularly proud of the outcome. I think that it would be fair to say that it is quite an atypical outcome from such a prolonged and concentrated engagement in the field to have huge numbers of battles with no-one killed in over 300 days. Would you care to forecast what our anticipated casualty rates are likely to be now we have shifted into the next phase—one that is more about protection.

Air Chief Marshal Houston—Afghanistan is a very dangerous place. We face a significant threat there, a very high-level threat, and I think that it is entirely possible that at some stage we might have casualties. We had casualties during the special forces deployment. I think that one of the big risks that we have to mitigate is the threat of improvised explosive devices. Afghanistan is a place where there are a lot of mines and, whilst our people are very highly trained and very skilled and they have been very well prepared, this is an ever-present threat. I am not prepared to forecast numbers of casualties. All I would like to flag to the committee is the fact that Afghanistan is a very dangerous environment and it does not matter where you are in Afghanistan those threats will be there, particularly in the south.

Senator MARK BISHOP—Having said that, all campaigns, all wars and all battles, when you look at them in review, have a cycle. There is a building-up of activity, a peaking and then one side tends to be regarded as approaching victory and the level of activity in the field declines, sometimes over a two-year period and sometimes over a 20-year period. Do you detect any reduction in the level of military activity, forceful engagement and battle activity as yet in Afghanistan or is the battle still being taken up by both sides?

Air Chief Marshal Houston—I think if you have a look at the history of Afghanistan since 2001, the last summer period—the summer period that we are just moving out of now—has seen the most intense level of Taliban activity since the coalition went into Afghanistan. I think that is of concern. Most of that activity has been focused on four southern provinces. There has also been a bit of activity in the south-east. Then, if you have a look across the whole of the rest of Afghanistan, it is fairly quiet. Indeed, a lot of the members of the coalition are out there doing their reconstruction work without any challenge from the Taliban at all. The key ground at the moment is those four southern provinces. So the work we are doing is vitally important work. I think one of the very important things to do in Afghanistan is to deliver reconstruction and development so that we start to change the lives of the people there. They can see that, by supporting the Afghan government, they are going to see an improvement in their lives. That is why the reconstruction aspect of it is so vitally important. I

think that the threat is most prominent in the south and the coalition needs to combat that threat. But in the rest of Afghanistan things are much calmer and much more benign.

Senator MARK BISHOP—So, as there is an imperative on us and our alliance to be seen to be responsible, engage in reconstruction, provide facilities and essentially win the hearts and minds of the local population, similarly there is an imperative on the Taliban to raise their level of activity in terms of interference, destruction and hindering our programs of construction. Is that a fair comment?

Air Chief Marshal Houston—I think the Taliban are doing everything they can to neutralise the positive effects that we bring to Afghanistan, yes.

Senator MARK BISHOP—You have not outlined and I have not asked about the level of casualties that we and our allies inflicted upon the Taliban in various operations. You might care to outline that if you think it is appropriate. But, in that context, are your intelligence people detecting any problems with the Taliban recruiting new fighters or maintaining high levels of operational tempo against us and our allies?

Air Chief Marshal Houston—In terms of casualties, I am not going to go into that because frankly I do not know what the casualty level is amongst the people that we fought. I know that they took substantial casualties. But that is not important. What is important in Afghanistan is reconstructing and rehabilitating the country. In order to do that, you have to establish a secure environment. In terms of the Taliban, I think that they clearly have an ability to recruit new people to replace those they lose in the campaign that they are conducting.

Senator MARK BISHOP—So they are still capable of recruiting adequate levels of new forces to engage with us?

Air Chief Marshal Houston—Yes. That is why it is so important to pursue the redevelopment of Afghanistan. If you can change the lives of the people for the better, they are not going to support the Taliban. So what we have got to do is get out there and create a better environment, create a better life for the people so that they will always support the democratically elected government.

Senator MARK BISHOP—I understand what you are saying: it is a classic response to an insurgency operation to win the hearts and minds of people by demonstrating real work on the ground so they make a choice.

Air Chief Marshal Houston—Exactly.

Senator TROOD—Air Chief Marshal, since the reconstruction task force moved in, have there been any incidents involving the task force—attacks on the task force or anything of that kind—since they have been there?

Air Chief Marshal Houston—Yes, there have. There was an incident a couple of weeks ago where we were threatened by somebody from about a kilometre away with a weapon. We engaged that person and he ceased to be a threat to us after the engagement. There have also been a number of indirect fire attacks on the base where our people are located.

Senator TROOD—There have been a couple.

Air Chief Marshal Houston—Yes.

Senator TROOD—This, I assume, reflects the environment that you have been describing to us.

Air Chief Marshal Houston—You probably saw in the media over the weekend that there had been an improvised explosive device attack on a civilian vehicle and 14 Afghan nationals were killed. That was fairly close to where our people are.

Senator TROOD—Since the special forces group left and the arrival of the reconstruction task force, have you detected any change in the nature of Taliban tactics in the province or has it been consistent in that respect?

Air Chief Marshal Houston—I think probably what I should say here is that when our special forces task group was there, they were operating with other special forces. They were working with the Afghan National Army and, essentially, they were very effective in interoperating with those other forces. Many of those other forces are still in the province and many of them are special forces, so the sorts of operations our people were conducting are continuing albeit in a slightly different way—for example, the Dutch special forces are still there and we still have other special force elements from other nations that are operating in the province.

Senator TROOD—They are conducting offensive operations against the Taliban whereas the reconstruction group presumably is not.

Air Chief Marshal Houston—They are conducting special reconnaissance and, when they find a target, they will conduct offensive operations, yes.

Senator TROOD—You mentioned the Australian reconstruction group has its own embedded protection force. I want to clarify: is that the nature of the protection for the Australian reconstruct group or are we relying also on the Dutch forces to provide that protection?

Air Chief Marshal Houston—The Dutch have 1,400 people there. They have a substantial capability to provide force protection, and the arrangements that we have made with the Dutch are for them to provide the majority of the force protection.

However, because of the environment that we are going into in Afghanistan, and particularly, I suppose, with the threat that was presented when we were doing our planning, a decision was made to bolster our force protection with an additional infantry company, to be provided as part of the reconstruction task force. That company has not deployed yet. They will deploy very shortly. They will obviously be part of the reconstruction task force and will provide additional protection for our people when they go about their tasks in and around the Tarin Kowt valley.

Senator TROOD—Are the reconstruction forces accompanied by protection forces on a regular basis or is it an as-needed requirement?

Air Chief Marshal Houston—First of all, we have engineers, but they are combat engineers. Combat engineers can look after themselves. However, when they are doing their reconstruction work, their focus is very sharply on the engineering side of the business as opposed to the soldiering part of the business. We will operate in a way whereby our

engineers are always supported by an appropriate level of force protection capability provided by us and also by the Dutch, depending on the circumstances.

Senator HOGG—Can you give us a status report on the 11 who were wounded. Have they returned to active duty? Have they sustained any long-term injuries?

Air Chief Marshal Houston—I asked the same question yesterday; I wanted an exact report. They are all in good shape and they are all recovering well. Most of them are back at work. I would like to come back to you on that and report precisely where we are at.

Senator HOGG—That would be good. I am glad you and I both asked the same question.

Senator NETTLE—What is the legal mandate for the ADF deployment in Afghanistan?

Air Chief Marshal Houston—We are there under a United Nations Security Council resolution and as part of the ISAF coalition.

Lt Gen. Gillespie—The legal basis is the UN Security Council resolution and the invitation of the Afghan government.

Senator NETTLE—What about the basis for our participation with NATO? Is there a memorandum of understanding with NATO? How does that agreement work?

Air Chief Marshal Houston—We were invited by NATO to participate as part of the coalition and we have had an exchange of letters that covers our participation. We have also been certified by NATO as a contributor to the coalition.

Senator NETTLE—Is that the first time that the ADF has engaged in joint operations with NATO?

Air Chief Marshal Houston—Yes. This is the first time we have ever been involved in a NATO operation.

Senator NETTLE—Is it envisaged that it will continue into the future? Or is this arrangement just for this specific operation? Is there any planning with NATO about future joint operations?

Air Chief Marshal Houston—The arrangements we have in place are arrangements specific to this particular operation. But, as NATO becomes more involved in what they call out-of-area operations, there is no reason why, if our government chose to do so, we could not be involved in future NATO operations.

Senator NETTLE—I do not know whether my next question has already been asked—if it has I will move on. What is the rationale for the additional infantry company announced on 9 August? Has it been deployed yet?

Air Chief Marshal Houston—The rationale for the deployment of the additional infantry company was to meet the level of threat that presented in the province of Uruzgan in Afghanistan. Given the level of threat, there was a view that we needed to bolster the force protection capacity of the reconstruction task force. In terms of that company, it is still doing its final preparations and will deploy to Afghanistan very shortly.

Senator NETTLE—You talked about the exchange of letters with NATO. Are they public documents?

Air Chief Marshal Houston—No, they are not.

Senator NETTLE—Can they be made public?

Air Chief Marshal Houston—I will have a look at it and we will come back to you.

Senator NETTLE—There are reports in the *Guardian* about Taliban plans to fight through the winter and cut off the capital of Kabul. Are these reports of concern?

Air Chief Marshal Houston—There is a lot of reporting in the media—some of it is accurate; some of it is not. Clearly, I have the benefit of very highly classified intelligence reports; unfortunately, I am not at liberty to share them with the committee. But, let me say, I am very comfortable with how the coalition is postured through the winter.

Senator NETTLE—Are the two ADF Chinook helicopters based at Kandahar airfield used in combat operations, either by the ADF or by any other coalition forces?

Air Chief Marshal Houston—The two helicopters that you mention are Chinook helicopters. They are medium-lift helicopters that carry troops and cargo. They are involved in a whole raft of different operations, but essentially they are not what I would call an offensive helicopter. They carry guns to protect themselves, but it is a self-defence capability; it is not a capability that is used to engage the enemy in an offensive way. From time to time, they are involved in operations where they get fired upon and they have the ability to fire back, but they are the only circumstances in which they would fire their weapons.

Senator NETTLE—I refer to a report in the *New York Times* about a US air strike in Kandahar province. The reporting was that up to 80 civilians, mostly women and children, have been killed in recent NATO air strikes and that the UN mission in Afghanistan had expressed concern. Were any ADF personnel involved in those operations?

Air Chief Marshal Houston—No.

Senator NETTLE—You gave some figures before about ADF casualties. Does the ADF have any figures in relation to Afghan casualties?

Air Chief Marshal Houston—No, we do not.

Senator NETTLE—Do you have casualty figures for either civilian or armed Afghans?

Air Chief Marshal Houston—No, we do not have figures for that sort of thing.

Senator NETTLE—I want to ask about the relationship that the ADF has with the governor of Uruzgan province.

Air Chief Marshal Houston—Again, I start by saying that we are part of a Dutch-led team. The Dutch have a very good relationship with the provincial government, as we do. But we are a partner, the junior partner, and we have a relationship with the provincial government as well. As I mentioned earlier on, a lot of our engineering activity is being done in full consultation and cooperation with the provincial engineer. Our commanding officer has regular meetings with the Uruzgan chief engineer. That typifies the relationship. He also meets from time to time with the governor.

Senator NETTLE—Is the governor of Uruzgan a former Taliban commander?

Air Chief Marshal Houston—Governor Monib has former links that go way back with the Taliban, but that was many, many years ago in completely different circumstances.

Senator NETTLE—Again, there have been reports in the media, particularly commentary in the US and I think from the Afghan President, about negotiations being opened up between the coalition forces that are there and the Taliban for bringing them into the political process. Is the ADF involved in any of those—

Air Chief Marshal Houston—No, we are not. As you know, there are many different groups in Afghanistan, and it is a broad church of different political parties and different interest groups. It is quite proper that the President should talk to any of those groups to try and bring them into the coalition. I know the reporting suggests it is the Taliban, but I am not sure that that is necessarily the case. I think it might be groups that he is trying to bring in to support him and to support his government.

Senator NETTLE—Perhaps I should ask the minister that question as well: is the government involved in those sorts of discussions about bringing Taliban and other elements into the negotiations?

Senator Colbeck—I would have to take that on notice.

Senator NETTLE—Has the ADF paid any compensation to any Afghans as a result of any ADF operations?

Air Chief Marshal Houston—No.

Senator NETTLE—Were any ADF personnel involved in Operation Mountain Thrust, which took place in the middle of this year?

Air Chief Marshal Houston—Operation Mountain Thrust was a large operation that was conducted by the coalition. We had nobody that was directly involved in that operation.

Senator NETTLE—When you say there was nobody directly involved, what do you mean?

Air Chief Marshal Houston—What I am saying is we are part of the coalition, that operation was conducted by an American unit in the coalition and essentially we did not have anybody who was part of the combat force. The reason I say ‘not directly involved’ is that of course we have Chinook helicopters there and the helicopters support the coalition.

Senator NETTLE—Okay. Are they the same Chinook helicopters that I was talking about before, in Kandahar province?

Air Chief Marshal Houston—Yes, they are.

Senator NETTLE—So they carry troops to operations?

Air Chief Marshal Houston—Yes, and I think they probably did—we can come back to you on the precise detail, but I think they may have done one or two sorties in support of the troops that were conducting the operation.

Senator NETTLE—All right. I can leave my Afghanistan questions there, then.

Air Chief Marshal Houston—Thank you very much.

CHAIR—We can go to questions on Iraq now, Senator Bishop.

Senator MARK BISHOP—Thank you, Chair. Before we head west, I might just ask the chief—with your indulgence—to head a little bit further south, closer to home, and ask him some questions about the developing situation in Fiji, if he could bring us up to date. Is that okay?

CHAIR—Absolutely.

Senator MARK BISHOP—Thank you, Chair. Chief, as I said, I just want to ask you a few questions about the developing situation in Fiji. I am advised that Fijian Prime Minister Qarase and President Ratu Ioilo yesterday tried and failed to remove their outspoken military commander, Commodore Frank Bainimarama. The military remains loyal to Commodore Bainimarama, who is, I am advised, overseas, inspecting Fijian peacekeeping troops. Prime Minister Howard told a media conference this morning:

Australia would view any extra-constitutional moves in Fiji with the utmost seriousness and is taking steps to be prepared to respond appropriately to possible developments ...

Similarly, Foreign Minister Downer has expressed concerns about the emerging situation, indicating the possibility of a fourth coup in that country in 20 years. Can you give us a status report on what is happening in Fiji. In particular, are we taking any measures to deal with the deteriorating situation and what plans does the ADF have, if any, to deal with that deteriorating security situation?

Air Chief Marshal Houston—The first thing I would say is that we are obviously very concerned about the situation in Fiji. We, like the rest of government, will play our part to try and settle the situation down. We will talk to people to basically try and settle things down.

Senator MARK BISHOP—Have we placed any ships on standby to take people to Fiji?

Air Chief Marshal Houston—As the foreign minister said this morning, I think, on *AM*, we are making sensible preparations. Our preparations are focused, obviously, on the safety of Australians in the region. And we are doing some planning to support those sorts of possibilities.

Senator MARK BISHOP—Do you have any idea of the number of Australians who are currently in Fiji?

Air Chief Marshal Houston—I think we could have around 7,000 Australians in Fiji.

Mr Smith—Including tourists.

Senator MARK BISHOP—Has there been any indication of violence carried out in Fiji as yet?

Air Chief Marshal Houston—There is absolutely no suggestion of violence. Everything is reasonably quiet on the ground in Fiji at the moment.

Senator MARK BISHOP—Are we making any preparations to shift either armed forces troops or police to Fiji? Have we as yet received any requests from the government of Fiji to that effect?

Air Chief Marshal Houston—Essentially, we are doing sensible contingency planning and we have not had any requests at this point.

Senator MARK BISHOP—So we are monitoring and observing the situation?

Air Chief Marshal Houston—We are doing what we normally do in these circumstances. We are making sensible preparations. We do planning. Obviously, we prepare ourselves for the possibilities that are out there.

Senator MARK BISHOP—Are you satisfied that if things go bad we have adequate ships and men in the region such that we are, within operational capabilities, able to deploy immediately to protect Australians citizens and interests if necessary?

Air Chief Marshal Houston—I am very comfortable that we have sufficient resources to go and do whatever is necessary to look after the safety of Australians in Fiji

Senator MARK BISHOP—Mr Smith, do you have anything to add?

Mr Smith—No.

CHAIR—We will move on to questions on Iraq now.

Senator MARK BISHOP—Air Chief Marshal Houston, can you outline for the committee the area Australian troops are expected to cover and have responsibility for as part of Operation Overwatch in Iraq.

Air Chief Marshal Houston—Yes. We have the Overwatch Battlegroup West, which is based in Tallil. It is there to provide overwatch for the province of Al Muthanna and, now, as of late yesterday, the province of Dhi Qar. It is a fairly large area of southern Iraq.

Senator MARK BISHOP—How many troops are involved in that?

Air Chief Marshal Houston—Just under 500.

Senator MARK BISHOP—Are those troops provided with helicopter support?

Air Chief Marshal Houston—We are part of the coalition. We are under British command there. In fact, for the area of MND south-east the commander is a British two-star general. He has a lot of resources at the divisional level and he has helicopters available, should they be required.

Senator MARK BISHOP—Okay. Our troops are under the command of a British two-star—is that right?

Air Chief Marshal Houston—They are under the operational control of a British two-star. Our troops remain under Australian command.

Senator MARK BISHOP—I understand. Which other countries are involved in that coalition doing Operation Overwatch?

Air Chief Marshal Houston—Operational Overwatch is something that we are doing. We obviously work very closely with the British, and there are some British people who might be involved in our operations; indeed, there are some specialists that support us. We also work very closely with the Romanians in that part of Iraq. But in terms of the overwatch mission, we are most likely going to be working with the Iraqis. As I mentioned to you earlier on, the role that we have is one of mentoring, training engagement and providing an intervention capability should that be required.

You have probably seen in media reporting the weekend before last that there was a problem in a place called Al Amara in the province of Maysan, which is part of the MND

south-east area. There was a bit of violence in the town and the response was provided by the Iraqi army, and the Iraqi army handled the situation and did not need any further support from the British divisional commander. So the whole thing was handled by the Iraqis and there was no need for the British forces to become involved. That is the sort of way the intervention might work.

Senator MARK BISHOP—Understood. But in terms of Operation Overwatch, the bulk of the manpower is provided by Australia—is that correct?

Air Chief Marshal Houston—The Operation Overwatch that is being done in Al Muthanna and Dhi Qar is all going to be provided by Australia.

Senator MARK BISHOP—I come back to my question: are those troops provided—

Air Chief Marshal Houston—Other than one or two, there are some British members of that group, but I am talking probably a half-a-dozen or so.

Senator MARK BISHOP—A minor contribution in that area. I go back to my question on helicopters. You have indicated helicopter support was available if necessary—by implication, not our own helicopter groups. I take it, if needed it would have to be supplied by coalition partners, principally the British—is that fair?

Air Chief Marshal Houston—The British have helicopters in the MND south-east area. They support all of the formations that are under the operational control of the British general, and that is a normal sort of arrangement. There are also American helicopters based at Tallil, and they would be available for aeromedical evacuation if that was necessary.

Senator MARK BISHOP—The British helicopters —where are they based? How far are they from the principal location of our troops?

Air Chief Marshal Houston—They are based down at Basra, and that is a short distance flying time from Tallil.

Senator MARK BISHOP—Twenty minutes? Half an hour?

Air Chief Marshal Houston—I do not know. I think it would be in the order of 30 to 40 minutes but I will come back to you on that.

Senator MARK BISHOP—The procedure for calling out the helicopters—that is a decision taken at command level based upon the need of the particular operation, I would presume.

Air Chief Marshal Houston—Precisely. Helicopters are usually held at a high level in the military structure and whoever has the highest priority gets the support.

Senator MARK BISHOP—There have been press reports in the last month that Australian troops were involved in the province in at least one heavy clash with insurgents. Are you able to confirm or deny that and provide some detail?

Air Chief Marshal Houston—Yes, there was a clash in the town of Al Rumaythah and there was an exchange of fire with some elements that attacked our people. Our people conducted themselves very well and withdrew in good order and that was the end of it.

Senator MARK BISHOP—Did we need to call out helicopter support for that engagement?

Air Chief Marshal Houston—No, we did not.

Proceedings suspended from 10.29 am to 10.45 am

CHAIR—I call the committee to order. We will continue with questions from Senator Bishop regarding Iraq.

Senator MARK BISHOP—I want to return to one issue that I failed to ask you about in respect of Afghanistan, Air Chief Marshal. You were very careful in your choice of words when you said that we had gone after the Taliban leadership when we had the task group there. I meant to ask you: just how did you go after the Taliban leadership? Was that code for you setting out to kill the Taliban leadership or did it mean something else?

Air Chief Marshal Houston—I think that what I was trying to suggest to you was that our operations were focused on the Taliban leadership in the province and, clearly, we were out to neutralise them and to disrupt their activities. That is all we were doing.

Senator MARK BISHOP—'Neutralise' is a code word.

Air Chief Marshal Houston—We were out to take them on, yes.

Senator MARK BISHOP—Thank you. We will now go back to Iraq. Dr Nelson was reported as saying that there are a number of safeguards in respect of the civil call-out arrangements that exist in Australia if we had to involve Defence Force personnel, and he made the comment as to those civil call-out arrangements in Australia. Could you advise the committee whether there are similar safeguards in respect of Operation Overwatch in Iraq or is Dr Nelson speaking of something totally different?

Air Chief Marshal Houston—No, I think Dr Nelson was talking about the arrangements that are in place also in Iraq. The arrangements are very similar to the arrangements we have here in Australia. But specifically, before we get involved in re-intervention there would need to be, first of all, a request from the coalition, and obviously there would also have to be a request from the government of Iraq. Once that request is received it would be received by the Commander 633, the Joint Task Force in Baghdad. He would look at it and then come back to me. I would obviously get the advice of people like General Gillespie and others and then I would go forward to government through Minister Nelson to get the government's approval for any sort of operation which involves re-intervention. So there is a very clear process which we would follow before we would commit to that sort of operation.

Senator MARK BISHOP—And that is quite a different situation from that which you have outlined concerning our operations in Afghanistan where essentially decisions to engage, once authorised by placement of people, was a matter for operational decisions of commanders on the spot. Here I hear you telling me that if we are going to re-engage in the use of force in Iraq, that is essentially a decision of government—Dr Nelson—upon advice from you as the CDF.

Air Chief Marshal Houston—That is correct. Essentially, a crisis situation would have to exist in the province of Al Muthanna or the province of Dhi Qar and we would see it at work in this way. Let us say a crisis broke in Al Muthanna. We would, in the first instance, expect

the Iraqis in the province to respond. The police would be the first line of response. If they could not contain the problem, the next line of response would be the Iraqi army that would go in as they went in at Al Amara a couple of weekends ago. If they could not contain the situation, clearly there would be a crisis and the provincial governor would probably say, 'I have a crisis on my hands,' and he would go to the Iraqi government and the Iraqi government would then make the request through Commander 633. Then it would be the process as I described.

Senator MARK BISHOP—Is it a normal situation in what is essentially a theatre of war for a minister of the Crown to have the final say as to whether troops thousands of miles away are able, or should, or will, engage in that crisis situation? It strikes me at best as a very delicate situation where men on the ground might be at risk, one, because of time delays or, two, because of possible political considerations by a minister of the Crown that are different from those of commanders and men on the ground.

Air Chief Marshal Houston—Here we are not talking about circumstances where Australians are involved. What we are talking about is, for example, a situation where there is extensive sectarian violence and you end up with a really bad situation on the ground. It is out of control. The police cannot contain it. The Iraqi army come in and they cannot contain it. It is a crisis situation probably in an urban environment and probably involving Iraqis. This is a matter for the sovereign government and this is why this procedure is in place. Clearly, the provincial government and the national government have a situation which is beyond their control and for us to get involved requires this formal request mechanism. I think that it can be done very expeditiously. We have a very quick way of getting something from Baghdad to Canberra and we have the communications and the processes to be able to deal with this very quickly where none of our people would be at risk. Indeed, I think it is very important that we have this sort of mechanism in place because, clearly, the circumstances could be very sensitive and very demanding and I think that the Australian government should make the call as to whether we get involved or not.

Senator MARK BISHOP—You outlined what on the basis of recent events is probably a fairly typical situation—sectarian domestic violence in an urban situation getting out of control and developing into a crisis—and I understand your response. If a set of our forces came under attack by surprise either in a new situation that arises or just by surprise attack for whatever reason and however motivated, I take it that the commander and the troops on the spot have an absolute right to engage in necessary levels of response to protect their lives and their own interests and in that situation they do not need to get the okay from you in Australia or Dr Nelson in Canberra?

Air Chief Marshal Houston—Absolutely. We always have the right to self defence and our rules of engagement enable that to happen. What we are talking about here is a different set of circumstances where the civil authority, if you like, has been overwhelmed by a set of circumstances and we are going in to support the civil authority to resolve the situation.

Senator MARK BISHOP—I understand.

Lt Gen. Gillespie—In fact, if I could, there is a recent example of that. With the Rumaythah attack on our people just a couple of weeks ago, there was no thought of them

coming back to ask us if they could defend themselves. They simply got in and did it; that is their job. What the CDF has been describing to you is several scales up the ladder in terms of a failure of the Iraqis to be able to look after their own security, and we would not be rushing over the hill in a matter of seconds for that; we would do pretty deliberate planning anyway. So the time lines for all of the approvals are quite comfortable. We are comfortable with them, as are the troops on the ground.

Senator MARK BISHOP—All right. Hence the reference in the Defence media release, CPA 174/06, on 28 July, in the fifth paragraph:

... the Australian troops will provide support to Iraqi Security Forces in a crisis if requested by the Iraqi Government ...

Air Chief Marshal Houston—That is right.

Senator MARK BISHOP—Yes. And you define a crisis as a major breakdown of law and order, with civil disturbance and sectarian violence, where the provincial or national authorities have essentially lost control?

Air Chief Marshal Houston—That is right. And we are dealing with a situation where the civil authority, the sovereign government, has lost control, and I think that is the important thing. I just wanted to make that point.

Senator MARK BISHOP—In this context of safeguards before call-out, do you have any advice on press reports that some 600 members of the Iraqi security forces were stood down recently as a result of allegations that they were involved in sectarian violence?

Air Chief Marshal Houston—I think the sectarian violence is a very challenging set of circumstances for the Iraqi government. I do not know the circumstances you refer to, so I am not prepared to comment on it in detail, but I will say that anybody in the Iraqi security forces who is involved in that sectarian violence does need to be removed from their duties.

Senator MARK BISHOP—Is this sectarian violence—we may as well go down this path now, which I was going to go down anyway—developing as a new front of operational activity in key cities in Iraq now?

Air Chief Marshal Houston—The sectarian violence is clearly at its worst in Baghdad, and I think the real challenge for the government is in Baghdad. It is Shiite on Sunni violence and it needs to be contained. The militias are involved. The Iraqi government really needs to sort it out.

Senator MARK BISHOP—Is it the case that the level of that sectarian violence deriving from the creation of new and additional militias is really ratcheting up in Baghdad?

Air Chief Marshal Houston—I think the sectarian violence has got to a level—it is terrible, the level it has got to, but it seems to be maintaining more or less the same level, and it has been that way for several weeks now.

Senator MARK BISHOP—So it is maintaining at a terrible level?

Air Chief Marshal Houston—I think it is a dreadful set of circumstances and it needs to be confronted.

Senator MARK BISHOP—Is that heightened sectarian violence in Baghdad being adequately confronted by the Iraqi government?

Air Chief Marshal Houston—I think the Iraqi government have a very difficult challenge. They are only 160 days into their government and this is clearly something that needs a lot of consideration. They need to come up with the right strategy and I think there is more that could be done to develop that strategy.

Senator MARK BISHOP—Are we getting to the stage, with this level of sectarian violence, where we need a make-or-break strategy on the part of the Iraqi government to address and confront it?

Air Chief Marshal Houston—I think the Iraqi government needs to confront the issue of the militias, probably in a more robust way.

Senator MARK BISHOP—By implication—and I know you are being very discreet in your comments, Chief—you are not satisfied that the Iraqi government is doing enough to confront that damaging, emerging threat of sectarian violence?

Air Chief Marshal Houston—No, I did not say that. I think it is a very difficult challenge for a young government and, clearly, there is a need to come up with a strategy which will address the issue. I think that strategy has to take on board the difficulty of dealing with the militias.

Senator MARK BISHOP—You keep talking in future tense. Are they doing it at the moment?

Air Chief Marshal Houston—I think there are actions being taken against the militias. But I think that we need to develop a more comprehensive strategy against the militias, or the Iraqi government needs to develop a more comprehensive strategy.

Senator MARK BISHOP—There are increasing reports in the foreign media and, indeed, in the domestic press about death squads being recruited from trained Iraqi police, and the incidence of that reporting seems to be increasing. Is that the advice that you have received—that those death squads are also increasing their activity on both sides of the debate?

Air Chief Marshal Houston—I think there are death squads on both sides. Where do those death squads come from? I think the death squads come from the more extreme elements within the militias.

Senator MARK BISHOP—If the activities of those militias, via the activities of the people in the death squads, as a part of trying to destabilise government in Baghdad by increasing the tempo of sectarian violence, led to sustained civil disturbance and the Iraqi government set in process a call for assistance, which you referred to earlier, is it part of our anticipated ambit of relief that we would get involved in that activity?

Air Chief Marshal Houston—As I said initially, most of the problem is in Baghdad. I think there are also similar problems in Basra. But, in the area where we are we do not see those sorts of problems. Indeed, we have not had any recent cases of that sort of violence in Al Muthanna or indeed in Dhi Qar, so those circumstances are less likely to arise in our part of the country.

Senator MARK BISHOP—Have you detected any decision by the militias, the sectarian groups or the death squads to shift operators down into the areas where we do have a presence and we do have responsibility, to lift the level of destabilisation?

Air Chief Marshal Houston—There is no indication of that at all. The major battleground is Baghdad. I think there are a lot of areas within Baghdad where this sectarian violence is happening.

Senator MARK BISHOP—So the net of that is that there is heightened activity on the part of the death squads, the militias are recruiting and the situation is terrible, but that is essentially, you say, a situation for the Iraqi government to be more robust in confronting, presumably with the support of the United States and British troops in the coalition of the willing that are located in Baghdad? Is that the net of your comments?

Air Chief Marshal Houston—I prefer to summarise my own comments actually. All I will say is that I think the sectarian violence is a very big challenge for the Iraqi government. Most of the sectarian violence is occurring in Baghdad. There is not a lot of sectarian violence in the rest of the country, particularly in the two provinces we are in. In fact, there is no evidence of sectarian violence in our two provinces. In terms of the problem in Baghdad, I think in addressing the issue of the sectarian violence there is a need to come to grips with the activities of the militias, particularly the more extreme elements within those militias.

Senator MARK BISHOP—In the vernacular of this country, does that require political willpower on the part of the government?

Air Chief Marshal Houston—I think it needs political will. It needs a good political strategy. And I think it needs a good security strategy.

Senator MARK BISHOP—What is the legal status of our troops that might be called upon to exercise violence or coercive force to achieve their will in the discharge of their Operation Overwatch function? Are they answerable to our authorities, the coalition of the willing authorities or domestic Iraqi authorities?

Air Chief Marshal Houston—Obviously, we have rules of engagement. Those rules of engagement will guide the way our people conduct themselves. But, clearly, in circumstances where we have had re-intervention, we will have had a formal request from the civil authority, and that will be the main basis for whatever we do in terms of the way we re-intervene. And our rules of engagement are cast in that sort of context.

Senator MARK BISHOP—I understand your response. According to those rules of engagement, does that mean our troops, who are lawfully deployed at the request of civilian government and under the authority of our Minister for Defence via yourself, have immunity in that circumstance from prosecution under Iraqi law?

Air Chief Marshal Houston—I think the immunities that we currently carry under the UN Security Council resolution would apply in these circumstances.

Senator MARK BISHOP—The reason I ask is that we often get this debate that sometimes the level of violence or physical activity that a policeman or military person engages in might be sometimes subjective as opposed to objective. But I am hearing you say

that the rules of engagement protect the exercise of their judgment if they do engage in coercive activity.

Air Chief Marshal Houston—The immunities come out of, I think, UN Security Council resolution 1646. They were reconfirmed under a second UN Security Council resolution—I forget exactly which number it was.

Senator MARK BISHOP—Both the defence minister and the foreign minister are on record as saying that Australia will remain in Iraq until the Iraqi government is capable of assuming responsibility for its own security. Is that your understanding of the Australian government's position and hence the position of the ADF?

Air Chief Marshal Houston—How long we stay in Iraq is entirely the business of the Australian government. But I would add that we have achieved provincial Iraqi control in the province of Al-Muthanna. We were located and based in Al-Muthanna; we have moved out of there. Progress is being made. And there are other tasks that we were involved in which will go on for a considerable period of time. For example, there is the task in the north Arabian Sea, where we are providing that vital protection to the two oil facilities through which Iraq's oil is exported. Ninety per cent of Iraq's oil goes out of them; the whole economy depends on those two oil facilities. And that task will continue for some years to come because, simply put, Iraq does not have a navy that has the capacity to handle that task. So the sort of argument that we can move out or move on is always going to be conditions based. And when we move on is a matter for our government.

Senator MARK BISHOP—You obviously receive a lot of detailed reports and intelligence on the security base, level of activity and operations on the ground in the provinces where we are engaged. And you obviously receive advice from our coalition partners; I do not want to go into the detail of that. Have you come to an assessment, based on your long years of professional experience, that the Iraqi government might now be effectively dysfunctional?

Air Chief Marshal Houston—I am not going to get into a discussion about that. I think the Iraqi government is a very young government. If you have a look at Iraq, you see there are a lot of things that are happening. The worst thing that is happening is the sectarian violence in Baghdad. But if you have a look at the rest of it you see there are lots of good things happening. Essential services are improving right across the whole country. Ninety-eight per cent of the houses in Iraq are now connected to the electricity grid. Hours of power vary throughout the country, but the national average is now 14 hours; when Saddam was there it was less than five hours.

And, of course, the level of economic activity is rising. Oil exports are increasing. There are lots of things happening that are all in the right direction. I think sometimes there is a tendency to focus on only the negatives. This government has been active for only 160 days and I think we need to take that into account. It is a government that has a wide representation—Sunni, Shia, Kurd. Essentially, they have to get on with the business of governing Iraq, and that is going to be a big challenge.

Senator MARK BISHOP—The question I asked was a serious question. All of the press and the foreign reports, and all of the intelligence reports that we are exposed to, concentrate

on heightened levels of violence; death squads; sectarian violence; suicide bombers, 70 and 80 a day; and massive killings every night on the TV. I understand there is infrastructure being built. I understand that roads are being built. I understand that schools are being built. I understand that power is coming on. But, in the totality of things, the last three or four months seem to be leading to two conclusions: (1) the war is entering that critical stage where it has now become virtually a civil war and (2) as a consequence of or ancillary to that the government is unable to carry out the most basic of functions of defence and security. Hence the conclusion—and I am not being disrespectful to you—that the government is now dysfunctional.

Air Chief Marshal Houston—This government has some significant challenges. I can run through the security side of it for a start. In terms of terrorism, progress has been made. Obviously, with the considerable assistance of the coalition, we have seen substantial inroads made into al-Qaeda Iraq. I think the killing of al-Zarqawi was a case in point. That organisation has not been as effective as it once was, so progress has been made there. In terms of the insurgency, there have been some areas where considerable success has been achieved. But the real challenge at the moment is the sectarian violence. Of course, the sectarian violence has been fomented by some of those elements. Al-Qaeda Iraq is probably fomenting some of that violence by becoming involved in the sectarian violence. You end up with this cycle of tit-for-tat violence.

If you set aside the sectarian violence and you have a look at the new Iraqi army, it is actually doing quite well. It is 85 per cent complete in terms of its numbers and, on a number of occasions they have come out and done a very good job in very difficult circumstances. I have given you some of the economics, so in terms of looking at it in a holistic way, what is required is to get on top of this sectarian violence. If that can be done, I think things will improve dramatically.

Senator MARK BISHOP—So your analysis is: sectarian violence is the prime, major and critical challenge facing the government in Baghdad?

Air Chief Marshal Houston—In my view, that is right and it is a problem that is in Baghdad—and, obviously, there are also elements of that in Basra—but if you go across the rest of the country the situation is not the same. Sectarian violence is not out there the way it is in Baghdad.

Senator MARK BISHOP—Is that sectarian violence, which in turn derives from the creation of the private militias, a bigger threat to the security and government of Iraq than the insurgency activity that has been around since 2001 or are the two inextricably linked?

Air Chief Marshal Houston—I think both are a challenge and I would not like to say that one is more of a threat than the other. The point is: the big challenge at the moment is getting on top of the sectarian violence.

Senator MARK BISHOP—Are they working hand in glove with the insurgency activity from outside Iraq? Is the sectarian violence domestically based, organised, funded and carried out, or is it linked to the insurgents coming from other countries?

Air Chief Marshal Houston—I think it is a very complex set of circumstances, but there are a lot of militias in Iraq and most of them have grown from a domestic base. But I think it

is true to say that some of the militias have links with people outside the country but they are home-grown in the main.

Senator MARK BISHOP—Are those links from Iran and Syria?

Air Chief Marshal Houston—Essentially, I do not want to get into naming individual countries; all I will say is that there are probably links.

Senator MARK BISHOP—When you say ‘links’—I respect your conditions—do you mean ideological or financial?

Air Chief Marshal Houston—I do not want to get into a detailed discussion about it. I think that I have given you a fair answer in the circumstances.

Senator MARK BISHOP—I will buy that. Private militias do not pose a problem currently where Australian troops are located—is that what you said earlier?

Air Chief Marshal Houston—No, I did not say that; in fact, the militias are found all over Iraq. In our particular area in the Al Muthanna province, there are a couple of militias that are active there but they are not involved in sectarian violence. I think the difference is that in Baghdad the sectarian violence is characterised by militia involvement. If you move down into where we are, we have circumstances where militias are present but they do not get involved in sectarian violence.

Senator MARK BISHOP—The obvious question is: what activity are those militias who are located where our troops are deployed engaged in?

Air Chief Marshal Houston—I would characterise it as: they pursue their interests. They are obviously out to influence the provincial government to basically look after their interests.

Senator MARK BISHOP—Does that exclude violence and coercion? I mean, there is a difference between militias organising for infrastructure support, political activity or party representation and militias engaging in violence and coercion.

Air Chief Marshal Houston—I think the militias in Iraq are capable of intimidation or violence—call it what you will. They use those sorts of techniques—

Senator MARK BISHOP—Wherever.

Air Chief Marshal Houston—Yes—wherever they need to.

Senator MARK BISHOP—And that includes areas where we are located?

Air Chief Marshal Houston—Yes.

Senator MARK BISHOP—And they are doing so?

Air Chief Marshal Houston—There is evidence of militia activity in our areas—yes.

Senator MARK BISHOP—Has it yet become a major concern or is it just a problem that we have identified and need to pay attention to?

Air Chief Marshal Houston—No, it is a major concern and we obviously spend a lot of our time working in a way that takes full account of their activities and the threat that they present.

Senator MARK BISHOP—I then conclude that in those areas where we have troops deployed, in those southern areas, because of the activity of those private militias our troops are going to continue to engage with them in an operational sense.

Air Chief Marshal Houston—Sorry, I am not sure what you are getting at.

Senator MARK BISHOP—In a military sense—battle groups or fighting.

Air Chief Marshal Houston—There are militias present in Al Muthanna and all of our activities take account of the activities of those militia.

Senator MARK BISHOP—I just want to have a brief discussion now. You would be aware of the comments reported in the press within the last month by the British Army general, Sir Richard Dannatt, who said, I am advised: ‘We should get ourselves out sometime soon because our presence exacerbates the security problems.’ I am aware that there were some further comments made by the good general after discussions with the Prime Minister of Great Britain, but have you come to a view as yet that the presence of Western troops in Baghdad and other parts of Iraq is now counterproductive, is exacerbating the situation, or do you have an alternate view?

Air Chief Marshal Houston—I have an alternate view. I look at our experience in the south and all I can say to you is that our presence in the south as a whole is a very constructive presence. If you have a look at what we have achieved in Al Muthanna, I think that is a good demonstration of that. Indeed, while we were in Al Muthanna, working up towards the provincial Iraqi control, we had a great relationship with the local authorities, the provincial authorities. We were responsible for training the Iraqi army that now secures the province, and I think it is a considerable achievement to be where we are now in terms of Al Muthanna. I saw no evidence through that period of us being anything but a very constructive force for good in Iraq. I think that is one aspect of it. I think the other aspect—I go straight back to the other major area of our involvement in the reconstruction of Iraq—is the work that we are doing in the North Arabian Gulf. Again, if we were not there, I just do not know what would happen. There was an attack on those platforms that was successfully rebuffed in 2004. If that attack had been successful, Iraq would be nothing today. So the work we are doing is absolutely vital. I do not see anybody complaining about what we are doing in those circumstances. Everything we are doing, everywhere, is well received, and particularly by the Iraqis.

Senator MARK BISHOP—And I do not challenge or disagree in any way with those comments you have made in respect of the work our people have done down south and the naval activity up in the gulf. I do not in any way dispute that. But I go back to the discussion we have been having for the last three-quarters of an hour. The focal point appears to be Baghdad, with the increase in sectarian violence and the militias, and you said the insurgency activity was still a major problem. Putting aside our successes in the south and the north, which I do not dispute, the critical question really is: is the presence of Western troops in the hot spots of Baghdad and elsewhere now exacerbating the war situation and making it counterproductive, or is that presence continuing to add value? That is the question that I would ask you to directly address, Chief.

Air Chief Marshal Houston—Well, I will directly address it and I will say that I disagree with General Dannatt. He made those comments; that was his call. But my call would be that what the coalition are doing in Iraq at the moment is not contributing to the problem. Indeed, I think if we were all to leave tomorrow the problem would be considerably greater. I think the coalition are having a stabilising effect wherever they are. I have given you some examples of our own experience, and there are similar examples I could give you from around the countryside. I just ask you this question: if we were to go tomorrow, do you think the situation would be better or worse? I think it would be worse, and therefore I think we need to continue there and try to achieve a conditions based outcome. I will leave it at that.

Senator MARK BISHOP—Okay. I asked a question and you have given a response—and I thank you for your honesty and forthrightness in giving that response, Chief, because that is part of the debate that is going on, as you are aware, throughout our community.

Air Chief Marshal Houston—Sure.

Senator MARK BISHOP—Can I now shift to the deliberations of the Iraq study group—a working party, I am advised, established by the US congress that involves former senior officials of Mr Baker's. Have the Australian government been asked to make a contribution in any way to the activities or the work of that group?

Air Chief Marshal Houston—Certainly, in terms of the Department of Defence, we have not been asked to contribute to that, no.

Senator MARK BISHOP—Mr Smith?

Mr Smith—I am not aware whether we have been asked across government, but we certainly have not in Defence.

Senator MARK BISHOP—And you are not aware of any request across government either?

Mr Smith—No, I am not aware of any.

Senator MARK BISHOP—Okay. This is probably a question for you, Mr Smith: does the Australian government have any views on the wisdom of partitioning Iraq as a solution to the endemic violence there?

Mr Smith—I do not believe we have a position on that. As our policy develops within government, we always look at options. You know that I will not canvass them here, but I can say clearly that the preferred option is that Iraq remain as Iraq.

CHAIR—Wouldn't that be a matter for the Iraqi government, Mr Smith?

Mr Smith—And it would be a matter, of course, for the Iraqi government. Yes.

Senator MARK BISHOP—Well, a lot of things are matters for the Iraqi government. But, when you have the best part of over 200,000 foreign troops on your soil and partitioning, particularly with the Kurds up in their part of the world, is actively debated in a range of circles, it is probably a matter which the government of Australia should consider.

Air Chief Marshal Houston—Senator, there are not 200,000 troops there. And we do now have a sovereign government there and it is the government that runs the place. The coalition is actually supporting the Iraqi government.

Senator MARK BISHOP—How many troops are there in Iraq at the moment?

Air Chief Marshal Houston—Just over 140,000.

Senator MARK BISHOP—For the entire coalition?

Air Chief Marshal Houston—The coalition, yes.

CHAIR—Can I intervene, Senator Bishop; Senator Faulkner has some questions for the department.

Senator MARK BISHOP—Yes.

CHAIR—Senator Faulkner.

Senator FAULKNER—I want to go back to the Al Muthanna province issue that you canvassed, Air Chief Marshal. What was the actual date that Australian troops left Camp Smitty? I think it was around July.

Air Chief Marshal Houston—We left over a period of time, and it was in July.

Senator FAULKNER—If we say July, that is near enough and I accept that it—

Air Chief Marshal Houston—I can give you the precise date the last man left.

Senator FAULKNER—I do not think there is any need, because I was interested in what happened immediately after those troops left. I read press reports indicating that, basically, as soon as the Australian Army along with some British troops left Camp Smitty, the whole joint was trashed by the Iraq security forces, who were going into the camp. In asking this question, I say that these are press reports and I wonder if you could tell me what the situation is from the Defence perspective.

Air Chief Marshal Houston—I will ask General Gillespie to address that.

Lt Gen. Gillespie—Camp Smitty was handed over to Iraqi authorities in good order. My view is that the press report that you are referring to actually was a press report of a British abandonment of a base in Maysan province, where certainly it was trashed. I do not see that being the case in Al Muthanna. Whether Camp Smitty exists today, I do not know and, quite frankly, it does not concern me because what we did not need was handed over quite properly to Iraqi authorities.

Air Chief Marshal Houston—That is my recall as well.

Senator FAULKNER—What is the name of the camp that was trashed where British troops were based and Australian troops were not?

Air Chief Marshal Houston—It is in the province of Maysan—the name just escapes me. It is very close to Al Amara.

Senator FAULKNER—This got quite a degree of international publicity, so I am a little surprised to hear what you say in relation to Camp Smitty.

Air Chief Marshal Houston—Essentially, this situation in Maysan happened about the time that reports were made about Camp Smitty, and I think there was confusion of the two locations by the media. We will follow it up, but I do not believe we have had any reports within Defence about Camp Smitty being trashed to the level you have described.

Senator FAULKNER—Well, I am not actually describing a level.

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

Senator FAULKNER—I am using a word that others have used. I do not pretend to know to what extent it may or may not have been trashed. You say it was handed over in good order and I completely accept that. General Gillespie said it was handed over in good order—I would expect that and be the first to acknowledge it. Is there no follow-through at all after the Australian Army leaves a base like that? Are you able to follow through on what may or may not have happened? I thought there may have been a handover procedure, because, according to the reports I have read, there was quite a lot of equipment and so forth left behind, a lot of which has found its way into places it should not have.

Air Chief Marshal Houston—I take it you have never been to Camp Smitty.

Senator FAULKNER—No, I have not.

Air Chief Marshal Houston—Most of the accommodation in Camp Smitty was temporary accommodation—tentage and, I suppose, stuff that had been put together with plywood. It was anything but a permanent structure. Whilst I think there was some equipment left behind, what we are talking about is not a barracks or a well-developed structure; it was really an area where most of the tented accommodation was removed and some fairly temporary and very basic stuff was left behind.

Senator FAULKNER—There are two issues there: structures, if you like—whatever they might be and however permanent they might be—and equipment that might be in them. Did the Australian Army leave any of its own equipment behind or not?

Air Chief Marshal Houston—No, I do not believe we left anything of any great value other than, I think, some airconditioning equipment that may have been left behind—that sort of stuff, but nothing of great substance.

Senator FAULKNER—So, when these international media reports became public about the alleged trashing of Camp Smitty, did the ADF try to follow through to ascertain the accuracy of the reports or otherwise?

Air Chief Marshal Houston—If you are talking about sending somebody there to have a look at it, no, we did not do that. And there was no need to, really. We are talking about a general area. We are not talking about Victoria Barracks or the normal sort of facility you might find here in Australia. We are talking about an area which had been used to establish a coalition camp.

Senator FAULKNER—But this has implications, I would have thought, in terms of the broader security issues that you have been asked about by Senator Bishop and the readiness and capacity of the Iraq authorities and security forces to undertake the responsibilities that they are being trained for. That is the reason for my questioning.

Air Chief Marshal Houston—The Iraqi security forces are located in permanent facilities—the normal sorts of barracks that you find in that part of the world. There was no need for them to occupy Camp Smitty on a permanent basis. It was something that was created for the coalition operations in southern Iraq.

Senator FAULKNER—And was there reporting to the ADF on what happened in Maysan so the ADF can be assured at any future point, if or when it withdraws from Iraq, that facilities occupied by the ADF, whatever they might be, or its equipment does not meet a similar fate to what happened at Maysan?

Air Chief Marshal Houston—Once we hand something over, we hand it over. Frankly, there was not anything of any great value left behind—by us, anyway.

Lt Gen. Gillespie—And it was a well-discussed and well-handed-over process with the local authorities. It was not a matter of us getting up one morning and driving out and leaving Camp Smitty to whatever might happen to it. There was a formal handover. The point that the CDF made is valid: the security forces that you might have thought would want to occupy our camp actually have purpose-built facilities as a result of coalition reconstruction over the last few years. So there was no need for the Iraqi army to rush in and live in a camp that was not flash. It was basically a big earth mound with barbed wire on top of it, inside which we lived in a fairly rough fashion.

Senator FAULKNER—I would appreciate it if you could check for me, which you said would, and provide that assurance. I would hope that the ADF would be aware of the situation if the reports about the trashing of Camp Smitty had been accurate. If you have any further information to provide the committee after those inquiries, I would appreciate it.

Air Chief Marshal Houston—No problems.

Senator FAULKNER—Thank you. I now want to, if I could, through the parliamentary secretary, ask a couple of questions of Mr Smith on a matter relating to Iraq, although some of it, I suppose, relates to the precursors to the Iraq deployment. Mr Smith, you would be aware, I am sure, of some recent coverage in the international media of the resignation of Dr John Gee, who was working with the Iraq Survey Group. I am sure you are aware of that press speculation.

Mr Smith—Yes.

Senator FAULKNER—Can you confirm for the record the nature of—this has been done before, so I think I am clear on it; I think it is useful for the record—the relationship that Dr Gee had with Defence during this period of his work with the Iraq Survey Group?

Mr Smith—Mr Pezullo has joined me as a witness because he has recently refreshed himself on this subject. Dr Gee, along with Mr Barton, was employed on a contract with the Department of Defence at the request of the US government and deployed with the team originally led by Dr Kay and later by Mr Duelfer.

Senator FAULKNER—Is it true that you had a meeting with Dr Gee on his return to Australia on 10 March 2004? That was the reported time; I may not have the correct date. You at least could confirm to us whether you had a discussion.

Mr Smith—I certainly had a meeting and I cannot recall the exact date but, yes, it was in the first half of March.

Senator FAULKNER—Thank you for that; I appreciate that. Was that in effect a private meeting between you and Dr Gee? Were any other Defence officials there?

Mr Smith—No. It was him and me. There were no others present in that meeting. He did meet with other Defence colleagues separately. Although Dr Gee was a good friend of mine and has been for many years, in the nature of these things this was not really private meeting; we talked about what he had been doing.

Senator FAULKNER—I appreciate that. There are also suggestions of an email exchange which note the fact that you had that meeting and that there was then a broader—I would not describe it as a roundtable—discussion with other Defence officials.

Mr Smith—Yes.

Senator FAULKNER—So you can confirm broadly that that took place?

Mr Smith—Yes.

Senator FAULKNER—Thanks for that. Did your meeting with Dr Gee occur after Dr Gee had resigned? My understanding is that that is the case but I want to be clear.

Mr Smith—I am not certain of what date his resignation took effect, but he had certainly told us that he intended to resign and had returned from Iraq for that purpose.

Senator FAULKNER—Because, in a nutshell, you were paying for his engagement, the resignation had to go to Defence.

Mr Smith—Yes.

Senator FAULKNER—Does it or doesn't it?

Mr Smith—In terms of ending his contract and the completing payment of moneys and so on, yes.

Senator FAULKNER—Can you confirm that effectively Dr Gee resigned in writing and it appears that his resignation letter, if you like, includes a note or letter of resignation and a more substantial report?

Mr Smith—The process by which he advised us that he wanted to terminate his contract, I am not clear about. It may have been orally done, which would have been sufficient. Separately, however, he told me—and that is a matter of public record—that he had written to the foreign minister setting out the reasons why he was resigning.

Senator FAULKNER—You are reported as saying in a newspaper—I will identify the newspaper so we are clear, and the date because I do not want to verbal you; I want to quote a newspaper. This was in the *Sydney Morning Herald* on 31 August this year. I will quote two paragraphs so we understand the context:

He—

that is, Dr Gee—

wrote that the Iraq Survey Group was “run by the CIA to protect the CIA”.

Then it goes on to say:

According to one email, the defence chief, Mr Smith, on hearing the briefing, said: “So we've got a problem.”

The next paragraph says:

Mr Smith told him—

and I interpolate here again; that is, Dr Gee—

“the only way to deal with bad news is to deal with it promptly and get it out of the way”.

You are quoted in this article—it is a quote of an email, effectively—as having said: ‘So we’ve got a problem. The only way to deal with bad news is to deal with it promptly and get it out of the way.’ Would you be able to confirm to the committee the accuracy of what was reported in August this year?

Mr Smith—I do not have any record of having said that, but it is possible that I did. It is the sort of thing I say from time to time when I face a problem.

Senator FAULKNER—Regarding the letter of resignation and report—let us just call it the letter of resignation, as an easy way to describe it—does Defence actually have a copy of that?

Mr Smith—Not that we have been able to locate it.

Senator FAULKNER—So efforts have been made to see if—

Mr Smith—Yes, we did.

Senator FAULKNER—And when did you make those efforts?

Mr Smith—Mr Pezzullo, I think, has the answer.

Mr Pezzullo—We certainly canvassed the issue in March 2005 in terms of our files, Mr Barton having mentioned the letter of resignation. He was quite explicit in evidence that he gave to the relevant references committee that looked into what I think became known as the Barton allegations. At that time, after his evidence on 29 March 2005, the division for which I am now responsible, International Policy Division, went back to their holdings. They would be the most likely repository of any such letter, because they actually managed the non-ongoing APS employment contract. We have covered that ground before. You will recall that we tabled the dates of the appointments of various persons. As I recall, we did not identify any of the non-ongoing employees other than Mr Barton, who, in a sense, made himself publicly known. But, given the public interest in the matter and the wide canvassing in the media now, of course, one of those non-ongoing contracts was in fact Dr Gee’s. The Senate will have, in terms of tabled documents that were provided to that inquiry, the dates and the period of employment that Dr Gee had with International Policy Division.

Senator FAULKNER—So, in general terms, it is fair to say that you undertook a search for this. You did what you described to us at the time as an exhaustive search of records—and I accept that it was—surrounding the ISG and WMD interview and Barton allegations et cetera?

Mr Pezzullo—Indeed. I should distinguish two things, just for those who are perhaps less learned in these matters. The initial review of related matters occurred in 2004 in relation to detainee management matters. At that time, that fact-finding exercise did not focus on the ISG weapons of mass destruction issues, but I can confirm for you as the head of that fact-finding team that I neither had any occasion to look for that letter nor came across it. In February 2005—regarding the matter that I think you are now referring to—Mr Barton expressed

certain concerns publicly and, of course, we then conducted a very thorough search of all of our holdings in preparation for the estimates hearings that we had both in February 2005 and, of course, in March. When the committee called witnesses, we prepared ourselves very thoroughly. Yes, it is fair to say that in all of those exercises we came across no such letter.

Senator FAULKNER—You do not have it now?

Mr Pezzullo—No.

Senator FAULKNER—And you can say that you have never had it?

Mr Pezzullo—I am the deputy secretary of the division that is likely to have it. They have advised me that they do not have it—and that is current, as of my preparation for this appearance. It is my understanding that they have never had it, since the matter first came to attention with the return of Dr Gee in the time period the secretary talked about—that is to say, March 2004.

Senator FAULKNER—Is it true that Defence was in fact offered a copy of the letter?

Mr Smith—I read that in that newspaper article that you referenced, Senator. I do not recall that having happened—it was of course 2½ years ago. I do not recall us being offered a copy of it, but somebody clearly believes we were.

Senator FAULKNER—That is true; someone clearly does believe that you were and I am—

Mr Smith—That said, Dr Gee did brief me broadly on the contents of his letter when he met with me whenever it was—on 10 March, I think you said.

Senator FAULKNER—This is a pretty critical thing, I think, Mr Smith. It is one thing to receive a letter; it is another thing to refuse to receive a letter. I was hoping to hear a more categorical answer from you on that. I appreciate that we are talking about events that took place some time ago; I acknowledge that. However, on an issue like this, where there might be a very good reason why someone might refuse to accept a letter, I had hoped that you could be more categorical in your response to that question.

Mr Smith—I am sorry I cannot be, Senator. I could say that I do not see why we would not have accepted it if it had been offered, but I just do not recall any circumstances relating to it. And I do not see why we would not have, because, as I said, Dr Gee briefed us on its contents.

Senator FAULKNER—Yes. Are you aware of any instructions issued by any source that Defence should not receive a copy of that letter?

Mr Smith—No, I am not.

Senator FAULKNER—You certainly would be aware of suggestions—and I am not using any terminology here other than ‘suggestions’—that such instructions were issued, wouldn’t you?

Mr Smith—I have seen in the press—

Senator FAULKNER—Yes.

Mr Smith—Yes.

Senator FAULKNER—Yes. Just because it is in the press does not mean it is right. I am not suggesting that. As you know, I am always very careful at this and every other committee—and you heard me when I started to ask some questions about a recent matter here. I have only asked questions on two issues at this estimates committee. One was on Camp Smitty, and I made it absolutely clear that I read something in the press. I do not know if it is accurate or not. I tend to treat things I read with a comparatively large grain of salt until I can confirm them. That is why I am asking you these questions. So, yes, there has been press reportage that Defence officials had been instructed not to receive a copy of Dr Gee's letter, and I wondered if you or Mr Pezzullo had any recollection or any evidence that you could provide that supports that claim.

Mr Smith—I make two points: firstly, I have no recollection of any such instruction and, secondly, I cannot see why we would not have been interested in receiving the letter, since we had been made aware of its contents.

Senator FAULKNER—Is it reasonable to say the briefing was in two parts? You received a private briefing, effectively, from Dr Gee and then there was a broader briefing of other Defence officials. Without identifying the individuals, are you or Mr Pezzullo able to tell us the nature of that other briefing? Was it of DIO officials? To whom in Defence—I do not want to go through a list of names—was that further briefing provided?

Mr Smith—I cannot go through the names either, Senator, but I would expect that it was to some officers from the International Policy Division and some from DIO.

Senator FAULKNER—Right. Were there any reports or notes taken of either your discussions or briefing—whatever terminology you wish to use—with Dr Gee, or the second, broader briefing with Defence officials? In Mr Pezzullo's check of departmental records, have you been able to establish that there are any records?

Mr Pezzullo—In terms of the document that we examined in relation to the 2005 Senate inquiry, there are records, if I can couch it in these terms, of the personnel management dimension of, if you like, repatriating Dr Gee. He did indicate that he wanted to return sooner than the point at which his six-month period of engagement was up. You have those details from previously tabled documents. He felt that the useful work that he could do had come to an end. That is a matter, I would suggest, of public record. There is a record of that, because we are responsible for his employment conditions in a Public Service sense. Those records indicate that the wishes that Dr Gee had in relation to his return to Australia were conveyed by officials—that is to say, they reported up the chain and the relevant division head reported further up the line. I have re-read the documents in preparation for today's hearings. There is no reference in those contemporaneous records to any discussions with the secretary, nor do those records contain any notes by the secretary in relation to the meeting that has just been described.

There is no record that my division staff directly 'hold', if I can put it this way, on the more intelligence related discussions. You heard from Mr Varghese the other night that there were roundtables with analysts and persons with an interest in the substantive issues around WMD. Mr Varghese put a fair amount of evidence down in terms of ONA's meetings with Dr Gee. I dare say—although I do not have any direct cause to know this and I have not had occasion to

check it—that DIO and other officials might well have been interested in the substantive issues that Dr Gee’s expertise covers. Subsequently, in 2005, when we looked at the matters again in relation to the Senate inquiry, as I said earlier, we re-examined the files. There was no evidence of the said letter, and such as we know about Dr Gee’s employment conditions was yielded to the Senate in the form of that tabled response.

Senator FAULKNER—So what you are saying is that your records go to personnel-employment issues, not to policy-intelligence issues.

Mr Pezzullo—Principally. It is not easy to make a break between those two dimensions. In a sense the burden of Mr Barton’s evidence before the references committee is relevant here. He claimed, on behalf of himself and in relation to a fellow colleague who has, I guess, in a sense been outed, that they felt that with the departure of Dr Kay from the ISG leadership position and the arrival subsequently, after a short period of time, of Mr Duelfer, that the useful work that they could do had come to an end. Both of them indicated an interest in coming back, and you know that because the dates in the table of non-ongoing employment contracts suggest that they certainly stayed for a time shorter than their six months.

Senator FAULKNER—The concerns were raised by Dr Gee with you and at the broader meeting. I am not going to go to the broader meeting as we do not know who was there; I have not asked you to identify those people at this stage and am not planning to. I will consider that at a later stage but not at this stage, certainly. You have said to me that you might have said, ‘We have a problem,’ or, ‘The only way to deal with bad news is to deal with it promptly and get it out of the way.’ They seem perfectly reasonable things to say, and you have indicated that you may have said such things. Did you take any action? I specifically want to ask you, first of all: did you consequently have any contact with the secretary or any official in the Department of Foreign Affairs and Trade about the Dr Gee issue?

Mr Smith—I did not myself, so far as I recall, but I believe my colleagues in Defence in the International Policy Division would have been in touch about it with the Iraq Task Force, which was run out of the Department of Foreign Affairs and Trade.

Senator FAULKNER—Did those colleagues request a copy of the Gee resignation letter?

Mr Smith—Not that I am aware of.

Mr Pezzullo—There is no reference to a contemporaneous asking for the letter of resignation. The fact that Dr Gee wanted to come back to Australia had been conveyed and confirmed between officials, so in that sense there was no formality required like, ‘Here’s the letter; I’m going to resign.’ The fairly streamlined processes that we have these days allowed the contract to be varied pretty quickly with the signature of a delegate. There is a record in February 2005 of a request being made and, consistent with the experience that Mr Varghese’s agency had and as Mr Varghese expressed to you the other night, that request was not agreed to.

Senator FAULKNER—So there was a request. I was going to ask whether, contemporaneously or otherwise, there had been any request, but you have saved me the trouble and I appreciate that—it helps save time before lunch! So in February 2005 there was a request from Defence to the Department of Foreign Affairs and Trade for the letter to be made available?

Mr Pezzullo—I will not pin myself down to a specific date, because I do not have that record, but it was around the time between Mr Barton raising his allegations, or his concerns, in February 2005 and the conduct of the subsequent Senate inquiry. Whether that was February, March or April, I would need to check in detail.

Senator FAULKNER—I would appreciate it if you could check and come back to us later in the hearing. I think it would be possible to check perhaps over the lunch break, or I will be back a bit later in the afternoon. If you are able to assist us, I would appreciate that.

Mr Pezzullo—To the extent I can, I will.

Senator FAULKNER—It is the date. I am asking for the date. I know how methodical you are, Mr Pezzullo—at great cost, sometimes, at these hearings, not to you but just to me and everyone else on the committee—

Mr Pezzullo—I am here to listen to the faint praise!

Senator FAULKNER—I hasten to add, so no-one misunderstands the *Hansard* record! Who made the request in February, March or April 2005?

Mr Pezzullo—It would have been officers from the International Policy Division who then had, and continue to have, carriage of this matter—from an employment point of view; I want to strictly quarantine that from drawing intelligence assessments and conclusions in relation to WMDs.

Senator FAULKNER—I appreciate that. Let's be clear: I think we at this committee and other committees know enough about Dr Gee's engagement, the employment arrangements and personnel matters. I am trying to cut to the chase here, as long as you understand that I am asking about a request for the resignation letter and report. That is what your answer refers to—a request for the resignation letter and report?

Mr Pezzullo—Subject to checking, it would have been officers from the policy area, yes.

Senator FAULKNER—If you can come back to me on that at a later stage. I have some obligations in another place immediately after the lunch break. But I would ask you, in relation to Dr Gee's letter, to please check the date of the request—

Mr Pezzullo—Made to DFAT?

Senator FAULKNER—Yes, made to DFAT. Please check the date, please check who made the request and please indicate who made the response, when the response was made and the reasons that were given.

Mr Pezzullo—I will do my best.

Senator FAULKNER—I know you will, Mr Pezzullo, and I am sure your best will be good enough. And I flag, Acting Chair, if I can, that there may be some follow-up questions.

ACTING CHAIR—We note that, Senator.

Senator FAULKNER—Just to conclude this matter, before we get a report back: Mr Smith or Mr Pezzullo—whoever cares to answer this—beyond that request by DFAT, was there any further reporting to ministers or others on this issue? I am interested now in the content; I am not going to the content of Dr Gee's briefing, because I think I know what it is; I

think it is a matter of public record, and I think you would acknowledge that, even though it was private at the time, it has become a matter of some notoriety.

Mr Smith—And I should say, Senator, that the reasons for his resignation were not a secret within the Public Service. We might not have seen the letter, but we knew of the story.

Senator FAULKNER—I accept that. The issue is this: did you report further to the minister or elsewhere or were others informed, formally or informally, about those concerns?

Mr Smith—Yes, we did report to Senator Hill—

Senator FAULKNER—You did?

Mr Smith—in March 2004 that Dr Gee and Mr Barton had returned to Australia and we gave the reasons for it.

Senator FAULKNER—When you say ‘the reasons for it’, did this go substantively to their concerns about WMD or lack of WMD? Let us sum up the reasons for it in terminology that you are comfortable with putting before the committee, in a phrase or two.

Mr Smith—In a phrase or two, their concerns were, firstly, that there was little or no evidence of WMD that could be substantiated and, secondly, about the way in which the newly appointed head of the ISG seemed to be approaching the issue. Those concerns were real at the time. As it later turned out, of course, Mr Barton, at least, became satisfied with the way in which that was being conducted and returned to Iraq. But Dr Gee, for a number of reasons, did not.

Senator FAULKNER—Yes, but Mr Barton was satisfied with the process issues. That does not mean that he was in any sense satisfied, obviously, with the more substantive issue about the lack of evidence of WMDs.

Mr Smith—By ‘process’ I mean the way in which the head of the ISG was handling the matter or the substance of the matter.

Senator FAULKNER—That is right. You say that Mr Barton became satisfied and returned to Iraq and I accept that. That is a level of some satisfaction about the operations of the ISG, not about the substantive underpinning issue on little or no evidence about WMD. Anyway, can I ask you to report back later in the hearing? This brief went from you, Mr Smith, to the minister, did it?

Mr Smith—From the head of the International Policy Division.

Senator FAULKNER—It goes from the head of the International Policy Division to Senator Hill that Australia’s two key operatives involved in the work of the Iraq Survey Group had major concerns about the lack of evidence about WMD. That goes to Senator Hill, the then defence minister, in March 2004. I would be interested if you could just let me know who else was copied in on that brief—

Mr Pezzullo—I am sorry, Senator—your characterisation was that they had major concerns about—

Senator FAULKNER—You object to my use of the adjective?

Mr Pezzullo—I am not objecting; I am just saying—

Senator FAULKNER—We know that Dr Gee and Mr Barton had major concerns. That is on the public record. But if you wish—

Mr Pezzullo—But is not the phrase that we were asked.

Senator FAULKNER—If you prefer, Mr Pezzullo—

Mr Pezzullo—We will respond in our own terms.

Senator FAULKNER—for the sake of saving time, if we say ‘concerns’ I am happy with that. But I would like to know the date, who else it goes to and who is copied into this. We will deal with that subsequently. But at least we now have it confirmed that then defence minister, Senator Hill, was briefed about these concerns in March 2004. We will return to that later, Chair.

Senator MARK BISHOP—I have concluded my questions on Iraq and I want to go to East Timor next.

Air Chief Marshal Houston—Just before we do that, I can respond first of all to the Camp Smitty situation. When we left there was nothing of value left in the camp. Essentially, after we left, the place was left completely vacant. As you would expect, some of the locals went in there and I understand there is a bit of graffiti, and perhaps some stuff was taken away. But it was of absolutely no value. There is nothing of consequence that we need to worry about.

Senator FAULKNER—Sorry to interrupt you: there was some inappropriate activity before the camp was occupied by other forces—is that what you are saying?

Air Chief Marshal Houston—It is not being used; it is a vacant space and nobody looks after it.

Senator FAULKNER—Would it be best to say that there was some minor vandalism after the Australian task group had left? Is that a fair way to—

Air Chief Marshal Houston—It is true to say that people came in and if there was a bit of wood lying there they would pick up the piece of wood and take it away. There was a bit of graffiti—nothing more; nothing less. In terms of the state of our special forces who were wounded in action in Afghanistan, nine are fully recovered and back at work and two are still in the rehabilitation process.

Senator HOGG—Any idea how much longer the two who are in rehabilitation will be there?

Air Chief Marshal Houston—I can come back to you on that. We do not have that detail.

Gen. Gillespie—I can say that one is well down the path and the other is a little slower, but there is no prognosis for when it will be finally finished at the present time.

Senator MARK BISHOP—Thank you for your introductory remarks on East Timor, Chief. You were quite succinct in your description of what is going on up there. Arising out of those remarks, can you confirm that the East Timor defence forces are confined to barracks? Is that the case or not the case?

Air Chief Marshal Houston—No, I would not characterise it as confined to barracks at this stage.

Senator MARK BISHOP—How would you describe it?

Air Chief Marshal Houston—They are out and about but they are not doing anything that interferes with our activities or indeed anybody else's activities.

Senator MARK BISHOP—Are you aware of any restrictions on their activities?

Air Chief Marshal Houston—Let me ask General Gillespie if he has any detail on that.

Gen. Gillespie—The original part of this process was of course to separate the police from the military and other warring factions so we could bring some stability to the country and allow the East Timorese government to start to sort out the problems that they had. That included an agreement with FFDTL, the military, to return to their barracks and leave their weapons in their armouries. In the east of the country, the FFDTL have been moving around the countryside. They have played their part in it so far in staying disarmed. There are barracks closer to Dili in which principally they confine themselves to the barracks but they do, with coordination from us, move into the city and deal with government and do other things. They just do that unarmed at the present time. So they are not strictly confined to barracks but they are agreeing to the deal that we made with them to confine themselves generally to their barrack areas and not carry weapons and inflame the situation.

Senator MARK BISHOP—When was that deal done?

Gen. Gillespie—In May when we started the process, and it was one of the fundamentals that we agreed to with the principal leaders for our participation.

Senator MARK BISHOP—It is your understanding that that agreement reached between our people and their leadership back in May is still being honoured by the people in the defence force up there.

Gen. Gillespie—There are some individuals who flout the law from time to time. It is the nature of what is going on up there but, by and large, they are adhering to the deals that we made with them.

Senator MARK BISHOP—Chief, in your opening remarks you referred to the press commentary on the blow-up of violence in East Timor in recent weeks. You said that, since May the ADF has worked to prevent a recurrence of the violence, there were isolated incidents of violence, security was fragile and there were inter-ethnic problems. Can you give me an idea of the scale of the violence that is going on in Dili and other parts of East Timor, if it is occurring? And what is your assessment of the root causes of that violence? What has caused it to flare up again?

Air Chief Marshal Houston—First of all, I think the situation is much, much better than it was when we first went in and we broke the cycle of lethal violence. You would recall that there was a period there when we had a lot of gang violence on the streets and we had to deal with that. We have seen nothing on that scale since. But in the last few days, last week, there was some violence, and some of it was, in my view, politically motivated violence. Things were happening in New York, and I think there was some violence on the streets in East Timor in association, I suppose, with those decisions that were being made in New York. But

there are also some enduring tensions within the society there, mainly the east-west tension, and from time to time that flares up into crime and violence and sometimes we see very unfortunate things happen. So I would characterise it that way. Things at the moment are calm and everything is okay at the moment.

Senator MARK BISHOP—But essentially you are saying that the more recent flare-ups were politically motivated or politically orchestrated?

Air Chief Marshal Houston—I think some of the violence was politically motivated. Of course, at other times we have seen the tensions within the society there boil over into the streets, and then again sometimes we see criminal activity. So there are elements of all of those in some of the violence we have observed in recent times.

Senator MARK BISHOP—There is a suggestion around, Chief, that some of the current problems with the East Timor defence forces can be traced back to problems and clashes with the initial mission to East Timor some years ago. Do you give any currency to that argument or do you see the current problems as relating to more current issues?

Air Chief Marshal Houston—I mentioned that there are some underlying tensions within the community up there. I think those tensions between the east and west have been there for a long time. They have been an enduring feature of the society up there for a number of years.

Senator MARK BISHOP—All right. Have we sought to in any way mediate, arbitrate or resolve those enduring ethnic, east-west problems?

Air Chief Marshal Houston—Well, I think since we went in there and successfully broke the cycle of lethal violence we have worked very hard to facilitate an environment where differences could be resolved by making concessions and compromises. But a lot of these issues are very difficult to mediate, and really it takes willingness on both sides to basically resolve the issues.

Senator MARK BISHOP—In terms of our deployment up there in 2000 and our current deployment, is our role to give advice to the East Timor defence forces or is it to train our counterparts up there, there being a significant difference between the two?

Air Chief Marshal Houston—The reason we went in this time was essentially to stop the fighting that was on the streets at the time. If you remember, the day we went in a number of people were killed on the streets in Dili, and we saw the police and the military actually having a go at each other on the streets of Dili. We went in; we broke that. What we were about was stabilising the situation, so everything we have done up until now has had the objective of establishing a stable environment; keeping, if you like, the people who have differences apart; and ensuring that issues were resolved in a sensible way, not by resorting to violence. And that is what we have been doing.

Initially we were doing it very much on our own with our coalition partners, but, as we have brought in more police—and obviously the police have come with the United Nations mission—the police have taken over the leading role. Initially, the police lead was provided by Australia, with the Australian Federal Police. Eventually there was a transition to the United Nations, and the United Nations Police now have the lead in terms of establishing a secure environment in Dili. In just about every instance that pops up, the first response is

provided by the police. The only time we get involved is when the circumstances overwhelm their capability.

Senator MARK BISHOP—You say our role was to restore security—I understand that. In terms of the ongoing relationship with the East Timor police and the East Timor military, do we have a training role now and into the future or is it again just to maintain security whilst we are there?

Air Chief Marshal Houston—In terms of the military training role, we had a very extensive defence cooperation program that was in place when the violence erupted in May. When that violence erupted, that program was suspended. We sent many of our advisers home, because obviously the environment was not suitable for training. Our intent would be in the future to re-establish a program of cooperation with the East Timor defence force so that they can develop the sort of force they need into the future.

Senator MARK BISHOP—But, currently, that training program is suspended?

Air Chief Marshal Houston—Yes, it is. We will be looking to start it again as soon as things settle down and we can start working with them again in a productive and constructive way.

Senator MARK BISHOP—What about in terms of ongoing training for the police into the future—is that part of the role of ADF or AFP?

Air Chief Marshal Houston—It is nothing to do with the ADF. The institution of police is very much a United Nations function at the moment, and part and parcel of that will be a need to mentor and develop the East Timorese police force so that they can do the job into the future.

Senator MARK BISHOP—Going back to our first deployment there in 2000: having restored order, was it our job to train the East Timorese defence force or, again in that period from 2000 until about 2005, was our role simply one of offering advice whilst we were there?

Air Chief Marshal Houston—I might ask Mr Pezzullo to come forward. But let me just say, first of all, that in 2000 the circumstances were totally different to the circumstances that we confronted in May. We were going in there to confront militias who had essentially taken over the country. So it is quite a different set of circumstances to May, when we went in there to separate the police and the army in the battling that they were involved in on the streets.

In terms of what happened in 2000, just very broadly, there was much discussion about what sort of force would be required to secure East Timor's boundaries. A study was done by King's College at London university. They came up with a two-battalion structure, and that provided the basis for the development of the East Timor defence force. We and the Portuguese were the main providers of the training. In fact, the basic training was provided by the Portuguese. We also provided training and facilities. The barracks at Metanaro were developed by us out of Defence Cooperation Program funds, and the process continued. Essentially, we were still involved in the Defence Cooperation Program when the violence broke out. If there are any matters of detail that you want to pursue, Mr Pezzullo can assist.

Mr Pezzullo—After the departure of INTERFET and the arrival of the United Nations, there was a situation similar to the one that we have today.

Senator MARK BISHOP—When was that?

Mr Pezzullo—That was in 2000. The United Nations, through the Security Council, was actually responsible for the establishment of what became the East Timorese government, and nations participated in that. Part of the deal then was the establishment of two key institutions of the type we are talking about: one was the police; one was the military. And, inside the UN guidance and leadership that we provided, several nations, Australia being one of them, provided, through bilateral relationships, some niche training capabilities. Then we, along with the Portuguese and others, provided some training to the East Timorese defence force and to the police force.

The great shame about the issues of April and May was that these two institutions got stuck into each other. That created an environment where we deployed again to separate the institutions and start the process of healing. The UN Security Council resolution that was passed a month and a half or so ago actually restructured the country so that it looked very similar to how it did in 2000. So, in essence, the United Nations, working with the government of East Timor, is responsible for issues to do with governance, helping the government restructure its problems and work out a way ahead, and mentoring in that sort of process through nations and through the United Nations.

Along with that, the United Nations in its mandate took responsibility for the policing effort in the country. So, if you are talking about issues to do with law and order—and you will know that many people confuse this if you read the press reports of the last several weeks—they are issues for the United Nations. If you are talking about security then that is an issue for the ADF led international security force. That is why the CDF says that, when there are issues to do with law and order in Dili, they are matters for the UN Police force to deal with. Where it is beyond the scope for them to do it, we provide support so that they can do their business in a safe environment. I think people confuse the policing and the security roles. The security role belongs with us. We have an understanding with the East Timorese government, and we are developing an understanding with the United Nations, about how about that functions. If it is a law and order issue or a governance issue, that belongs to the SRSG and the Prime Minister and the government through the UN.

Senator MARK BISHOP—Thank you for that background, gentlemen; it is appreciated. When did we first leave East Timor? What year was that?

Air Chief Marshal Houston—INTERFET completed its mission in early 2000. A UN mission then took over—UNTAET. And then it was a United Nations mission, and that mission completed in 2004.

Mr Pezzullo—Our contribution to it. The UN mission has changed, going through several guises, and exists today.

Lt Gen. Gillespie—The background of our involvement was detailed chronologically by me, and extensively, in response to Senator Nettle's questions, as you will recall, in the hearings on 31 May and 1 June. I went through the precise dates and I would rather defer to that evidence. When you ask when did we leave, the burden of my evidence—going back to those budget session estimates plus the follow-on questions that I took on notice and have since provided—is that we never left in a sense.

Senator MARK BISHOP—That is correct.

Lt Gen. Gillespie—The Defence Cooperation Program, which was the subject of Senator Nettle's questions, started in 2000-01, and it has continued to this day. The various contributions that we have made either to the stabilisation force, which was just referred to, or to the UN mission subsequent to that, were on top of that Defence Cooperation Program. So there has been a continuous Australian presence/involvement/contribution since the days of INTERFET.

Senator MARK BISHOP—That is a fair response—I accept that.

Mr Pezullo—Thank you.

Senator MARK BISHOP—What I am driving at is whether our less prominent role between 2000 and 2004 and thereafter was a contributory factor to the breakdown in law and order that occurred earlier this year that caused us to have to reposition up there.

Air Chief Marshal Houston—You say our lesser role after 2000, but we had a substantial number of troops in East Timor post 2000. In fact, we had the best part of, as I recall, several hundred troops there in the aftermath of INTERFET, so I do not think it is fair to characterise us as having a very minor presence there.

Senator MARK BISHOP—I did not say 'minor presence'.

Air Chief Marshal Houston—Right through that period, we were consistently providing 30 per cent of the UN force. The UN made decisions about the force levels that were required, and we maintained 30 per cent of the force right through the transition from UNTAET to the next UN mission—I forget what that was called. Even in the mission immediately before our deployment, we were maintaining a substantial part of that but not at the level of 30 per cent.

Proceedings suspended from 12.31 pm to 1.36 pm

CHAIR—We will continue with questions from Senator Mark Bishop.

Senator MARK BISHOP—Thank you.

Air Chief Marshal Houston—Can I inform the committee that I have some further information on the UK base in Maysan. It was Camp Abu Naji.

Senator MARK BISHOP—Thank you. I have concluded my questions on East Timor. I just want to raise some issues arising out of the series of investigations into Private Kovco. I am aware of the areas where it is not appropriate to go into questioning. I just give advice that I will not be going into those areas. I do not know whether this is a question for you, Mr Smith, or for Air Chief Marshal Houston. When will the board of inquiry into the death of Private Kovco deliver its findings to the government? Do we have any knowledge of that?

Air Chief Marshal Houston—The report was delivered to me formally on Monday.

Senator MARK BISHOP—Informally, did you say?

Air Chief Marshal Houston—No, formally. I had Group Captain Cook come and brief me. I took possession of his report on Monday.

Senator MARK BISHOP—Is it your decision or a decision of Dr Nelson's as to if and when it will be released publicly?

Air Chief Marshal Houston—Firstly, in order to enable the minister to make his decision on the release of the report, I will go through the report with the support of my staff to ensure that we thoroughly investigate the recommendations that have been made and come up with a plan to implement them.

Senator MARK BISHOP—So it could be some weeks or months before it is publicly released, with you having to carry out that type of work?

Air Chief Marshal Houston—For example, previous BOIs have taken three or four months before the report is released to the public.

Senator MARK BISHOP—Do you have advice as to when the New South Wales Coroner will release his findings?

Air Chief Marshal Houston—No, I do not.

Senator MARK BISHOP—Mr Smith, do you have any advice?

Mr Smith—No, I do not.

Senator MARK BISHOP—Given the performance of the Special Investigation Branch and the government's response to the Senate military justice inquiry promising to significantly enhance the Special Investigation Branch's resources and training, when will that decision be implemented?

Air Chief Marshal Houston—Again, I have received a report on the audit of the ADF investigative capability. At the moment we are putting a detailed plan together to enable us to respond in a meaningful way to the inevitable questions that will come with the release of the report. I would anticipate releasing that report in the next few weeks.

Senator MARK BISHOP—And that report arises out of the government's response to the military justice inquiry with respect to the performance of the Special Investigation Branch?

Air Chief Marshal Houston—Yes, you might remember the recommendation, which was accepted by the government, was that there be a full audit of the ADF investigative capability. That audit has been completed and I am now considering the report with the support of my staff. We will be in a position to release it before the end of the year.

Senator MARK BISHOP—Do you have any advice on the cost of chartering the airbus to recover Private Kovco's casket after the mix-up had been revealed?

Air Chief Marshal Houston—We would be able to obtain those costs for you, but I do not think we have that level of detail with us right now.

Senator MARK BISHOP—If you could take it on notice—

Air Chief Marshal Houston—We will certainly take it on notice.

Senator MARK BISHOP—you could provide it to us later this afternoon.

Air Chief Marshal Houston—By the way, that aircraft flies back and forth all the time, so it is part of the work that it does.

Mr Smith—It is a continuing charter arrangement that we have.

Air Chief Marshal Houston—Yes, it was not a special charter. This is an aircraft that we use to sustain our operations in the Middle East. It flies back and forth between the Middle East and Australia all the time.

Senator MARK BISHOP—So it just had this particular task at this particular time?

Air Chief Marshal Houston—This was the particular task that it did at that time.

Senator HOGG—That is on a 12-month contract, is it?

Air Chief Marshal Houston—It is on a contract. If you want details of the contract, I am sure the vice chief can give you details.

Senator HOGG—Yes, can you get the details of the contract and pass them up to us at some stage. That would be helpful.

Air Chief Marshal Houston—Okay.

Senator MARK BISHOP—In terms of Brigadier Cosson's report and executive summary, did she find that seven to eight days is the normal time to repatriate a body to the United States?

Air Chief Marshal Houston—Yes, it is in that order.

Senator MARK BISHOP—In paragraph 8 of her report, she said:

... to accelerate the repatriation process and facilitate the return of Private Kovco within four days from his death is too short a timeframe within which to properly risk-manage and execute a ... highly sensitive operation.

Do you recall that comment?

Air Chief Marshal Houston—I have not read the report for quite a while but I do recall the essence of those comments, yes.

Senator MARK BISHOP—Is it not also true that Mrs Shelley Kovco, in her statement to the board of inquiry on 19 September, at page 1803, said that the haste of repatriation was not at her request and that not once did she demand that her husband be brought home so quickly?

Air Chief Marshal Houston—Yes, that is probably correct.

Senator MARK BISHOP—Given those two statements that are on the public record—(1) Brigadier Cosson's finding and (2) Mrs Kovco's evidence to the board of inquiry—is it true that there was a directive that the body be returned to Australia in time for Anzac Day and, if so, who gave that direction?

Air Chief Marshal Houston—No, that is not true. There were no formal directives to do anything of the kind, but I think there was a feeling amongst everybody that it would be best to get Private Kovco's body back as soon as was practicable.

Senator MARK BISHOP—So there was no directive from the operational side, or within ADF. Are you aware of directives from elsewhere?

Air Chief Marshal Houston—No, absolutely not. I think it is true to say that we were keen to get Private Kovco's body back as soon as we could, and I think that was the only thing that was in play there. There were no formal directives; there was nothing of the kind.

Senator MARK BISHOP—Did Anzac Day have any particular significance in the four-day period?

Air Chief Marshal Houston—Not really, no.

Senator MARK BISHOP—So, you say that that is not the case?

Air Chief Marshal Houston—No, not at all.

Senator MARK BISHOP—The transcript of the board of inquiry indicates that the minister personally telephoned officers in the Middle East about the need to get the body back quickly. Are you aware why the minister did that?

Air Chief Marshal Houston—No. I think the context in which you have asked the question is not quite right. Essentially, the minister did not become involved in any calls to the Middle East until we had the problem with the wrong body arriving in Melbourne.

Senator MARK BISHOP—So there was no involvement of the minister; is that right?

Air Chief Marshal Houston—There was no involvement whatsoever in the initial repatriation of the first body.

Senator MARK BISHOP—Your evidence is that there was no involvement of the minister in terms of direct contact to officers in the Middle East prior to him or his office becoming aware that there had been a mix-up and the wrong body was to be received; is that right?

Air Chief Marshal Houston—There was absolutely no involvement with the minister, any of his staff or anybody outside of the ADF until such time as we had a very unfortunate mix-up with the bodies. At that stage, people obviously were very concerned about what had happened and a few inquiries were made about the situation with the bodies.

Senator MARK BISHOP—I refer you to page 889 of the board of inquiry report and the evidence of Mr Adams, DFAT consul in Kuwait. His evidence indicates that the minister personally telephoned officers in the Middle East concerning the need to get the body back quickly.

Air Chief Marshal Houston—That was after the Bosnian gentleman's body arrived in Melbourne and, clearly, at that point there was some imperative to find Private Kovco's body and get it back to Australia as soon as we could. That is what that related to.

Senator MARK BISHOP—You say it did not relate at all to any events prior to the wrong body arriving in Australia?

Air Chief Marshal Houston—Absolutely. That is what I said the first time, and I am very strong on that particular testimony.

Senator MARK BISHOP—Is that also your advice, Mr Smith?

Mr Smith—As far as I know. You realise this is a chain of command matter and I am not directly involved in it. I have not been given any other view.

Air Chief Marshal Houston—I can give you a categorical guarantee that what I have just told you are the facts.

Senator MARK BISHOP—Thank you. Mr Smith, at the last round of estimates you gave a detailed summary of where the various reviews were at. I do not want to go through that now, but could you provide on notice to the committee an update in writing on the defence inquiries and reviews?

Mr Smith—Yes, certainly. You would have seen the one we provided in answer to your questions last time, which contained quite a lot of detail. I can do that.

Senator MARK BISHOP—Essentially, I am looking for an updated status report in precis form as to where each of those reviews is at.

Mr Smith—Each of the ones we named in June?

Senator MARK BISHOP—Yes. Also, there is a ministerial directed review into recruiting and retention. I am not aware that you discussed that last time, so could I have a precis on where that is at?

Mr Smith—Yes.

Senator MARK BISHOP—The ADF clothing and personal equipment review has been concluded?

Mr Smith—Yes.

Senator MARK BISHOP—I will come to the Seasprites later on. The Defence improvement board is one I want an update on, if I may, as well as the government initiated review into ADF command and control structures. Could we have an update on that?

Mr Smith—Yes.

Senator MARK BISHOP—There was an announcement in February 2006 that the Australian defence headquarters at Russell will be re-established as an integrated headquarters of civilian and military, and I am advised final plans were supposed to be agreed in June 2006. Could we have an update?

Mr Smith—That is done and in place, and I think the annual report addresses that.

Senator MARK BISHOP—I got the annual report last night at 6 pm, so I have not had time yet to familiarise myself with the detail. Air Chief Marshal Houston, you had advised this Senate standing committee that you were able to come and give some evidence as to the findings of two particular reports some two or three weeks ago, and then that meeting had to be cancelled. One was the Podger review into the culture and ethos of military training establishments. You were also going to brief us on another review. Can you just advise us as to why that had to be short-circuited? Is there any intent to come at some future date to this standing committee and brief us on both of those reports?

Air Chief Marshal Houston—The two reports were the Podger report and the Adams report, which is the report into the investigative capability. As I indicated to you with the investigative report, we are getting our implementation plan together. That is exactly what we are doing with the Podger report as well. When that work is complete, my intent is to come back to the committee and brief you and then go out and announce that publicly, obviously subject to the minister's views.

Senator MARK BISHOP—When do you think that Podger will be available for public release?

Air Chief Marshal Houston—I think it will be available sometime before Christmas.

Senator MARK BISHOP—As to other reviews, Mr Smith, has there been progress on any or all of the 2006 evaluation of Defence Force recruiting, the Reserves remuneration review and the Defence Industry Policy Review?

Mr Smith—I can tell you about the Defence Industry Policy Review right now if you would like.

Senator MARK BISHOP—No, I think you should take that on notice if you will.

Mr Smith—Okay. The ministerially directed recruitment and retention report is complete. That is being worked at the moment. The ADF command and control report has been received and, indeed, is being implemented at the moment.

Senator MARK BISHOP—I noticed in one of the press releases that there was also a review commissioned inside the Army as to the facts or lessons to be learned from the last four suicides. Has that review been completed and delivered to you or the minister?

Air Chief Marshal Houston—I will ask the Chief of Army to come forward to address that question.

Lt Gen. Leahy—Can you repeat the question?

Senator MARK BISHOP—There was a press release put out some time ago advising that Army was going to conduct a further review into the last four suicides of Army personnel. My understanding is that that review has been concluded. I am really asking for a status report on its findings, whether it has gone to the minister, whether there is action to be taken and when it will be publicly released.

Lt Gen. Leahy—It is part of an ongoing series of reviews for the assessment of each of the sudden deaths that occur in the Army. We have been investigating every suicide for some time. In September 2004 we ordered a desktop audit of those suicides that had occurred between January 2000 and July 2004. After 2004, when we introduced the sudden death protocol, we had been doing an extensive investigation. That report was submitted to Army in February 2005. Since then we have been going through with a further review of seven of the audited cases. The Deputy Chief of Army is responsible. The review has commenced and I am expecting that it will be completed in the first half of next year.

It is quite difficult going back through the records and getting in touch with people, but we are very serious about trying to find out as much as we can about these sudden deaths and suicides. I think I will be in a better position to report to you and to other interested members through the CDF and the minister our findings in those areas. But I assure you that, as we uncover instances where we might be able to improve our performance or do things better, they are applied in an incremental manner rather than waiting until the end of the review. It is ongoing.

Senator MARK BISHOP—I see. As you learn lessons, you move to implement. Essentially, it is a work in progress.

Lt Gen. Leahy—Very much.

Senator MARK BISHOP—Thank you.

Senator NETTLE—Have we lost the war in Iraq?

Air Chief Marshal Houston—No, we have not. Essentially, what we are doing in Iraq at the moment is reconstruction and rehabilitation, and obviously there is a need to establish a security environment to support those major activities. So, no, I do not agree with that statement.

Senator NETTLE—Do you agree with President Bush's assessment that the recent upsurge in violence was equivalent to the Tet offensive?

Air Chief Marshal Houston—I do not want to draw any comparison with events of the Vietnam War. All I would say is that the sectarian fighting that we are seeing in Baghdad at the moment is of great concern to us and all other members of the coalition.

Senator NETTLE—I want to ask you about the John Hopkins University study into the number of Iraqi deaths—I think its estimate is 650,000. Has defence looked at that and what is your view of the study?

Air Chief Marshal Houston—We have had a look at it. Like a lot of other people, we find the estimates to be in the realms of the incredible side of the scale. Obviously, we regret any civilian deaths in the circumstances that we see in Iraq, but we think those figures are grossly overstated.

Senator NETTLE—What do you think are more accurate figures?

Air Chief Marshal Houston—If you look, you will find a number of independent organisations are running a count of the number of people who have been killed. The estimates vary a lot, but I think we are talking something in the order of 50,000 and maybe up a bit—but certainly not anything over 100,000.

Senator NETTLE—Does the ADF have any figures?

Air Chief Marshal Houston—No, we do not. I think this is one of the problems with this particular subject. There are a number of independent institutions running a count, but they all vary. Nobody has a common view on the figure. I think there is speculation in the figures; there is certainly not a lot of science in it.

Senator NETTLE—Did the ADF make a decision not to collect figures in any way?

Air Chief Marshal Houston—We are but one of several countries that are members of the coalition; no, we have not been collecting those figures.

Senator NETTLE—Was there a decision not to collect figures?

Air Chief Marshal Houston—There was no decision. It is just that that matter was not considered.

Senator NETTLE—The other part of the John Hopkins University study that I wanted to ask you about is the estimate that one-third of the deaths that have occurred in Iraq have been as a result of coalition forces. Do you have any comment on that?

Air Chief Marshal Houston—Frankly, I find that very hard to come to terms with. If we look at what is happening, we can see that most of the deaths of civilians in Iraq at the moment are a consequence of sectarian violence that has very little to do with the coalition. The quantum of the figure and the fact that somebody says a third can be attributed to the coalition I find very hard to have any level of agreement with.

Senator FERGUSON—I understand where Senator Nettle is coming from. But I always understood that at estimates you can ask the officers at the table questions of fact or anything related to expenditure or government policy, but I do not think we have ever found it in order to ask officers at the table for their opinion on things. It has never been in order at estimates for any witnesses, whether they be from Defence or any other department, to be asked about matters of opinion. They can be asked questions of fact and that is it.

CHAIR—If you can get the air chief marshal to identify matters on a factual basis, I think that will help us get through the questioning.

Senator NETTLE—No worries. Does the ADF count how many Iraqis may have been killed by ADF personnel?

Air Chief Marshal Houston—We would know how many people we have been—we would know, yes.

Senator NETTLE—Can I ask what that figure is?

Air Chief Marshal Houston—I do not have the figures to hand. I can provide them to you.

Senator NETTLE—That would be appreciated. Thank you.

Lt Gen. Gillespie—Can I just say that, like all other estimates of figures, that is all it is, because, in the way that you conduct military operations like a couple of weeks ago in Rumaythah, half the effort of our troops is getting themselves out of trouble, and at the end of the day they are not hanging around to count bodies. There is no definitive set of figures on how many people may or may not have been wounded or killed as a result of Australian action, because many of our contacts in Afghanistan are about survival.

Senator NETTLE—This morning you touched on how often ADF members in Iraq are subject to attack—and what kinds of attack.

Air Chief Marshal Houston—In Iraq?

Senator NETTLE—Yes.

Air Chief Marshal Houston—Over the last three years we have had very many indirect fire attacks. Most of them have been very inaccurate and, fortunately, with the exception of the attack on the security detachment about two months ago, we have not had anybody wounded in those attacks. If we come back to two months ago, you would recall that we had a young lady who was seriously wounded and three other members who were slightly wounded as a consequence of an indirect fire attack.

In the course of conducting other operations in southern Iraq, we have had indirect fire attacks, we have had attacks with small arms and, from time to time, we have had improvised

explosive devices that have targeted us. We have experienced a large number of attacks of one type or another.

Senator NETTLE—I can ask a question on notice about collation of the attacks and injuries we have sustained.

Air Chief Marshal Houston—We can do that for you. In Iraq, in terms of injuries, we have been very fortunate. Our security detachment has some people who have been injured. Our operational battle group in the south has not had any casualties. We can give you that detail in answer to a question on notice.

Senator NETTLE—Do you know the number of injuries in the security detachment?

Air Chief Marshal Houston—I would prefer to come back to you on notice, but it is a very small number.

Senator NETTLE—And are you able to indicate whether any of them were permanent injuries?

Air Chief Marshal Houston—Okay.

CHAIR—Senator Ferguson wants to follow up on that line of questioning.

Senator FERGUSON—I just want to find out, when you talk about attacks, how you determine what you consider to be an attack. Is it a stray bullet that your soldiers might hear going overhead and which could be fired indiscriminately from anywhere? Is that an attack?

Air Chief Marshal Houston—We know when we have been targeted, and we can come up with statistics that give that information.

Senator NETTLE—I want to ask whether any of people who have been injured have subsequently been discharged from the ADF. Maybe you want to take that on notice.

Air Chief Marshal Houston—I would like to come back to you on notice. Again, my recollection is that it is none or very few people.

Senator NETTLE—How often has the Australian embassy come under attack?

Air Chief Marshal Houston—The Australian embassy has come under attack of indirect fire occasionally. It is very hard to be specific about that because the indirect fire attacks are almost random in their nature. The insurgents fire rockets into the international zone and they land in the international zone. From time to time, one of those rounds will land close to the Australian embassy. Are we being targeted or is it just a random attack into the international zone? I think it is probably the latter and I do not think they are aiming for any particular target within the zone. I think they are just trying to cause disruption through the whole area.

Senator NETTLE—I want to ask about the process for dealing with Iraqi prisoners. What is the ADF's involvement in that process?

Air Chief Marshal Houston—We have a very well-developed detention policy. I think it is a very robust policy, but we have not had to use it in Iraq to this point.

Senator NETTLE—Because of the role that the ADF are now playing in southern Iraq, does the ADF now have responsibility for dealing with Iraqi prisoners?

Air Chief Marshal Houston—If we take somebody into detention in southern Iraq, we have protocols in place to hand over that individual to the British, and the British will handle the detention of the individual in their facilities. They have a very well-developed infrastructure to handle detention.

Senator NETTLE—Does the ADF have a detention facility?

Air Chief Marshal Houston—No, we do not have a permanent detention facility.

Senator NETTLE—What is the time frame from when the ADF captures somebody to when they hand them over to the UK?

Air Chief Marshal Houston—We have never captured anybody in Iraq, so it is a hypothetical question. It would not be a long time. We would take them into custody and we would expedite the transfer to the British authorities.

Senator NETTLE—Is that in the procedures? Is that how the procedures work, such that there is a time frame for handover?

Air Chief Marshal Houston—The procedures are very robust, and I cannot give you a length of time, because it depends on the circumstances. Every set of circumstances will be unique.

Senator NETTLE—What is the character of the attacks on the ADF in terms of where they are coming from? Is there analysis that says they are coming from Sunni groups or Shia groups? What is the analysis of the attacks?

Air Chief Marshal Houston—Any time there is an attack, we do an analysis and try to work out who is responsible for the attack. But, because of the nature of the business, some of that information is obviously sensitive and I could not share it with the committee.

Senator NETTLE—Is there a particular section of the community? I am asking about general patterns; I do not want to know specific details but sort of general patterns found in the character of those attacks.

Air Chief Marshal Houston—It depends on where the attack takes place. There are a number of groups within Iraq that are responsible for mounting those attacks against us. They could be Sunni insurgents or they could be Shia militias. I guess I am saying to you that there are a number of possibilities as to who is responsible for the indirect fire attacks on us and the small arms attacks on us.

Senator NETTLE—Is there any one main group?

Air Chief Marshal Houston—We operate in Baghdad, we operate in al-Muthanna and Dhi Qar and we operate in the north Arabian Gulf. We are dealing with different groups, so I cannot give you a generic response. I think the way I answered the question at the beginning is probably the best response I can give to you.

Senator NETTLE—With regard to your previous comment about the capture of people in Iraq, has the ADF never captured anyone in Iraq?

Air Chief Marshal Houston—Since we started Operation Catalyst, which is the reconstruction and rehabilitation of Iraq—essentially the post-war period—we have taken no prisoners and we have not detained anybody.

Senator NETTLE—What vetting of Iraqis trained by the ADF is done to make sure they are not members of militia groups or death squads?

Air Chief Marshal Houston—We have trained hundreds and hundreds and hundreds of Iraqis. We go in and we basically accept the fact that these people have been properly selected by the Iraqi authorities and we then go about training them. I might add that a considerable part of the training is to imbue in them the same sorts of military standards, the same approach to business, that we are very proud of. So we try to imbue in them a similar culture to ours, which of course puts a very heavy emphasis on respecting the human rights of the people that they are likely to come into contact with either in a humanitarian situation or indeed in a conflict situation.

Senator NETTLE—Do you know how many Iraqis trained by Australia are still operating within the Iraqi security forces?

Air Chief Marshal Houston—Most of them.

Senator NETTLE—Do you know whether any of them have been found to be members of militia groups?

Air Chief Marshal Houston—I cannot give you the detail of that. The people we have operated with in southern Iraq, the people we have trained in southern Iraq, seem to be not influenced by the militia, so I cannot give you an accurate and detailed response. All I will say is that the evidence that we have seen suggests that most of them have nothing to do with the militia.

Senator NETTLE—To what extent does the presence of foreign troops contribute to the motivation for the insurgency and the attacks?

Air Chief Marshal Houston—I think I responded to the same question earlier today and I stick by my response. I think it was to Senator Bishop.

Senator NETTLE—You may have done this one already too. How long will the ADF be in Iraq?

Air Chief Marshal Houston—Well, I answered that one this morning. But let me say that the circumstances are very much dependent on the conditions that develop over time and it will be a decision for government, when the time comes, as to how adjustments are made and when particular elements are pulled out of Iraq.

Senator NETTLE—Is it a question of waiting for the Americans to leave?

Air Chief Marshal Houston—No, I do not believe that is a—

Senator FERGUSON—You are asking the chief of the force, Senator Nettle.

Air Chief Marshal Houston—I think these are questions for government, not questions for me.

Senator FERGUSON—They are policy decisions.

Air Chief Marshal Houston—Yes. I give guidance or I give advice to government, and government makes the decision.

Senator NETTLE—Would you like to comment, Parliamentary Secretary?

Senator Colbeck—No.

Senator NETTLE—My next question relates to a question I asked the Minister for Justice and Customs in question time some time ago about sleep deprivation. He indicated that in some circumstances—he highlighted counterintelligence operations—sleep deprivation might be appropriate and that Australian authorities might therefore engage in it. I want to know whether, in giving that answer, he was referring to the ADF.

Air Chief Marshal Houston—As I have indicated to you, we have had no experience during our time in Iraq in terms of detaining people or indeed imprisoning people. So I will just ask General Leahy to respond to you, because he maintains our standards in this area.

Lt Gen. Leahy—Senator, I note that it is a hypothetical question in relation to our experiences in Iraq, because we have not detained anybody. But I can give you an outline of our doctrine for interrogation. I am answering the question because Army is responsible for maintenance of the doctrine for interrogation, and what I will relate to you comes from the interrogators handbook, which is a restricted document. It has limited distribution. That will also colour the nature of the answer to my questions, in that we would not want to give away too much about the tactics, techniques and procedures that we would apply in relation to interrogation because it might aid a person we interrogate.

In rough terms, we teach all of our interrogators—and this is a very difficult, demanding and extensive course—that sleep deprivation is against the general principles of humane treatment articulated in the Geneva conventions and that detainees are to be provided with the minimum standard of sleep, rest, food, shelter and exercise required by international law and our ADF medical advice. If I could elaborate a little more on that, and I am now quoting from the document: ‘Sleep deprivation and deliberate manipulation of food are not sanctioned conditioning techniques. Further, detainees are not to be deprived of sleep. Deprivation of sleep is considered inhumane and total sleep deprivation is counterproductive in every case. Detainees are to receive the minimum amount of sleep recommended for Australian soldiers on operations, which is four consecutive hours in every 24 hours. Details of sleep for each detainee are to be recorded in the guard commander’s event log.’

Senator NETTLE—Thank you. That is all I have on Iraq.

CHAIR—We will go back to Senator Bishop.

Senator MARK BISHOP—Thank you, Chair. I want to return—this is probably for you, Mr Smith—to external consultants. When one looks at the annual reports of the department for last year and this year, there is a relatively startling development. The current Defence annual report and the DMO annual report show that in the financial year 2005-06 Defence spent almost \$75 million on external consultants, up from \$56 million in the 2004-05 financial year—and, indeed, up from \$6 million on external consultants some six years ago. So, in the last six years, there has been a blow-out in expenditure on external consultants from around \$6 million to almost \$75 million. Could you explain why there has been such a dramatic rise in the sums paid by Defence to external consultants?

Mr Smith—I will ask the chief finance officer, Mr Prior, to speak to that matter. Before he does, I would make two points. Firstly, of course, it is not a ‘blow-out’. It is an increase, but the defence budget has increased too and that is not called a blow-out. Secondly, I would

make the point that an organisation of our size, which is encouraged to outsource and to use external sources of advice rather than try to maintain all forms of advice in-house, will naturally have a large bill from consultants—and, when we get into some of our more complex projects, that will be especially necessary. Mr Prior can add to all that, though.

Senator MARK BISHOP—Nonetheless, Mr Smith, there has not been a 14-fold increase in the defence budget in the last six years, has there?

Mr Smith—No, there has not, but I still would not call it a ‘blow-out’.

Senator MARK BISHOP—All right.

Senator HOGG—Break-out.

Senator MARK BISHOP—Blow-out, break-out, increase: it has gone from—

Mr Smith—‘Increase’, yes.

CHAIR—‘Increase’ would be good.

Senator HOGG—A very substantial increase, I think you could say.

Senator MARK BISHOP—Yes, from \$6 million to \$75 million. But we do not care how many angels are on the pinhead; what we care about is an explanation, I think, Mr Prior.

Mr Prior—There has been an increase in expenditure on consultants, as you point out, Senator, and that has been growing over a number of years. But, as the secretary said, the department has been outsourcing many activities. There has been a particular increase in activity also with our financial remediation, which we have been involved in for some years now: there has been considerable expenditure, as we have referred to in previous estimates hearings, on support in dealing with the financial remediation activities. We do have a very large facilities development program, as you would appreciate, and that involves substantial support and expertise.

In the case of DMO, again their activities have grown and they have sought additional support. The increases have been largely around those facilities development areas, the DMO and the remediation activity. Across other parts of the organisation to some extent it is a reasonably steady state.

Senator MARK BISHOP—In the annual report, around page 181, there are three or four pages of extensive discussion on upgrading of major facilities—bases and the like. Of that roughly \$75 million, you might give me the ballpark figures for, firstly, the consultancy costs on the financial remediation; secondly, the facilities development program; and, thirdly, the DMO.

Mr Prior—Can I clarify that you are referring to an amount of \$75 million?

Senator MARK BISHOP—Almost \$75 million.

Mr Prior—Can I be sure that we are talking about the same numbers?

Senator MARK BISHOP—I am taking that from page 327.

Mr Prior—The expenditure on page 327 for 2005-06 was \$57 million.

Senator MARK BISHOP—It is \$63 million on page 328.

Mr Prior—That is new consultancies let.

Senator MARK BISHOP—That is what we are talking about.

Mr Prior—I thought you were talking about the actual expenditure in the year.

Senator MARK BISHOP—No.

Mr Prior—On the previous page there are two numbers we refer to. In the left-hand column you will see there is a number of new consultancies let to a certain value, which will not all be expended in the year. In the right-hand column you will see there is a reference to the amount that was actually expended in the year.

Senator MARK BISHOP—Yes. We are talking about amounts appropriated and amounts spent.

Mr Prior—Yes. So whilst we have let new contracts to a certain value, there is also the amount we spent in each year. That is the number that I can track. I can relate to the amount we have spent each year and talk to that, if that helps. I can also refer to the amount that has been let, but not all that is let will be spent this year. It may be a number of years forward, you see.

Senator MARK BISHOP—Table 6.31 on page 328 has a summary by group of consultancy services let during 2005-06 of total contract value of \$10,000 or more. We are talking about that. That is \$63.8 million—almost \$64 million.

Mr Prior—That is right.

Senator MARK BISHOP—And in the DMO there is a similar figure—

Mr Prior—There is a similar table; that is right.

Senator MARK BISHOP—which in total comes to almost \$75 million. What I am asking for is a ballpark break-up of that aggregate figure of \$75 million under the three reasons you gave: financial remediation, the facilities development program and the DMO spend out.

Mr Prior—The main areas are on that table. Corporate services and infrastructure is \$42 million.

Senator MARK BISHOP—That is two-thirds.

Mr Prior—Yes. The chief finance officer is \$6.3 million. A large proportion of that \$6.3 million is to do with the remediation work.

Senator MARK BISHOP—So a large proportion of the \$6.3 million is for remediation. Of the \$42 million for corporate and infrastructure, does that relate to remediation at all?

Mr Prior—There may be some. I would have to get the precise details. I do not have that in my head.

Senator MARK BISHOP—It is only a minor amount, though?

Mr Prior—I would have to refer to some detail to give you that precise answer.

Senator MARK BISHOP—What you are telling me is on financial remediation you have spent about \$4 million in terms of external consultants.

Mr Prior—Again, you are asking for ballpark figures, but I can give you precise information as to what has been spent in each group on remediation, if you would like that.

Senator MARK BISHOP—All right. Why don't you see if you can get the relatively accurate figures on the break-up of consultancy services let, pursuant to table 6.31 and the similar table for the DMO, so that we can get an idea of how the \$75 million has been spent on external consultants in those three reasons you gave: financial remediation, the facilities development program and DMO outsourcing.

Mr Prior—All right. I can do that. I might come back to you on remediation.

Senator MARK BISHOP—In terms of the facility development program, page 81 and the following page list a number of bases and areas that are going to be upgraded. As a policy decision by government, do we no longer retain that ability to deliver those sorts of services in-house? Is it all now outsourced?

Mr Smith—Not all of it, but much is. One thing we have clearly learned over the last few years is that working in these property areas requires a degree of professional knowledge and experience that government does not have. When you come to valuing land and determining uses of it and so on then professional consultants are the way to go. Mr Beck is the head of our infrastructure division, and he can provide evidence on that subject.

Mr Beck—We outsource all of the work that we do in terms of designing our facilities, of planning their development and of their project management. We also outsource their construction, and we have done so for a number of years.

Senator MARK BISHOP—You have seriously done it in the last four or five years, have you not?

Mr Smith—We have had facilities programs over the last few years, yes.

Senator MARK BISHOP—From the annual reports of six years ago the total of external consultants was then only six million. It is now 75 million. The large amount is the capital facilities program so the outsourcing of the matters Mr Beck outlined has really got into gear in the last four or five years.

Mr Beck—Yes, and there has also been a change in our processes. Previously we would do designs conceptual for our projects and then the detailed design would be done as part of the total project cost. Three or four years ago we have changed to a two-stage development process which mirrors the Kinnaird type process for equipment. That means we must do the development of those business cases and the designs ahead of approval for the projects, and therefore that money comes out of development money as opposed to the project cost.

Mr Smith—I have no hesitation in saying we do not keep that expertise in-house.

Senator MARK BISHOP—The government made a call some years ago to outsource. You have outsourced all of that work. The external consultancy bill, in a range of areas, is on an upward trajectory and presumably will continue as we develop new facilities. Was the government's desire to outsource that entire set of work done on an efficiency basis or a cost savings basis, or did the department just have the view that it does not need to retain that corporate knowledge in-house?

Mr Smith—I was not around so I could not say for certain, but I think it is probably a combination of all of those things. I think property design, property development, evaluation and all of that sort of work is a pretty complex business and it is best to go to people who work in that environment full time rather than have public servants who move in and out of it. I suspect that there were savings in it because otherwise there would have been overheads for us, but I do not know how many people we had employed doing that before we took this course.

Senator MARK BISHOP—Have you been advised that there have been any savings from going to this different way of doing the work?

Mr Smith—I have not, no. I think savings is only a small part of it, frankly. I think it is the professionalism of the advice you get.

Senator MARK BISHOP—Outside?

Mr Smith—Yes. You get into the building business and, to be frank, you are often swimming with sharks. You need people who know the game.

Senator MARK BISHOP—It is a professional advice not a savings measure.

Mr Smith—This approach is a feature of government state and federal, I think.

Senator MARK BISHOP—I just wanted to understand what the driver was. You said the bulk of that work related to capital facilities programs and there was some amount you were going to advise us of in terms of financial remediation. Does that policy of outsourcing also apply to the provision of legal services and health services within Defence?

Mr Prior—We certainly do have a legal panel and, as is articulated in the annual report, we do use a range of legal providers. The same explanation would be given. That is, it is an expertise issue that we draw upon externally to support our internal skills.

Mr Smith—We do maintain a large legal panel with, I think, 16 providers on it.

Senator MARK BISHOP—Last year's annual report showed that Defence spent a huge \$9 million in that year alone contracting health practitioners—this is at pages 95 and 305. I do not have the figures for this year, but I presume they are in the same ballpark. Why don't civilian employees fulfil that role? Do we have trouble recruiting health professionals or is it, again, an expertise issue?

Mr Smith—You would have to ask Air Vice Marshal Austin, the Director of the Health Services, to comment on that.

Air Vice Marshal Austin—Could I ask you to repeat your question, please?

Senator MARK BISHOP—Last year's annual report, at pages 95 and 305, show that Defence spent a huge \$9 million in that year alone contracting health practitioners such as doctors. Do we now have a policy to outsource that health practitioner role and why don't civilian employees fulfil this role?

Air Vice Marshal Austin—Within the Defence Health Service we have always relied on a large number of civilian health practitioners to provide support in our garrison situation. They have always been a cadre of professionals who are clinically experienced, mature and able to provide care to our people and to provide mentoring for our military staff. There has been a

slight increase in the number that we use because we have been below establishment levels with uniform providers and our uniform providers have also been highly engaged in operational activities and operational support.

Senator MARK BISHOP—So is that \$9 million for contracting health practitioners for external consultants or for civilian employees?

Air Vice Marshal Austin—That is for contracted health practitioners who are working in our facilities. To perhaps address the other element of your question, as I speak, we have within defence health in the delivery of clinical services we have no medical officers who are actually members of the Australian Public Service. We are exploring the options to perhaps engage medical officers as APS members to give us that support in a more enduring and more cost efficient manner.

Senator MARK BISHOP—In terms of that \$9 million for contracted health practitioners, are they civilians on time contracts?

Air Vice Marshal Austin—That is correct.

Senator MARK BISHOP—Has there been an increase in that expenditure in more recent years?

Air Vice Marshal Austin—Yes, there has for two reasons. Firstly, as I mentioned earlier, there has been a slight increase in the numbers that we are engaging. Secondly, because of the nature of the contracts that we have negotiated with those providers, particularly a review of the contracting arrangements a couple of years ago, that resulted in a slight increase in costs per contract.

Senator MARK BISHOP—That is a supply and demand situation. Have any costings been done to suggest that employing such civilians as PSPs and not as civilian contractors would be cheaper than employing them as the contractors?

Air Vice Marshal Austin—We believe the cheapest option for us would be to engage them as members of the public service, but there are problems in attracting people with the requisite qualifications using that method of engagement.

Mr Smith—Because we are so cheap in our pay!

Senator MARK BISHOP—Clearly that is what the Vice Marshal was saying. That is what he was doing the review on to see if he can justify an increase in APS rates, I presume.

Air Vice Marshal Austin—Absolutely.

Senator MARK BISHOP—As a policy position, does the ADF prefer to have them in-house as employees on APS or using the civilian contractor system?

Air Vice Marshal Austin—I make the point that in order to deliver quality health care to our people I must have a composite workforce. I must have a workforce which has people in uniform, both active duty and reserves, because they have a unique set of skill sets, but I also must have a civilian component because they too bring a different set of skill sets, a complementary set. I make reference to the fact that, in general, the civilian providers that we engage tend to have geographic stability, they come to us already pre-trained, they usually have a higher degree of clinical experience and clinical seniority and so they are able to

provide us with a cadre of people who best manage our patients with complex or chronic problems and can mentor junior staff. In any particular location I would always seek to have a mixture of uniformed and civilian providers. The only thing that will vary is the ratio of those two groups.

As to how we engage the civilians, whether they be engaged as APS members or as contractor CHPs or PSPs, quite frankly, I am not sure there is a significant difference at the user level as to how they are engaged provided you have a high-quality, enduring workforce available to you.

Senator MARK BISHOP—Understood. Thank you. Mr Smith, with the increase in funds appropriated for external consultants and an indication that it is likely to increase in forthcoming years, are there any rules governing ex-Defence employees working either as external consultants or PSPs?

Mr Smith—Generally, as people separate from Defence, we would require them, as we have explained here before, to make statements of their interests and, if necessary, to recuse themselves for that work from a certain period, but we do not have a fixed time on that. It depends on the nature of the job and the nature of where the person has been working. There comes a point where former Defence employees, particularly ADF personnel with genuine maritime engineering skills or whatever, will be working for consultants and will work for us.

Senator MARK BISHOP—But there is no protocol, guidelines or rules that say that former employees of Defence who worked in these areas are prohibited—

Mr Smith—I will get Dr Gumley to comment on the arrangements he has in DMO because—

Senator MARK BISHOP—Is it a DMO matter or a Defence matter?

Mr Smith—Most of the work that we are talking of here would be DMO. Occasionally in other areas we do get consultants in on work like studies on operability or something like that. They would come in as consultants, but much of the more sensitive area would be in DMO.

Senator MARK BISHOP—Although the discussion we have had—the bulk of the external consultants Mr Prior indicated—related to capital facilities programs which are in the Defence annual report, not DMO.

Mr Smith—But there are probably not very many Defence people in that line of work. I do not know. I cannot see into the figures. In other areas, it may be that there will be, if we are doing reviews or studies of issues in intelligence and security or something, we would use former Defence employees.

Senator MARK BISHOP—Before I come to Dr Gumley, the Defence annual report discloses something in the order of \$60 million or \$64 million for external consultants. Mr Prior advises a significant amount of that is going to be capital facilities programmed. They are outlined in detail on page 183 and thereafter. My question to you, as secretary of the department, is: does Defence have any protocols, guidelines or rules that restrict ex-Defence employees in these areas from being used as external consultants?

Mr Smith—No, we do not.

Senator MARK BISHOP—Dr Gumley, does DMO have any such rules or protocols in that area?

Dr Gumley—We do not have any formal rules. However, there is an informal guideline that says I am not prepared to have ex-DMO staff immediately go out to contract and get hired straight back again. We will use our role as a purchaser in the market to stop that happening on virtually all occasions.

Senator MARK BISHOP—On virtually all occasions. Thank you. That is not the case in Defence?

Mr Smith—If you are talking about going out immediately and hiring them back, we would try to avoid that.

Senator MARK BISHOP—Dr Gumley used stronger language. Your first answer was a simple no in respect of Defence. Dr Gumley said there was an informal guideline that he enforced to use his purchasing power, to stop it occurring.

Mr Smith—When employing consultants, people have to exercise judgement about probity issues, and that is to be expected. We do not have formal guidelines but there is a judgement to be made. In some areas, as I have said, where we are working you would not find the expertise other than in a Defence person, whether they left the place three months ago or 10 years ago.

Dr Gumley—On some occasions you have got no choice, but we try to avoid that.

Senator MARK BISHOP—I accept as a general proposition you try and avoid it. In particular areas that relate to your special areas of need, you might have to rely on industry or Defence people. This capital facilities program is about buildings, houses, bases, roads, barracks, college buildings and things of that nature. It is generally construction work of facilities. I would not have thought, perhaps excluding some areas, that there would be a great deal of particular specialty work of the type that Dr Gumley's organisation uses and that is why I am trying—

Mr Smith—I would agree in those areas you would not expect to find many Defence employees.

Senator MARK BISHOP—Is the department concerned sufficiently that it would give consideration to the development of a protocol or guidelines outlining the obligations and responsibilities on both Defence employees and contracting consultants who hire former Defence employees? Are you doing that?

Mr Smith—No, we are not doing that. I do not think we need to be a rules-driven organisation. Responsible officers who conclude contracts are required to make commonsense and values based judgements and they ought to take that kind of consideration into account.

Senator MARK BISHOP—That is a very subjective approach to awarding of contracts. You are relying on the commonsense, experience and goodwill—

Mr Smith—And probity.

Senator MARK BISHOP—And probity. You expect them to show commonsense and the like, but it is not sufficiently serious even when we are spending almost \$75 million on

external consultants to have a set of guidelines or protocols developed that simply regulate what is and is not acceptable conduct. I find it odd that the department has not reacted. It has changed its policy, it is outsourcing a lot of work. We know most of that construction work is relatively routine, but you do not see the need to have a set of guidelines to prevent inappropriate behaviour.

Mr Smith—I think the Commonwealth Procurement Guidelines prevent inappropriate behaviour.

Senator MARK BISHOP—Does Defence have data of ex-employees who work as external consultants now?

Mr Smith—Not that I know of.

Senator MARK BISHOP—Does DMO?

Dr Gumley—I am not aware of any.

Senator MARK BISHOP—Under the Defence's list of departmental and agency files there is a reference number 1037780/1, a file relating to media information office accommodation. Can you give me some detail on what that relates to?

Mr Smith—Can you give me the reference again? Mr Prior is going to answer that question on remediation.

Mr Prior—You asked how about the CFO consultancy expenditure: \$4.5 million was to do with remediation.

Senator MARK BISHOP—Okay.

Mr Prior—Just to clarify, you asked in broad terms what the main drivers of change were in consulting expenditure over that period. Of course I have picked the highlights but there has been movement in areas like the Chief Information Officer Group because of the nature of change there. There has been movement in other areas. Just to make it clear: I was not suggesting there has not been movement in other ones; I was just trying to pick the big ones and I think those three would be reasonable to focus in on.

Senator MARK BISHOP—I understand that. There was \$4.5 million for the financial remediation of external consultants. Do you have a ballpark figure for the facilities developments program for ECs?

Mr Prior—In terms of financial remediation?

Mr Smith—No, in terms of consultancies.

Senator MARK BISHOP—In terms of ECs for the facilities development program.

Mr Prior—I have only got what is in the annual report. Beyond that, I do not have it here with me.

Mr Smith—I apologise; in the course of working that through Mr Prior, I missed your further question.

Senator MARK BISHOP—I will come back to you, Mr Smith. I will finish off with Mr Prior. Do you not know how much has been spent by external consultants in the facilities development program?

Mr Smith—We do not have it in front of us here, no.

Mr Prior—Do we know how much has been spent in this current financial year?

Senator MARK BISHOP—Yes.

Mr Prior—I do not have that in front of me at the moment. We have the contracts let as recorded in here, but I would have to get that information.

Senator MARK BISHOP—If you do not mind doing that.

Mr Prior—That is fine.

Senator MARK BISHOP—My question was the costing for the media information office accommodation. It is in the list of agency files provided and I wanted—

Mr Jennings—This is in the previous annual report, not the current annual report. Is that right?

Senator MARK BISHOP—It is on Defence's list of departmental and agency files. There is a heading, 'Media information office accommodation' and the file number is 1037780/1. I wanted to know what the detail of that expenditure was.

Mr Jennings—I will have to take that one on notice.

Senator MARK BISHOP—Take it on notice and provide that information.

Senator NETTLE—This is a general question to Defence as to whether you have done any analysis examining the Defence and security implications of climate change?

Mr Smith—Not that I am aware of. I am aware of studies that have been done by consultants that we have seen, but I do not recall that we have done any in-house. If one of my colleagues wants to correct that, then please do so.

Senator NETTLE—That is all I wanted to ask.

Senator MARK BISHOP—I have concluded my questions on that section. I will now move to capability development and air combat capability.

CHAIR—Now we are getting into something interesting.

Senator MARK BISHOP—I welcome the officers. The government has made a decision to retire the F111s, as we know, and there is an upgrade going on with the F18s. We had a discussion at the last round of estimates about the option of purchasing the Raptor plane, the F22, from the United States. We were advised that that was not possible because of legislative restrictions in the United States. Is the air force or the government aware of any suggestions that the United States might be prepared to sell a modified version of the Raptor that complies with legislation in that country?

Air Chief Marshal Houston—We have no requirement for the F22.

Senator MARK BISHOP—Have no requirement?

Air Chief Marshal Houston—No.

Senator MARK BISHOP—You are not involved in any discussions with the United States as to a modified version at all?

Air Chief Marshal Houston—A modified version to do what? It is built for control of the air and our requirement is for a multi-role air combat aircraft. I will let the team answer the question, but we do not require the F22.

Air Marshal Shepherd—That is correct. We are not engaged in any discussions about the purchase of the F22.

Senator MARK BISHOP—And you do not intend to engage in any discussions about the purchase of it?

Air Marshal Shepherd—As the Chief of the Defence Force said, the Joint Strike Fighter is the capability that we expect to develop to be able to meet our requirements in a multi-role platform.

Senator MARK BISHOP—Are we giving any consideration to leasing the Raptor some time between the retirement of the F111 and the introduction of the JSF?

Air Marshal Shepherd—No, we are not.

Senator MARK BISHOP—You are not giving that any consideration at all?

Air Marshal Shepherd—No.

Senator MARK BISHOP—If the delivery of the JFS blows out by a significant period of time and the F111 is retired, how do you intend to fill that gap at that time?

Air Marshal Shepherd—The key point there is that we and the government will not let an air combat capability gap develop. There are no indications that the Joint Strike Fighter program is blowing out. In fact, the recent American decisions keep the program on track. Of course we have a number of hedging strategies. We have addressed those in previous meetings here about possible delays, which, I stress again, we are not seeing anything dramatic in that regard. Indeed, the government have announced that they have a hedging strategy, and we are keeping a watching eye on fourth generation fighters.

Senator MARK BISHOP—Your evidence is that, at this stage, you think the JSF program is on schedule, that the F111s are going to be retired as indicated publicly and that a gap in terms of capability is most unlikely.

Air Marshal Shepherd—There are certainly pressures on the JSF schedule. We will not let an air combat capability gap develop. We believe that the schedule that the JSF is on at the moment still meets our requirement in the correct time frame.

Senator MARK BISHOP—What are those hedging strategies? Do they involve leasing of planes in the interim?

Air Marshal Shepherd—The government has announced that, if the JSF were to slide substantially—and, once again, I stress we are seeing no indications of that—the purchase of a bridging fighter would be the last resort. There are strategies before we would get to that level of possibly extending the F111 and looking to upgrade more centre barrels on the FA18 Hornets.

Senator MARK BISHOP—So, once the F111s have been retired, they are going to be kept in such a state that they can be reintroduced if necessary?

Air Marshal Shepherd—No. But we would look to make decisions soon about the finetuning of the actual retirement date for the F111.

Senator MARK BISHOP—I follow you. I thought that decision had been made and that it was only a matter of implementation.

Air Marshal Shepherd—We have a submission before the government at the moment that provides advice to it to enable that decision to be firmed up before first pass, which is at the end of next year.

Senator MARK BISHOP—First pass is the end of next year.

Air Marshal Shepherd—It is at the end of this year. My correction. The first pass for the Joint Strike Fighter program is at the end of this year.

Senator MARK BISHOP—So first pass is the end of this year for the JSF.

Air Marshal Shepherd—Yes. General Hurley can explain more on the program schedule.

Senator MARK BISHOP—General Hurley, do you care to comment?

Lt Gen. Hurley—Yes, we have before the government now the submission for first pass approval on the new air combat capability project.

Senator MARK BISHOP—If the government signs off on that, are you able to give us some sort of indication of the commitments that we will be obliged to undertake?

Lt Gen. Hurley—Yes. When we seek first pass, that in itself will require about \$50 million to continue the project over the next two or three years. Separate to that, there is the signing of a production sustainment and follow-on development MOU, which has a payment over the life of that MOU of about \$100 million.

Senator MARK BISHOP—In total?

Lt Gen. Hurley—Yes.

Senator MARK BISHOP—What is the likely time gap between first phase and second phase? Is second phase conditional upon the JSF having got to a production capacity?

Air Cdre Harvey—Just to clarify, first pass is planned for the end of this year. Once first pass approval is achieved, we would seek government approval to sign the MOU. The cost between first and second pass over the two-year period is approximately \$50 million under the MOU. There would be additional costs if we go on to buy the aircraft later.

Senator MARK BISHOP—I will just make sure that we are using the same language. When you say ‘first pass’ and ‘second pass’, are you referring to the first phase and the second phase process?

Lt Gen. Hurley—No, we are talking about the Kinnaird first pass and second pass decision-making process as opposed to phases in the project.

Senator MARK BISHOP—Yes, that is right—we are talking about Kinnaird and the two-phase process. So, once the first phase is signed off by government, the MOU is signed. What is the time extension before government would be able to sign off on second phase?

Lt Gen. Hurley—Second pass.

Senator MARK BISHOP—Second pass, I am sorry.

Lt Gen. Hurley—It would be about this time in late 2008.

Senator MARK BISHOP—Is second pass conditional upon the JSF having got certification of production ability in the United States?

Lt Gen. Hurley—The aircraft will still be running through the design and development stage.

Air Cdre Harvey—Towards the end of 2008 we will have at least two years worth of flight testing on the aircraft. Congress has already approved production of the first aircraft. Funding for that is for 2007 and those first production aircraft will be delivered in 2009.

Senator MARK BISHOP—Into the United States?

Air Cdre Harvey—Yes.

Senator HOGG—Are we getting the same aircraft as the United States Air Force?

Air Cdre Harvey—Conventional take-off and landing aircraft, yes—the same aircraft.

Senator HOGG—Yes.

Senator MARK BISHOP—When do you expect that the first squadron of the JSF fighters will be operational in Australia?

Air Marshal Shepherd—We have held to the figure of 2012 for the first delivery and we are finetuning that advice to government in the submission that General Hurley alluded to. We would see under that time line an initial operating capability of 2014.

Senator MARK BISHOP—Can you update us on the costs of the Joint Strike Fighter as at today?

Air Cdre Harvey—Again, on the costing of the aircraft, I need to be careful in terms of the price. For the JSF the price used is a US 2002 reference price to keep the prices constant throughout. The price referred to is an average across the production run of the aircraft because the earlier aircraft are more expensive and the later ones less expensive. The last official price that was quoted through the congressional selective acquisition report was approximately \$US47 million on 2002 base year and that is the average throughout the project. There has been no official change to that, although there has been reporting that the US services are looking at reducing their acquisition rate in the early years and we expect a potential increase based on that in the order of five to 10 per cent. There has not been an official update on that yet.

Senator MARK BISHOP—At this stage you anticipate a five to 10 per cent increase on the 2002 \$47 million figure because of lesser purchase by United States services?

Air Cdre Harvey—Yes. The average price for the total fleet—the Australian fleet—could be about 10 per cent more than that because ours are relatively earlier in the production run. There are a lot of variable factors to take into account. That is the sort of thing we would nail down between first and second pass.

Lt Gen. Hurley—Just to clarify, it is not because the US air force and navy have indicated they are buying fewer aircraft at the moment; they are slowing down their purchase rate—their ramp-up rate.

Senator MARK BISHOP—I see. Air Commodore, are you saying that, on the 2002 figure of \$47 million, at today's date we could anticipate two further increases of five per cent plus 10 per cent, or one further increase of 10 per cent?

Air Cdre Harvey—The Australian price has always been in the order of 10 per cent. Based on our expected acquisition schedule, we expect it to be approximately 10 per cent higher than the overall fleet average. Our current estimate is in the order of approximately \$US55 million average for our aircraft, depending on exactly when we buy them and at what acquisition rate, taking into account those increases.

Senator HOGG—In terms of the cost, that is just the cost of the aircraft itself? It is not the cost of support for through life?

Air Cdre Harvey—That is correct. That is the fly-away cost of the aircraft. But it includes the contribution we already made to the research and development, so there were no recoupment charges on top of that.

Senator HOGG—When will the through life support component be settled?

Air Cdre Harvey—We have a reasonable estimate of the actual running cost of the elements that go with that, the support components, the spare parts, the training et cetera, now. Again, we continue to refine that and that is a major task between first and second pass to find those costs.

Senator HOGG—What do those costs work out at?

Air Cdre Harvey—We have been reasonably conservative. We think the operating costs per hour for the JSF will be similar to the F18.

Senator HOGG—What is that?

Air Cdre Harvey—I do not have the numbers on me.

Senator HOGG—That is why I was looking to you. I do not have them either.

Air Cdre Harvey—Again, it depends on a number of variable factors and what the circumstances are et cetera, but across the board we think it is a similar operating cost to the F18.

Senator HOGG—And that operating cost includes the training and maintenance—

Air Marshal Shepherd—There is a range of costings. You can look at a direct cost which is literally just the cost of the fuel and oil that goes into every hour of flight, or you can look at a full cycle cost which is cost of the amortised cost of the hangars, the cost of the servicings and the cost of the man power.

Senator HOGG—I accept that. Putting the hangars to one side, we are basically looking at the cost of operating the aircraft, keeping it up in the air, the cost of training, the cost of supply of fuel and its weaponry, I presume, aren't we?

Air Marshal Shepherd—We could call that full operating costs. We will get you the figures for the F18 this afternoon, but it does include things like facilities and all aspects like that.

Senator HOGG—Thanks.

Senator MARK BISHOP—I would like to go now to the Squirrel aircraft, if I may.

CHAIR—Training.

Senator MARK BISHOP—I would like to talk about training issues associated with the Squirrel aircraft used by Navy for training its pilots. I am advised that they are a seasoned and adequate craft for training purposes based in Nowra, New South Wales and that we have currently used six for training purposes. Are those Squirrels now undergoing a major service all at once or are they being serviced sequentially?

Rear Adm. Crane—No, the Squirrel aircraft at the moment is part of 723 squadron in Nowra. It is operational and is a training aircraft. It is not undergoing a complete shutdown for servicing. It is business as usual at the moment to my knowledge.

Senator MARK BISHOP—How many do we have?

Rear Adm. Crane—I think it is six. I will check that and confirm that for you. I beg your pardon, it is 13.

Air Chief Marshal Houston—It is 13 and I flew in one only a couple of months ago. It is fully serviceable and as capable as it has been since we bought it.

Senator MARK BISHOP—How many are currently being used in service for training?

Rear Adm. Crane—I am advised it is 12 at the moment.

Senator MARK BISHOP—So, possibly one is out of service?

Rear Adm. Crane—That is correct.

Cdre Campbell—We have one in attrition reserve. We call it attrition reserve—we operate 12 and we rotate one aircraft through attrition reserve.

Senator MARK BISHOP—The other 12 are in full service and are being used for training purposes. Is that correct?

Air Chief Marshal Houston—Yes.

Senator HOGG—Have these aircraft undergone deep maintenance yet?

Cdre Campbell—They are constantly undergoing deep maintenance.

Senator HOGG—What is the maintenance schedule that you have operating over a 12-month cycle? How many are out of action?

Cdre Campbell—I would have to get that exact information for you, but they are constantly going through a maintenance cycle.

Senator HOGG—No, I mean deep maintenance as opposed to a regular maintenance cycle.

Cdre Campbell—Both.

Senator HOGG—Both? All right. Can you give us some idea of scheduling so that we have some idea of how many are fully operational at any one time?

Air Chief Marshal Houston—There is nothing remarkable about their deeper level maintenance cycles. They are the same as for every other aircraft in the ADF.

Senator HOGG—I accept that.

Senator MARK BISHOP—How many pilots are we training in Nowra?

Rear Adm. Crane—I would have to get the exact figures for you, but it would be fair to say—if I understand where you want to head—that we do have a shortage of pilots at the moment. Pilots across Navy in the aviation community are a critical category for us and we have a focus at the moment on trying to generate more pilots. Our training pipeline is, essentially, full. We have a number of new pilots coming through. Where we strike our problem is in adapting them to operational aircraft. We do have some challenges there at the moment.

Senator MARK BISHOP—That is fine. The net of your evidence is that nearly all of the Squirrels are in service, they are being used regularly and they are being used for training purposes, albeit there is a shortage of pilots to be trained—is that an accurate summary?

Rear Adm. Crane—That is correct.

Senator MARK BISHOP—Is the servicing done in-house or is it contracted out?

Cdre Campbell—Sorry, can you say that again?

Senator MARK BISHOP—Is the servicing of the platforms handled in-house or is it contracted out?

Cdre Campbell—A little bit of both. It is mainly contracted out but some is done by 723 Squadron down at Nowra.

Senator MARK BISHOP—Who is it contracted out to?

Cdre Campbell—A combination of Boeing and, I think, BAE Systems.

Senator MARK BISHOP—That concludes my questions on Squirrels. Thank you. I want to go next to the Wedgetail project. That might be Dr Gumley. Dr Gumley, can we have a status report on where the Wedgetail project is at?

Dr Gumley—Yes. I think last time we were at SLC the news was just breaking that the Wedgetail project had been delayed. Since then, we have worked and talked with Boeing in Seattle, the contractor, and the officially announced delay is 18 months. So we are now expecting that the whole program will be slipped to the right by 18 months.

Senator MARK BISHOP—Does that blow it out to the end of 2008?

Dr Gumley—I will to have get my data. I do need to point out, though, that it is a fixed price contract, so the impact on us is in time rather than in money.

Senator MARK BISHOP—I understand that. Now that we have had the opportunity to do a bit of an investigation—because it was a developing issue last time—what are the problems that have been identified or that the manufacturer is trying to solve?

Dr Gumley—It is a systems integration problem. There are a large number of complex systems on the aircraft and they all have to be able to work with each other. There are also some performance issues with the top hat radar on top of the aeroplane and they have to be fixed as well.

Senator MARK BISHOP—Regarding the systems integration problem, prior to Dr Nelson being given the news back in May or June—whenever he was in the United States—did we have any indication from Boeing that that was going to turn into a major problem?

Dr Gumley—No, we had no direct indication. We did have a project office in Seattle that was starting to give us some signals around the late April to early May period. It was a phone call from the new project manager of the Wedgetail project, the Boeing project manager, in early May that gave us the information formally.

Senator MARK BISHOP—How long had they been aware of the problem?

Dr Gumley—We believe probably for a matter of a few weeks. It was a situation where the previous project manager of Boeing retired, the new one came in and then the new one found issues with the program.

Senator MARK BISHOP—Are you satisfied that they acted with due propriety in the timeliness of their advice of those problems to our government?

Dr Gumley—Since the new project team of Boeing has been there we have been pleased with the quality of the advice they have been giving us and the timeliness of the advice they have been giving us.

Senator MARK BISHOP—But you do not make the same comment with respect to the previous project manager?

Dr Gumley—I am not sure I should go there. It is an individual matter for the company.

Senator MARK BISHOP—Okay, fair call. The DMO is the purchaser of the platform. Prior to the new project manager advising you of the problems and their significance, were you satisfied with the advice you were receiving from the former project manager from the position of your organisation?

Dr Gumley—With the benefit of hindsight and investigation—and I sent an investigation team over to Seattle to have a look at it because this is a very important and significant capability for the country—there were warning signs six to 12 months before that. Again, it is one of these situations where after the event you know what questions to ask.

CHAIR—Are we seeking damages or some sort of compensation with respect to this delay?

Dr Gumley—We have not put in any formal claims at this time. We are reserving our rights in those matters.

Senator HOGG—This is another system integration problem, which does not seem to be uncommon with defence projects.

Mr Smith—Or any others of a technical kind—for example, the airbus.

Senator HOGG—I accept that. Was there a change in the specifications in respect of the project for delivery to Australia?

Dr Gumley—No, there has been no change in the specification. From Boeing's perspective it was a developmental project. We have not changed the capability requirements at all during the project.

Senator HOGG—So this is a developmental project and so it was something that was not anticipated at the start? It is not something that is off the shelf?

Dr Gumley—The fact that Boeing were prepared to give a fixed price contract with fixed duration indicated they were confident they had the technical problems solved. Clearly that has not happened.

Air Marshal Shepherd—I would like to add a bit of clarity to the delivery dates. Air Vice Marshal Deeble, the project director, is currently in America refining those dates. Boeing has acknowledged, as Dr Gumley said, an 18 month delay. That puts it at about the end of 2008 time frame. Air Vice Marshal Deeble will be back with the refined dates from the review that Boeing is conducting throughout November.

Senator MARK BISHOP—Thank you for that.

Dr Gumley—I would like to add one more thing. My own view from getting lots of information, and some of it through informal sources, is that the delay might extend beyond 18 months.

Senator MARK BISHOP—That was my next question. We need the final advice from—

Dr Gumley—However, it would be speculative right now to give an exact date. We are getting deeper and deeper into understanding the technical issues involved and reaching some views as to how long it is going to take. We would hope that when Air Vice Marshal Deeble returns from America in about two week's time we will be in a better position to answer.

Senator MARK BISHOP—So we will get an exact answer when the Air Vice Marshal returns from the United States.

Air Marshal Shepherd—It is probably not a hard thing. The Air Vice Marshal, as part of his DMO responsibilities, is working with us and Air Force on a transition plan. We may be able to—and I say 'may,' we have yet to confirm this—accept the aeroplane in a less than complete state and start doing some of our training and operational testing and evaluation while the aircraft is still in the final stages of completion, in the systems integration stage. It is not exactly a firm fence that you jump over. We would look there to come up with the best result that we could to allow us to continue our training while the aeroplane completes its development.

Senator HOGG—Just on that point, what is the impact for the crewing of these aircraft given that there was an expectancy that you would have the crew on board a lot earlier?

Air Marshal Shepherd—That is exactly right. We have stood up No. 2 Squadron, which is the squadron that will operate the aircraft at Williamstown. They have brand new hangers and facilities. It is quite a great outcome there. We are working very assiduously to look at what the result will be. In a small way it will ease the pressure on the Hercules workforce because

we will be able to take some of the maintenance people that we were going to put on the 737 Wedgetail and put them on the C17 for this period of about 18 months rather than have to use more workforce from the Hercules force. So there is a small silver lining in that cloud.

We have a number of pilots out getting 737 operating experience with Virgin airlines. We will obviously turn the input tap off a little bit and leave people in the current jobs they are in. We are looking hard now at how long we have to keep the teams in Seattle and how we flow those people through those postings. So it is just an issue that we will have to work through in this transition plan. It is not a show stopper. In some small way with the maintenance force there is an unintended good result out of it.

CHAIR—With respect to operational matters between 2012 and 2014, what does this 18-month delay mean to operational networked air defence?

Air Marshal Shepherd—Keen in my mind was what impact this would have on air combat transition and there are many factors in play, as we have discussed in this forum many times before, not the least of which is the Hornet upgrade program, the arrival of the KC 30B tanker aircraft plus the Wedgetail airborne early warning and control. All those factors need to come into play so that we can proceed with the withdrawal of the F111 and the moving into the Joint Strike Fighter force. The delay in the Wedgetail is still not the limiting factor in the air combat transition plan. We believe we will still have it in fully developed operational service by the end of this decade and that will not affect the timing of the air combat transition plan through into the Joint Strike Fighter.

CHAIR—What is the limit of the delay until this ANWC capability does begin to affect and impact upon that capability?

Air Marshal Shepherd—I think we have probably got a little bit more fat there, but once again, we would not—

CHAIR—Dare I ask how much fat?

Air Marshal Shepherd—want to see any further delay. It is not a factor we look at. I think we will wait and see what Air Vice Marshal Deeble comes back with from the Boeing review. He is very confident at the moment that the delay will be in the order of the magnitude that we have just discussed.

Senator HOGG—When was the government informed of the likely delay—or Defence?

Dr Gumley—It was 11 May this year when Boeing advised Defence there would be a significant delay—the 18-month delay—and we advised the minister the same day.

Senator HOGG—Was there any knowledge of the delay prior to the delivery of this year's budget and the funds that were allocated in this year's budget?

Dr Gumley—No. As I mentioned earlier, there were a few little rumblings around the edges but nothing that made any sense. Boeing were expressing strong confidence right through March and April and leading up to budget night that the program was okay.

Senator HOGG—What did the government allocate in the project for this year's budget and will that be fully expended?

Dr Gumley—No, it will not be fully expended and it will need to be a deferral of funds to a future period. Obviously, we are not making milestone payments at the company at the moment because they are not meeting any milestones.

Senator HOGG—That was going to be my next question.

Dr Gumley—Therefore there will be a delay. Wedgetail: the budget estimate was \$439 million.

Senator HOGG—So I presume there will be some sort of contra entry when we get to the additional estimate.

Dr Gumley—There will have to be. There will be an entry that says the money will not be spent in this financial year and will need to be spent in some future financial year. The exact phasing of the future spend—it might be across two financial years, half each or all in one two years from now is still being looked at.

Senator HOGG—All right. Thanks.

Senator MARK BISHOP—Dr Gumley, you were saying that you had some indication that the 18-month delivery date delay might yet blow out. I presume that is because of the complexity of the systems integration issues that have to be addressed by Boeing—is that right?

Dr Gumley—Yes, it is. The project is a very complex one. I repeat what I said earlier: I do not have any formal indication but we have a team of engineers over there reviewing all Boeing schedules step-by-step, if you like second-guessing, looking over their shoulders. We are trying to reach our own view as to how realistic the contractor schedules are.

Senator MARK BISHOP—In terms of that gut feeling that you have or that informal advice that you have received, are you able to advise us whether the 18 months is going to blow out by a significant amount or is it a minor figure?

Dr Gumley—I am expecting Air Vice Marshal Deeble to come back with an answer somewhere between 18 and 24 months.

Senator MARK BISHOP—We might move to Seasprites and I think you should stay, Dr Gumley.

Senator HOGG—Your favourite project.

Senator MARK BISHOP—We are not going to revisit old ground. We will try and get some new ground out. Has the government yet received the review report on the Seasprite project? Have you completed your work?

Lt Gen. Hurley—Yes, they have.

Senator MARK BISHOP—When did they receive that report?

Lt Gen. Hurley—This week.

Senator MARK BISHOP—You are not able to yet disclose to us the contents of your recommendations.

Lt Gen. Hurley—No, we have not discussed it with the minister yet. He has just received it.

Senator MARK BISHOP—Is it relatively urgent that the minister make a call as to where we are going?

Lt Gen. Hurley—We would like the decision sooner than later, yes.

Senator HOGG—So would we all.

Senator MARK BISHOP—Is it a priority in terms of your capability work to have a firm answer?

Lt Gen. Hurley—We would like to get an answer by the end of the year.

Senator MARK BISHOP—Which authority signs off on the craft's automatic flight control system and the airworthiness certification?

Air Chief Marshal Houston—I think the final sign-off would be the Chief of Air Force, but I think before we get to that step there are other things that have to happen.

Senator MARK BISHOP—Can you outline the things that have to occur before the Chief of Air Force is able to sign-off?

Lt Gen. Hurley—We are in a two-step process at the present time. We need to address the problems that arose with the automatic flight control system in the early half of this year. That is the first step. The second step is to bring the aircraft up to a certification standard suitable for where we are in the 2000 era rather than the early 1990s type we were looking at when we first started the project, so correct the problems in the air flight control system, automatic flight control system and then do the certification process.

Senator MARK BISHOP—Have the problems in the automatic flight control system been—they have been identified—fixed to your satisfaction?

Lt Gen. Hurley—They have not been fixed. They are working on them right now.

Senator MARK BISHOP—What is the time frame for resolution?

Lt Gen. Hurley—I think it is before the end of this year but I will get someone from the project team—mid-February.

Senator MARK BISHOP—So we think we will have the automatic flight control system working properly by mid-February.

Cdre Campbell—Yes.

Senator MARK BISHOP—Is that then automatic to go to the Chief of Air Force to sign-off or is there another step in between?

Cdre Campbell—There is another step: we will apply for a special flying permit at that stage once we have finished the first phase of the automatic flight control system remediation work. That will allow us to continue test flying, should we get that special flight permit, and then we will go through another phase of automatic flight control system remediation to certify the system against a contemporary standard whereupon we will then apply for a full type certificate again.

Senator MARK BISHOP—A full—?

Cdre Campbell—Australian military type certificate.

Senator MARK BISHOP—Is that the airworthiness—

Cdre Campbell—That is the airworthiness instrument that every aircraft needs.

Senator MARK BISHOP—Correct me if I am wrong: we are probably going to be heading out to late next year before the Chief of Air Force will be able to sign-off on the airworthiness certificate?

Cdre Campbell—At the earliest.

Senator MARK BISHOP—This contract no longer contains a provision for liquidated damages—is that correct?

Dr Gumley—That is correct.

Senator MARK BISHOP—So they were negotiated away in one of the renewal phases, weren't they?

Cdre Campbell—No, the contract was originally signed without liquidated damages in it.

Senator MARK BISHOP—So it has never had a liquidated damages clause at all.

Cdre Campbell—Correct.

Senator MARK BISHOP—Why was that?

Cdre Campbell—It must have been negotiated during the negotiations and traded off for something that I am not aware of.

Senator MARK BISHOP—You are not aware of the detail.

Cdre Campbell—No.

Senator MARK BISHOP—All you are aware of is that there has never been liquidated damages. Dr Gumley, as a policy position, is that acceptable to you going into the future to trade off liquidated damages clauses?

Dr Gumley—No, it is not.

Senator MARK BISHOP—It would never occur again.

Dr Gumley—I would never say never, but it would be most unlikely.

Senator MARK BISHOP—That is a lesson learnt?

Dr Gumley—I think very much so.

Senator MARK BISHOP—General Hurley, along with the Seasprites we have also purchased some Penguin missiles for the Seasprites as I understand previous discussions. The purchase price was tens of millions of dollars; I do not know what they are worth. Do other platforms that you are considering have the capacity to lift and deploy those Penguin missiles or are they specific to the Seasprites?

Lt Gen. Hurley—It is technically feasible to fit them to the Seahawks.

Senator MARK BISHOP—Would it involve a major reconsideration?

Dr Gumley—Systems integration might be the word.

Senator HOGG—Not systems integration again.

Lt Gen. Hurley—Very simply, you have two choices: you can try to integrate it into the full suite of the Seahawk or you could have a stand-alone system that sits in the Seahawk. Both versions are in operation in navies around the world today.

Senator MARK BISHOP—What sort of extra costs are we considering if we have to go down that path?

Lt Gen. Hurley—We are having a look at that right now. I do not have an answer to that.

Senator MARK BISHOP—If you cannot re-engineer them into the Seahawks by either method and you dump the Seasprites, does that mean that the Penguin missiles are effectively redundant?

Lt Gen. Hurley—I do not think we can fit them in another platform at the present time without doing some more work, but there are a lot of hypotheticals there: that we would have to dump the Seasprite and decide not to do it on the Seahawk. If you went all those things, yes, we would not want to end up in that position.

Dr Gumley—There is every indication we can do it on the Seahawks. Other countries have done so.

Senator MARK BISHOP—Is it a physical configuration problem or a systems integration problem?

Lt Gen. Hurley—For?

Senator MARK BISHOP—For the Seahawk.

Lt Gen. Hurley—Physically you can carry it. That is not a problem. As I have said, other navies carry it. The decision is: do you open up the current system in the Seahawk and integrate it into that or do you use it as a stand-alone system and manually operate it?

Senator MARK BISHOP—Considering the significance of the current problems with the systems integration, to open it for a new system would be—

Lt Gen. Hurley—We would try to avoid it, yes.

Senator MARK BISHOP—problematic.

Lt Gen. Hurley—Yes.

Senator HOGG—That report which you spoke of that you are doing to look at the possible change, when will that be ready and available?

Lt Gen. Hurley—We have already submitted the report to the minister.

Senator MARK BISHOP—They hope to get a decision by the end of the year. One of the design issues with the Seasprite, as I am advised, was a requirement for a two-person crew. Do any of the alternatives that you are considering have a two-person crew?

Lt Gen. Hurley—No.

Senator MARK BISHOP—What is the integrated tactical aviation system?

Cdre Campbell—The Integrated Tactical Avionics System is ITAS, the heart and soul of the Seasprite. It is the system that is the aircraft main computers.

Senator MARK BISHOP—Is that the area we are having the systems integration problem; making all of those different parts work?

Cdre Campbell—Correct.

Senator MARK BISHOP—What is the principal problem? Are you able to reduce that to relatively easily understood language?

Cdre Campbell—We have now overcome the principal problem. I am expecting that we will have finished the final qualification testing of that software in the next few weeks. We will then have to go into a series of regression testing once we remove all the anomalies, bugs, call them what you like and we expect by the middle of February to have a fully operational software suite ready to go.

CHAIR—What does that mean for the performance of the aircraft?

Cdre Campbell—It means that the aircraft will be able to fire all its armament and operate all its equipment, radar and all the self-defensive suite.

CHAIR—So it will be fully operational by February?

Cdre Campbell—Fully operational but without its type certificate, yes.

CHAIR—What is the threshold issue with respect to the type certificate?

Cdre Campbell—The threshold issue there is to ensure that we have a way of certifying the automatic flight control system against a contemporary standard.

CHAIR—That is a matter of process anomaly as opposed to a performance deficit?

Cdre Campbell—Yes and no. We have to go through that process, but we also have to get a package of work done by Kaman to actually do that work to certify it against the standard.

CHAIR—How far past February?

Cdre Campbell—As Senator Bishop suggested, it would be most of next year and possibly beyond, just slightly into 2008.

Senator MARK BISHOP—I have come to the conclusion from what you have just said in your discussion with Senator Johnston that the systems integration issues are by and large resolved and it is a matter of implementation and you are comfortable with the idea that the platform is going to be pretty well capable of being deployed some time after February of next year.

Cdre Campbell—It could be deployed but we still have the safety issue we have with the automatic flight control system. We have to go through a series of testing at that stage.

CHAIR—Can we come back to this after lunch? The committee stands adjourned until 3.45 pm.

Proceedings suspended from 3.31 pm to 3.47 pm

Lt Gen. Gillespie—Chair, I need to leave soon. I would just like to read a couple of things into evidence.

CHAIR—Certainly. We will go straight to you.

Lt Gen. Gillespie—The first issue is to do with Senator Hogg's question on the A330 contract. The A330 contract was awarded in February this year to a company called Strategic Aviation, which is based in Melbourne, and it utilises a Portuguese flagged A330 airbus aircraft. The contract was granted its first of a possible six-month extension in October 2006. That takes the current contract through until April 2007. Then there are another three possibilities for six-month extensions.

Senator HOGG—So you have options there.

Lt Gen. Gillespie—We have options with them. The six-monthly cost of the contract is approximately \$US32 million.

Senator HOGG—So it is a contract done in US dollars?

Lt Gen. Gillespie—That is right.

Senator HOGG—Is that only available for defence purposes or it is available for commercial purposes during that time?

Lt Gen. Gillespie—No, it is exclusively for our use. In general terms it travels back and forth to the Middle East on a weekly basis. It does all of our troop rotations, it carries some of our stores.

Senator HOGG—Is that aircrewed by civilian aircrew or defence personnel?

Lt Gen. Gillespie—Civilian aircrew under the contract.

Senator HOGG—All right. Thanks.

Lt Gen. Gillespie—The second piece was in relation to numbers of Iraqi personnel perhaps injured by Australian forces in Iraq during Operation Catalyst; the figure is approximately 19.

Senator NETTLE—Was that injured or killed or both?

Lt Gen. Gillespie—Injured or killed, approximately 19.

Senator NETTLE—Okay.

CHAIR—Thank you, lieutenant general. Can we go back to Seasprites, Commodore. Let's just go through briefly where we are at with Seasprites. This is the residual project that is causing the committee great concern. We have spent \$800 million on this project. I think that is about right, is it not?

Cdre Campbell—About \$890 million.

CHAIR—It has an ASW capability with a dipper?

Cdre Campbell—No, it does not. It is primarily antisurface.

CHAIR—It has this ocean eye capability?

Cdre Campbell—It has an inverse synthetic aperture radar, yes.

CHAIR—That is right. It was Penguin capable?

Cdre Campbell—Yes.

CHAIR—We fitted out the Anzac class frigates for it?

Cdre Campbell—Correct, yes.

CHAIR—And we have trained our pilots?

Cdre Campbell—We have done some limited training in an interim training capacity, yes.

CHAIR—What precisely is this certification issue?

Cdre Campbell—It might be better to ask Chief of Air Force if you want a brief on the certification issue.

Air Marshal Shepherd—The way the certification process works is the project office—DMO—achieves certification against a range of standards. We, the airworthiness process, assist in achieving those standards through the Director General of Technical Airworthiness. Indeed, the Operational Airworthiness Authority, which is the commander of the Navy's aviation group, puts into place a series of procedures, techniques and practices on the way they are going to do their business. At the end of the day, the Airworthiness Board, which is an independent board—comprising mainly senior retired officers with great experience, both technical and in an engineering sense as well as operational—sit and review all issues. They are basically looking to see that the platform and all the processes, procedures and training around it is fit for purpose, shall we say. They will look through the whole range of issues. It is not just the platform, it is the whole capability; if the whole shooting match comes up to the mark then they will issue it with the Australian military type certificate. That is still a fair way off. There are a range of issues; the ASCF being the most notable.

CHAIR—We are told that is February.

Air Marshal Shepherd—Once again, the board is an independent board and I cannot tie it to a time frame.

CHAIR—No.

Air Marshal Shepherd—It needs that independence to be able to be free and frank in its recommendations, but we do believe that the AFCS phase I will be about that sort of time frame. They will then sit and give the aircraft—and once again the whole capability—an interim certification, which will allow it to continue to do test flying and development flying, not with normal frontline pilots but with senior pilots and experienced pilots, to then deliver the AFCS phase II solution.

CHAIR—This is a legacy project, the contract for which was signed in 1998. The certification process back then was totally different to the current one you are putting to us now.

Air Marshal Shepherd—Certainly the certification processes have been refined.

CHAIR—Navy had custody of it, did it not?

Air Marshal Shepherd—Exactly right. If you go back 15 years, we did not have our own certification processes. We have developed that and matured that as time has gone on. It has turned out to be, once again, a fairly rigorous and exacting process.

CHAIR—So, if what we are to be led to believe about the command and control system is correct and February is the due date for that—and I believe the contractor is undertaking a lot

of the expense on that—then how long do you think it will take, given your experience, to certify this aircraft, all things being equal?

Air Marshal Shepherd—Once again, a lot of those questions relate to engineering solutions to the problems that the project is working and so it is probably more correct that DMO answer that. If I could just leave you with one final thought about the certification process: Air Force, in the airworthiness process, do not believe that the certification process is the long pole in the tent with the Seasprite. We believe it will achieve the certification outcome.

Senator FAULKNER—The most difficult part of the issue.

Air Marshal Shepherd—We believe it will achieve a certified outcome.

CHAIR—I am pleased the committee finds that that is not the long pole in the tent. What is the long pole in the tent?

Lt Gen. Hurley—If I could just sum up: I think we got a bit confused between airworthiness combat capability prior to the break and timings. As we have mentioned, there are two phases underway at the present time. One is to address the flight control system hardware, the automatic flight control system; we are working to have fixes and so forth ready about February next year so that we can test that we have reached that point. The next phase is to get the full certification against contemporary flight standards. That is going to take 12 months or more. We are looking into 2008 before we think we can safely say we can reach that standard.

CHAIR—That 12 months is neither here nor there in comparison with where we find the project at; 12 months is neither long nor short. It is about average, is it not?

Lt Gen. Hurley—I have no experience to fall back on in terms of taking an aircraft with this system to bring it to contemporary standards.

Air Chief Marshal Houston—I think your deduction is right.

CHAIR—If we want to fit out the Seahawk with the missile and try and integrate it or have it stand alone as a three-man crew, we have a similar sort of problem in terms of certification, have we not?

Air Chief Marshal Houston—In terms of certification, putting the Penguin on the Seahawk has challenges and risks. You have heard from the team that there are two principal options and we have to work through them. Yes, with either option, there will be integration issues and there will be a certification process to go through and yes, it will take time.

CHAIR—We would end up with a lesser capability given the anticipated capability on the Seasprite in regard to the issues that I mentioned.

Lt Gen. Hurley—You will have a different capability. The Seahawk does not have the sensor fit that the Seasprite has.

CHAIR—That is right.

Lt Gen. Hurley—But you could still engage surface targets with the Seahawk.

CHAIR—We are missing Ocean Eye and the surface sonar capability, is that right?

Cdre Campbell—That is correct. You do not have ISAR in the Seahawk at present and you do not have Penguin at present.

Senator MARK BISHOP—Have you finished your comments, General Hurley?

Lt Gen. Hurley—I was going to go on to say that once we have got that airworthiness out of the way in 2008, probably late 2008, we then need to move into ramping up the build to a full capability of the squadron and being able to put the number of flights to sea that we would expect to come from the Seasprite fleet.

Senator MARK BISHOP—Is the combat capability issue to be resolved only after the airworthiness issues have been signed off towards the end of 2008?

Lt Gen. Hurley—Yes, we have got a good handle on what we think they are and then we would have to go through that process to prove the matching of the ship—the helicopter to the ship—and doing its job at sea.

Senator MARK BISHOP—Let's assume your time program is right and we get the airworthiness issues resolved by the end of 2008, what time frame is then involved before you can assure us that the craft has combat capability as defence contracted for?

Lt Gen. Hurley—We plan to have a first flight at sea in late 2009. I am not quite sure, frankly, how that compares with the current contract. You will need to go to that.

Senator MARK BISHOP—First flight, late 2009, and then you would have to do further flights and further testing into 2010—is that right?

Lt Gen. Hurley—We would then just be doing the additional flights at sea. We would have done the testing to get the first flight up and then we would just be bringing the next lot of crews in and the next helicopter fleet.

Senator MARK BISHOP—Could you tell us about the first flight.

Lt Gen. Hurley—One helicopter at sea on a ship with the capability it is going to have to do what we require.

Senator MARK BISHOP—It will have all the things that are required?

Lt Gen. Hurley—Yes.

Senator MARK BISHOP—So we are heading towards late 2009, early 2010?

Lt Gen. Hurley—Late 2009.

CHAIR—We are done on Seasprites, thank you. We will go to Senator Nettle for one question on defence and climate change.

Senator NETTLE—I wanted to go back to your answer before, Mr Smith, when you talked about consultant's reports and check if we were talking about the same consultant's reports in relation to defence and the security implications of climate change.

Mr Smith—I have seen one from the Lowy Institute.

Senator NETTLE—Has there been any defence analysis of that one?

Mr Smith—Let me ask Mr Pezzullo. He advises that he is not.

Senator NETTLE—Has Defence commissioned any?

Mr Smith—No.

Senator NETTLE—Has there been any Defence analysis of the Pentagon one, the UN one or the CSIRO one?

Mr Smith—Not that I know of, no.

Senator NETTLE—There is an ONA report as well. Has Defence been involved in that?

Mr Smith—We are aware of the ONA report. We are part of government with them.

Senator NETTLE—All right.

CHAIR—Senator Faulkner, I think we can finish off your matter now—if Mr Pezzullo can come forward, we can deal with that.

Air Marshal Shepherd—While Mr Pezzullo is coming forward, might I just read into *Hansard* the current operating costs of the F18 that Senator Hogg wished to see. Once again I would just like to say that many of these costs are accounting costs. Let me give you a definition, if I may.

CHAIR—They are important, nevertheless.

Air Marshal Shepherd—They are important, but once again there are a whole range of boundaries you can put around them. I will give you a short definition which might assist there. The direct cost rate is used for cost reporting and certain limited cost recoveries. What we might do there is, if we seek to recover costs from a promoter who wants us to put something on like the Indy, we would use a direct cost. The direct cost includes fuel, spares, contract-servicing costs and the direct cost of crew per hour. The full cost rate is used for cost reporting and cost recovery as well, under different circumstances, and it includes the attribution of all direct and indirect costs that can be reasonably traced to the cost of operating the aircraft in peacetime. Once again, that is when you start to go through the whole thing. Including GST, the direct costs of the Hornet are in the region of \$13,500 to \$14,000 per hour flying and the full costs are in the region of \$79,500 per hour.

CHAIR—Very cheap at the price.

Air Marshal Shepherd—Cheap at twice the price.

CHAIR—Thank you for that.

Senator NETTLE—The answer that we got before about the deaths in relation to Operation Catalyst—if I can just put on notice to get the number of deaths for the whole period because obviously we are missing the invasion with Operation Catalyst.

Air Chief Marshal Houston—In terms of the invasion, it would be very difficult to get the numbers. Did you want just civilians?

Senator NETTLE—Yes.

Air Chief Marshal Houston—We can do that.

Senator NETTLE—I will put on notice the question for civilians and others and then you see what you can come back with.

Air Chief Marshal Houston—We can do it for civilians.

Senator NETTLE—Thank you.

CHAIR—Senator Faulkner.

Senator FAULKNER—Mr Pezzullo is going to come back with some further information.

Mr Pezzullo—I regret to inform you, and the committee more generally, that in the time that has elapsed since the evidence I gave this morning, my staff have not been able to locate a record in relation to DFAT's declining to pass to Defence a copy of the so-called Gee resignation letter, other than the record I referred to earlier to that effect, which was in advice to the previous minister in April 2005. We have conducted what I consider to be at this stage a reasonable search. There are a number of officers who are either on leave or no longer in the department and no longer in the Public Service who might have the basis of that advice in their personal diaries or in their electronic in-boxes, which we have not sought to go into today. I regret to say that at this stage we do not have the information that you specifically asked for. I do have a little bit more context that I can put around it that might be helpful.

As Mr Blazey, the then head of the Iraq Task Force, advised the Senate references committee that looked into the issue of the duty of Australian personnel in Iraq in June 2005, both Mr Barton and Dr Gee advised a number of officials after their return—Dr Gee having come back in March 2004—about their concerns regarding the objectivity of the Iraq Survey Group report, particularly in the context of the changeover of leadership from Dr Kay to Mr Duelfer. As the aforementioned Senate inquiry was advised, Mr Barton and Dr Gee were not named in evidence but Dr Gee was later identified in the Senate inquiry's report because his name subsequently came up in the media—although he did not appear, and I should put that on the record.

They were concerned about Mr Duelfer's preferred approach to examining the evidence to hand when he first arrived in that early March period before he was going to make provisional judgements, even when he was due to appear before the United States congress at the end of March 2004. I think from memory he appeared before congress on 30 March 2004. A number of officials were aware of Mr Duelfer's preferred approach because of course the Australian government, principally through Defence intelligence analysts that you have been advised of before through the tabling of documents in other proceedings, were intimately aware of Duelfer's preferred approach in terms of his own accountability to the people to whom he was responsible. They were also aware that Mr Barton and Dr Gee did not agree with this approach.

Senator FAULKNER—And the advice from Mr Smith to the minister of around March 2004.

Mr Smith—The advice was actually from the division head at the time.

Senator FAULKNER—Sorry, I should have said that—from the division head.

Mr Pezzullo—That advice was, as the secretary said, signed off by a previous division head of the International Policy Division.

Senator FAULKNER—Who was that at the time?

Mr Pezzullo—Ms Rowling, which is a matter of public record so I am not backwards in putting that name down again. It has been canvassed before.

Senator FAULKNER—It is not a secret who the division head is.

Mr Pezzullo—No, it is not. We do not normally identify officers unless it is germane and her name has come up in this context before. It was Ms Rowling.

Senator FAULKNER—What time was that? The second element of my question was whether you have been able to chase down any further or better details in relation to that advice to Minister Hill?

Mr Pezzullo—Her advice was 19 March 2004.

Senator FAULKNER—Were there other addressees apart from the minister, drop copies to secretary—

Mr Pezzullo—There is a standard set of drop copies. The secretary and the CDF all see ministerial submissions and there are a number of other more junior officers who are also copied into it—more junior than the secretary and the CDF that is to say.

Senator FAULKNER—You have been able to check that it was received et cetera by the Minister for Defence?

Mr Pezzullo—The then minister, yes.

Senator FAULKNER—Yes, the then minister, Senator Hill at the time.

Mr Pezzullo—I have sighted the returned and actioned copy.

Senator FAULKNER—Was it an annotated copy?

Mr Pezzullo—Ms Rowling asked the minister to note the advice and he did.

Senator FAULKNER—But only noted, no additional annotation.

Mr Pezzullo—No, he noted that advice. I should also indicate that she provided some earlier advice prior to his return forecasting both Dr Gee's return and Mr Barton's return and I have also got the details of that advice as well, if you like.

Senator FAULKNER—You had better let us know about that.

Mr Pezzullo—That advice was dated 5 March.

Senator FAULKNER—Did this anticipate their return and anticipate the nature of their likely views on the issues that we have been canvassing?

Mr Pezzullo—It is advice to the minister of the day. Suffice to say, it is certainly consistent with other evidence that the references committee was given last year that they were concerned about the ISG process and its objectivity. I would put it in these terms, if I may: Ms Rowling's advice of 5 March was certainly not inconsistent with public evidence that has been tendered since that time.

Senator FAULKNER—Have you been able to check why Ms Rowling was able to provide that early anticipatory advice?

Mr Pezzullo—As Mr Blazey and other officials have made clear, certainly in the case of Mr Barton and separately in the case of Dr Gee, that they did not limit their expressions of concern solely to written forms of correspondence. They advised officials in the case of Defence to be quite specific about it. International Policy Division staff were managing their

employment contract and they advised them of their desire to return ahead of their scheduled period. To go back over old evidence, you will recall that these non-ongoing contracts were for a period of six months and both gentlemen returned ahead of that six-month period. Ms Rowling would have been in a position to state the reasons for their early return based, I presume, on conversations that officers had directly with both gentlemen.

Senator FAULKNER—Can you indicate the date when Senator Hill noted the 19 March advice?

Mr Pezzullo—It was 22 March.

Senator FAULKNER—Mr Smith, can I ask you whether you are satisfied that the contents of the 19 March brief to Minister Hill, in broad terms, was consistent with the information that you had received in your briefing with Dr Gee?

Mr Smith—Yes, broadly it was.

Senator FAULKNER—You did not take any action? You were obviously satisfied with the draft copy when it went to you.

Mr Smith—I believe that Ms Rolling showed me the draft and I might have even written some words in it.

Senator FAULKNER—You wrote in some words to do what?

Mr Smith—Nobody gives me a draft that I do not fiddle with.

Mr Pezzullo—I think it is extremely rare.

Mr Smith—I am pretty confident that she showed me this draft, and I am very likely to have added to it, based on his conversation with me. I can tell you that there are three paragraphs here which embrace the sense of his conversation with me.

Senator FAULKNER—Your evidence about drafts that you fiddle with is, in one sense, indicative that, while the draft does not come from you as secretary of defence, it is clearly a draft that you had seen and were, in its final form, comfortable with.

Mr Smith—Yes.

Senator FAULKNER—And I think that is important in terms of the full record of the committee. You read the evidence stand-alone and when we canvassed this a few short hours ago one might have had the impression that the draft might not necessarily have been sighted by you.

Mr Smith—I was happy with that submission.

Senator FAULKNER—I have another issue that has been flagged with you.

Mr Smith—Thank you for your notice of that.

Senator FAULKNER—This relates to the Australian government Department of Defence document in budget 2006-07 entitled *To defend Australia*. I think you would be aware of the document I am referring to.

Mr Smith—Yes.

Senator FAULKNER—It is a glossy, full-colour document. So that I am clear about the background to this, when did the planning for the production of this document begin?

Mr Smith—I think we began to discuss it with the minister in early April, and he took the view: ‘Look, we’ve got a great defence budget, but it’s presented in technical and official language that so many people have difficulty comprehending. Let’s find a simplified way of getting it out there.’

Senator FAULKNER—I find it hard to believe that people could not comprehend the defence budget. That was a joke.

Mr Smith—We are working at it.

Senator FAULKNER—So it is a new initiative for the 2006-07 budget. I had not seen one of these before but I was not sure whether there had not been one or I just had not seen it.

Mr Smith—It is the first one that has been done.

Senator FAULKNER—Was this a departmental initiative or a ministerial initiative?

Mr Smith—It was the minister, wasn’t it, Mr Jennings?

Mr Jennings—Yes, that is right. It came out of a suggestion from the minister that, as the secretary said, we should find a way of making programs within the budget more accessible to a non-specialist audience.

Senator FAULKNER—Did the minister’s office provide a brief for the production of what was required?

Mr Jennings—We spent some time in early April discussing it with the minister’s office and developed the brief ourselves.

Senator FAULKNER—Did you engage any outside contractor or consultant for the preparation of the material, or was it done in-house?

Mr Jennings—It was done in-house.

Senator FAULKNER—Design, layout—the whole thing was done in-house?

Mr Jennings—Yes.

Senator FAULKNER—Writing was done in-house?

Mr Jennings—Yes.

Senator FAULKNER—Was it all done in the public affairs section, Mr Jennings?

Mr Jennings—No. The technical parts of the brief were actually put out to the different bits of the Defence organisation responsible for them.

Senator FAULKNER—What about the content? Was there a tick-off process on the content of it?

Mr Jennings—Yes, indeed.

Senator FAULKNER—Could you briefly outline that to us, please?

Mr Jennings—Through several drafts going to the minister’s office, as was the case with all of the budget material.

Senator FAULKNER—What about any consultation on content, design and layout requirements outside Defence?

Mr Jennings—No.

Senator FAULKNER—So who was the consultation with? Was it just with the minister's office?

Mr Jennings—Yes, that is right.

Senator FAULKNER—And only the minister's office?

Mr Jennings—Yes, that is correct.

Senator FAULKNER—Was content changed as a result of the contact with the minister's office?

Mr Jennings—Not significantly. As is the case with a lot of budget documentation, you have a number of Xs in place where the dollar figures get filled in as the budget solidifies closer to 9 May. So there were changes of that nature.

Senator FAULKNER—So who gave the final sign-off for it?

Mr Jennings—The minister.

Senator FAULKNER—So a draft goes over to the minister in mock-up form and the minister signs off on it?

Mr Jennings—That is right, yes.

Senator FAULKNER—What was the cost of the production of this thing?

Mr Jennings—We had two print runs. The first one was 5,000 copies, which was done in time for budget night on 9 May. The cost of that was \$5,630, plus GST of \$563.

Senator FAULKNER—We should never forget the GST.

Mr Jennings—Total cost \$6,193.

Senator FAULKNER—That was the first print run. Was that all that was envisaged—just the one print run for the budget?

Mr Jennings—No. The intention was always that we would produce a larger print run, but the difficulty we faced was the pressure on printing presses in the lead-up to the budget. So what we needed to do—a bit like with the annual report—was to produce sufficient copies for distribution on the night, and then the intent was to go to a larger print run after that time.

Senator FAULKNER—Were both printing runs done by Pirion Printing in Fyshwick, ACT?

Mr Jennings—Yes, I believe that is correct.

Senator FAULKNER—So the first print run of 5,000 copies was for budget night. How many copies were in the second print run?

Mr Jennings—The second print run was for 75,000 copies. The total cost of that was \$18,876. GST was \$1,887.60. The total cost was \$20,763.60.

Senator FAULKNER—What was the purpose of the second print run of 75,000 copies?

Mr Jennings—To support a larger distribution of the document.

Senator FAULKNER—Yes, but where was the larger distribution going to?

Mr Jennings—On budget night, the minister wrote to all members and senators and asked them whether they were interested in taking multiple copies to distribute. There was a substantial take-up of that. In the order of 78 or so members and senators came back to the minister with requests for copies to distribute.

Senator FAULKNER—Do you have a list of those members and senators with you?

Mr Jennings—No, I do not. This was something that was left to the minister's office to—

Senator FAULKNER—That was handled by the minister's office.

Mr Jennings—Yes.

CHAIR—I have to plead guilty on that basis.

Senator FAULKNER—Fine. Can you confirm that the document went from the minister to all members and senators?

Mr Jennings—Yes, indeed.

Mr Smith—Who asked for it; is that right?

Senator FAULKNER—No.

Mr Smith—You mean a copy to all.

Mr Jennings—Yes, indeed. All members and senators received some copies on budget night, and they all received a letter from the minister inviting them to take up more.

Senator FAULKNER—So you do not know what use these were put to.

Mr Jennings—I do know that there was a substantial uptake. The minister's office advised me that it was across party lines within the House and the Senate. On that basis I understand that, of the 75,000 printed, around 63,000 copies were distributed to members and senators for their own use.

Senator FAULKNER—Where was the distribution of those from?

Mr Jennings—They were distributed directly from the printers, who received notice from the minister's office as to where the material should be sent.

Senator FAULKNER—Do you have from the printer the printing requisition for these documents?

Mr Jennings—No, I do not. What I do know is that the material was sent by the printers directly to the addresses that were supplied by the members and senators.

Senator FAULKNER—I find that very odd in terms of the acquittal processes of Defence. That is extremely odd, isn't it? You would be worried about that, wouldn't you, Mr Smith?

Mr Smith—I am not sure that I would be. I am not sure that I see your concern.

Senator FAULKNER—I think you will in time! It is pretty obvious. How do you know that these things were printed and went off to where they were supposed to go? I would have thought that for sums of money like over \$20,000 there would be appropriate acquittal

procedures and you would be able to inform me about them, particularly as I flagged I was going to raise the issue—unless it was too embarrassing.

Mr Smith—I do not think there is a difficulty in asking a contractor to print and distribute a document.

Senator FAULKNER—No, I do not either; I agree with that. I just want to know how you know it was printed and distributed. Of course there is no problem, but how do you know it was printed and distributed?

Mr Jennings—We received an invoice from the company, which of course described in precise terms what it did for that purpose.

Senator FAULKNER—So do you have a copy of the invoice there?

Mr Jennings—Yes, I do.

Senator FAULKNER—What does that invoice say?

Mr Jennings—This is from the printing company. It describes the budget book *To defend Australia*—16 pages, self-covered booklet. The task: distribute 62,770 copies nationwide.

Mr Smith—As per list supplied.

Senator FAULKNER—That is handy: as per list supplied—but you do not have a copy of the list.

Mr Jennings—No.

Mr Smith—Not here.

Senator FAULKNER—Do you reckon we could get a copy of the list?

Mr Jennings—The list went from the minister's office. I would need to discuss it with the—

Senator FAULKNER—That is handy, isn't it? Do you know what happens to these books once they leave the printer? Has anyone actually thought that maybe we ought to check how they are being used? The taxpayers, through the Defence budget, have paid in excess of \$20,000 for these 75,000 booklets. Would it surprise you to learn that they have ended up in very partisan—highly political partisan—direct mailing to each and every elector in certain federal electorates like Stirling in Western Australia? Would you be surprised to hear that, Mr Jennings?

CHAIR—And Cowan in Western Australia?

Senator FAULKNER—We will get to Cowan.

CHAIR—Good.

Senator FAULKNER—That was never the intention, was it?

Mr Jennings—There is no material in the booklet itself of a partisan nature.

Senator FAULKNER—There is.

Mr Jennings—There is no material in the booklet of a partisan nature. It is material which relates to budget programs and priorities. I think it is perfectly reasonable that that is information that should be distributed.

Senator FAULKNER—I do not necessarily agree with you that the contents are not partisan. But, you see, this has been used for direct mail into electorates, paid for by Defence, for partisan political purposes. This is just an abuse. This is a budget document. On false pretences this is printed and then it is shot out to every mailbox in certain electorates. That was never intended. You did not know that was going to happen, did you, Mr Jennings?

Mr Jennings—I do not accept your premise that this—

Senator FAULKNER—Did you know it was going to be posted out by Liberal Party members of parliament and senators—

CHAIR—And Labor Party members of parliament and senators.

Senator FAULKNER—I do not think you are going to find any mass mailing from Labor Party members of parliament and senators.

CHAIR—There was one in Cowan.

Senator FAULKNER—Are you aware that that happened?

Mr Jennings—Our purpose was to provide material to the minister's office, which they provided to members and senators on a non-partisan basis to receive this material. There was no material provided in large enough quantities to provide for large-scale electorate mail-outs.

Mr Smith—There were 65,000 copies.

Mr Jennings—That is significantly less than 1,000 per member or senators that requested the material. I know in one case, for example, that the material was provided to the Queensland RSL, which strikes me as a perfectly reasonable audience to receive a booklet on—

Senator FAULKNER—I agree with you. That is fair enough. How do you know it was provided to the Queensland RSL?

Mr Jennings—That was actually a request we received immediately after the budget. Because there were some timing issues to get the material to the Queensland RSL in time to meet their state conference, we provided that material—

Senator FAULKNER—So that came out of the first 5,000.

Mr Jennings—Out of the first 5,000, yes; that is right.

Senator FAULKNER—I am pleased you know that and I would not care if you were able to say that, out of the 5,000, X went to members and senators, whether they came from the Labor Party or the Liberal Party or were Callithumpians. That is good. That is what I expect. I am pleased to hear that you can say that. But the acquittal processes for the rest seem to be non-existent. It strikes me that Defence ought to be able to have a check. How do you even know that this material went where it was supposed to go and was printed, if it is not acquitted in this way?

Mr Jennings—It is very difficult for us to know what happens to any of our material once it leaves our hands. That could be said for the annual report or any other document that the department produces.

Senator FAULKNER—But this is a new initiative taken by the minister to present material in a glossy pamphlet, making it more accessible. I have no problem with making budget materials more accessible to the general public, but I do have a problem with massive amounts of public money being spent. This only goes to the printing. Forget about all the postage and so forth; we are not even dealing with that and that is not the responsibility of the Department of Defence. I just want to be assured that this is not being done for partisan advantage. That is the assurance I am seeking. I would hope you would see that that is a reasonable assurance to seek.

Mr Jennings—Yes.

Senator FAULKNER—If you cannot satisfy me what occurred in relation to the documents for budget 2006-07, I hope procedures, particularly acquittal procedures, will be improved so that, in the unhappy event that I am at this estimates committee in a year's time asking questions like this—and that would be a very unhappy event—you would be able to answer the question.

Mr Smith—Perhaps in the event that we do send them out like that next year—and frankly I would like to; I think it is a good publication—I think that we should perhaps ask the printer, whoever wins the contract, to distribute them and then provide us with a receipt from each of the persons who received them rather than as perhaps we did this time, which was to say, 'Well, if a member has asked for it and it hasn't come, they'll let us know.'

Senator FAULKNER—Sure, that is fair enough, but you have to be very careful with these sorts of materials. There is no check here that these materials are not used in a partisan way. I think there is an obligation for you to ensure that, if there are mass printings of this sort of material, you do so. I think that a reality check needs to take place—and fair warning in relation to that for any of this sort of material in the future.

Mr Smith—I am not clear how we would do that. Every government publication is available for use in a partisan way if someone chooses to do that. The annual report might be used that way.

Senator FAULKNER—Do you think that, if someone printed off 25,000 or 30,000 of the annual report—if they were in their right mind—and distributed them around an electorate with a covering letter and so forth to try and gain political advantage, someone might not notice? Come off it!

Mr Smith—I am not suggesting they would not notice.

Senator FAULKNER—It is not a fair comparison.

Mr Smith—Any government document is available.

Senator FAULKNER—It is not going to happen. This is specifically developed for political purposes. We have heard why it was developed.

Mr Smith—I do not think that is our view at all. As you said, this is a useful publication. I think it should go out to Australians and, indeed, around our own Defence Force.

Senator FAULKNER—It is a useful publication to be used, as it was intended, with the first print run. But it is not appropriate if it is misused and hawked around electorates in mass mail-outs for partisan political advantage. If that is the case then it is something that not just opposition senators on this side of the table but all of us—including Defence—need to take account of.

CHAIR—With respect, Senator Faulkner, I do not think your opinion is correct. This is not a partisan document. If it promoted the government in a particular way, yes, but this is a Defence document. I do not believe that you yourself could identify anything in it which is partisan on a political level.

Senator Colbeck—Senator Faulkner, if the offer had been made to one political party or another then perhaps you might be able to make some claims about partisanship, but the fact is this document was offered to all members of parliament. Some members of parliament took it up—as Senator Johnson has said, he himself took it up—and some did not. I am aware of a number of other documents published by different government departments, in fairly significant numbers, that hold quite a deal of handy information. For example, the Department of Agriculture, Fisheries and Forestry publishes a small document that provides agriculture statistics. If a member of parliament decided to ask for a certain number of that document, they too could post them out to their rural constituency. Also, the Department of Transport and Regional Services publishes a document on roads, which could be used—

Senator FAULKNER—Thank you for that. Mr Jennings, this document was not written by Dr Nelson, was it?

Mr Jennings—No.

Senator FAULKNER—Let me be clear about this: this document was not written by Dr Nelson?

Mr Jennings—No, except for his introduction.

Senator FAULKNER—It says at the bottom of the document that it is written and authorised by the Hon. Dr Brendan Nelson MP, Minister for Defence. At least part of that is not right.

Senator PAYNE—It requires an authorisation.

Senator FAULKNER—Yes, but we have just established it is not written by him. The witness has told me three times it is not written by him. So that is a lie.

Senator PAYNE—It is not a lie. That should not be allowed to stay on the record.

Senator FAULKNER—That is a lie.

Senator PAYNE—Chair, that should not be allowed to remain on the record. It is not a lie.

CHAIR—It is not a lie.

Senator FAULKNER—We have just been told he did not write it.

Senator PAYNE—Senator Faulkner, you know as well as we do the process of authorising documents.

Senator FAULKNER—Why did it require being written and authorised if it is not political?

Senator PAYNE—Because you would complain if it was not, Senator Faulkner.

Senator FAULKNER—I am not asking you, Senator Payne. You know there is a problem.

Senator PAYNE—I have as much right to participate in this process as you do, Senator Faulkner, and I intend to do so.

Senator FAULKNER—You put such authorisations on political material. I would refer you to the Electoral Commissioner to see what he has to say. Why is it authorised by the Minister for Defence?

Mr Jennings—There are many documents written for the minister, by the department, which become the minister's documents once the minister takes receipt of them. Why was the document authorised by the minister? Because it had a large take-up across the parliament it seemed a prudent thing to put on the document.

Senator FAULKNER—Sorry; this was authorised before it had any take-up in the parliament. You just told me that.

Mr Jennings—That written and authorised statement refers to the second print run, the 75,000 print run. The size of that print run was determined against the numbers of documents that were requested in response to the minister's letter.

Senator FAULKNER—Why was it authorised? Why does it have these words: 'Written and authorised by the honourable Dr Brendan Nelson MP, Minister for Defence, Parliament House, Canberra ACT' and also have a printer's imprint if it does not contain political material. Why?

Mr Jennings—Because the document was going to have a large national circulation.

Senator FAULKNER—So any document in Defence that has a large circulation—

Mr Smith—Through members of the parliament.

Senator FAULKNER—You cannot be serious. You cannot have it both ways. You simply cannot have it both ways.

CHAIR—I think they can and they are.

Senator FAULKNER—They are.

CHAIR—I think they can. Do you have any further questions? I think this is a complete waste of time, with great respect.

Senator FAULKNER—You may think it is a complete waste of time. I think it is a massive waste of taxpayers' money to have this sort of political material printed by Defence and hawked around, in a very partisan way, the electorate of Stirling in Western Australia.

CHAIR—We welcome your opinion, and that is all it is. Can we move on?

Senator FAULKNER—It is my opinion, and I do hope that the senior defence officials do not allow this to happen in the same way at any occasion in the future, because this is the expenditure of public moneys for partisan political purposes and it is not on.

CHAIR—That is your opinion. Take it up with the suitable—

Senator FAULKNER—I have.

CHAIR—Good.

Senator FAULKNER—I have taken it up with the officials at the table. I hope they do something about it.

CHAIR—I hope they do not.

Senator FAULKNER—I would not expect your crummy government to do anything about it.

Senator PAYNE—That was an incisive observation.

CHAIR—That would be right. Can we go on to further questions. Senator Bishop, do you have any further questions?

Senator MARK BISHOP—Yes, I do.

Air Chief Marshal Houston—Just before we go on, could I correct the record. The vice chief answered a question from Senator Nettle about Iraqis injured by Australians in Iraq. The response is incorrect, and we will come back in writing with the precise numbers.

CHAIR—Thank you for that.

Mr Smith—Chair, Mr Jennings can answer a question he took on notice earlier from Senator Bishop about a file number.

Mr Jennings—Senator Bishop asked me earlier to look at file number 1037780, which was titled ‘Media information office accommodation’. Because of the reference to media, eyes turned to me to provide an answer to what that particular file contained. We have looked into that. The file is actually held in the infrastructure division of the department. It consists of media articles, principally from the *Canberra Times* and *City News*, a local ACT metropolitan paper, relating to general ACT government and National Capital Authority planning matters and also articles relating to marketplace information on general office accommodation. The file only contains copies of media articles or articles which are in the public domain.

CHAIR—Thank you, Mr Jennings.

Senator MARK BISHOP—Can we turn to MRH 90 and then we will go onto Tigers. Dr Gumley, with regard to the MRH 90, has the training simulator been delivered yet?

Dr Gumley—Major General Fraser might take that.

Major Gen. Fraser—I am the head of Helicopter Systems Division in the organisation. The simulator for MRH 90 has not yet been ordered or procured. The MRH 90 program will only receive its first two aircraft in December of next year. The in-service date is December 2007. It is a new program, so we do not expect a simulator for quite some time.

Senator MARK BISHOP—Has the contract for its delivery been finalised?

Major Gen. Fraser—Not for the simulator, no. That is a process we are currently negotiating.

Senator MARK BISHOP—When will that process be concluded?

Major Gen. Fraser—We should have a strategy within about two months, so early into next year we would be negotiating with the appropriate contractor.

Senator MARK BISHOP—How many simulators will we be purchasing?

Major-Gen. Fraser—It is up to three. It will be based primarily for the training in Oakey for the aircraft and for Townsville.

Senator MARK BISHOP—Thank you for that. Brigadier Patch told the previous round of estimates that the electric blade fold was not an optional extra, is my memory of his remarks.

Major Gen. Fraser—That is correct.

Senator MARK BISHOP—What is the electric blade fold, how much extra will it cost to install and why has it now become optional?

Major Gen. Fraser—The original air 9,000 troop lift helicopter was for Army helicopters. The decision was made that we were able to operate those aircraft for the time that Army would use the aircraft on and off the ships without an electric blade fold. We were able to manually blade fold the helicopter. We have since extended the project to cater for some Navy helicopters that will spend more of their time on the ship and therefore it is appropriate to consider an electric blade fold where the deck size is smaller and where the sea state might be higher for them to require to operate the aircraft. That is an option that is currently being considered. That is all it is at this point.

Senator MARK BISHOP—When we were talking about the simulators, you said the delivery date for the first two platforms was December 2007. Are we still confident that that date is going to be achieved or do we have emergent delay problems?

Major Gen. Fraser—We are confident that that date will be achieved. The first flight for an Australian MRH90 will be in March of next year.

Senator MARK BISHOP—What problems do we currently have?

Major Gen. Fraser—The MRH90 program is on schedule. It is performing well. The schedule is tight. There is no doubt about that. But we are quite satisfied we will be able to make that schedule and introduce this troop lift and aircraft for Navy as well.

Senator MARK BISHOP—Thanks for that. With respect to the Tigers, Dr Gumley: at the last session we had in joint committee, we had a lengthy discussion on the tendering process and the costs and how the contract was awarded. I do not want to revisit that. It is all on the public record. At the end during that process the officials from the company were unable to confirm the delivery date would be adhered to as specified in the contract, despite being given a lot of time to answer the question. They undertook to go away. At the conclusion of those proceedings and in the following day's press, there was comment sourced to DMO that the delivery date of the Tiger craft would blow out to at least 2008. It was not evidence before the committee but the newspaper reports identified it as sourced to either DMO or Defence. Can

you bring us up to date on the anticipated delivery dates and how long it is behind schedule—or give us an accurate position?

Major Gen. Fraser—Perhaps I could assist you there, if Dr Gumley would like.

Dr Gumley—Go ahead.

Senator MARK BISHOP—Dr Gumley is familiar with the detail of the previous detailed discussion. He knows what I am asking.

Major Gen Fraser—We have now flown 1,130 hours in the Tiger program and accepted six aircraft, with nine pilots reaching various stages of qualification initial qualification, with continually more to be conducted. The training program, as was indicated to Senate estimates in May, is 18 to two years behind schedule. It is that training program that is holding us up. That training program is behind schedule primarily because of the Franco-German delays in their program and our inability, therefore, to train our initial cadre of instructors in France. What we did, therefore, was to migrate that training with assistance from the company providing us with an instructor to migrate that training to Australia.

Senator MARK BISHOP—Thank you, major general. Dr Gumley, when do we expect the first platforms to be delivered and capable of flying and carrying out their instrument tasks?

Dr Gumley—We have the first six aircraft flying now. As Major General Fraser said, the total capability is a mix of airframe, pilots, doctrine and other areas, and the delay at the moment is with the pilots. In other words, the thing that is causing the delay to the overall capability is the pilot training. At this stage, we are reasonably happy with the delivery of the airframes themselves. They are capable. I think in a previous hearing we talked about the fitting of the Hellfire missile and how well that project has gone. So I am confident we have got good airframes turning up. Now we just have to complete the rest of the capability.

Senator MARK BISHOP—The newspaper report after the last hearing indicated a date of December 2008.

Dr Gumley—I am not aware of where that date came from. You said earlier that it was sourced to DMO. I am not aware of that.

Senator MARK BISHOP—It was in the *Australian*. I think it was Mr Dowden doing the report.

Dr Gumley—As I said, I am not aware if or how that was attributed to DMO.

Senator MARK BISHOP—I accept that. Can you confirm then whether the date, as reported, of December 2008 is accurate or inaccurate?

Major Gen. Fraser—The initial operational capability was scheduled for mid next year, and it is that 18 months to 24 months training that we are behind in that is impacting on the development of that operational capability.

Dr Gumley—I think it gets down to the definition of ‘initial capability’. You could have a lot of airframes parked in the hangar, but if you do not have the pilots to fly them, you do not have an initial capability.

Senator MARK BISHOP—And you were not able to train the pilots because the airframes had not been delivered?

Dr Gumley—Yes, and also we had some difficulties in training in that a couple of the test pilots we were training were not able to complete the course, so we got into a difficult situation there as well.

Senator MARK BISHOP—Can you give us a status report on a range of the issues associated with the development of the performance—the main engine performance and engine power shortfall? What is the problem and has it been resolved?

Major Gen. Fraser—I think as briefed at the joint committee auditing last week by the contractor, the engine performance was estimated to be three per cent below what was contracted for. The contractor has undertaken to rectify that three per cent deficiency, and has made some modifications to the engine. We are yet to test those and confirm that that is the case. We will do that next year once we have a fully instrumented Tiger helicopter to be able to do that. But the company has acknowledged it, and it is being most cooperative in rectifying that deficiency. It is a three per cent deficiency in the handling margin, so the aircraft has sufficient power to conduct its operations. What we required in the contract was a margin on top of that so that the pilot had an ability to manoeuvre the aircraft with that greater margin.

Senator MARK BISHOP—All right. Have we been doing any testing up at Woomera with respect to these platforms?

Major Gen. Fraser—We have—the Hellfire firing that Dr Gumley spoke of a short time ago. We have fired eight Hellfire missiles now. We fired the eighth one in June of this year, and we fired those missiles at ranges from six to eight kilometres both by day and by night with extreme lethal precision.

Senator MARK BISHOP—So the weapons system in terms of the Hellfires is working effectively?

Major Gen. Fraser—They are not fully released. We still have some work to complete on them, but the initial work that has been conducted to this point has been outstanding.

Senator MARK BISHOP—Was there any damage or burnout to the fuselage of the platform occasioned by the firing of the missiles?

Major-Gen. Fraser—Not by the missiles. In early firing, which was conducted in France with our test pilots assisting in cooperation with the French test pilots, some initial firing of the rocket system caused some very minor abrasion to the aircraft. We have identified to the contractor that that is not suitable for us for the long-term requirements of the aircraft. Work is under way to rectify that. We have very recent advice to say that that has been rectified and we will test that next year.

Senator MARK BISHOP—All right. Thank you. At the joint committee there were also some issues relating to flying over water, and there was an attempt to downplay its significance. My understanding is that there are problems with the pilot egress or ejection out of the frame over water. Where are we at on that issue?

Major Gen. Fraser—This is an issue for all tandem seat helicopters in the world. Both the Americans and the British have issues with it. The aircraft themselves fly over the water quite happily. There is no issue with that. The issue is that, in the unlikely event—or not, given that they are combat helicopters and we direct offensive weapons at them—they end up in the water, what we would like to be able to do is to jettison both canopies before they impact into the water and/or a means of breaking out of the cockpit once it is in the water, particularly if submerges. So the contractor is working with us in a cooperative manner to increase the ability to jettison the windows from either the front or the rear of the aircraft. As well, you might recall a discussion at the last Senate estimates about a manual canopy breaker to be able to break the systems, because it is not wise to jettison using the electronic or the ballistic jettison after the aircraft is in the water.

Senator MARK BISHOP—Why is that?

Major Gen. Fraser—Because of the percussion. It might cause injury to the crew.

Senator MARK BISHOP—Explain to me why this is an issue in Australia. When the previous advice was that the ejection processes for pilots flying over water in Europe were satisfactory, and had been signed off by the relevant authorities, what causes us to apparently seek such a higher standard that it is a contributory factor to receiving the craft?

Major Gen. Fraser—I think there are two issues there. The first is that in the Australian environment we envisage operating over the littoral, more over the water—a higher percentage of operations over the water perhaps than what the European aircraft and crews will conduct. The second is our duty of care. In Australia, we give an extremely high level of care to our people, so it is about making sure that in the event they do end up in the water we have the best solution available in order to recover those troops.

Senator MARK BISHOP—I do not quarrel with the merit of that argument. I was just surprised when we were told previously that the duty of care here is significantly higher than in Europe, Europe having what some regard as an obsession with appropriate health and safety and duty of care issues. I was surprised that we were so much stronger on that.

Major Gen. Fraser—I think it does come down to the amount of time over the water. We might be prepared to accept a level of risk if the exposure were very low. As you would understand, the risk mitigation does depend on how often you are exposed to that risk. We envisage flying the Australian aircraft at perhaps a far higher rate over water than the Europeans; therefore, it is a greater exposure and, therefore, we need to take the risk mitigation strategies.

Senator MARK BISHOP—All right then. Is the problem insurmountable?

Major Gen. Fraser—It is not, and the company is making progress for our requirements, both on the manual as well as the electronic jettison initiation from both the front and rear cockpits.

Senator MARK BISHOP—Thank you, General. Dr Gumley, just returning to you. You will recall the discussion we had on the through-life support cost tendering aspect of the contract that was awarded, and apparently the company gained the contract on the basis of

some sort of material advantage on its through-life costs but then sought to significantly upgrade the price of that job.

Dr Gumley—And the company's request was denied. That is what came out of that previous hearing. There was an allegation that there was, to use the language I saw in a press clipping, a big cost blow-out. Well, there was not, because we said no. A company is entitled to ask for a price rise and we are just as entitled to say no, and we did.

Senator MARK BISHOP—Right. I am giving you the opportunity now to respond to the comments that were made there, because you did not get the opportunity that day.

Dr Gumley—Correct; thank you for that. It is the case, though, that we are asking for more in a couple of areas, and we will be discussing with the company an increase in the sustainment cost, but that is solely because we are asking for more than we did at the time of tender.

Senator MARK BISHOP—So you are saying to me that you are requiring them to adhere to the through-life costs that they signed up to, with the exception of where you have sought to vary it.

Dr Gumley—We are seeking to vary it based on the quantum of items we want.

Senator MARK BISHOP—Yes.

Dr Gumley—And at that hearing the company said it was typically 30 per cent or 40 per cent. We think it is more likely to be about 10 per cent.

Senator MARK BISHOP—Is that right?

Dr Gumley—Yes.

Senator MARK BISHOP—They had their day in court, and now you have had yours!

Dr Gumley—Thank you.

Major Gen. Fraser—If I may give some additional information, it is appropriate that we review the through-life support costs for this aircraft over time. If we are asking the company to conduct some work for us, work additional to what is normally agreed in the contract, they have the right to come and indicate to us what that cost is likely to be, and we negotiate whether we conduct that work or do not conduct that work. We have a plan to review this after the five-year period.

Senator MARK BISHOP—I do not have any problem with anything you have just said. It is entirely appropriate. If we seek to vary the contract and there are additional costs, they are entitled to seek additional consideration. The discussion we had at an earlier date related to suggestions that they had been awarded the contract on the basis of below-par through-life contract tendering and that as soon as they got the contract they sought to jack it up to the tune of hundreds of millions of dollars. Dr Gumley says, 'They can try. We said no.'

Dr Gumley—That is right.

Senator MARK BISHOP—Why don't we not pursue that a bit further. The company is now cutting up crook about the through-life costs of the project, but you are saying, 'We're going to stick it to them'—and so be it. When they tender for those costs, is it standard

operating procedure within the DMO to do your own assessment of their documentation and your own risk analysis to see if their costs are in the correct ballpark?

Dr Gumley—Yes. As far as we can from the information given, we have a look at how the costs have been put together. Although it is some time ago now, I do not think there was any wild disagreement with the approach they took. I think what happened was that, as was shown in evidence at the previous hearing, there was a certain amount of development about the Tiger helicopter. I think the company, understandably perhaps, bid without the full information of what they were getting into. However, they made a formal tender at a certain price.

Senator MARK BISHOP—And it was accepted.

Dr Gumley—Yes.

Senator MARK BISHOP—I understand. That is fine with me. I now want to go on to the JHQ at Bungendore. I think the press have accurately reported that the whole-of-life cost for the Bungendore JHQ is now going to be in the order of \$1.2 billion. Minister Nairn has been reported as saying that is good value for money. Is that figure of \$1.2 billion over 30 years correct?

Air Cdre Plenty—That is the nominal cost if you were to add the current annual service payments over the 28 years of the operations phase. We tend to treat those prices in a net present value arrangement, which is \$572 million over the 28-year period.

Senator MARK BISHOP—The net present value is \$572 million over the—

Air Cdre Plenty—28 years of the operations period. The Commonwealth pays no funds during construction. The payment starts after the facility is complete in about mid-2008 and then runs for the remainder of the duration of the 28-year period.

CHAIR—What discount rate are you using?

Air Cdre Plenty—The discount rate was used per the 10-year bond rate in the evaluation, which is 5.35 per cent.

CHAIR—That is pretty low.

Senator MARK BISHOP—So the NPV is \$572 million over 28 years and the nominal value is in the ballpark of \$1.2 billion over the 28 years?

Air Cdre Plenty—Yes.

Senator MARK BISHOP—Can you give us a breakdown of the costs associated with the project? All I have seen in the papers, and indeed in budget documents, is an aggregate figure for capital costs, construction costs, servicing costs, maintenance costs and running costs. Can you break it up into a standard form for me?

Air Cdre Plenty—That makes up that gross of \$572 million. Is that what you are after?

Senator MARK BISHOP—Yes, perhaps the nominal of \$1.2 billion.

Air Cdre Plenty—We do not have it broken down into that, and it is a summing of the 28 years of that, in essence, \$40 million per year in 2006-07 dollars.

Senator MARK BISHOP—That is what I thought.

Air Cdre Plenty—There is an indexed component within that annual service payment, and there are a number of non-indexed components. The indexed component is the services fee, and it is indexed because we just do not know what labour rates and inflation rates will do over the term. As for the other non-indexed components, the company has taken the risk on interest rate movements in those areas, in part because they are funding those and they have come to an arrangement with the bankers on what they see as the appropriate discount rate to fund those at—so they have taken that risk. The annual service payment is adjusted per the inflation figures that are provided to us by the Department of Finance and Administration.

Senator MARK BISHOP—So it is just pure CPI?

Air Cdre Plenty—Yes, and that is only to a component of the total annual service payment, not the entirety of that annual service payment.

Senator MARK BISHOP—On what percentage then?

Air Cdre Plenty—It is the services component, which is about a third of that amount.

Senator MARK BISHOP—So a third of the services amount is indexed annually by CPI?

Air Cdre Plenty—Yes.

Senator MARK BISHOP—What about the other two-thirds?

Air Cdre Plenty—No, they are not indexed. They have already been decided at the interest rate that they have been paying, and that will not change. Senator, are you after a breakdown within that \$572.2 million?

Senator MARK BISHOP—Yes.

Air Cdre Plenty—The main one that we need to consider is the capital cost, and that is \$234 million. That \$234 million in capital is for the facilities and the buildings, and that is less than the estimate provided by the project to the government—when the government approved the project—if we net the value up from 2004 when it was approved to the same dollar values.

Senator MARK BISHOP—It was approved back in 2001 at considerably less.

Air Cdre Plenty—No. It went to cabinet in 2004. That was when it first went up with the breakdown of all the costs.

Senator MARK BISHOP—But it was announced in the 2001 election.

Air Cdre Plenty—It was.

Senator MARK BISHOP—Did no recommendation go to cabinet until after the 2004 election?

Air Cdre Plenty—We went to cabinet the first time in March 2004 for approval for the project and approval to go out and seek bids under private financing arrangements.

Senator MARK BISHOP—So we had an announcement made without costing in the 2001 election campaign?

Air Cdre Plenty—No, I would need to correct that. There were costings provided but not to the same level of degree as required when you go to cabinet for project approval.

Senator MARK BISHOP—Understood. So there was a project announcement made in the 2001 election.

Air Cdre Plenty—Yes.

Senator MARK BISHOP—It had generalised figures not up to cabinet standard attached to it and a recommendation for the project went to cabinet in March 2004. When did cabinet sign off on that March 2004 proposal?

Air Cdre Plenty—If we go back and look at the process, in a rough equivalent that was first-pass approval in 2004 and second-pass approval was when we went to cabinet this year with the recommendation that Praeco was the preferred tenderer.

Senator MARK BISHOP—So there is a gap between March 2004 of first pass.

Air Cdre Plenty—Yes.

Senator MARK BISHOP—And when did you take the Praeco recommendation to cabinet this year?

Air Cdre Plenty—April.

Senator MARK BISHOP—So it was April 2006. There were 25 months. So the process is this: announcement of the project in the 2001 election with generalised figures not up to cabinet standard; submission to cabinet in March 2004; first phase; second phase; sign-off by cabinet in April 2006; contract awarded to Praeco.

Air Cdre Plenty—The contract was finalised on 30 June this year.

Senator MARK BISHOP—So between 2001 and 2004, despite a government announcement and after the first-phase approach to cabinet, there was no further activity to finalise the JHQ?

Air Cdre Plenty—Between 2001 and 2004 most of the work was in deciding the site—doing the site studies. A lot of the costs associated with the project were then worked through in greater detail, including the site, the infrastructure required on the site, and those sorts of costs. That was not known in 2001.

Senator MARK BISHOP—We had a political announcement in the election period in a marginal seat to spend hundreds of millions of dollars and the work was done many years after the event. Anyway that is on the record. We all know that.

CHAIR—Is this a commentary?

Senator MARK BISHOP—That was commentary, yes.

CHAIR—You have been listening to Senator Faulkner too much.

Senator MARK BISHOP—It was commentary, but it was accurate. Let us move forward. Has the first sod out there been turned yet?

Air Cdre Plenty—The preconstruction work has started on the site. There are about 10 site huts, to establish the site working huts arrangement, already on the site. On the land in the ACT for the primary access road the initial path has been graded. So they are starting to do some work on that entrance into the site. The work on the main site itself, which is in New South Wales, will commence about mid-November. It is predicated on a section 90

application being approved by the New South Wales Department of Environment and Conservation.

Senator MARK BISHOP—Is that the Aboriginal artefacts issue?

Air Cdre Plenty—Correct. That is with them now and is being processed through the DEC.

Senator MARK BISHOP—What is the DEC?

Air Cdre Plenty—The New South Wales Department of Environment and Conservation.

Senator MARK BISHOP—So in terms of the work being done so far we have some preconstruction work, some huts have been taken out to the construction site, we have cleared a bit of the land, we have identified some artefacts allegedly having Indigenous implications, and we are awaiting clearance from the New South Wales Department of Environment and Conservation before proceeding to further work.

Air Cdre Plenty—Before the bulk earthworks take place.

Senator MARK BISHOP—And the bulk earthworks are, of course, the serious beginning of the construction work, are they not?

Air Cdre Plenty—That is right. That is where all the earthworks required with the civil works are undertaken with bulldozers, graders, et cetera, making roadways, digging foundations and moving the earth around in that sense.

Senator MARK BISHOP—I turn now to the discovery of the artefacts out there. Did you have any indication that there was Indigenous attachment to the parcel of land prior to it becoming public?

Air Cdre Plenty—Those artefacts, to a degree, were mentioned in the 2003 environmental impact statement. The work we have done recently is a follow-on to that. That initial work was a surface survey, where the archaeologists walk across the land and see what they can see. The later studies have been subsurface testing where our archaeologists drilled in the vicinity of 400 45-centimetre wide auger holes—and some down to two metres in depth—to go through the soil and find out what artefacts were across certain parts of the site.

We found a number of artefacts scattered across the site. There is also, as reported earlier, an Aboriginal quarry on the site. A significant number of stone flakes and worked stone was found around that site. That is not in the vicinity of where the buildings or the infrastructure need to go. It will be fenced off and protected as required. There were about 400 to 430 stone flakes found spread across the majority of the footprint area where the buildings and infrastructure will go. So there was a small scattering of those. The majority were close to where the quarry has been found. That will be fenced off and protected.

Senator MARK BISHOP—Let me see if I have got this right: we have discovered 400 Aboriginal artefacts on the site where we intend to put the buildings, and those artefacts are stone flint.

Air Cdre Plenty—They are flakes of stone that have been worked.

Senator MARK BISHOP—What does that mean?

Air Cdre Plenty—They could be the size of your fingernail. It is a chip of stone that the archaeologists are of the view is in fact not a flake that is from defoliation caused naturally; someone has actually worked some stone by chipping it away with another stone in an attempt to make a tool—or it is the leftovers from making tools. We did not find any fully-made tools on site. The archaeologists' view is that this area was where stone was broken away from exposed stone. The initial working of it was done there and then it was taken elsewhere in the broader Canberra region to be worked into finer stone tools.

Senator MARK BISHOP—Hence the stone quarry.

Air Cdre Plenty—Yes.

Senator MARK BISHOP—With this more recent discovery of these Aboriginal artefacts, these cut-offs of stone where the stone has been cut off from exposed areas and worked over, is there any suggestion that the artefacts are so significant that they would prevent the construction work for the site going ahead?

Air Cdre Plenty—No, there is not. The Aboriginal groups who have an interest in the area have been actively involved in all the archaeological work. The section 90 application and the archaeologists' report that is with the New South Wales Department of Environment and Conservation indicates the Aboriginal parties' agreement that it is significant in the sense of the work that was done but it is not so significant that it would impact on the construction of the facility.

Senator MARK BISHOP—When is the successful tender expected to be announced for the internal fit-out of the JHQ?

Air Cdre Plenty—That is part of the current tender. Praeco have won the construction and the fit-out of the facility, less the command and control systems. They will build the facility and fit it out with furniture and fittings, those sorts of fit-out. After the facility is complete in mid-2008, the successful prime system integrator for the command and control systems will move on-site and fit the facility out with the command and control systems.

Senator MARK BISHOP—In the tender process for the command and control system, the tender has been let and the tender dates are concluded as I understand it.

Air Cdre Plenty—The tenders are in. We are evaluating those at the moment.

Senator MARK BISHOP—How many tenders did you receive?

Air Cdre Plenty—We received two tenders.

Senator MARK BISHOP—Who were they from?

Air Cdre Plenty—One from ADI and one from KAZ. KAZ is also grouped in with another tenderer who, part-way through the process, decided to withdraw and link with KAZ.

Senator MARK BISHOP—Is the KAZ tender a stand-alone tender and extant?

Air Cdre Plenty—It is. The other entity is a subcontractor to KAZ in their tender bid.

Senator MARK BISHOP—So KAZ have some sort of partnership arrangement with another tender?

Air Cdre Plenty—Correct.

Senator MARK BISHOP—And you also have a tender from ADI?

Air Cdre Plenty—Correct.

Senator MARK BISHOP—Has a decision been made as to whether this contract is just going to be paid for out of routine outlays or is it going to be done on the same basis as the construction contract?

Air Cdre Plenty—No. It was always under direct procurement, and it is included in the capital for the project as approved by the government inside that level of funding as a direct procurement.

Senator MARK BISHOP—So it is around \$60 million?

Air Cdre Plenty—We are still evaluating it, but we have allowed between \$55 million and \$65 million for that part of the project.

Senator MARK BISHOP—That figure of between \$55 million and \$65 million, is that part of the NPB?

Air Cdre Plenty—No, it is not. I think you asked a question last time on the \$339 million capital.

Senator MARK BISHOP—Yes.

Air Cdre Plenty—It is a component of that \$339 million capital.

Senator MARK BISHOP—Right. But it is separate from the net present value of \$572 million?

Air Cdre Plenty—Correct. That \$572 million relates to the Praeco bid and all the private financing aspects of the project.

Senator MARK BISHOP—So we have another \$55 million to \$65 million as a one-off to be paid. Is that going to be a fixed-price contract?

Air Cdre Plenty—Yes.

Senator MARK BISHOP—Has any analysis been compiled on vehicle access and usage of the main filter road, the Macs Reef Road, leading into the JHQ?

Air Cdre Plenty—The main road will be the Kings Highway, not Macs Reef Road. Macs Reef Road is a link road between the Kings Highway and the Federal Highway into Bungendore. There will probably be some vehicles from folk who live in the northern reaches of Canberra who will use that route because it will be closer by mileage to get there, but we see most of the traffic for the headquarters transiting the Canberra and Queanbeyan area along the Kings Highway towards the headquarters—so Queanbeyan and then to the east.

Senator MARK BISHOP—Is the department giving any housing assistance for personnel stationed at the JHQ?

Air Cdre Plenty—The Defence Housing Authority is providing houses for the members with families who are posted into that headquarters. They have already started the task of buying, building and leasing houses around Canberra to meet that need.

Senator MARK BISHOP—You said that one of the two tenderers was KAZ. Are you aware of the backlog of complaints that KAZ has accumulated as a result of Defence outsourcing its IT support to this company?

Air Cdre Plenty—I have read the press releases or the press comments on those.

Senator MARK BISHOP—So you are aware of the issue?

Air Cdre Plenty—Yes.

Senator MARK BISHOP—Is it of concern to you that they have this major contract with Defence and problems have emerged to the tune of thousands of requests not being fulfilled and they are one of the only two tenderers for the critical function in this project?

Air Cdre Plenty—We are evaluating the tender on its merits—on what they have said they could provide, the cost they say they can provide it at, their scheduled timetable and those sorts of things. It is evaluated purely on that basis.

Senator MARK BISHOP—They would have made similar commitments to get the contract for the Defence outsourcing—in terms of time, value, location and all of those things. According to press reports, which are not disputed by the company, they are currently unable to comply with the contract that they signed. From memory that is a contract worth some \$200 million. Is that not a consideration you should be having regard to in the awarding of the CCI function within this project?

Air Cdre Plenty—It is a different contract.

Senator MARK BISHOP—Yes.

Air Cdre Plenty—Clearly they were looking after the support of it. We are looking at the design and installation of the equipment. The through-life support is a different matter, which will be an arrangement taken up with the Information Systems Division, and others who run some of the systems that are out there. So we are looking at a different structure for the contract and what we are after. In that sense, we are looking at the numbers of engineering and technical staff they say they need to do the work. In our tender evaluation, we are seeing whether what they are saying they need and can provide is adequate to do the job in the time we require. So, in a time sense, we are looking at their being able to deliver what we require, at the engineering staff that they say they are going to provide to be able to do that and at whether that matches up.

Senator MARK BISHOP—What I am putting to you, Air Commodore, is that they have an extant contract worth considerably more than this one—\$200 million as opposed to \$60 million. They made certain undertakings and commitments to get that contract. They patently have been unable to deliver to date, and I am hearing you say that that failure is not a relevant consideration in the awarding of this contract.

Air Cdre Plenty—We need to still continue through the tender evaluation process before we come to some decision on that. We are looking at what they say they can deliver and the personnel they put to that task to see whether, in our view, that is an appropriate number of personnel with the right skill sets to do the task. Clearly, I cannot go into the tender evaluation and what they have put forward, but they are the things we are looking at. We do look at the past history of companies and sub-contractors where we have it to deliver, but unless it has

been something that has gone completely awry and we can work out why, we look at the tender evaluation on its own merits as it stands at the moment.

Senator MARK BISHOP—You are on notice that it appears to be a problem and that it requires some sort of rigorous analysis as to their bona fides. Their having made serious commitments in previous contracts that were not delivered and this being the command and control function, it is something that we will continue to monitor. In the previous discussion, you said:

I think the headquarters that each of the forces has in Melbourne and Sydney would be retained.

Is that still the position?

Air Cdre Plenty—The Melbourne one was only some staff coming out of the current headquarter; it was not the entire headquarter. It was something in the vicinity of half a dozen staff.

Senator MARK BISHOP—Are leaving Melbourne?

Air Cdre Plenty—Yes.

Senator MARK BISHOP—How many are going to remain there?

Air Cdre Plenty—I am not sure of the full strength of that headquarter. It is a joint logistics command. It does a range of other functions. They are staff who would liaise directly with Joint Operations Command in the planning of logistics support. So it is not taking over the functions of joint logistics command.

Senator MARK BISHOP—What about the two sites in Sydney?

Air Cdre Plenty—There are more than two. The Sydney element of Headquarters Special Operations is moving into this new facility in its entirety. Headquarters Joint Operations Command in its entirety and joint staff, as they currently exist in Sydney, are moving into this new headquarter. Maritime Headquarters Operations staff are moving into the new headquarter, but there are other staff functions that remain at Maritime Headquarters in Sydney. It is similar with Land Headquarters at Victoria Barracks. The operations element of that headquarter and the planning staff are moving into the new headquarter toward Bungendore, but it retains other functions. Headquarters Air Command has a similar sort of staff are moving across, but Headquarters Air Command retains other functions for Air Force, separate to planning and conduct of operations for Joint Operations Command.

Senator MARK BISHOP—Is it fair to say that the overwhelming amount of individual service command structure personnel are going to be transferred to Bungendore?

Air Cdre Plenty—It is variable across the three headquarters. For Headquarters Air Command, Land Headquarters and Maritime Headquarters—those that are remaining—it is a different ratio of staff because they do slightly different things for their services at those other headquarters. It is all not the same function across all three.

Senator MARK BISHOP—Is the lease on the joint headquarters at Bungendore an operating lease, similar to the lease for the Benalla ordinance site?

Air Cdre Plenty—It is a finance lease.

Senator MARK BISHOP—It is a finance lease, is it?

Air Cdre Plenty—Yes.

Senator MARK BISHOP—Thank you, Chair. That concludes what I wanted to do on Bungendore.

CHAIR—Can I intervene with Senator Nettle to talk about exercise Tandem Thrust?

Senator MARK BISHOP—Yes.

Senator NETTLE—I want to ask about Talisman Sabre also, not just Tandem Thrust.

Mr Smith—All right.

Senator NETTLE—The first one was about what areas the exercise will take place in.

Air Marshall Shepherd—It is really a question directed to the vice chief. He is otherwise engaged this afternoon. But the exercise predominantly takes place off the Queensland coast and around the Shoalwater Bay training area.

Senator NETTLE—Will Navy vessels be in the Great Barrier Reef Marine Park?

Rear Adm. Crane—Yes, naval vessels would operate both external to the marine park and within the marine park. It is largely transiting, as I understand it, through those areas of the marine park.

Senator NETTLE—Will nuclear-powered vessels be used in the exercise?

Rear Adm. Crane—None that I am aware of.

Senator NETTLE—Will US vessels involved in the exercise carry nuclear weapons?

Air Chief Marshal Houston—The US has a policy of neither confirming nor denying, but I would not expect those sorts of vessels to be in the exercise.

Senator NETTLE—I have had that answer before in relation to depleted uranium. I was not asking here specifically about depleted uranium but about nuclear weapons more generally.

Mr Smith—That is not our answer on depleted uranium.

Air Chief Marshal Houston—You asked whether any of the US vessels would be nuclear powered.

Senator NETTLE—Yes.

Air Chief Marshal Houston—That was one thing. The next one was that you wanted to know about nuclear weapons.

Senator NETTLE—Yes.

Air Chief Marshal Houston—The US has a policy of neither confirming nor denying.

Senator NETTLE—What will be the total cost of the exercise to Defence?

Air Chief Marshal Houston—I will get back to you on that.

Senator NETTLE—Is the US contributing financial resources to cover the cost of the exercise?

Air Chief Marshal Houston—They cover all of their own costs and we cover all of our costs. We host the exercise. Obviously, anything that happens on land will be paid for.

Senator NETTLE—In the costings, do you know how much Defence is spending on public relations and consultations in relation to the exercise, including associations with consultations on environmental impact prior to the exercise?

Air Chief Marshal Houston—We take the environmental management of all areas we use in the exercise—they are, obviously, the marine park and the range areas that we will be using on shore—very seriously. It is something that we put a lot of effort into. We are very proud of the way we do that. We have an agreement with the Americans on environmental management. They conform to our requirements.

Senator NETTLE—Do you know how much will be spent in the process of public relations?

Air Chief Marshal Houston—I will take that on notice.

Senator NETTLE—Maybe you need to take this on notice as well. Is it Maunsell who are coordinating the public input for the environmental impact of the exercise? I wanted to find out how much they were being paid as well.

Mr Beck—It is Maunsells. I would have to take that question on notice. I will get that for you.

Senator NETTLE—Thank you. Will Abrams tanks be used in the exercise?

Lt Gen. Leahy—No, they will not.

Senator NETTLE—I notice that, in the Maunsells information that has been prepared for public consultation on the Talisman Sabre, it talks about new generation weapons having been tested in Australia. I wondered if you could outline what those weapons were.

Air Chief Marshal Houston—I will get back to you on that. Essentially, as far as Talisman Sabre is concerned, I do not expect any of those weapons to be used on that exercise.

Senator NETTLE—It mentions in the documentation new generation weapons that have been tested in the past. Perhaps you could take that on notice as well.

Air Chief Marshal Houston—Okay.

Senator NETTLE—Is Defence aware of reports that the Israeli defence force is testing and using a new generation of weapons—of ammunitions and shells—made from dense inert metal explosives? Was Defence aware of the existence of such weapons, or had it been involved in any testing?

Air Chief Marshal Houston—We are very much aware of the sorts of developments in weapon technology, but we are not involved in the use of that technology at this time. We do not have any weapons of that type ourselves.

Senator NETTLE—They have not been tested in Australia nor are intended to be tested in Australia?

Air Chief Marshal Houston—No.

Senator NETTLE—I will just go back. You mentioned the figures of deaths in Iraq. Can I check when you were coming back with those. You said that 19 was wrong and you needed to come back. I just wanted to find out when.

Air Chief Marshal Houston—Yes, the vice chief clearly had some advice that was incorrect, and we will come back on notice. I cannot give you an estimate as to when that will be, but we will try and get that to you as quickly as we can.

Senator NETTLE—Those were all my questions in that area.

Air Chief Marshal Houston—Thank you.

Senator MARK BISHOP—I want to pursue some questions about some allegations concerning inappropriate behaviour at HMAS *Cerberus*.

Air Chief Marshal Houston—I will just get the Deputy Chief of Navy to come forward.

Senator MARK BISHOP—I will just advise the committee that I do not have any questions to pursue on Lieutenant Commander Fahey.

Air Chief Marshal Houston—Thank you.

Senator MARK BISHOP—I understand that there have been a range of complaints made as to inappropriate activity, or inappropriate conduct, at HMAS *Cerberus* and that there are eight such investigations going on into that alleged misbehaviour. Can you tell me what constitutes the bad behaviour that is allegedly under investigation?

Rear Adm. Crane—I can confirm that there are four cases of inappropriate conduct currently being investigated at HMAS *Cerberus*. Those incidents include verbal suggestions of a sexual nature between trainees and two cases of staff and trainees socialising ashore contrary to establishment regulations. There is no evidence to suggest that senior male instructors are receiving or seeking sexual favours in return for academic advancement in recruit school—which you may have been aware of in today's press reporting.

Senator MARK BISHOP—Are you doing an investigation into that allegation?

Rear Adm. Crane—Two investigations into allegations of staff and trainees inappropriately socialising ashore are being investigated by the commanding officer at HMAS *Cerberus*. They stem from a complaint made by a partner of a recruit who graduated and who has made a number of allegations based on a rumour circulating in the recruit body. Those investigations have now been broadened to include the most recent allegations reported in today's press, involving academic advancement in exchange for sex.

Senator MARK BISHOP—Is that the allegation?

Rear Adm. Crane—That is the allegation that was contained in today's press.

Senator MARK BISHOP—I have not seen the article so I cannot comment. So there are four cases at the outset—two verbal suggestions that are thought to be inappropriate and two cases of a trainer and staff—and further allegations now as to academic preferment in exchange for sexual favours?

Rear Adm. Crane—That is correct. We believe they may be associated with the existing investigations in relation to the fraternisation between staff and recruits.

Senator MARK BISHOP—Are these regarded as minor complaints or serious matters?

Rear Adm. Crane—Two involve inappropriate workplace behaviour. The two incidents alleging inappropriate behaviour involve, as I said, the junior staff and trainees socialising together. Both incidents, as I said, are being investigated, and that commenced on 17 October. The other two are categorised as ‘sexual harassment’. In that area, one of inappropriate behaviour involving an unwanted touching of a leg of a trainee patient by another trainee patient, and that is under investigation. The other one in the sexual harassment area involves one trainee with some verbal comments of a sexual nature to another trainee, and that is under investigation.

HMAS *Cerberus* is our premier training establishment. In a year we will have upwards of 3,000 people passing through there under training. When our people come into HMAS *Cerberus* in our training organisation, we encourage and very strongly embed in them the requirement for them to behave in the workplace, but also a reporting culture is advanced to them such that, if there is any concern that they have, they come forward and tell us. That is a program that we encourage very strongly, particularly in our initial training establishments.

Senator MARK BISHOP—Were you aware of the complaints prior to the matters being reported in the press?

Rear Adm. Crane—With these four, I was certainly aware that these investigations were ongoing.

Senator MARK BISHOP—So complaints had been made by individual staff members, or trainees, to relevant authorities and an investigation authorised prior to the matter being reported in the press?

Rear Adm. Crane—That is correct. The commanding officer had initiated those investigations prior to this matter coming into the press. The one area that has been broadened today is the allegation that there has been an advancement in training as a result of sexual favours.

Senator MARK BISHOP—Yes. And there had been no complaint made to authorities of HMAS *Cerberus* arising out of that particular matter prior to you becoming aware of it in the press?

Rear Adm. Crane—No.

Senator MARK BISHOP—As soon as you did, you broadened the allegation. Did Mr Podger go to *Cerberus* as part of his audit of training establishments?

Air Chief Marshal Houston—Mr Podger and his team did go to *Cerberus*, yes.

Senator MARK BISHOP—They did. All right then. Thank you.

Senator NETTLE—Can I just ask two more general questions. One is about allegations that have been aired in the media today in relation to Australian forces using tear gas on women and children in East Timor. Do you want to comment on that?

Air Chief Marshal Houston—I am not aware of any circumstances where tear gas was used on women and children.

Senator NETTLE—Also, I understand that a resolution has been passed through the East Timorese parliament calling on Australian forces in East Timor to come under UN control. I want to ask why they cannot, or what is the case and the rationale for them not being under UN control?

Air Chief Marshal Houston—Because the East Timorese government is very keen that we stick with the current arrangements where the international security force is responsible for security, with the United Nations being responsible for the policing function. Just to amplify on that: the Prime Minister of East Timor, Prime Minister Ramos Horta, wrote to the United Nations seeking the arrangements that are currently in place. He represents the government of the day. Whilst the parliament might have passed something else, those were the arrangements that were requested by the government, and that is what the United Nations has signed up to.

Senator NETTLE—So there may be a differing view between the parliament and the government on the issue?

Air Chief Marshal Houston—There appears to be a difference between the parliament and the government, yes.

Senator NETTLE—Thank you.

Senator MARK BISHOP—I want to talk about the capability of the Abrams. We are aware that the first set of tanks have been delivered and are going to have servicing work. I am advised that the problems with respect to land transport have been resolved, but there are problems with respect to rail transport, rolling stock and the like. Can you just outline to the committee the nature of the issue with rail transport and rolling stock in respect of the Abrams?

Lt Gen. Leahy—It is probably best if I mention at the start that you are correct: some tanks have arrived—18 tanks and five armoured recovery vehicles arrived in Melbourne in September. The remainder of the tanks—there will be 41 tanks and two recovery vehicles—will be shipped directly to Darwin in March 2007. It may be a little bit later, but it will be about the first quarter of 2007. As you may have seen in the press, we have already acquired some vehicles and trailers to transport the Abrams tanks and the recovery vehicles. They were used to move the tanks from the Melbourne wharf to Puckapunyal, where they will be stationed. The tanks that will go to Darwin next year will utilise the same vehicles to move them from the Darwin wharf to Robertson Barracks in Darwin. We will then commence to develop the capability, and we expect that in the middle of next year we will have an initial operational capability.

We have already commenced a range of studies to look at the use of the rail network in Australia for moving the Abrams tanks. We already make extensive use of the rail network to move a lot of our supplies and equipment around the country, and over the last couple of years we have made increasing use of the north-south rail to move units—for example, to move the 16th Air Defence Regiment from Adelaide to Darwin for exercises or to move units from Darwin down to Woomera and Cultana and places in the south of Australia. We anticipate that we will be able to use the rail network to move the Abrams tanks from Darwin to the south of Australia for exercises and training, particularly in the wet season, to make sure that we can

maximise the use of these in our training on them. That rail study has indicated that we will need to purchase some rolling stock. We have plans through the rest of this year and into next year to purchase that rolling stock. By the time it is required to move the tanks, we will have the rolling stock. It is just an issue. We do not need it yet. We are still going on with the study, so we have not purchased it.

Senator MARK BISHOP—But when you need to shift the tanks down from Darwin—

Lt Gen. Leahy—We will have the rolling stock, and in the meantime we already have the road vehicles and trailers to be able to transport them.

Senator MARK BISHOP—Regarding the work on the servicing and maintenance of the Abrams tanks and the other units that are purchased as part of this package, I thought I saw something by you in the press: ‘It has been determined that work is going to be carried out at Puckapunyal’—to carry on the same thing that we have done in the past. Is that correct?

Lt Gen. Leahy—No. I do not believe that would be an accurate report. I do not recall making any mention of where the servicing would be carried out. Indeed, the servicing would be largely carried out at the logistic area in Bandiana. We would attempt to do most of it in the area where the majority of the tanks are based—that is, at Robertson Barracks—and we are exploring how we would do that.

Senator MARK BISHOP—That is right. It is my understanding that some sort of service and maintenance industry in terms of trucks and engines has already developed up there.

Lt Gen. Leahy—Yes—that is right. We have what we call ‘lines of supply’. The first and second lines are to supply and repair, and the provision of logistics. You try and do that as close as you can to where the equipment is. We would certainly look at first and second line maintenance being done in Darwin. I know that there are many firms who are keen to do the work for us up there. Indeed, the Northern Territory government is looking at establishing, adjacent to Robertson Barracks, a defence park, and I would anticipate that. We also anticipate that we would be able to have some of the work done in Adelaide, utilising the north-south railway. For the deeper levels of maintenance, where more technical equipment is required and it might be required to disassemble certain parts, and so on, that would be done away from Darwin and Adelaide, but we will be looking to minimise that. So I certainly would not claim any credit for saying that the repairs would be done at Puckapunyal. Puckapunyal is a base for training—it is where we have our simulators and where most of the work would be done in training our drivers and our operators, and gunnery training is done there—it is not a maintenance base.

Senator MARK BISHOP—So the work involving servicing and first levels of maintenance is currently under review. You are aware of the interest of the Northern Territory government, and I presume you are also aware of the interest of major firms wanting to set up additional locations in Darwin to do the deeper maintenance work?

Lt Gen. Leahy—Clearly, we would be looking for the best value for the Commonwealth’s money and, as much as we could, we would put it as close to where the vehicles are. I do not want to move them about anymore than we have to.

Senator MARK BISHOP—How long will it take to train the tank crews?

Lt Gen. Leahy—It is now underway.

Senator MARK BISHOP—How long does it take?

Lt Gen. Leahy—It varies, depending on what level of training. If we are talking about the individual training of a tank driver, or a tank gunner, or a tank crew commander, it varies. I do not have the exact details, but I would characterise them in months—two or three months in various cases. If you are talking about the collective training, again, that is now underway, but that would take a little bit longer to build up for a tank squadron capability, for example, because you need to do the individual training, and then a troop level, and then up to squadron level. We have been training with the assistance of the United States army and the United States Marine Corps. Indeed, we have soldiers currently in the United States training on the M1 tank. I might be corrected later, but I think it is the third squadron that is deployed. We are talking about 70 or 80 soldiers who are deployed to work on the tanks.

We have had great assistance from the United States Marine Corps and the United States army, and I am very happy with the standards that our people have been able to achieve. It shows the very good level of training that they have had, their ability to work with the Leopard and their adaptability to take up the new tank. Part of that is also due to the very good simulation systems that are available for the use of the M1 tank. For example, with the driver training simulator, we can do two-thirds of the driver training in the simulator. So 200 hours out of 300 hours worth of driver training is done by the simulator. That will save us enormous amounts of wear and tear, and fuel and so on, and usage on a range, and we see that the product is about the same. Similarly, with the gunnery simulator, the solution is inside the computer in the simulator, and it is a very realistic simulator showing great fidelity. It is the same gunnery solution. So what you do in the simulator is what you do in the field. I think that is one of the very good aspects of this program: the intensive use of simulation will help save operating costs of the vehicle.

Senator MARK BISHOP—When the training of our troops is conducted—some in the US and some back here—are they fully capable then of operating US-equivalent Abrams?

Lt Gen. Leahy—The vehicles are not identical. Frankly, ours are better. Some aspects that we have been able to include in the project make it a better tank. Immediately you would not be able to say they could make a direct transfer but, after a short period of time, if the decision—and you have not asked that question, but they are the same vehicles—was that they were to operate someone else's vehicle, yes, it could be done.

Senator MARK BISHOP—How would that decision be made?

Lt Gen. Leahy—Clearly, it would be made by the government.

Senator MARK BISHOP—To operate tanks of other nations?

Lt Gen. Leahy—Yes.

Senator MARK BISHOP—That is a decision for government to make?

Lt Gen. Leahy—It is certainly not for me; it is for government.

Senator MARK BISHOP—Has any request been made?

Lt Gen. Leahy—No.

Mr Smith—Chair, through you, if I may, to Senator Bishop. I know that you have a number of questions about the SDSS project, judging from your media release of yesterday. We have people here who might be able to clear up any of your misunderstandings, if you would like them to come to the table.

Senator MARK BISHOP—I do not have any misunderstandings, Mr Smith.

Mr Smith—Your media release suggested that you might.

Senator MARK BISHOP—No, every phrase in that media release was a direct extract from the ANAO report. Defence may not accept ANAO's arguments or conclusions, but every word was—

Mr Smith—We certainly do not accept the way you put them together in your press release, Senator.

Senator MARK BISHOP—I am entitled to make so many features—

Mr Smith—You are entitled to that. I am merely inviting you to ask questions of people who know something about it.

Senator PAYNE—Chair, I would like to hear from those officers, if possible.

Mr Smith—Mr Lewincamp, who is the chief operating officer in DMO, can give evidence on that subject, Chair.

Mr Lewincamp—In relation to SDSS, the committee will be aware that there was an audit done at the SDSS upgrade in 2003, with the report out in 2004, which was very critical of the handling of the project at that stage. Also, during the ANAO assurance audit in 2004-05, they found that they could not place controls reliance on SDSS, so I mention that context because this latest report from the National Audit Office does not make a single recommendation in relation to SDSS.

They have reviewed the remediation activity that has been done over the last two to three years, and it has not made any recommendations for further improvements. They have accepted that the remediation path that we are on is the appropriate one, and they report with some approval the progress that we have made. The two recommendations in the report relate to supply chain matters or the ways in which users of SDSS throughout the defence supply chain actually use the system.

Senator PAYNE—In relation to those recommendations, can you advise the committee further on those details for the SDSS users?

Mr Lewincamp—Certainly. One relates to warranty and the return of items under warranty. The other relates to quarantining of items. In both cases, I think the audit report did not fully explain the way in which the supply chain manages items under quarantine or in transit. I think there are some misperceptions in Senator Bishop's press release of yesterday about those two matters. When the item is in transit, it does not mean the item has been lost. What it means is that the consignee has sent the item, but the person receiving the item at the other end has not properly receipted it and acknowledged that receipt in the SDSS system.

Senator MARK BISHOP—For up to five years in transit in consignment?

Mr Lewincamp—Yes.

Senator MARK BISHOP—That is right, and that was the reference in my press release: ‘Items up to five years lost.’

Senator PAYNE—Chair, could I, at least, hear out Mr Lewincamp.

Senator MARK BISHOP—If you are going to raise my press release, a copy of which has not been provided to the committee—

Senator PAYNE—I am not at all; I am talking about the SDSS and the audit report recommendations, Senator.

Senator MARK BISHOP—But the officer is responding to my press release.

Senator PAYNE—That is a matter for the officer. That is not what I was asking about.

Senator MARK BISHOP—He should accurately report the press release, not misrepresent it, as is occurring now.

Senator PAYNE—Perhaps if he is heard out, Senator, he might be able to do that.

CHAIR—Order!

Senator MARK BISHOP—The item was lost for five years.

CHAIR—Let us hear the officer out and then we can ask questions.

Senator MARK BISHOP—Let us have a full report, Chair.

Senator PAYNE—Thank you, Chair.

CHAIR—Yes, and I think questions are the way to proceed on that basis.

Mr Lewincamp—I was talking about the concept of transit and in transit and explaining that the item is not lost, but simply that the receipting process and the recording of that in SDSS at the other end of the process has not been fully completed. So it has not been updated on the SDSS system at the receiving area. That does not mean the item is lost or unaccounted for, but it does indicate that some of our users are not following the proper processes in a timely fashion. The press release does say in the first line, ‘The inventory system tracking is so bad it has lost essential items for up to nine years.’ That is not the case.

Senator PAYNE—When you say the users are not following the proper process, what is the best way to rectify that?

Mr Lewincamp—The best way is to increase the user compliance with the proper processes in the supply chain and, currently, we have quite an extensive program underway to do just that. Additional resources have been provided to logistics command and to other areas across the defence organisation. We are trying to improve the user awareness, user education and user compliance with the processes in the system so they use the logistics information systems for the purposes for which they were intended.

Senator PAYNE—How will you evaluate the success of that? Is that another audit process? How will that work?

Mr Lewincamp—We will do that in a number of ways. We have a number of additional reports that we have put in place that can show us the way in which users are using the system, and that allows managers to intervene at an earlier stage. We will track more carefully

things such as items in transit and items in quarantine. As the audit report has shown, in some areas we can improve our game and ensure that they are dealt with in a more timely way, and we will certainly do that.

CHAIR—Senator Bishop, do you have any questions?

Senator MARK BISHOP—I have no questions on that matter. I am going to return to that matter in February.

CHAIR—We are very much obliged, Mr Lewincamp. Thank you.

Senator NETTLE—I might start with defence exports.

Mr Smith—Mr Pezzullo, Deputy Secretary, Strategy, can respond to that, depending on your particular question; otherwise, Dr Gumley, CEO of the DMO.

Senator NETTLE—Who are the officers who have been delegated by the minister to approve defence export applications?

Mr Pezzullo—There are a variety of officers who hold relevant delegations in relation to approvals. They are all either members of or advised by the Defence Trade Control and Compliance Section, which is a section within one of my divisions.

Senator NETTLE—Are you one of those officers?

Mr Pezzullo—To tell you the truth, I may well be listed on some of the schedules. They are very long and detailed, and I take advice from my staff who say, ‘This one needs to come to you, boss,’ in which case I look at it. It really does depend on the nature of the item. I probably am. A deputy secretary gets delegated to do many things and has lots of different financial and personnel delegations, and I probably do hold some delegations under those regulations.

Senator NETTLE—I have asked a series of questions before about approved defence exports from Australia to Israel, and I received figures for up to 2004. I wonder whether I can get an update on the figures since then.

Mr Pezzullo—I would propose to look at the response that we have previously provided you, including in relation to additional estimates back in February 2005, and look at the nature of the information that we provided you and see what I can provide subsequent to 2004, noting there has been obviously at least one calendar year since then.

Senator NETTLE—I note the 2004 figure of \$10 million is quite high, with \$8 million for armoured and protective equipment. Maybe you could provide an explanation, either now or on notice, as to why that one jumps up so much?

Mr Pezzullo—You are asking for an explanation as to what sits behind the entry in 2004 for armoured or protective equipment, which was sold, to the value of \$8,260,815?

Senator NETTLE—Yes.

Mr Pezzullo—I do not have that detail to hand, so we will need to take that on notice. It is possible that this was the most fine-grain detail that could be broken down when we responded to your question the first time, and it is possible that there may be no further detail that we can provide.

Senator NETTLE—Going back to 2000, it has \$3 million and \$4 million and then it jumps up to \$10 million. It looked as though maybe there had been a big export there.

Mr Pezzullo—I am sure that Dr Gumley would have a general comment to make here, but that is driven by the vagaries of the market and what particular sales are made in a particular year.

Dr Gumley—We do encourage our defence companies to export. It is good for the Australian Defence Force that the production lines stay open longer. We will get lower unit costs for our equipment because the fixed costs are amortised over greater quantities. So, provided companies are not at a supply side constraint—in other words, completely maxed out in their production, it is actually in the interests of Australia and the ADF that exports do occur.

Senator NETTLE—In relation to the approval of export applications, do they ever go to the minister or are they always just done by departmental officials?

Mr Pezzullo—The approvals are delegated in the main to officials. Successive ministers have not delegated their power under the regulations to deny exports, so denials are always advised to the minister, who makes the decision under the Customs (Prohibited Exports) Regulations 1958, regulation 13E. In terms of approvals, I take the view, in consultation with the secretary and other senior officials, that on occasions there are some approvals that we would consult him on, and those consultations occur through the normal process of advice to the minister.

Senator NETTLE—What human rights criteria are used when you are assessing approvals for Defence exports?

Mr Pezzullo—There are a series of criteria involved. We have regard to Australia's obligation under a whole range of multilateral and other obligations. The human rights and other political covenants that we have signed up to are obviously part of the considerations that we have regard to, to the extent that they have been incorporated into statutory schemes. As you know, that is the way our domestic incorporation of international law works. There are various interdepartmental processes that assist Defence in these considerations and we maintain sensitive destinations lists that are country specific, which have considerations that are applicable to those regions or those countries that assist and guide decision makers.

Senator NETTLE—Are blanket decisions made in relation to a particular country or is it done on a case-by-case basis?

Mr Pezzullo—Each application is treated on its merits case by case. The designation of particular countries, or indeed entities, that is entered into various lists is there to provide guidance. But, because these are, of course, delegated powers that exist under a statutory scheme, a decision maker has to take a decision specific to the circumstances of the facts before him or her and they have regard to guidance. But, obviously, at administrative law they need to take those decisions on a case-by case-basis and exercise their discretion fully.

Senator NETTLE—You spoke about those ones where there is consultation with the minister. What would be the reasons why you would choose to have that consultation with the minister?

Mr Pezzullo—There are a whole range of reasons, and I do not want to particularise it because that goes to the nature of the advice that we provide to ministers. Generally speaking, when do officials go to ministers? For reasons of policy, sensitivity or maybe the nature of the technology—there might be a whole range of reasons that officials decide that a minister needs at least to be aware of an impending export.

Senator NETTLE—You mentioned the minister denying export applications. Can you take on notice, unless you know now, how many export applications have been denied in the last couple of years?

Mr Pezzullo—I will take that on notice. I do not know that we publicise that figure other than to say that it is a number greater than zero and that only the minister exercises that delegation under the statutory scheme. I will take on notice the extent to which I can provide further particulars.

Senator NETTLE—I want to ask about Defence exports to Israel during the time of the recent war in Lebanon. There were a number of reports people will remember about other countries fast-tracking the process of exports to Israel at that time. Firstly, were there Australian Defence exports to Israel at that time?

Mr Pezzullo—I would have to review the data and see what details I could give back to you by way of a question taken on notice.

Senator NETTLE—Regarding the process of giving Defence exports, and you have raised issues around how the human rights criteria are determined, can that change along the way? For example, if there are particular allegations around use of cluster bombs, can you in the process change a determination about a Defence export on the basis of new information that has been provided about human rights criteria?

Mr Pezzullo—If I might clarify, subsequent to a permit having been issued?

Senator NETTLE—Maybe you can explain to me at what stages in the process that can be turned around.

Mr Pezzullo—Sure. I will be brief; it is a very complex process and it will take me a long time to go through all of the elements of it but I will be brief. Export licences are assessed on a case by case basis for the reasons I have discussed earlier because they require discretionary decision making under a statutory scheme. The guidance is provided and the regulations pursuant to that scheme are made under the customs regulations that I mentioned before, the Customs (Prohibited Exports) Regulations 1958. Regulation 13E of those regulations provides for, and indeed requires, a defence and strategic goods list—the so-called DSGL—to be maintained by Defence to detail the controlled goods that are controlled under those regulations and the technology that cannot be exported without a licence.

The DSGL—‘the list’, as I will refer it to from here on in—is approved by the minister, and is updated regularly having regard to developments internationally. That might go to your question in terms of the types of technologies that might have dual use capability or which might breach our international undertakings. Defence provides advice to the minister, who makes determinations about what constitutes that list.

The list incorporates descriptions of military and dual use goods and technologies drawn from the international export control regimes of which Australia is a member. Defence administers the export of all items on this list, except for nuclear fuels and fissionable materials which are administered separately by the Department of Industry, Tourism and Resources, and that is advised to industry at least by way of our website, and I assume that there is a mirror reference in the other department's website.

I should also add that there is a second set statutory scheme that is relevant here. Defence administers the Weapons of Mass Destruction (Prevention of Proliferation) Act 1995, which covers the transfer of WMD—weapons of mass destruction—materials and services, and which provides what I guess you would call a catch-all for items that are not specified in the DSGL but which could be reasonably deemed to contribute to a WMD program. Because of the high risk, or the drastic consequences, of a WMD capability being put together and effected, there is greater discretion under the WMD act to capture potential technologies or intangible knowledge that could contribute to the construction of a WMD weapon or delivery system.

The Minister for Defence has delegated his power to approve exports to specified officials; we touched on that earlier. The minister has retained the power to deny export applications and we provide him with cases for his consideration in relation to denial. There is a directorate on my staff which administers the export control function. They process something like 4,000 applications every year, of which a number are referred to the minister for denial. It is a statutory scheme and there is no statutory right of appeal against the minister's decision, although of course the general principles and practices of administrative law are obviously applicable.

In addition to using the DSGL to define what is controlled technology in the terms I have just described to you, the compliance staff within my area also use a sensitive destinations list to flag which export destination countries should receive scrutiny on a case by case basis; I have mentioned that before. My staff are assisted in this process—not to make the determinations, because the decision makers are obviously individual and they are accountable for their decisions under administrative law—by the Standing Interdepartmental Committee on Defence Exports, the shorthand for which is SIDCDE. That has a range of agencies and other departments on it that assist my staff in coming to a view about the advice that they might take in making a decision.

Senator NETTLE—You were going to answer about whether there can be changes in the process as a result of new information on human rights.

Mr Pezzullo—Indeed, Senator, that is done in relation to developments in any aspect of the criteria that the staff employ: human rights considerations; Australia's international obligations, as incorporated within statutory schemes; and developments in international strategic affairs, such as the bringing down of the recent resolution in relation to the North Korean nuclear test, under resolution 1718. That required Foreign Affairs—who administer sanctions regimes generally—and Defence—which administers these statutory schemes—to review all aspects of these lists that I have been describing, to ensure that we were in compliance with that development. That is very much done on a real time basis. The

resolution comes into effect; our government says that we will implement it; the staff literally work through that day and into that night to make sure that Defence is in compliance.

Senator NETTLE—So if approval has been made, can it subsequently be cancelled?

Mr Pezzullo—As a general matter, in terms of how both the statutory scheme and administrative law work, I think the answer is yes but I would want to check that and therefore I will take it on notice.

Senator NETTLE—Can you provide the sensitive destinations list to the committee?

Mr Pezzullo—I do not believe so, but I will check and see—but I must say I doubt it.

Senator NETTLE—Can you also take on notice whether there are any changes to defence approvals in light of the recent conflict in Lebanon?

Mr Pezzullo—When you say changes to defence approvals, do you mean to the criteria that the staff use to inform themselves or to actual export permits?

Senator NETTLE—Decisions.

Mr Pezzullo—To actual decisions?

Senator NETTLE—Yes.

Mr Pezzullo—I will take that on notice.

Senator NETTLE—Can you also provide on notice a table that sets out by value the top 25 export approvals per country and an explanation of what they were, for last year?

Mr Pezzullo—I think that data is available by country. As we discussed with the Israel case earlier, once you start delving into particular commercial fields, there might be some issues there. I will take on notice the extent to which we can drill down to country data.

Senator NETTLE—Thank you. I might move on now to Thailand. I noticed in the annual report that Defence has budgeted \$3.185 million for defence cooperation with Thailand for this financial year. Can you outline what that cooperation is?

Mr Pezzullo—With Thailand?

Senator NETTLE—Yes.

Mr Pezzullo—Yes. Generally speaking, it would be in the nature of providing training and development opportunities rather than providing the sort of technical assistance that we provide in other areas such as the South Pacific. In terms of the specific breakdown of the program for this coming year, I do not have that in my head and I do not have a note to hand. I will have to take that on notice.

Senator NETTLE—Has there been any change to what was planned, given the military coup in Thailand?

Mr Pezzullo—There has been no change to the general fact that we will have a defence cooperation program of activities in 2006-07, the current financial year. Clearly, like a number of other countries—many countries, indeed—the government of Australia made comment on and indeed issued statements in relation to the recent coup, or the assumption of power by the military forces there. As most agencies did, we took a look at the cooperative programs that

we had in prospect and provided advice to government about the merit of continuing with those.

Senator NETTLE—And there was no change?

Mr Pezzullo—The government has decided, on advice, to continue with those programs.

Senator NETTLE—Business as usual.

Mr Pezzullo—The government has decided to continue with the programs.

Senator NETTLE—Of course, there have been a number of military coups and military interferences in Thailand in the past. Has there been suspension of defence cooperation with Thailand in the past as a result of military coups?

Mr Pezzullo—Not to my knowledge—and, if that is not correct, I will come back with a correction.

Senator NETTLE—If, as a result of a military coup, there were to be a suspension, how would that process occur? It could be either a government decision or a Defence recommendation to government; is that correct?

Mr Pezzullo—All decisions of that moment are always taken by government, and government certainly takes advice from its officials.

Senator NETTLE—You talked before about the recent coup and said that Defence provided advice to the government in relation to any changes in the defence cooperation programs; can you let me now when that advice was provided?

Mr Pezzullo—It would have been in the aftermath, obviously. I will take on notice the precise timings of the advice as opposed to the detail of the content of the advice.

Senator NETTLE—Does the military coup in Thailand have any strategic implications for Australia's defence outlook?

Mr Pezzullo—In short, the answer would be no, I think. If you think it through logically, we have a clearly articulated set of strategic principles upon which we base both our defence policies and our general security outlook. Critical to our strategic outlook, as enunciated by government, is stability and cohesion in the South-East Asian region. I think it is fair to say that, generally speaking, the political developments in Thailand have not spilt over into regional instability or cross-border difficulties. Therefore, logically you would derive the conclusion that the cohesion and stability of South-East Asia have not been impacted, on a first look.

Senator NETTLE—I will move on to some questions about Burma. There are reports that the Burmese government has sought increased cooperation with Australia. Are you able to comment on that?

Mr Pezzullo—I have seen media reports to that effect, and I have seen references in relation to other portfolios and the program of assistance and cooperation that they may or may not have. Defence does not have defence cooperation activities with Burma.

Senator NETTLE—Have you prepared any options around the possibility of defence cooperation with Burma in the future?

Mr Pezzullo—Not to my knowledge. In any event, if it was a subject of confidential advice to government either now or prospectively in the future, I do not know that I would be canvassing here anyway. No, not to my knowledge.

Senator NETTLE—Is there any defence cooperation with Burma through ASEAN?

Mr Pezzullo—I stand to be corrected and, of course, I will correct it in a normal manner, but we do not have a defence engagement with the political entity known as ASEAN. We attend the ASEAN Regional Forum defence officials' dialogue process, which is a subordinate process within what is known as the ARF, the ASEAN Regional Forum, which is the ASEAN 10 nations meeting with regional partners, ourselves, the Chinese, the Americans and others. We do not have a defence cooperation relationship, though, with ASEAN as a strict political entity, which is to say the 10 member states of ASEAN. Of course, Burma has been a member state of ASEAN. The answer to question, therefore, logically, would be no, we would not have defence cooperation with them through links with ASEAN.

Air Chief Marshal Houston—I can just confirm that we do not conduct any ADF activities with Burma. I would also note that ASEAN as a rule does not tend to have multilateral military exercises. Most exercises are done on a strict bilateral basis.

Senator NETTLE—What is the reason for no defence cooperation with Burma?

Mr Pezzullo—I suspect it is as much historical as anything else. It has not been a priority for either country. It has not come up as an issue of any moment and, given my earlier evidence, I do not anticipate it coming up in the future—in the near future at least.

Senator NETTLE—It is not as a result of any human rights concerns?

Mr Pezzullo—Not directly. Australia has engagement of a very modest and limited scale with Burma in other portfolios. We just do not happen to have it in Defence. It is not as though we have taken a position to stand apart from government, because we do not do that.

Senator NETTLE—I have a couple of questions on the Philippines. I think the annual report says that \$2.344 million was spent in defence cooperation. Can you outline any detail on that?

Mr Pezzullo—Yes. The program in the Philippines includes attendance by members of the armed forces of the Philippines at various training colleges—for instance, the Australian Defence College and ADFA, in both their undergraduate and postgraduate dimensions, as well as training courses conducted by the single services. It also involves in-country training involving counterterrorist, hostage recovery exercise known as Dawn Caracha, and there is a maritime surveillance activity as well.

We have information sharing and training through subject matter exchanges in the intelligence, research and analysis area. We are providing support for a project announced by government in relation to a riverine watercraft project, which is designed to assist the armed forces of the Philippines deal with the terrorist and insurgency threat in the south. That project is in several parts. There is a DMO managing task for the policy staff that work for me, an acquisition process in relation to those craft, and it will be delivered through life support or integrated logistic support, ILS, as well a training package through the life of the program.

Senator NETTLE—Are special forces counter-terrorism exercises, held in the Philippines?

Mr Pezzullo—Yes.

Senator NETTLE—Can I ask what part of the Philippines they are held in?

Mr Pezzullo—Not in the south.

Senator NETTLE—Are any US forces involved in any part of the program that we have with the Philippines?

Mr Pezzullo—In a trilateral sense, are you suggesting?

Senator NETTLE—Yes.

Mr Pezzullo—Not to my knowledge. We have a bilateral defence engagement program with the Philippines.

Senator NETTLE—There have been a number of human rights allegations against the Philippines military from Amnesty and others talking about violations, arbitrary arrests, extrajudicial executions and disappearances reported during military operations. Could you comment on that in relation to how Defence engages with that issue.

Mr Pezzullo—I would respond in two parts. One is that we do not go on operations with the armed forces of the Philippines, so there is certainly no opportunity for direct knowledge or awareness of them on operations because we do not operate with them. In terms of the training programs that I mentioned earlier, I will make this point generically about our defence engagement and not just limit myself to the Philippines, because I might save us all time by anticipating some of your interest in relation to TNI. All the training provided by the ADF comprehends human rights issues through tuition and instruction on the laws of armed conflict—how to structure rules of engage that treat force as something to be used in a proportionate and appropriate manner pursuant to the laws of armed conflict. To the extent that we engage with the armed forces of the Philippines or indeed with the armed forces of any other country, we would hope that they take away from our training both a professional regard for and a respect for the underlying notions of human rights that are built into the laws of armed conflict.

Senator NETTLE—I shall go to Indonesia then. What I wanted to ask in relation to Indonesia is about negotiations for a security treaty. I do not know if that is you or that is department of foreign affairs who are involved in that one.

Mr Pezzullo—The lead agency on that matter is Foreign Affairs and Trade.

Senator NETTLE—Can you tell me what involvement Defence has in it?

Mr Pezzullo—We are on an interagency process that is led by Foreign Affairs and Trade. They lead the process of developing and negotiating this document.

Senator NETTLE—Perhaps I shall ask my questions to Foreign Affairs then. That is all I have for that section.

Senator MARK BISHOP—I have some questions relating to IT services and cyberattack protection. I would like to discuss some detail that was contained in a recent press report in

Computerworld Australia and picked up later by the *Financial Review*. What is the status of IT support at Defence? Is it true as alleged in the article that there is a backlog of 6,000 requests which are taking up to a month to process?

Air Vice Marshal Monaghan—The data that was presented in the article you talk about was provided not by Defence but by somebody who had access to Defence data, and it was accurate for part of the services that we deliver.

Senator MARK BISHOP—Is there still a backlog of up to 6,000 requests?

Air Vice Marshal Monaghan—The backlog has in fact reduced a little since then, by in the order of 1,000. That backlog related not to any of the services delivered by KAZ but by services delivered by regional IT departments. Those regional IT departments had been under some pressure because of a major rollout of upgrades to our systems and, once those systems had rolled out, those regional staff have been able to get on with reducing the backlogs and providing a better service.

Senator MARK BISHOP—So are you saying that it was a delay occasioned because of the upgrade, not because of the quality of service provided by the particular company?

Air Vice Marshal Monaghan—Yes, that is correct.

Senator MARK BISHOP—You now have that backlog down from 6,000 requests to 5,000?

Air Vice Marshal Monaghan—In that order. I am waiting for the end-of-month figures. I have not got them.

Senator MARK BISHOP—What does Defence regard as an acceptable level of backlog?

Air Vice Marshal Monaghan—Our data would say that in the regions if we had something less than 10 jobs outstanding per hundred customers we would be reasonably comfortable.

Senator MARK BISHOP—Ten per hundred. Can you convert that to the figures of 6,000 and 5,000?

Air Vice Marshal Monaghan—We have something like 80,000 accounts that we manage, so 10 per 100.

Senator MARK BISHOP—Ten per cent of 80,000 is 8,000. So are you saying that the figure for the backlog of requests for action that has gone down from 6,000 to 5,000 is well within acceptable levels of performance?

Air Vice Marshal Monaghan—No, I would say that, if we divide ourselves up into something like eight or nine regions, now that our upgrades have rolled through most of those regions, all but three of those regions are now within the target that I have just mentioned. The ACT, which is currently going through the upgrade process, has a substantially larger backlog than that and, as soon as the system stabilises, with help from industry the staff will get on and roll those back.

Senator MARK BISHOP—What is the backlog in the ACT?

Air Vice Marshal Monaghan—If I can just refer to some notes; the backlog is in the order of 5,000, which is at about 30 per hundred users.

Senator MARK BISHOP—What has caused that backlog of work to grow in the ACT?

Air Vice Marshal Monaghan—There are a number of causes, one of which is the difficulty of retaining IT staff within Defence and therefore they are under pressure. Primarily what we have done is diverted the attention of those staff from delivering standard support to supporting the rollout of the new systems.

Senator MARK BISHOP—In other regions?

Air Vice Marshal Monaghan—No, here in the ACT. That is the region we are currently dealing with. So we put them on the back foot. We are getting close to completing that program. As soon as we do, they will be turning their full attention to reducing the backlog to a reasonable level.

Senator MARK BISHOP—When do you think that will be?

Air Vice Marshal Monaghan—We certainly would expect to see the backlog, by start of business next year, being vastly improved.

Senator MARK BISHOP—Alright, so it will be another couple of months before you start to get it down.

Air Vice Marshal Monaghan—Yes, and then we hit our march-in march-out period, which is the huge change of accounts, where everybody has been posted and moved around. We are doing all we can to make sure that that does not impact on service levels in the new year.

Senator MARK BISHOP—Which departments in Defence does KAZ service in its capacity as IT support backup?

Air Vice Marshal Monaghan—KAZ is a contract that is administered by my group on behalf of all of Defence. We provide centralised services in IT services to all of Defence and that KAZ contract provides that. Defence provides for itself currently the support that is delivered in the regions.

Senator MARK BISHOP—Where does KAZ provide support if Defence does it itself within the regions?

Air Vice Marshal Monaghan—We have our central national operations centre for our IT systems and we have our centralised service desk and help desks for all of the systems within my group.

Senator MARK BISHOP—Is it the intent of Defence to award a total contract for IT support to KAZ or is it the current intent of Defence to maintain the difference?

Air Vice Marshal Monaghan—There is a current process underway for outsourcing of the regional IT support. That is currently under evaluation in a tender evaluation process which is due to complete in the December time frame.

Senator MARK BISHOP—So you do intend in the goodness of time to have all of your IT support outsourced?

Air Vice Marshal Monaghan—Within the contract for the regional ICT support, yes, and we have the amount of ICT support that we currently have outsourced in the central office, so we do not intend to increase that.

Senator MARK BISHOP—Thank you. Can we now have an update on the implementation of Link 16? In the context that you were reported—

Air Vice Marshal Monaghan—I am sorry, Senator, are you referring to me?

Senator MARK BISHOP—Yes, in the context of me asking for an update on Link 16.

Air Vice Marshal Monaghan—I am not the right person to be giving that update, Senator, I am sorry. Have you got a specific question that referred to something that I said?

Senator MARK BISHOP—You were reported as saying that the current workforce was not up to the task of implementing and using Link 16.

Air Vice Marshal Monaghan—I remember the speech that you are referring to. It was given some time ago. I am absolutely certain that, in the context of that speech, I was referring to the challenges that the department faced in making sure that we stepped up to the mark so that, by the time that Link 16 was fully implemented, we were able to do all of the deep technical tasks required to support operations. It is true—and other people can give you deeper information—that the Department of Defence is currently developing the expertise it needs to make full use of Link 16.

Senator MARK BISHOP—Can we get a status report on the implementation of Link 16?

Air Chief Marshal Houston—Yes, sure. Is that on notice?

Senator MARK BISHOP—Now, if it is possible.

Air Vice Marshal Monaghan—I am not the person to give that answer.

Senator MARK BISHOP—Is the officer here or not?

Air Chief Marshal Houston—I think the person who is expert on that is not here.

Senator MARK BISHOP—That is okay. You can take it on notice.

Air Vice Marshal Monaghan—We will take it on notice and ensure that it gets to the right person. Can I just make a small correction that has been advised to me? I said that we were going to outsource regional ICT support. I should bring to your notice that there is an in-house option, so it may not be outsourced if the in-house option was to win the bid.

Senator MARK BISHOP—I see—it is now a different answer. When will that internal analysis have been done as to which proposal will be successful?

Mr Roberts—The tender evaluation for the market testing of the regional ICT that the CIO just referred to is under way now, and the results should be known by December.

Senator MARK BISHOP—In terms of that status report on Link 16, when the officer provides the advice—you might have a status report on it—can you let me know how many defence personnel have been trained to date to operate it, how many are needed to be trained in the future and when will the Link 16 be fully functioning in Australia?

Air Chief Marshal Houston—We will come back with that.

CHAIR—And on what platforms.

Air Chief Marshal Houston—Certainly.

Senator MARK BISHOP—Thank you, Air Chief Marshal, for your assistance today and also Mr Smith and the other officers of the department. I will be pleased to revisit that issue that you raised via Mr Lewincamp in February.

Mr Smith—Good. I am sorry that I will not be here for it.

Senator MARK BISHOP—No, you will not be. We should end the proceedings on a familiar basis. Thank you for your assistance in my time here on this committee, Mr Smith. I wish you all the best in future endeavours that you might undertake.

Mr Smith—Thank you very much, Senator.

Senator HOGG—We will send you the *Hansard*.

Air Chief Marshal Houston—Before you finalise the proceedings, Mr Chairman, could I get Air Commodore Harvey to read something into the *Hansard*?

Air Cdre Harvey—In response to Senator Bishop's earlier question, we went through some of the machinations of how the JSF price was calculated. The key point I wanted to make was that there has been no change in our estimated price since the last time we addressed the committee. The dollar estimate I gave was in current 2006 US dollars. So, to clarify it for the record, there has been no change in that estimated price.

CHAIR—Thank you, Air Commodore. On behalf of all of the committee, before I adjourn the committee, Mr Smith, may I thank you for your assistance to the committee.

Senator MARK BISHOP—Can other questions not asked be put on notice, Chair?

CHAIR—Other questions can be put on notice. Mr Smith, thank you for your assistance. It may be that this could be your last Senate estimates. I do not want to anticipate anything unnecessarily, but if it happens to be your last Senate estimates, I thank you on behalf of all the committee for your assistance and for the very professional way you have gone about the business of defence and assisted our committee. On behalf of all of us, may I wish you well in your future endeavours. I will not use the word 'retirement'; I will say 'future endeavours'. Thank you very much on behalf of all us.

Mr Smith—Thank you very much, Mr Chairman. It has been an honour to be here.

Proceedings suspended from 6.29 pm to 7.30 pm

Department of Veterans' Affairs

CHAIR—I call the committee to order. We now move to consideration of particulars of proposed budget expenditure for the Department of Veterans' Affairs. I welcome the secretary, Mr Mark Sullivan, and Mr Killesteyn, deputy president, and officers of the Department of Veterans' Affairs. The committee will begin with the topics nominated by senators for the portfolio overview and then consider the outcomes.

When written questions on notice are received, the chair will state for the record the name of the senator who submitted the questions. The questions will be forwarded to the department for answer. The committee has resolved that Thursday, 14 December 2006 is the return date

for answers to questions taken on notice at these hearings. Under standing order 26, the committee must take all evidence in public session. This includes answers to questions on notice. Witnesses are reminded that the evidence given to the committee is protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee, and such action may be treated by the Senate as a contempt. Giving false or misleading evidence to the committee may constitute a contempt of the Senate.

The Senate, by resolution in 1999, endorsed the following test of relevance of questions at estimates hearings. That is, any questions going to the operations or financial positions of the departments and agencies which are seeking funds in the estimates are relevant questions for the purposes of estimates. The Senate has resolved that there are no areas in connection with the expenditure of public funds where any person has a discretion to withhold details or explanations from the parliament or its committees unless the parliament has expressly provided otherwise. An officer of a department or of the Commonwealth or of a state shall not be asked to give opinions on matters of policy. He or she shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. This resolution prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted. If a witness objects to answering a question, the witness should state the ground upon which the objection is taken and the committee will determine whether it will insist upon an answer, having regard to the ground of which is claimed. Any claim that it would be contrary to the public interest to answer a question must be made by the minister and should be accompanied by a statement setting out the basis for that claim. Mr Sullivan, do you have an opening statement?

Mr Sullivan—No. Thank you, Chair.

CHAIR—Mr Killesteyn, I take it you do not either.

Mr Killesteyn—No.

CHAIR—As per our normal practice at this hour of the day at estimates, I will move to questions.

Senator HURLEY—In the beginning, I would just like to express my disappointment that answers to five of the questions on notice that I asked in the last hearing have not been provided by the department. Some of these questions were on issues that I would like to have explored a little tonight at the hearings. I am quite surprised that the questions I asked on this topic have not been answered given that the topics are question No. 19, mental health budget; question No. 43, budget announcement for the commemoration of the Vietnam War; question No. 51, transition of management systems; question No. 53, Centre for Military and Veterans' Health; question No. 58, external legal services; and an unnumbered question which appears to have been completely missed or ignored by the department in relation to costs to DVA arising from conflicts in Iraq and Afghanistan. I would have thought that the department would be across these issues. I am really quite astounded that they have not been answered within the four months, although I do note that this is a bit of an increasing trend for the Howard government when it comes to avoiding accountability before the Senate.

Senator Colbeck—Senator, I would like to pick you up on that. I do not think that is an increasing trend. In fact—

Senator HURLEY—Well, four months.

Senator Colbeck—I have spent a bit of time at estimates in a number of portfolios this week. This is the first that I have encountered. While I accept that you might have issues with that, I just want to put on the record that I do not accept it as a broad issue across the government. I understand you have issues in relation to this portfolio. Obviously you will explore that as part of this process. I just want to disavow you of the misconception that it might be a broad occurrence.

Senator HURLEY—Well, in addition to those questions that were just not answered, there are a number of questions on notice that asked for forward estimates. I received an answer that forward estimates are not normally provided as they are classified as protected. I would be very interested, first of all, to know how the department can justify not answering those questions on notice within four months and, secondly, to have a bit of an explanation as to what ‘protected’ means and why that information could not be provided.

Mr Sullivan—Thank you, Senator. I do apologise that there are five outstanding questions. I think the minister at the table has made it clear that, in his view, in terms of performance against others, for us it is probably an improved performance. We have been on an improving cycle of answering questions. The five outstanding will be provided as soon as possible. Three of them are in the process of being cleared by me and are just about right. They then just have to go to the minister, which I expect will not take very long at all. We needed defence department cooperation on the question of transition management. We are waiting for that. We had a response ready on the Centre for Military and Veterans’ Health. We really concluded in late October that it was not everything you were asking for so it is being redrafted. Resources Group have not yet cleared the answer on external legal services. But we can talk about any of those questions tonight that you wish to.

In respect of questions that everyone misses, everyone misses them because we do a reconciliation with the secretariat on questions. So if there is a question missing, it is not deliberate on anyone’s part that it is missing. We do certainly go back and say, ‘Here are the questions which I understand are on notice,’ and that is tallied and that is what we answer. I thought that goes to committee members. Maybe you need to check.

Senator HURLEY—Not that I am aware.

Mr Killesteyn—In relation to that unnumbered question about costs associated with Afghanistan and Iraq, I hope you do not regard this as an excuse, but it is a more difficult question for us because essentially it means we have to go through each individual case that may have involved a person making a claim from those particular theatres. There is no specific identification of claims associated with those two theatres. We have to work through each of them and then develop a cost around that, so it might take us some time to do that. Of course, it will be relatively small, I would expect.

Senator HURLEY—Can we move on, then, to the reason that the forward estimates were not provided. Can you tell me what ‘classified as protected’ means?

Mr Sullivan—I do not think it means a technical classification. It is just that forward estimates information, as provided by the government generally through the department of finance in the budget statements, is there. Detailed forward estimates information on a line by line basis of government estimates are not generally provided and have not been provided by government in any portfolio that I have been the secretary of. It is really something where the policy on it is dictated by the department of finance. I am quite happy to take back the questions you have asked and confer with Finance and come back and say, ‘This is the story.’ I will come back and tell you what the story is.

Senator HURLEY—Right. When will you come back?

Mr Sullivan—I will talk to the department of finance in the next couple of days.

Senator HURLEY—I would like to start, then, with the indexation of the disability pension. This is an ongoing concern for many veterans groups, as I am sure you would know. At the last hearing I put a question on notice in relation to the TPI payment. The question asked whether DVA was aware of other government agencies’ processes for determining income, such as the Child Support Agency, Centrelink and so on, and whether the DVA’s processes varied from them. The answer from the department was that you are aware of these processes and that your processes are not at variance. But my understanding is that the other agencies all consider the whole payment as income when they are making their assessments whereas you have clearly established in the past that your department considers one part of the payment to be for loss of income and the other for pain and suffering. Therefore, I was wondering how you could claim that the department’s processes are not at variance with other departments when they do not recognise this distinction.

Mr Sullivan—There is no-one who has got something like ours, so there is no-one at variance with us. What you have with ours is a 100 per cent disability pension. That is a payment akin to a payment made by another agency in terms of a compensation payment or other. We index a 100 per cent disability pension consistently like we index all forms of disability pension up to 100 per cent. That is, we index it by the CPI. A special rate pensioner used to be called a TPI. To be eligible for a special rate pension, you must have been on a 100 per cent disability pension. That is the consistency in respect of the disability pension. Once you establish that you are incapable of working more than eight hours a week and that your cessation of work was due to your war caused injuries, you will be paid an amount above and beyond the 100 per cent disability pension that is paid to disability pensioners, and this is the special rate. So it clearly—and I do not think you will be able to tell me a pension or a payment of any other agency like it—it is a dual component payment. What the government did in response to Clarke was to move, in special recognition of the fact that this above general rate component of it was specifically for those for whom their war caused injuries prevented work, that component of the payment to MTAW or CPI, whichever is the greater. It is currently the CPI but it has been MTAW. There are variations on indexation which move from no indexation, to indexation against various wage cost indexes, to indexation against the CPI, to indexation against CPI but safety nets against MTAW, to indexation against MTAW, to indexation against MTAW and CPI. What we could find was no treatment of a payment by such agencies that you could draw a variance from in respect of the

unique nature of the TPI pension, which, as I say, is a 100 per cent disability pension topped up with the special rate, which is an above general rate payment for the TPI.

Senator HURLEY—So you have contacted those other agencies to ask if they have any?

Mr Sullivan—Well, we researched them. It is all available on the net, like on your screen there.

Senator HURLEY—Are there any other payments administered by your department that are separated in the same way between economic and non-economic?

Mr Sullivan—No. The immediate rate is. We treat that the same.

Senator HURLEY—Are there any plans by the government? When will the government look at the erosion of the veterans' pension with an indexation method that keeps the value of the pension?

Mr Sullivan—Well, veterans' pensions, as a result of the decision of government after the Clarke review, are \$19 a fortnight greater than they had been if they had been kept on the traditional measure of indexation of CPI. Of course, if you go back further to 1980-whatever it was, indexation was at the whim of the government. So I am not sure you can say that indexation has eroded the pension. The claim of the TPI association and other advocates is that if their TPI pension had been indexed to MTAWA, it would be a lot higher than it is now. You cannot say from that there is an acceptance that there is an erosion of the TPI.

Senator HURLEY—I think you will have to agree to differ with some advocates there.

Mr Sullivan—Certainly. We have very good, open debate and discussion about that issue. I cannot obviously answer when government will reconsider its position on the rate of TPI.

Senator HURLEY—Sorry, what was that?

Mr Sullivan—I cannot answer your question of when government will reconsider its position on the rate of TPI.

Senator HURLEY—There has been no indication at this stage that they will?

Mr Sullivan—I would not tell you if there had been.

Senator HURLEY—Still on TPI issues, I want to talk about a loan to the TPI association in New South Wales, which owns a block of units in Belmore.

Mr Sullivan—Yes. A proposed loan.

Senator HURLEY—A proposed loan?

Mr Sullivan—Yes.

Senator HURLEY—I see. Do you have details such as the term of the loan?

Mr Sullivan—No. We put a proposal to the TPI association. The term of the loan in the discussions we had with the TPI association would be while there were residents in the flats.

Senator HURLEY—Yes. I understand that.

Mr Sullivan—So the term we have not specified, but we said while there are residents still utilising the flats, the loan would be there. But the loan is subject to obviously an agreement between the Commonwealth and the TPI association. Before we can even get to an

agreement, we have to have things like building inspections, valuations and all sorts of things concluded. So we have an agreement in principle, which I am happy to talk about.

Senator HURLEY—Fine. What is the basis, then, for deciding that the loan should be \$4 million in advance of those kind of discussions and in advance of that evaluation?

Mr Sullivan—It is \$3.8 million, not \$4 million. The \$3.8 million was the value that the TPI association told us that their valuers had put on it. But all discussions had been on the basis that if that valuation holds, that will be the sort of thing we will talk about. But that is the basis of that discussion.

Senator HURLEY—So that is still flexible at the moment, subject to that proper valuation?

Mr Sullivan—I think if they have had a proper valuation, they probably have for the purposes that they are proceeding. It will be something which is very much in the same ballpark when we have it valued.

Senator HURLEY—I am curious about where the loan will come from and how it will be accounted for in your budget.

Mr Sullivan—It will be accounted for under our appropriation for defence service homes.

Senator HURLEY—The financial costs of administering the loan and doing that negotiation will be under the defence service homes department?

Mr Sullivan—That is right. Appropriation, not department.

Senator HURLEY—Appropriation. If there is any kind of default on the loan, what would be the circumstances?

Mr Sullivan—It will be a mortgage on the property. But, again, we have not got a contract. We have not got an agreed mortgage yet.

Senator HURLEY—I see. Is this loan arrangement any kind of official program of the department?

Mr Sullivan—There is a section in the Defence Service Homes Act under which I, as the president of the Repatriation Commission, can make a decision in respect of residences for TPIs. So the authority is the Defence Service Homes Act. The appropriation will be through the defence service homes.

Senator HURLEY—So have any other loans been made under the same sort of arrangement?

Mr Sullivan—Not that I am aware.

Senator HURLEY—Would it be possible for other ex service organisations, other TPI groups, to access a similar scheme, then, if that principle is established?

Mr Sullivan—Well, clearly there were a set of circumstances here which saw me decide to exercise that power. Having said I have the power, I could not say that I will never exercise it again. I would need to understand, as would the government have to understand, the circumstances of the request. We are not going into the business of financing homes.

Senator HURLEY—Did I understand you correctly to say it applied only to TPI type—

Mr Sullivan—My authority is in respect of providing residences for TPIs.

Senator HURLEY—Does that have to be associations or can that be individuals?

Mr Sullivan—No. It could be individuals.

Senator HURLEY—Could be individuals as well. Is there any policy or guidelines on the criteria for that kind of loan?

Mr Sullivan—No.

Senator HURLEY—So it is flexible depending on the circumstances?

Mr Sullivan—Yes.

Senator HURLEY—My understanding is that this will enable those veterans to stay in their homes until they move away or until, in fact, they die. So is the principal on the loan to be repaid in a lump sum once the units are sold? I understand that it is a proposal at this stage, but is there any intention to start paying off the principal now?

Mr Sullivan—No. The proposal would be that the principal will be repaid as a lump sum at the conclusion of the arrangement. What we had is the TPI association wanting to move its investment in accommodations for TPIs away from what it saw as an asset that, if it had not run its useful life or its economic life, was going to meet that point soon. We had a subgroup of tenants who had expressed their keen desire to not be forced into moving from some accommodations which some of them had been in for a long time. The principle of this arrangement was that we could understand both sides and that we could allow the TPI association to proceed with their renewal, if you like, of their housing stock and we could allow the tenants to stay. The TPI association, in looking at the arrangement, recognised that it put an onus on them to maintain the Belmore property in a reasonable condition.

Senator HURLEY—And will there be any finite limit on the length of time that will be kept, or will that be completely open-ended depending on the tenants?

Mr Sullivan—I know open-ended clauses, when you get into legal contracts, are very difficult things. The discussions we have had are open-ended. That is how they are.

Senator HURLEY—Thank you for that. I refer to page 61 of the annual report and the processing of claims. I understand there have been increasing complaints to the shadow minister's office, Mr Griffin's office, regarding the processing of claims. Some of the complainants argued that the processing has become a little more adversarial in its nature. In fact, the annual report seems to show that there is an increase—in fact, quite a dramatic increase—in the amount of time taken to process a range of claims. These include claims like primary claims, primary injury claims and permanent impairment claims et cetera. In the annual report, some of them are measured as average time taken and others are measured as mean time taken. Can I just clarify before I begin that line of questioning the basis for calling the measurement average in some cases and mean in others.

Mr Sullivan—I will get an answer on that quickly for you. I want to make one point. You have mixed two things there. You have said the complaint has been about us becoming more adversarial. The key table to look at is table 6 on page 64, of course, which is the acceptance rate of disabilities by state and by Australia. You will note there that the acceptance rate of

disabilities at initial claim stage remains consistent with what it has been for the last seven years. It runs between 59 and 61 per cent every year, year on year. So while I will be very forthcoming in saying that we are addressing a backlog issue and addressing a processing time issue, I do not regard that processing time issue as being any indicator whatsoever of a more adversarial approach. We are not holding claims up to be adversarial. We are trying to complete claims. On the adversarial issue, it is a very good number to put in the record more than once because some people around the place say that this number is a lot lower than it is. Yet if you go to the facts, it has been between 59 and 60 per cent every year for seven years. So I do not accept the statement that this is a matter of a greater adversality about us. There is an issue here that we have to improve our processing times in respect of new claims processing.

Senator HURLEY—Statistics are a funny thing. You could just as easily say that proves that veterans are making the same number of correct claims.

Mr Sullivan—Ken Douglas will talk about averages and means if he can. We are starting to make progress into our backlog. Our average processing time while we make progress in our backlog will go up significantly. If you want to play the statistics, you do the ones you got yesterday and your average processing time can go down. If you attack your backlog, for a while your average processing time will go up. It is a fact that we have deployed a whole lot more resources. For instance, under the military compensation scheme, which we used to process just out of Queensland, once the emergence of this backlog and processing times became evident to us, we deployed resources in three other states, which takes a little bit of gearing up to get people trained. We are making advances in that now. But our average time to get through them will go up.

Senator HURLEY—I would like to go through that case by case. I am not making assumptions. I would like to go through that. But it does make a difference whether we are talking about an arithmetic mean or a population mean or an average.

Mr Douglas—The difference is purely historical on the basis of the agencies that ran the schemes. The Safety, Rehabilitation Compensation Act claims used to be processed by Defence. Some years ago they came across to the Department of Veterans' Affairs, initially on a contract arrangement and subsequently allocated as part of the portfolio's responsibility. The tradition there was to call them mean time taken to process. The Department of Veterans' Affairs had traditionally called its claims processing under the Veterans' Entitlements Act as average time taken to process, so it is the same thing.

Senator HURLEY—So mean does mean arithmetic mean?

Mr Douglas—Correct.

Senator HURLEY—Thank you. Given that, I would like to ask a series of questions.

CHAIR—Is it still on the same area?

Senator HURLEY—Yes, it is. At page 61 of the report, the time taken to process a primary compensation claim is reported as 106 days while the target is 75. The reason given for this increase is an increase in the complexity of the claims for disability pension. So what is this increase in complexity?

Mr Douglas—Claims under the Veterans' Entitlements Act are a number of years after the trigger event which is alleged as part of the claim to have caused the condition now being sought for compensation. As a consequence, we need to get access to records from Defence. They may be service records or they could be medical records which go back, in many cases, 20 or possibly even 30 years relating to the incident for which the claimant is claiming there was a stressor producing the current condition. Of necessity, the longer the time, obviously the greater the level of complexity associated with investigating that.

Senator HURLEY—So it is just related to the time, not a particular group of veterans or a particular complex?

Mr Douglas—No. It is a difference of time between when the event occurred and the claim being lodged.

Senator HURLEY—And there are no new administrative procedures or no new standards that are impacting on that as well?

Mr Douglas—We are about to implement a new scheme which we hope will significantly reduce that time by means of an information technology connection directly between the Department of Veterans' Affairs and the Department of Defence. That will come into place in the next month or so. We expect that that will take some time off that process of accessing records. In addition, the Defence Force is in the process of digitising its records. The more that it digitises those records, the less is the call to go and access physical files. You can imagine the large number of people who have served in the Defence Force over many, many, many years. There are quite a few files to go through to find a single incident.

Mr Sullivan—The only issue that affects the administration and could affect time processing is that the commission made a decision two years ago or so in respect of grants of special rate pension. It lifted the delegation required to make those grants, which introduced a two-officer process. That does not have a major impact on overrun time taken. There was probably one other factor.

Mr Douglas—The other factor is related to access to medical specialists. In many cases, obviously these claims relate to certain medical conditions which will require diagnosis or at least further examination by a medical specialist to determine the extent of disability which that condition causes. As is common with most of the community, we are not immune from the difficulties and delays associated with getting access to medical specialists. We are in their hands as to when the appointment can be made and when they are able to furnish the report for us.

Mr Sullivan—The other issue I was thinking of was while the government considered its response to the health study in terms of the F111 reseat/deseal issues and then we processed that through the government's response in respect of the ex gratia payment, that held up the processing of a number of Safety, Rehabilitation and Compensation Act claims. There was a group of those claims which was deliberately held so that we could understand the interaction between the lump sum payment processing and the compensation claims processing. There is no longer an impediment to the processing of those claims presented by that process. But that was another example of an administrative issue.

Senator HURLEY—So all of this has occurred within the last year?

Mr Sullivan—No. Of the two examples I gave you, one was two years ago, with the dual officer approach. The other one has been running for almost two years as well.

Senator HURLEY—Why the sudden jump in the year under report?

Mr Sullivan—I do not think there is a sudden jump in the year under report compared to—

Senator HURLEY—That is what the graph shows.

Mr Douglas—The increase has occurred over the course of the last two years. A lot of that is—

Mr Sullivan—There is a sudden jump in 2003-04.

Mr Douglas—If you go back over that timeframe, you will find that back in 2003-04, while we were processing the claims in under the 75-day average target we set, we also had a higher error rate associated with those claims. So we invested a lot of effort into making significant improvements and reducing the incidence of error. As a consequence, the pendulum has swung to get better quality decisions with lower errors but we are taking slightly longer to get those decisions made and made more accurately. We are now in the process of putting in place a series of measures which is designed to reduce the time taken to process claims. We expect to see some improvement in that over the course of the remainder of the financial year.

Mr Sullivan—The interesting table is on page 62. You can see that what we are seeing in primary claims processing is quite a consistent drop in the claims we have to process. You can see that for most years, other than 2003-04 and 2001-02, we finalised more cases than were submitted to us. Against a falling number of cases to process, it is interesting to see that the backlog, which you might say could be the difficult issues or the rump cases which are hard, is not moving much. It is going down, but the backlog as a percentage of the total issue is going up. That is as much pushing up the graph. It is this dealing with a generally quite rapidly falling caseload.

Senator HURLEY—So when would you expect to see it start trending down to your target again, then?

Mr Sullivan—I would hope that Mr Douglas and his group have this trending well and truly towards its target this financial year.

Mr Douglas—We estimate we will not go there by the end of this financial year. As the secretary said, we could fix it pretty quickly by processing all the immediate ones and then not tackling the backlog. Of necessity, if you tackle a backlog, it will result in a slight increase until you tackle that. That is an arithmetic fact, really. We have in mind a number. I do not know that I am quite prepared to say that we will definitely reach it. I think a lot can happen in that timeframe.

Senator HURLEY—Oh, come on.

Mr Douglas—It will be a significant improvement.

Mr Sullivan—It will be a significant improvement.

Senator HURLEY—Just getting back to this case by case, with the primary compensation under the VEA, has there been any reduction of staff or resources to this area in the last year?

Mr Sullivan—Yes, there has. If you look at the other graph of how many cases are being processed, the overall processing case workload is going down and the resources applied to it are going down. Our internal resourcing group at the moment is considering the fact that we may have to resource our claims processing particularly to attack this backlog. We currently resource it on the basis of how many claims we expect in and how many they can process out. I think a case is being made in case—I think it is a reasonably good case—that we need to probably put some resources into backlog reduction. But overall resources in this area, like everything in most processing parts of the department, are going down with reducing workloads.

Senator HURLEY—So you are looking at whether more resources can be put in to address this backlog?

Mr Sullivan—Well, I think some have already been put in and we are looking at whether there is a further case.

Senator HURLEY—I return to specifics again. In this instance, the mean time to process a primary compensation claim was 106 days. Can you tell me or can you take on notice what was the longest time taken to consider a claim and what was the shortest.

Mr Sullivan—The longest would be into many months or a couple of years.

Mr Douglas—I will clarify. You are after the longest time to process a completed claim?

Senator HURLEY—Yes. I presume so.

Mr Sullivan—Maybe we will give you the 90th percentile and the 10th percentile. If you want the extreme ends, it is probably one day and forever.

Senator HURLEY—If you have given the figure as an average.

Mr Sullivan—The ends are interesting but they might not tell you a story. The answer may be one day, because there have been cases which we have been able to process in a day, and 3,000 days. So I will give you something more meaningful and give you the ends as well as, say, about the 90th percentile or something.

Senator HURLEY—That would be good, thanks.

CHAIR—Three thousand days is 10 years.

Mr Sullivan—We have long cases that do not go away.

Mr Douglas—Even that may not tell the total story. A single claim could be in relation to a number of different conditions. We might accept some of those conditions but continue investigations into other conditions. We need to construct the answer in such a way that gives a value that the secretary was referring to.

Senator HURLEY—Right. I accept that, yes. I want to turn to page 75 and the time taken to process primary injury claims under the SRCA. That has gone from 122 days in 2004-05 to 181 days in 2005-06. One of the reasons given was the time taken to process liability claims significantly due to increased time between injuries and the lodgement of claims. Can you just clarify for me what that means.

Mr Douglas—That scheme is now effectively closed. Of logic, since new injuries resulting after that date are covered by the Military Rehabilitation and Compensation Act, consequently, claims being lodged under the Safety, Rehabilitation and Compensation Act are significantly longer ago than they were, say, two or three years ago. That means that, say, two or three years ago, you had a mixture of claims in relation to events that occurred in the last six months as well as those that occurred in the last six years. Now you are very heavily weighted towards what occurred quite a number of years ago.

Senator HURLEY—I see. Right. That in itself is probably a new procedure. Are there any other new procedures or administrative processes?

Mr Douglas—It is not a new procedure. The act is no longer open for injuries after 1 July 2004. As a consequence, you do not get the short-term claims which enable you to keep the average down. They are going to be the longer days. It is not a new processing system.

Senator HURLEY—Yes. I understand that. I will rephrase it.

Mr Sullivan—Our compensation schemes are very beneficial in that they have no time limits in respect of when you can come forward.

Senator HURLEY—I am not disputing that.

Mr Sullivan—So the older they get—when you now have a World War II veteran claiming under the VEA act it is about an incident that occurred 62 years ago—it gets longer.

Senator HURLEY—I am just asking questions. I am not making accusations.

Mr Sullivan—The only administrative issue here is the one in the explanation there, which I talked about, which is the F111 reseal/deseal issues.

CHAIR—We do not have time based limitation periods.

Mr Sullivan—No.

CHAIR—In stark contrast to most civil compensating claim authorities and legislation.

Mr Sullivan—That is right.

Senator HURLEY—Given your explanation, is there going to be an alteration to that target of 181 days, or are you going to stick with that?

Mr Douglas—We would like to stick with it because it is a good incentive to get it to that. We will have to keep it in review when we look at the age of cases and the complexity of them when they come in. As the secretary said, a significant chunk of those claims relate to the F111 deseal/reseal claims, which were parked, if you like, pending the settlement of the policy issues. As we work towards clearing that backlog of claims over the course of the next six to eight months, we will consider what impact that has been able to have. We have estimated an impact. That estimate might be high or low. When we get to that point, that is a matter we will obviously consider.

Senator HURLEY—Fine.

Mr Sullivan—Again, one of the factors you have to look at there—it is interesting for us as an organisation because we are quite different from almost any other organisation in town at the moment—is that our business is reducing. It is very good news for Australia. When you

look at the table of the sort of claims received, you see that our business in terms of claims this year dropped almost 40 per cent. There seems to be something managerially about the fact that if your business is increasing, you seem to be able to improve your processing times. When your business decreases, there does seem—I think one of the biggest factors in all this is that your resource adjustment is quick and it is implemented—to be some form of adjustment. It would be fascinating one day to get our heads around it. It is almost counterintuitive. You would think with falling workloads you could get into the backlog a whole lot more. But that is if you leave all the resource there. But we are governed by a resourcing agreement. You have seen the target there. We were funded for 5,100. We reduced the estimate to 5,000. We actually moved to 4,755.

Senator HURLEY—But your report actually says that the F111 cases only added 22 days.

Mr Sullivan—That is right. That is what I was saying. I think the other factor is this falling workload. And the impact of falling workloads on your processing times just seems to be an interesting phenomenon.

Senator HURLEY—So there was a reduction in staff or resources in that section?

Mr Sullivan—Yes.

Senator HURLEY—Is that being reviewed?

Mr Sullivan—Again, we are looking at that in respect of the backlog and what we can do to clear this. We have decided to commit to what we want people to achieve rather than shift the boundary out. It would be a bit simple to say, ‘Let’s set a new standard of 180 days and say we’re now meeting that.’ We will stick with our standards.

Senator HURLEY—So the department made the decision to reduce resources on the basis that it expected a reduced number of cases?

Mr Sullivan—Yes.

Senator HURLEY—It was the government’s decision?

Mr Sullivan—These things are more difficult. We processed a whole lot fewer cases.

Senator HURLEY—Yes. So you decided to reduce resources because of it?

Mr Sullivan—We decide on the basis of resourcing agreements between government and us which reduce our resources on the basis of our veteran population falling. We cut our cloth to our budget. Where transaction volumes are falling, we cut the resources. This is certainly a focus of the department and the commission. It certainly is a focus of the minister, who is taking a personal interest too in these average processing times of new claims being taken.

Senator HURLEY—So he might if he has made the decision to cut resources.

Mr Sullivan—He does not make that decision. I think the minister, if he could resource us with everything we wanted, would love to.

Senator HURLEY—Another reason for the change from 122 to 181 was there was a specific strategy in place to identify and process some very old and difficult claims. Can you outline the strategy?

Mr Douglas—I think that is the strategy. We went and attacked the older claims.

Senator HURLEY—Fine. I thought there was a particular prioritisation.

Mr Douglas—No. It was an acceptance that we had a number of very old claims which really needed to be brought to bear. The reality is that when you do the older claims first, of course that is going to increase your time taken to process.

Senator HURLEY—Do you have a definition of particularly old and difficult claims? Is there a particular descriptor of that?

Mr Douglas—We would start to look, obviously, at claims older than 150 days. Then you quantify those, age them and start to work backwards from the oldest to the youngest.

Senator HURLEY—Can you again give me those longest and shortest percentiles?

Mr Douglas—Yes.

Senator HURLEY—Thank you. At page 78, there is the mean time taken to process primary injury claims under the MRCA, which has ballooned again from 90 days to 146. Again, the reasons given were that the claims required more detailed investigation.

Mr Sullivan—I share your concern on the VEA and SRCA. We watch this one a bit more closely. But it is so new. We were way under our processing targets earlier. What we were seeing was really the classic very easy compensation case—an active serviceman injuring himself on a sports field or in a training exercise, or a reservist who makes a claim much faster than a non-reservist because it can often impact on current earnings and things. We were not seeing complex cases. As the Military Rehabilitation and Compensation Act moves into about its third or fourth year of running, we are starting to see more. We will understand what this processing sometime means. As soon as we saw it moving, as I say, we did respond. This is one piece of our work which is increasing. You can see from the table at the top it is starting to increase. It has a fair way to go. This is really the future work of the department over the long term. As I say, we took a decision to increase resourcing and to move processing from one centre to four centres. That took a little while to do and kick in. I think this is one that I expect will react fairly quickly. Looking at last year and looking at this year, it does not mean as much in this as it did with the other ones for me. It is just too young a scheme. It is only three years old.

Mr Douglas—To that end, our levels of activity have over the last four to six months been at record levels. We are getting through that backlog. Another factor which, as the secretary intimated, was that in the early days in particular some policy emerged that had not all necessarily been considered during the course of the formation of the legislation. Those cases were then, if you like, put to one side in order to resolve those policy issues before we could actually process the claims. Of necessity, they sit there and they gather time. Now those policy issues are being resolved and we are able to work through them. So, as the secretary says, we will see that come down.

Senator HURLEY—So it is not a question of a problem that will keep on increasing and you cannot handle it? You feel that you have got some down?

Mr Douglas—They are general issues that arise in the implementation of a new arrangement.

Senator HURLEY—And what policy issues have caused problems?

Mr Douglas—There are a range of them that go to some of the individual details of particular claims. Bear in mind that under this scheme for the first time we had reservists. Reservists had not been part of either the Safety, Rehabilitation and Compensation Act or the VEA so there were some issues associated with that.

Mr Sullivan—We got a lot of other things. The big policy under the MRCA, which was there a little bit in SRCA but not in VEA, was the prominence of the rehabilitation assessment and the determination of rehabilitation plans as being very much part of the process. This act is focused on rehabilitation. Its aim is to discover how far in the rehabilitation cycle we can take an individual who claims compensation before we determine a final compensatable amount. So that process in itself introduces concepts and issues which are different and will take us some time, I think very positively. The VEA, if you like, was constructed around the issue of determining the illness or injury, put a number on it and pay the compensation. SRCA, which is largely a civilian compensation scheme for public servants adapted to use by the military, had a bit of both in it. But the MRCA has a rehabilitation focus.

If I look at the components that make up the processing time of an MRCA assessment and the things where we really push hard to say, ‘Let’s get it better,’ it is to get the rehabilitation plan in place. You do not like to see a delay between the claim being made and the first rehabilitation assessment being undertaken and the rehabilitation assessment being converted into a rehabilitation plan and then the exercise of the rehabilitation plan. Some of the primary elements we look at in this is how many rehabilitation plans have we concluded and how many were successful in terms of how many saw a return to work or an improvement in the condition. Next year I think we will be a whole lot better at being able to talk about this than this year. But we would anticipate, for instance, that it probably will not be for another eight to 10 years before we see the full range of issues hitting the Military Rehabilitation and Compensation Act because there is nothing telling us that the behaviour of claimants is going to change. That is, we will probably see a 10-year time gap between incident and claim. For a long time we will not fully understand what we are dealing with in the MRCA.

Senator HURLEY—Thank you. Can I again get those—

Mr Sullivan—I apologise. The MRCA is the Military Rehabilitation and Compensation Act. I should not fall into using it.

Senator HURLEY—It is a mouthful.

Mr Sullivan—Yes.

Senator HURLEY—Can I get those top and bottom percentiles again.

Mr Sullivan—Yes. As I say, I do not think they will be very useful. I can guarantee you there will not be anything too old.

Senator HURLEY—No. Nevertheless.

Mr Sullivan—It is a new scheme.

Senator HURLEY—Still on page 78, there is a dramatic increase in the impairment claims under the MRCA. What are the reasons for this?

Mr Sullivan—This is a new scheme gearing up. People are starting to claim. This only affects members of the serving forces after 1 July 2004. Most members of the services had eligibility still under the Safety, Rehabilitation and Compensation Act and many of them would have had eligibility under the VEA and the Safety, Rehabilitation and Compensation Act and the Military Rehabilitation and Compensation Act. This is purely seeing people exercise their ability to claim under the Military Rehabilitation and Compensation Act.

Senator HURLEY—But you are saying a lot of your problems under the previous one were actually old cases. None of these are old cases, so why are they—

Mr Douglas—Because there is a requirement for the condition to be both permanent and stable before it is processed. And it is a new scheme.

Mr Sullivan—It is running at about what we have forecasted and slightly under. So our new claims growth I think is slightly under what we were forecasting. As you can see in the portfolio budget statement, we were suggesting 300 cases. By additional estimates, we had revised that to 150. It went down to 57.

Senator HURLEY—Again, can I have the longest and shortest percentiles.

Mr Sullivan—Sorry, I was giving you the wrong data there. Look at the data on page 70.

Senator HURLEY—In addition, for each of those areas that I have discussed, could I have the movement in staffing and resources.

Mr Sullivan—I do not know if we have it down to that level. I will give you what we can.

Senator HURLEY—Fine. I have one more question in relation to that. Where there is an increase in time, I think veterans who are suffering serious health and stress problems get placed in difficult financial circumstances. Are there any support services for veterans to help them through this period?

Mr Sullivan—Of course, under the MRCA it may not be a veteran. It may be a serving member, who would have all the support of the services—would be on pay and would be accessing Veterans' Health. Some would be already on part pensions, if we are talking about a claim for an increase. For accepted conditions, they would be covered. Under various other schemes—for example, the delay in respect of the F111 reseal/deseal cases—those participants who registered in the F111 reseal/deseal health arrangements had full access to health treatment to cover a wide range of injuries or illnesses while the issues were gone through. In respect of treatment for cancers and treatment for post-traumatic stress disorder, treatment for depression and treatment for anxiety, we divorce the health services from the compensation issue and we permit health treatment of those conditions to occur regardless of the outcome of the compensation decision.

Senator HURLEY—Is that made known to veterans who are making claims?

Mr Sullivan—Yes. Veterans organisations and vets advocates are well aware of that. Of course, the claim, if found for the veteran, is dated to the application date of the veteran.

Senator HURLEY—Someone may have to wait six months.

Mr Sullivan—We are acutely aware that new claims processing is something which can have a financial impact.

Senator HURLEY—I would like to move to another area. I have asked a number of questions before in relation to Writeway Research.

CHAIR—Is this still in the same general area of the claims, administration and processing input?

Senator HURLEY—Yes.

CHAIR—Before you leave that area, I would like to deal with deseal/reseal, if I may. You can go on, as long as we stay within that broad outcome 1 topic area.

Senator HURLEY—This will be my last. As I said, I placed a number of questions on notice in relation to Writeway Research at the last estimates hearing. In answer to one of these questions, the department stated:

DVA is not aware of any advice from any State or Territory regulatory body (including the Office of Fair Trading in Queensland) that persons providing historical military research services to DVA are required to be licensed as private investigators under State and Territory laws.

Can you explain why a letter addressed to the deputy commissioner dated 7 February 2001 and marked to the attention of Ivan Cahill, the director of legal services, and sent by Mr Tilbrook of the Writeway Research Service was not mentioned in this answer?

Mr Sullivan—I would have to see the letter.

Senator HURLEY—I will read out the relevant bit.

Mr Sullivan—7 February 2001.

Senator HURLEY—It states:

I wish to bring to the attention of the legal services office a ruling that has just been advised by the Department of Fair Trading in Queensland that the Queensland Government Ombudsman has ruled that the nature of work carried out by military researchers who are not in possession of a private investigator's licence are in breach of section 6 of the Security Providers Act 1993 for any inquiries that are conducted in the State of Queensland in regard to the military service of individual persons.

Mr Sullivan—I will take that on notice. Certainly as at today there is no requirement. So I have not seen or heard of Mr Tilbrook's letter of 2001. I can tell you as of 2006 there is no requirement that the department is aware of. The only complaint we have heard of which went to the fair practices people was not in respect of work done by DVA or by Writeway. It was done in respect of, we understand, an insurance company by Writeway. That was a complaint. I have never heard the term 'ruling' before. I will investigate. I will track the letter. If I cannot track the letter, I will seek the assistance of the secretariat in getting a copy from you.

Senator HURLEY—Certainly. I am happy to provide it. I will put on notice the other questions in relation to it once you have tracked down the letter.

CHAIR—I want to go to this deseal/reseal situation. Mr Sullivan, do you want to tell me what the current status is with respect to how many take-ups we have and where we are at with this whole thing. I have some questions, but I am just sort of wondering whether it might be best if you sort of give us an appraisal of where the whole thing is at at the moment.

Mr Sullivan—Yes. I am sure someone will rush to the table to assist me here. As at 23 October 2006, there were 558 successful F111 reseal/deseal participant claims at a cost of

\$21.06 million. It has been determined that 425 claimants do not meet the definition of a reseal/deseal participant.

CHAIR—What is the principal common thread among the 425?

Mr Sullivan—That they did not participate as required by the scheme in the desealing and resealing of the F111 fuel tanks.

CHAIR—Are we talking about the lump sum payment scheme?

Mr Sullivan—We are only talking about the lump sum payment scheme here. It is only the ex gratia payments we are talking about.

CHAIR—So they did not meet the 30 cumulative working days criterion, amongst other things?

Mr Sullivan—Well, they may not have met it, but they were involved criteria. You go back to basics. You have to have been doing it. You have to have been involved for 30 days, greater or less. Some were outside of the area for whom an ex gratia payment was made. Some were in units which were not involved in it but claims were made and we took seriously the fact they were still involved. The 425 who were rejected was a very lengthy individual process involving a lot of checking of records.

CHAIR—I am sure it was. So you had to reconcile their service records to corroborate and verify their applications to get into the scheme and you have had 983 all up with those in and those out?

Mr Sullivan—No. We have had 1,178 claims received in total, so we still have some outstanding claims.

CHAIR—Have you been able to access ADF records successfully, or is there a problem with that?

Mr Sullivan—We have had problems. And this is not just the service records. Clearly, participants were concerned that the service record did not tell us the whole story. We have been pointed at training records. We have been pointed at worksheets. We have been pointed at aircraft maintenance journals. We have been pointed at health records. Wherever we have been pointed we have chased. And this has been with the full cooperation and assistance of Defence, who have cooperated with us fully on this.

CHAIR—Given all the things that have gone before, that ratio seems high to me. There are 558 yeses and 425 noes. In other words, 425 people have had enough of a concern in the nature of their symptomatology to go to the trouble of participating in the scheme and have fallen short. Are we doing enough along the lines of looking at whether the scheme is in fact fulfilling its objective?

Mr Sullivan—Government made a decision on the scope of the scheme. That is what we are exercising.

CHAIR—So it is a problem on our side of the table?

Mr Sullivan—No. Clearly there are people who were engaged in activities—let's give some general examples—around F111s, around the fuel they carried and around support activities to the reseal/deseal activities. I have heard very clearly and directly from the F111

reseal/deseal advocacy group that they believe the ex gratia payment scheme should have encompassed more people. It did not. I think the applications were on the basis that maybe they felt their exposure should be covered by scheme even if they may have understood that technically it did not. I think they were clearly feeling that you had to have an application in the system to test the system. That is their right. All I can say is that I truly believe the people who processed them tested the system as hard as they could test the system.

CHAIR—Given the SHOAMP report, I do not have any problem saying that everybody administratively sees that there has been a fairly significant occupational health and safety problem. You are saying that the criteria is quite specific and the ratio is that just under about 45 per cent of the people who have been in and who have been out have failed.

Mr Sullivan—I will let Mr Telford speak. The other thing we have to be careful of is remember again that the ex gratia payment scheme is an ex gratia payment based on exposure. I think a lot of people have not quite grabbed this. The most common thing is, ‘I’m sick.’ ‘I’m sick’ is handled by our compensation systems.

CHAIR—And it is not an exclusionary payment wherein you are prohibited from pursuing your rights into the future?

Mr Sullivan—In fact, it is carefully protected to ensure that whether your compensation rights are in the military compensation schemes—in particular, in respect of this group, the VEA or the Safety, Rehabilitation and Compensation Act—or you are a civilian under WorkCover Queensland, which is why we never refer to the ex gratia payment scheme as compensation, it is based on exposure. We know of cases where the genetics or make-up of some people who have spent a long, long time working within and around fuel tanks and doing reseal/deseal activities has produced no adverse reaction whatsoever to what was a toxic environment. They have been paid. There is no test in this system of ‘You’re sick.’

CHAIR—If they met the criteria as laid down, they were paid?

Mr Sullivan—You were paid the ex gratia payment, which was to do with exposure.

CHAIR—Either the \$40,000 or the \$10,000?

Mr Sullivan—Yes. Or the tier three, which gives you some—

CHAIR—Benefits?

Mr Sullivan—benefit in that it allows you to jump through a hoop in the compensation system a bit quicker. It does not preclude you from the compensation system by not being classified there.

Mr Telford—The only point I would make is that you cannot just compare that 425 against the rest. They were, in the main, a particular group who were involved in a specific activity referred to as pick and patch. As the secretary said, they were actually testing their exposure and duration of exposure in this process. It was the result of the investigations which actually came out supporting the fact of the original intentions of the scheme, where they fell within that, that they were not classified as being eligible based on their exposure to the various levels of chemicals in that particular activity of pick and patching. The important thing, I guess, to remember here is it is what you did and how long you did it which determined the potential to pick up some adverse health effect.

CHAIR—Do we believe that we have a reasonable grasp on the total number of people who were not exposed but who came into contact with the chemicals involved in deseal/reseal?

Mr Telford—Yes.

CHAIR—Do we have a number off the top of our head?

Mr Telford—Not off the top of my head, I do not.

CHAIR—I am told it is about 1,300.

Mr Telford—It is something of that order. The reason I can say with some confidence we have a good idea of those numbers is that we have a very active support group of individuals who have been involved in this program. We have been engaged with them for the last four or five years. They have been, as well as we have been, very active in running to ground individuals who have been involved in this process for that period of time. So I am very confident we have got as best anyone can ever get a handle on those numbers.

Mr Sullivan—That is good. We have a lot of respect for that support group. In the end, they have a difference with the government and maybe the department, but they have engaged with us very well.

CHAIR—It seems to me that, as veterans affairs matters go, there is a body of literature and material of a sound scientific basis that supports the fact, as I say again, a broad range of people exposed in an occupational health and safety sense to a problem. I can think of things like asbestosis and other things. This is a significant problem. We say that we have a fair idea of how many people are involved but what we do have is a substantial number who do not fit the nominated criteria. That is the problem we are confronting at the moment, from your point of view.

Mr Sullivan—I would not compare it with things like asbestosis, for instance. I do not think the SHOAMP report is as sound a science as the connection with, say, asbestos and issues of the lung.

CHAIR—The symptomatology is certainly different.

Mr Sullivan—There is no doubt that the SHOAMP report indicated an elevation in a number of health issues for people. Their focus was on the very immediate group.

CHAIR—The fully exposed group.

Mr Sullivan—The SHOAMP's focus was on the very immediate group.

CHAIR—Does the department have any knowledge of how many writs have actually been issued or litigation that has been taken by persons who have been exposed to the deseal/reseal chemicals?

Mr Telford—What do you mean by writs?

CHAIR—Civil action.

Mr Telford—I do not actually have the numbers available. I know there have been some.

CHAIR—There have been some?

Mr Telford—As I understand it. I can get back to you on what information we have got available.

CHAIR—Is that a matter that this department would have, or does it go off to—

Mr Sullivan—No. In a civil action, you would sue Defence, I think. You would sue the operator of the facility.

CHAIR—But that would go off to the Commonwealth legal advisers?

Mr Sullivan—Well, it would go into Defence Legal first and it would be between them and Attorney-General's. What we deal with, of course, are the claims under the compensation scheme of persons associated with this. We know those numbers.

CHAIR—It might be a silly question, but can you tell me where these numbers of \$40,000 and \$10,000 and 30 days and all of the numbers that form the subject matter of the payment scheme come from.

Mr Sullivan—They come from a government decision.

CHAIR—Yes. But was the department involved in providing data to support the decision?

Mr Sullivan—As you would expect, the department was involved in providing to government a range of options as to how it could respond to the SHOAMP report.

CHAIR—Very good. Is there a wider problem beyond the F111 deseal/reseal such that we have been sealing any fuel tanks in other squadrons of different aircraft out there that we have dealt with?

Mr Sullivan—I have not heard of another problem in respect of desealing and resealing fuel tanks.

CHAIR—This is exclusive to the F111 squadron?

Mr Sullivan—Again, it would be a question you should ask of Defence. I do not know, but I am not aware of any.

CHAIR—You do not have any claims going with anybody else?

Mr Sullivan—Not about which I can say I have another issue with sealing of fuel tanks.

CHAIR—The common thread is the F111?

Mr Sullivan—Yes.

CHAIR—Mr Sullivan, a lower house member has asked me to ask these questions. In the hope that you are still here after Senator Hurley has furthered her other questions, we may come back to them if that is all right. But if it is inconvenient and people have to go, we will be able to—

Mr Sullivan—No. We will all be here until the close of business.

CHAIR—I am happy with the answers you have given to this point. I turn to Senator Hurley to continue.

Senator HURLEY—I was wondering if I can table the letter from Writeway that I was referring to in the previous question.

CHAIR—Yes.

Senator HURLEY—I would now like to move to health issues and, in particular, the children of Vietnam veterans health study. I understand that the feasibility study concluded that a study of the children of Vietnam veterans was feasible. The optimal study design involves comparing the children of army Vietnam veterans with the children of Vietnam War era army personnel who did not serve in Vietnam. The brothers and sisters of both groups of these army soldiers who have children would be included in the study design. The next step should be to conduct a pilot study. These conclusions were supported by the independent and expert scientific advisory committee, a committee of five experts in related areas. These conclusions were also supported by a consultative forum chaired by the Repatriation Commissioner and comprising a daughter of a Vietnam veteran, a son of a Vietnam veteran, a representative from the TPI association, the Children of Vietnam Veterans Health Study Association, the Partners of Veterans Association, the RSL, the Vietnam Veterans Association and the Vietnam Veterans Federation. The minister, subsequent to that, has stated publicly that he does not want to proceed with the study for three reasons: because the study is focused on army members only; female members are being excluded; and he does not want to conduct a pilot study. The issues that he cited were all extensively considered by the study. These issues were not seen as an impediment to a feasible and very worthwhile study taking place. This was the view of the independent and expert scientific advisory committee and it was the view of the consultative forum. Why was this independent and expert advice ignored in selecting a way forward for this study?

Mr Sullivan—That is a very long statement. We will go back to the start where you said that it said a study was feasible. Let's get some common ground here. What it did say was that there were a number of significant issues that could impact on the success of any future research into intergenerational health effects on Vietnam service. They said these would include difficulties in locating and recruiting the children of Vietnam veterans while avoiding recruitment bias and taking into account other factors which may impact on the health of the child, such as the role of the mother or of the family members. It then proposed a feasibility study to test these methodological issues. That is what the pilot study is about.

This is not a study to see what the impact is on children of Vietnam veterans. The pilot study proposed was to test these methodological issues. That pilot would take a considerable time to complete and would not produce any conclusive evidence or information about the health of children of the Vietnam veterans. It was estimated that the pilot study would cost \$10 million over three years. It assumed a sample size of 12,000 children, of whom medical examinations would be undertaken for a subgroup of 2,400 participants. It did not propose any data from the mother, father or siblings. It cautioned—I can give you all the page references because I was worried at one stage that we must have had two separate copies of this report—that the preferred study design was threatened by a number of factors, such as recruitment rates, bias in those who responded, difficulties in data collection, concern over which standardised measurement instrument was to be used, controlling for the health worker effect and so on. So it said, 'Let's do the pilot study.' And the pilot study would allow for assessing recruitment and response rate and testing of the standardised measurement instruments available to cover health and wellbeing outcomes.

There was a lot of discussion and concern about the proposal that it would be an army only proposal. In the transmittal document of the study you will read of the concern expressed in the advisory group, particularly by the representatives of the children of Vietnam veterans themselves, who were worried and concerned that an army study would not be applicable and could not be applied to navy and air force personnel. While the scientific advisory committee felt some conclusions could be drawn, it did not state that you could find or use the results once the results came of them.

So I think the baseline here is that what we had recommended was that, yes, a study of the children of Vietnam veterans was feasible. It, however, had many dangers and many hurdles to overcome. So to test and get the methodologies right, spend three years, do a sample and at the end of the three years you may have addressed sufficiently the methodological issues for a decision to be taken then as to whether to proceed with the health study. That is what the minister dismissed. He dismissed it mostly on the basis that he was not going to wait three years to see any form of result after spending \$10 million. So he responded to the report and largely charged us with adopting a staged approach to the response rather than a pilot study to see what research approach you should take. He wants the research correct and the approach to the research correct from as early a point in time as he can. That is where the CMVH have been tasked and what they are contracted to do for us. So there will be a greater number of academic experts involved.

The minister and the government clearly believe that this is a preferable outcome. You paint a picture that a committee says yes to your simple question, 'Is it feasible to have a full health study of the children of Vietnam veterans?' They did not say that. They said, 'We think it might be, but, boy, there are some pitfalls in doing it and some hurdles you're going to have to overcome.' Their preferred approach is to say, 'Let's do a three-year pilot involving 2,400 medical examinations.' There is nothing about some of the impacts they are worried about, but they say, 'At the end of the three years we will be in a far better position to tell you whether you can do the study that we think you might be able to do.' That is what he has rejected, not a recommendation saying this is full steam ahead. I have no doubt that if the government had a report which said, 'Such a health study is fully feasible. This is how you do it. This is what you should expect are the issues,' that would have been an easy outcome to follow. It was a very difficult outcome. But I would not picture it like you have.

Senator HURLEY—Well, I think we can agree that that expert committee found that was the way forward. You said in your answer that the minister's way forward will mean a greater number of academic experts will look at it. The scientific advisory committee consisted of five, it seems to me, very eminent academics: Professor Alexander McFarlane—

Mr Sullivan—I am not questioning their credentials. But what they recommended—

Senator HURLEY—Yes, you are. I am sorry, but yes, you are. They recommended that the pilot study was the way forward. They recognised in their report all of the factors that you talked about and yet their recommendation, supported by the consultative forum, was that there be a pilot study. Did the minister decide unilaterally not to follow that decision, or was there other advice? Did the department give him policy advice?

Mr Sullivan—Of course the department gave him policy advice.

Senator HURLEY—Not to follow the recommendation?

Mr Sullivan—I am not telling you what the department's policy advice to the minister was. I think even in the very good summary at the start I do not do that. You are asking me very directly what advice I gave to the government. I am not going to tell you. I gave the government policy advice and a range of options.

Senator HURLEY—The minister's decision has been not to follow the advice of a panel of experts.

Mr Sullivan—One, that would be his prerogative. Two, he was—I think we are seeing here what the clear difference is—saying that he would find a three-year pilot study to test methodology far too long to find out whether you can do a study. What he has asked for and what he has announced is an option which will see those questions of methodology and those questions of feasibility answered a whole lot more quickly. I got some numbers wrong. The pilot study is three years at \$2.7 million. The full study as recommended by the report was \$10 million, taking up to nine years.

Senator HURLEY—So you are saying that the pilot study would have taken up to nine years?

Mr Sullivan—Three years for the pilot study at an estimated cost of \$2.7 million. The full study would take up to nine years at the cost of \$10 million.

Senator HURLEY—Up to nine, yes?

Mr Sullivan—Yes.

Senator HURLEY—So the minister is proposing that there be another study conducted by the Centre for Military and Veterans' Health that would sort out the methodological problems. How long would that take?

Mr Sullivan—I think the minister has said that he expects to see work occur as it goes. He expects to see a result from all that work within two years.

Senator HURLEY—Two years. And then you start the health study?

Mr Sullivan—Eighteen months to two years. Then you basically are aware of whether the experts believe that the valid methodological issues raised by the experts on the scientific advisory committee can be overcome or not. Their proposal was—

Senator HURLEY—And why can't a pilot study resolve those issues?

Mr Sullivan—The pilot study gives you a chance to go in one direction once. To have the experts looking at what the issues are has relevant people working through in a whole number of ways how you can tease out these methodological issues. The problem with the pilot study is that if you got to the end of it and said, 'Well, that one didn't work,' do you do another pilot study saying, 'Well, let's try it another way?' It really was, 'We think you can get rid of the methodological issues in three years if you do this pilot.' That is the methodological issues. There are no results out of it. There is nothing saying, 'We now know what the impacts on kids of Vietnam veterans are.' It says, 'We can now do a study.' If the pilot worked. If the pilot did not work, I do not think there is a Vietnam veteran I know concerned about the impact on children who would say, 'Oh, that's the end of it.' They would not say it because they would

quote the report back and say, 'Well, no-one was certain about this anyway.' So what we are doing now is in a shorter timeframe. Rather than giving it over to the surveyors—

Senator HURLEY—Is the timeframe the timeframe nominated by the CMVH, or is that a timeframe—

Mr Sullivan—It is pushing the timeframe nominated. CMVH would like longer timeframes than that. But they can do it and it is a contract. It is not us saying, 'Well, do your best.' There is a contract in place with them.

Senator HURLEY—You have said that the experiment committee's pilot, even though they have examined the methodological issues—

Mr Sullivan—They have discovered them.

Senator HURLEY—They have discovered them. They have outlined the methodological—

Mr Sullivan—They have outlined what they are.

Senator HURLEY—And they have recommended as a result of that a pilot study that might take three years.

Mr Sullivan—Will take three years.

Senator HURLEY—And you are saying that—

Mr Sullivan—Will take three years. They say it will take three years, and it might.

Senator HURLEY—And you are saying that another methodological study which will take two years is a better way to go?

Mr Sullivan—Yes.

Mr Telford—I will clarify something, if I may. There is not necessarily a contradiction here between the way that the CMVH is going forward and what is being suggested by the feasibility study. It is really an issue of emphasis. The pilot study required the development of, in effect, a full nominal roll of the children of Vietnam veterans, in the order of an estimated 120,000 people. The process is associated with recruiting them in terms of getting rid of bias and so forth and so on. Just getting a list of 120,000 people together in order to be able to conduct a pilot study of this nature was enormously expensive and, as the secretary said, took an enormous amount of time. What the CMVH have been asked to do is to say, 'We accept that is an enormous difficulty associated with recruiting and constructing a nominal roll.' That is a research roll, if you get what I mean by a roll of people in order to be able to draw a representative sample across Australia and compare that to their cohort in the general community. Let's accept that is an enormous methodological difficulty. But there are other hurdles which the feasibility study put forward in terms of the confounders around the impact of the health of the mother on the child, issues that you outlined in respect of the different types of impacts of service from the different service arms and so forth and so on in the report.

What the CMVH have been asked to do is to look at that smaller proportion of what would be looked at in a pilot study and focus on that particularly, understanding that there are difficulties around recruitment which also need to be examined. But let's not go into a full

process of constructing a nominal roll for these 120,000 children if indeed there is no point in going forward because the other methodological issues are drop dead. That is really the issue that CMVH have to look at. I think it is a far more sensible approach to understand and accept that the scientific advice we have been given by the feasibility study and the experts you quoted is that recruitment is an enormous issue. We know that from our health studies across the years. Let's look at some of the other major confounders associated with trying to understand the impact of one parent's service on the health of their children when there are other issues associated with the impact of that over a 30-year period.

Senator HURLEY—You have had an expert committee look at that. What if the CMVH feel at the end of the two years that they are not able—

Mr Telford—Let me say it is closer to 18 months.

Senator HURLEY—18 months to two years that they are not able to address those issues in the timeline given? What happens then?

Mr Telford—We will address that when we come to it. The more important point is that if they come up with a report which says that some of these methodological issues are totally not able to be solved, the issue of the nominal roll and the construction of that is then something which we do not have to address or vice versa.

Senator HURLEY—What if they then say, 'Why don't we do a pilot study?' The only effect you have had is to delay it by 18 months to two years.

Mr Telford—Well, the pilot study they would be suggesting, though, would not necessarily be around just finding whether you can construct a nominal roll or not. It would be around methodological issues associated with the confounders the report outlines. The remit of the feasibility study scientific advisory committee was not to go into, as the secretary says, the issues around how to solve the methodological confounders. It was actually around identifying them.

CHAIR—Can we break? The committee is suspended. We will reconvene at 9.20 pm.

Proceedings suspended from 9.07 pm to 9.20 pm

Senator HURLEY—I do not accept what has been said about the feasibility study and approach taken to it, but I would like to go on, just briefly, to issues around it. Just to be clear, you have gone to the CMVH and said, 'We want you to come to a conclusion within 18 months to two years.' They indicated initially that they wanted a bit longer. Can you tell me how much longer they wanted?

Mr Sullivan—No. The only thing I will tell you is that they are contracted to deliver the results that we are after between 18 months and two years.

Senator HURLEY—So you have already negotiated a contract?

Mr Sullivan—Yes. A contract has been signed with CMVH.

Senator HURLEY—And when are they starting that contract?

Mr Sullivan—They have started work.

Senator HURLEY—They have already started. And the dates that it is to be finished?

Mr Sullivan—I will take that on notice. But it is 18 months to two years.

Senator HURLEY—So it is not a fixed date? It is within a period of time?

Mr Sullivan—There are various things. What we have asked them to do is to really come up with a research protocol which will have several elements to it. It will basically have the study hypotheses, which are the statements of what you would expect to be tested through the analysis. That should be fairly quickly done. The very, very important thing is the sampling strategy. We want them to be able to tell us who and how many children of Vietnam veterans need to have their health surveyed in order to make the results representative of sons and daughters. That is partly what the pilot study was going to try to do but had no way of actually being able to say, 'Well, this is going to be' except by collecting all 120,000 names, as Mr Telford went through. So we want a sampling strategy. We want a contact and recruitment strategy. So if we are going to do a study, how do you do it without introducing bias? We do not have contact with all Vietnam veterans let alone contact with Vietnam veterans' children. So we have to go find Vietnam veterans' children. We have tasked them with an outline of the data collection instruments—that is, what questions you will ask them.

Senator HURLEY—Mr Sullivan, I think a pilot study could have dealt with those questions. We will not continue with that. I think you have been advised on a preferred option. The minister has unilaterally decided not to take that option but to go to a different one. You will not tell me what policy advice you gave the minister for him to arrive at that decision. There is not much point in us continuing.

Mr Sullivan—Mr Telford said something, and I will repeat it; that is, I believe the minister's response to this report is the best you could have made. That says something about the advice that went to him.

Senator HURLEY—That, to me, indicates you are rejecting the expert advice of a committee that you set up.

Mr Sullivan—No. You are creating an argument here that says on the one hand do this and on another hand do this. What we are saying is that this is a faster way, a more certain way, a way that you get the right people involved to produce the result.

Senator HURLEY—And I am asking you: who says it is faster and more certain? What advice do you have that that is a better way to go?

Mr Telford—The scientific advisory committee made the comments, which I have outlined earlier, that there are two elements to this. I do not want to repeat them again. One is about recruitment and one is about methodology.

Senator HURLEY—And then a conclusion was that you should go to a pilot study. Your conclusion was that you should do another methodological study.

Mr Sullivan—I think that is a very simplistic view of the report, actually. I think it is extraordinarily simplistic for a very complex issue.

Senator HURLEY—Again, as I say, we have reached that decision. Just taking the next step, once that methodological study has concluded, will the minister have a full health study?

Mr Sullivan—It will depend on the outcomes. If he were pursuing the pilot study and you asked me whether the study would follow, the answer would be it would depend on the outcome of the pilot. In this respect, it depends entirely on the outcome of the work.

Senator HURLEY—Except that with a pilot study you would have some data to be going on with?

Mr Sullivan—No. The data may prove you cannot do it. It is only methodological. The pilot study could face exactly the same barrier as this. If you read the full study, it says they are saying there is a real possibility, not a probability, that these issues will be insurmountable, including in their own pilot recommendation. There is a section in the report that says it is very possible that these issues are insurmountable. You are asking why—

Senator HURLEY—I presume that is why they want some data.

Mr Sullivan—What data?

Senator HURLEY—However, we will not go—

Mr Sullivan—What data?

Senator HURLEY—Well, if you did a pilot study, you would have data from—

Mr Sullivan—What data? What would the use of the data be other than proving the methodology? They say the pilot will not give you an outcome on the health of children of Vietnam veterans. They make that a very explicit statement. It just says, ‘We’ll work out whether we can actually know who we are talking about and whether we can recruit them.’

Senator HURLEY—So you obviously feel that your understanding of scientific methodology is greater than the scientific advisory committee’s?

Mr Sullivan—I certainly do not. That is again a very simplistic statement.

Senator HURLEY—We are going around in circles at this point.

CHAIR—We are a bit.

Senator HURLEY—Let’s move on.

CHAIR—I want to come back to the deseal/reseal issues for a minute. When I look at these criteria, I see that we have, as we have discussed, 425 who did not get in. I have a couple of examples here where I have got—and no names, no pack drill; we will just use one initial—a person serving in 482 Squadron. He has served in a field of, as we mentioned before, pick and patch. He would qualify in certain circumstances where the records would corroborate his service in item No. 3 in each of the 40 or the tier one or tier two levels of the lump sum payment scheme. That is, he spent 60 cumulative days carrying out sealant rework—pick and patch—during the period 1973 to 2000 whilst attached to an F111 deseal/reseal section. The problem I think is what we define ‘section’ as in interpreting that? Are we using the military expression ‘section’, or are we using a definition that says that the predominant work carried out by the group of personnel had to be directed to deseal/reseal?

Mr Sullivan—They were on deseal/reseal more than they were on pick and patch. There are two quite separate functions there. Pick and patch is a very different function from what the resealers/desealers did. There are some similarities in it, but they are quite different. I

talked about the relationship with the advocacy groups. I think you have got to the point where we are asking, 'Are we talking here of a policy issue?' because we probably are—

CHAIR—No. I am not so sure. That is why I am asking the question.

Mr Sullivan—rather than an operational issue. We have—

CHAIR—I want you to convince me that it is policy.

Mr Sullivan—I can tell you we have been taken down every path by this group, which changes regularly. Their advocates have had every opportunity. Their senior advocate has been their local member, and their local member has met my minister on several occasions and has had a departmental liaison officer in his office for several days to be able to deal with every issue that has come up. In the end, I am not sure Senate estimates is where we can get down to a very detailed discussion on the mechanics of a pick and patch operation versus the mechanics of a guy who was doing a full deseal/reseal operation and what health and other records support that there is a correlation between the two sufficient to meet the criteria of the *ex gratia* payment.

CHAIR—I accept all that. The determination of what is in and what is out involves a series of decisions. What I want to know is the decisions that have been made as against the scheme parameters. If you are right, that will mean that we can further these matters somewhere else. But if you are wrong, I would like to know—and I think I need to know—the methodology and the basis for these decisions. I can only get to the determination of whose side of the ledger this is on if you tell me particularly relevant to item No. 3 in each of those tiers what our process is in making the determination for the pick and patch people.

Mr Telford—I do not know what the reference to item three means.

CHAIR—I will read it to you. We have tier one as \$40,000, tier two as \$10,000 and number three says, because each of the—

Mr Telford—Oh, tier three, you mean?

CHAIR—Tier one and tier two.

Mr Telford—I did not know whether it was an item within those three. I understand it is tier three.

CHAIR—No. It is number three of each of the tiers—tier one and tier two. Bear in mind you have (1), (2), (3), (4) and (5) and you have, at the end of each numbered paragraph, the word 'or', so that there is a distinct criteria, a separate five criteria in each tier. No. 3 says:

A person who has spent at least 60 cumulative working days carrying out Sealant Rework (Pick and Patch) during the period 1973 – 2000 while attached to an F-111 deseal/reseal section.

Mr Telford—Program, yes.

CHAIR—I am looking at a number of personnel who, subject to the 60-day rule—we will just come back to that in a minute—would clearly appear to have been pick and patch people who were doing pick and patch work on an F111 aircraft during 1973 to 2000. What I would like to know is did we distinguish between squadrons? A squadron was in as having its core function of pick and patch and a squadron was out?

Mr Telford—No. We did not. What we distinguished people on were the criteria, part of which you read there. The issue was around being attached to a deseal/reseal program—that is, to be involved in activities associated with the desealing and the resealing of the fuel tanks on the aircraft. It was not to do with being attached to whatever squadron, irrespective of that. People could have been involved in squadrons 4A2 (1) and (6) and actually involved in the program. They were taken offline from those programs and actually seconded—or whatever the right expression is—to the program proper. They would have been picked up okay. But the people who were not part of the program—I am trying to make this as straightforward as possible—

CHAIR—I am with you.

Mr Telford—and were engaged in other activities, be it pick and patch or some other thing, were not deemed to be meeting the criteria outlined in the particular statements you read. Every individual case has been examined.

CHAIR—Who made that decision?

Mr Sullivan—A delegate of mine in the department.

CHAIR—Made that decision?

Mr Sullivan—Yes.

CHAIR—What is the process of appealing a decision like that?

Mr Sullivan—The Ombudsman.

CHAIR—Have there been any ombudsman appeals?

Mr Sullivan—Yes. There have been a couple of them.

Mr Telford—There have been a couple of cases to the Ombudsman. I do not have the number of them. The Ombudsman has had discussions with us.

CHAIR—Any successful?

Mr Telford—Not to my knowledge.

CHAIR—Interesting.

Mr Telford—Well, not interesting. Justification of the fact that we made the right decision.

CHAIR—That is exactly right. That is why it is interesting. You say that the words in paragraph 3 for deseal/reseal are taken by your department to mean a specific deseal/reseal program.

Mr Telford—Yes.

CHAIR—That is the decision that the delegated officer has made and that has been upheld by the Ombudsman, to the best of our knowledge in what we have just said?

Mr Telford—In the generalities in which we are talking. I am confident that every decision that has been taken with regard to these ex gratia payments has been done so with extraordinary diligence and by people who are not only knowledgeable in the conditions of claims processing but knowledgeable around the practices associated with the deseal/reseal programs and the pick and patch programs and other issues. We have people who are actually

involved at Amberley and other bases in assisting us to understand the detail associated with the records we were looking at as well as sifting through the evidence and other points. I am absolutely confident that the process here has been absolutely diligent and rigorous beyond any other processes we perhaps have been involved in.

CHAIR—I am absolutely confident that you are right.

Mr Telford—I just want to make sure it is on the record.

CHAIR—I do not question that one iota. The work that has been done has been done with great earnestness and with great effect and efficiency. You have had a large number of claims to deal with. The record grinding has been obviously a huge administrative burden. I do not have any problems with that. The only area that I question is in the determination and the setting of the thresholds. You do not have to be incompetent to err in making those decisions. That is all I am looking at—what the department is doing in terms of affixing the bar, setting the height. That is all I am interested in. From what you tell me, it has been done; the words ‘deseal/reseal’ have been taken to mean a specific program.

Mr Telford—That is right.

CHAIR—If the primary function of a maintenance worker was not deseal/reseal or pick and patch in a deseal/reseal program, he did not qualify?

Mr Telford—In general terms, yes.

CHAIR—That answers my queries for all of these people I have. I thank you for that. That sets out exactly the course of action that they or I or any of us need to undertake in resolving their disposition. Thank you, gentlemen, for that clarity. Back to you, Senator Hurley. Thank you for your indulgence.

Senator HURLEY—Thank you, Mr Chairman. I have one last question on the issue of the Vietnam veterans health study. You did say that the CMVH should ask for more time. Can I just ask you again what that time—

Mr Sullivan—What I made in a side comment was that, like a lot of contract negotiations, when you go to someone and say, ‘How long?’ they state longer than you want them to. All that matters in the end is what they have agreed to do in the timeframe they can. That is where we got to.

Senator HURLEY—So as part of the negotiations, did they give an indication of how much time?

Mr Sullivan—No. I am not going to say that. I can see where you would use those words. It is just not right to do that. In the end, it was critical that they were able to deliver the result as quickly as possible. Probably why I made that aside is because in another place it was suggested that perhaps the process had been lengthened. I wanted to make the aside to assure that, if anything, it was shortened. But that was a suggestion made in a public forum.

Senator HURLEY—I would like to move on to the introduction of the ECLIPSE software and a press release from the minister on Friday, 27 October entitled ‘DVA committed to protecting veterans’ privacy’. This press release I think was in response to reports in the *Medical Observer* and the *Age* on that same day raising concerns with regard to veterans’

privacy and the DVA's ECLIPSE claim system. I think there was also a press release from the shadow minister for veterans' affairs that raised these concerns about privacy as well. I would like to examine some of the claims made within the minister's press release. He stated:

Since the introduction of the ECLIPSE DVA electronic claims system for GPs who treat veterans and war widows, in October 2005, DVA has received no complaints from veterans and there has not been a single privacy breach.

Is it true that the system currently allows and has since October 2005 the transfer of medical in-confidence information to non-medical staff at DVA or Medicare for whatever purpose?

Mr Sullivan—Whatever system we use, and particularly in respect of white card holders, has to contain some medical specific information because DVA, on behalf of the government on behalf of taxpayers in respect of a white card, only pays the health costs for injuries or illnesses associated with accepted disabilities. So unlike for a gold card holder or a Medicare provider, where a consultation is a consultation, we need to understand that it is within the realms of an accepted disability. That is a general statement to start here. The ECLIPSE system was built to allow for the faster processing of fees to doctors. The minister is right to say that the issues that had been raised with us and I believe with him around the system had never related to the privacy issue. It had related to the fact that some of the processing required was seeing that payment process slowed down. So it was a payments processing issue. We have had good discussions with the medical representatives and others and have implemented this month or today, I think it might even be—1 November—changes which ensure that the payment process will not be impeded whatsoever and will in fact be speeded up by the whole ECLIPSE system, as it was meant to, while reassuring ourselves that there is not a privacy breach issue here for us.

Senator HURLEY—Did you just say there was a change implemented today?

Mr Sullivan—There were changes that had been planned for several months as a result of the discussions about ECLIPSE. Graham Killer might be better to talk about it.

Dr Killer—The issues here relate to the department trying to reduce red tape and make it easier, obviously, for providers to claim for services to veterans. A new online system was put in place. We were alerted by one of our doctors on one of our committees that the system was not working as he expected it might. When we had a look at it, some of the fields were in a way confusing. I do not think it was a privacy issue as much a matter that some of the fields were confusing. They asked the doctor to fill in a box for which the instructions were not very clear. One of the other doctors complained that we are actually now requesting information that we had not requested before. If you see a veteran patient who has a white card—in other words, he only has a number of accepted disabilities, such as a skin condition—Veterans' Affairs will only pay for that white card for that skin condition. And as it was on the old paper claim form, you were required to put the particular condition they are presenting with for a white card only. The same thing happens on the electronic form. I think the doctor who complained about this had his receptionist probably filling in the form and not him. In a sense, what we are doing on the online claiming is really no different from what we were doing when we were using the paper claims.

Senator HURLEY—So there is absolutely no difference between the paper claim and the electronic claim?

Dr Killer—In the so-called sense of putting on a form a diagnosis, there is no difference. This is to protect the department. As you understand, if someone has a gold card, they are covered for all conditions. If they have a white card, they are only covered for a number of specific conditions. If they come in and they have an accepted disability for, say, a skin condition and that is what they present and that appears on the payment form, that will be paid. But if they do not have that condition accepted, we do not pay for it. So this is why on white cards only we need to put a diagnosis on the form. We do the same for the electronic format.

Senator HURLEY—So for the gold card holder, there is no information to provide?

Dr Killer—There is no necessity to put that diagnosis on because they are covered for all conditions.

Senator HURLEY—There is no necessity, but it does not happen?

Dr Killer—No. They do not do it.

Senator HURLEY—For the white card holder only there is information put on the electronic form that—

Dr Killer—It is similar to what we would have done on the paper form. It is just an electronic version.

Senator HURLEY—What are the security checks to make sure that is not accessed by someone who does not need that information?

Dr Killer—Well, it is subject to the same checks as we do with a paper form. A receptionist or a doctor would see that but no-one else would see that.

Mr Sullivan—But once it enters the department in electronic form, there is a lot more security around than paper. You can enforce it. We automatically log any access to the records so we know who is looking at a record, if anyone is looking and whether it is appropriate. We have across all of our systems several layers of security to ensure people are not accessing records which they do not have a need to access.

Senator HURLEY—Would you be able to give me copies of what the paper claim used to require and what the electronic form requires?

Dr Killer—Yes. There have been some modification—if it has not happened now, it is about to happen—to expedite this so it is easier on the online claiming form. But substantially the key bit of information on the white card is the diagnosis.

Senator HURLEY—So you can give me both of them?

Dr Killer—We can give you a format to show what is required.

Senator HURLEY—Right. Both now and the previous format?

Mr Telford—Yes.

Dr Killer—Yes. We will do that.

Senator HURLEY—Can you tell me the cost of implementing the ECLIPSE system, including the design costs?

Mr Douglas—ECLIPSE is owned by Medicare Australia. This particular component we are talking about is merely to support the DVA component of this claiming by GPs. So I could take on notice what the cost of implementing this particular change was, but you would need to ask Medicare Australia what the cost of ECLIPSE was.

Senator HURLEY—Just the implementation will be fine.

Mr Douglas—In any case, in considering the costs, you would also want to consider the issues associated with faster payments to health care providers as a result of submitting an electronic claim as opposed to a paper claim. It will only be a gross cost of implementing this particular change. Clearly, the net cost is the savings in time.

Senator HURLEY—Thank you. That will be fine. Will any further updates be required?

Mr Sullivan—All the time.

Mr Douglas—Constantly.

Senator HURLEY—Any sort of major changes? No?

Mr Douglas—Constantly.

Senator HURLEY—As issues arise.

Mr Douglas—For example, the next major change which is scheduled for Medicare Australia's systems in support of DVA is in May next year. That will be a six-monthly release schedule. That will be to give effect to the government's announcements in terms of revised payment arrangements for health care providers.

Senator HURLEY—I would like to move on to the next topic.

CHAIR—We are in your hands.

Senator HURLEY—Thank you. I think we will use up the time with this. Hopefully, if time permits, I might be able to go back to some other health issues. In the next session I would like to deal with the Kokoda Track and the much-publicised mining area that was dealt with just recently.

Mr Sullivan—You want to talk to us about that?

Senator HURLEY—Sorry?

Mr Sullivan—You want to talk about the veteran aspects of that?

Senator HURLEY—Yes.

Mr Sullivan—Not the mining or the heritage? We will talk about the Veterans' Affairs aspects of Kokoda happily.

Senator HURLEY—I am sure you will tell me if I am asking a question that is not relevant.

Mr Sullivan—There are obviously aspects. We have a memorial at Isurava. We have some sacred places along the track. We do a lot of things on the track.

Senator HURLEY—When did the department first become aware that Frontier Resources had an exploration licence and an intention to mine areas that incorporated the Kokoda Track?

Major Gen. Stevens—I do not exactly know the answer to that question. I have been in the job for six or seven months now. I think it came up pretty soon after I came into the job.

Mr Sullivan—We could let you know. The high commission in Port Moresby alerted government agencies in Canberra of their knowledge of the lease.

Senator HURLEY—Thank you. If you can let me know, that would be good. Did the department take any action? Was there any activity as a result of that knowledge?

Mr Sullivan—The Department of Prime Minister and Cabinet took the lead. We participated in some work with the Department of Prime Minister and Cabinet. But they were the lead agency in this.

Senator HURLEY—So the department has not been in direct contact with Frontier Resources?

Mr Sullivan—As parts of delegations, yes. But it is under the lead of the Department of Prime Minister and Cabinet.

Senator HURLEY—Fine. Could we have the dates of that contact and the topics of discussion.

Mr Sullivan—Yes.

Senator HURLEY—When did the department become aware that the Prime Minister intended to send a delegation to Papua New Guinea to inspect the proposed mining site?

Mr Sullivan—Look, again, we will have to find the exact date. We were certainly alerted by the Department of Prime Minister and Cabinet that that was a distinct possibility some time before the delegation went. Upon the Prime Minister's decision, that was confirmed. Clearly, the Department of Prime Minister and Cabinet again were in negotiations with the Papua New Guinean government on the timing of the visit.

Senator HURLEY—Can I have the date on notice, then?

Mr Sullivan—Well, that is going to be hard. That would probably have been a phone call. I think the phone call—

Major Gen. Stevens—It certainly was a phone call.

Mr Sullivan—We will try and work out the date.

Senator HURLEY—Thank you.

Mr Sullivan—This was all moving very fast. There are no great gaps in any of this serial that you are walking through.

Senator HURLEY—What personnel and resources did the department contribute to the delegation?

Major Gen. Stevens—Just myself.

Mr Sullivan—Not 'just'.

Major Gen. Stevens—Sorry. There was myself and—

Senator HURLEY—High-level resources.

Major Gen. Stevens—There was myself. We also contributed an historian, who came along from the commemorations area of the department, so that the delegation could understand the historical aspects.

Mr Sullivan—We have some experience with helicopters in New Guinea. I think we funded the proposed travel of the group up the track under a helicopter arrangement that we have.

Senator HURLEY—What was the outcome, then, of the delegation?

Mr Sullivan—The Department of Prime Minister and Cabinet reported to the Prime Minister.

Senator HURLEY—Could we have a copy of that?

Mr Sullivan—You would have to ask the Department of Prime Minister and Cabinet.

Senator HURLEY—Are you able to update us, then, on the current progress of Frontier Resources' activities?

Major Gen. Stevens—What they have at the moment is an exploration lease. As far as I understand it, they are exercising their rights under that lease for exploratory drilling. I think about the time we went they were due to go back up to New Guinea to do some more work.

Senator HURLEY—Exploratory work?

Major Gen. Stevens—Just exploratory work.

Senator HURLEY—Drilling work?

Major Gen. Stevens—That is all they have got a licence to do.

Senator HURLEY—Has the department put into place any policies or programs to protect the Kokoda Track?

Mr Sullivan—What sort of programs would we put in place in Papua New Guinea to protect the track? The Prime Minister sent a senior delegation to Papua New Guinea to make it clear the importance the Kokoda Track had to the people of Australia. Clearly it has an importance to the people of New Guinea. That is the measure that was put in place by the Australian government's highest level through its appropriate agency, which we assisted.

Senator HURLEY—I am not suggesting that you would go up there and guard the track. I am merely asking if there are any procedures in place to monitor, any cross-department procedures set up in place.

Mr Sullivan—Monitor? What do you mean? Look? Follow an explorer and his little crew around? There is clearly no mining. When you read some of the stuff about this, you would think there is a mine being built on the Kokoda Track. What we do have is an exploration lease which abuts the track at places. The government response to that was for the Prime Minister to request a senior delegation, which incorporated historians, relevant people from my agency but clearly also senior people from his own agency and senior people from Environment and—

Major Gen. Stevens—Foreign Affairs.

Mr Sullivan—Foreign Affairs, who conveyed—and I would be certain they conveyed very effectively—Australia's views on the importance of this track to Australia.

Senator FERGUSON—Bearing in mind that we do not own it.

Mr Sullivan—As I say, it is Papua New Guinea.

Senator HURLEY—Yes. But I have sat here in estimates, and I will probably do it again later, where questions were asked about Gallipoli. There is an Australian government agreement with the Turkish government. There have been archaeological surveys. There is nothing of the kind here with the Papua New Guinea government?

Mr Sullivan—If we could move to Turkey on that basis, that would be wonderful. What I have heard most times is people telling me what we should do to Turkey. If we get to a point where we realise, as Australia is negotiating and making our views felt, the country will respond and we can then move with them, that will be wonderful. In this instance, we have seen at the highest level a delegation go and make their views felt. I am certain there will be further discussions on this and we will be involved.

Senator HURLEY—So there will be further discussions?

Mr Sullivan—The issue will not go away by one visit. It never does that.

Senator HURLEY—Apart from this particular issue, are there any other issues of concern in the Kokoda area?

Mr Sullivan—The Kokoda Track is a very fragile thing. There are always issues. We look at the Kokoda Track as an icon to Australians. It has become, if you like, a bit of a passage for Australians to trek it. It suffers from degradation due to people using it. It is in another country. We respect the rights of the land owners in that sovereign country. We of course have a wonderful memorial built at Isurava, where significant services are conducted, particularly on Anzac Day. It is part of the history of this country which is in a very fragile place.

Senator HURLEY—So there will be ongoing discussions about protecting it?

Mr Sullivan—There are always ongoing discussions about the track.

Senator HURLEY—With the PNG government?

Mr Sullivan—And the land owners. The land owners are very important. The native title system in PNG is an extraordinarily important thing, where you have to work effectively with the land owners as well as the government.

Senator HURLEY—Apart from the mining, the specific issues are the degradation of the track due to traffic along it?

Mr Sullivan—Which is normal. The number of people walking the track now is increasing several-fold to what used to walk the track. And people, unfortunately on any habitat, are the greatest degraders of habitat. They are not doing anything wrong. I think people who go on the treks along the track are extraordinarily respectful of it and do the right thing. But you cannot help the fact that thousands of people going along the track have an impact.

Senator HURLEY—So apart from that, there are no other issues?

Mr Sullivan—Not that I am aware of.

Major Gen. Stevens—As the secretary said, there are always issues. Some of the trekking companies raised the matter of forestry. There is no forestry on the track itself at the moment. There is a lease to the west of the track, but it is some kilometres away from the track at the moment. But some of the trekking companies have raised the issue of forestry as well.

Mr Sullivan—The advantage, of course, of more and more people going to the track is that it improves its own economic viability to the local people and to the Papua New Guinea economy as much as anything else. That is a positive, if you like, from a commercial and economic viewpoint.

Senator HURLEY—So the logging is very close?

Mr Sullivan—No. I think Paul said several miles.

Major Gen. Stevens—It is some kilometres away. The extent of the lease that I saw on a map did not cover the track itself.

Senator HURLEY—So it is just the exploration lease that is close to the track?

Major Gen. Stevens—Yes. The exploration lease actually crosses the track. That lease is now up for renewal. That is the process the New Guinea government is going through at the moment.

Senator HURLEY—Thank you. I would like to move to Anzac Cove works. Can you advise the current status of the roads and car park at Anzac Cove and along the coastal strip since we last discussed the issue. I think last time you were on your way to Turkey to discuss the issue. Could I get an update on that.

Mr Sullivan—I think most times I appear before this committee I am on my way to Turkey to discuss the issue. The road currently has not changed or has not had work done on it since Anzac Day. Its state of repair you would describe as fair at best. There are some minor points of subsidence erosion along Brighton Beach. There is a fair amount of pavement failure, although the work on the culverts has largely appeared to stay sound with I think one, possibly two, exceptions. We have been working with the Turkish government on how to progress. The Turkish government decided that it would be necessary to advance the road design work to do both a geotechnic survey of Anzac Cove and the road from Brighton Beach through to the commemorative site and a topographical survey of the region. We offered to organise that work. That work has been done. The results have been passed to the Turkish government. We have also been providing some assistance to the Turkish government in respect of the design of road modifications. The Turkish government has said to us that they want to proceed with a road design and incorporate into that design shore protection, particularly around Anzac Cove, and to also minimise or to retard the slope between the road and the beach. We have given them some design advice on that. That design advice has been passed to the Turks in the last week or so.

There are discussions in Turkey occurring now, led by the ambassador and a senior officer of the department, to take next steps. If the Turkish government is minded to agree or approve the design, it then flows to an independent committee which was formed for the preservation of the Gallipoli Peace Park. That committee must first endorse the plans before the relevant department in Turkey, which in this case is the department of environment and forestries, can

proceed with the contractual work to have the work done. We know for certain—we are assured—that our interests and Turkey's interests on this matter are the same and alike. We are reminded regularly that the Turkish government will take this matter through Turkish government processes and that they will move as quickly as they can.

Senator FERGUSON—I want to interpose there with one question. I was there 12 months ago and the road seemed to be in pretty good condition then. Was it abnormally unseasonal rain or poor preparations that actually caused the road to subside?

Mr Sullivan—A combination of factors. You will remember the roadwork that was done was incomplete at the time of calling the suspension. It served Anzac Day 2005 very well. I think on your visit it was still looking—

Senator FERGUSON—I was there last October, so it was after that.

Mr Sullivan—So as before the wet. It was still holding up very well. It was a very wet winter in Turkey across 2005 and into 2006. It exposed difficulties in the road which could have been down to its incomplete nature—the fact that it had not been finished—or could have been down to some design flaws or some construction flaws. So that winter caused a fair amount of damage, which was pavement collapse and pavement blistering, culvert collapse and degradation and slippage from both the slopes down to the road and slippage from the road down towards the beach. That was corrected for. There were temporary repairs then undertaken which had the road fit for its use on Anzac Day 2006 but was always going to, just under the pressure—you know how many buses go along it—wear. So until we get a good long-term solution, which will probably involve taking up much of the road base and re-laying it, we will have continual problems. The Turkish government recognises that and they are working extraordinarily well. We remain optimistic.

Senator FERGUSON—Thank you. Sorry, Senator Hurley.

Senator HURLEY—Can the committee get copies of the geotechnic and topographic survey reports?

Mr Sullivan—They are the Turkish government's. Our assistance to them ensured that our workers handed over to a Turkish contractor. The reports are the Turkish government's property. Our contractors have used them again to provide further assistance, but they are not my property.

Senator HURLEY—Is the department aware—

Mr Sullivan—You could not understand them anyway unless you went to an engineering consultant. They are very boring.

Senator HURLEY—My husband is an engineer.

Mr Sullivan—Sorry, Senator. Is he a geotechnic one? He would look at the drill holes and say, 'Yep, that looks like a fairly common slice of a—'

Senator HURLEY—Just going back to Anzac Cove road, is the department aware that it is still officially closed due to it being a hazard to traffic?

Mr Sullivan—Yes. I do not think you could ever say it is officially closed or officially open. There have certainly been attempts by certain levels of authority in Turkey to close it.

We understand that most efforts to reopen it have also been taken by certain levels of authority in Turkey. Between those two, mostly it is open.

Senator HURLEY—Are we able to be assured, then, that it will be open in time for Anzac Day next year?

Mr Sullivan—With the experience now of the initial roadworks having to be concluded to fit purpose for Anzac Day 2005, which I, being there, never thought would happen and it happened, that gave me immense confidence of a fairly large job to be done for Anzac Day 2006 in terms of getting it fit for purpose for Anzac Day. That was done comfortably. The process of getting this road fit for purpose for Anzac Day 2007 I have no doubt will be achieved.

Senator HURLEY—Were the seismic and engineering tests carried out a couple of months ago related to the geotechnic and topographic survey?

Mr Sullivan—Yes, they were.

Senator HURLEY—As a result of that and the design advice, will it be necessary to build a retaining wall along the length of Anzac Cove to stop further subsidence?

Mr Sullivan—You cannot call it a retaining wall. It has always been part of our advice that what is needed at the foot of the slope on Anzac Cove is something to retard the impact of wave motion. So it does not hold the slope up. It basically means that the water movement cannot get under the slope. It means it is a much smaller wall. Basically its aim is to ensure that the wave action does not cause greater erosion.

Senator HURLEY—So there would be a wall, but it would be to stop the wave action rather than retain the road?

Mr Sullivan—Yes. There are already, of course, walls along the road, in fact along Brighton Beach, around the Commonwealth war graves cemeteries. Wherever they basically abut the sea, walls have been built to ensure that erosion does not occur. In fact, at the commemorative site, we have another form of a wall, a thing called gabion baskets. They are basically crates filled with rocks that do the same thing. They perform the same purpose in front of the commemorative site on North Beach.

Senator HURLEY—Does the department have reports about the condition of the road and car parks at Anzac Cove?

Mr Sullivan—There are no car parks on Anzac Cove. There is a car park at Ari Burnu on the point. That car park is, I think, in fair condition. It certainly is not clear yet whether the car parks will survive any redesign process. I would not be surprised if there were not car parks after the redesign. But that, again, is for the Turks to decide.

Senator HURLEY—And who provides the reports on the condition?

Mr Sullivan—They are just observations. Australia has a consulate in Canakkale now who does a fantastic job. Peter Rennert is the consul. Nothing much happens on Anzac Cove and North Beach and Brighton Beach without Peter giving us an update. In organising the surveys, we have also of course had a fair number of engineers in the area. They also provide us their observations. There are no formal reports.

Senator HURLEY—You mentioned that the government assisted with the surveys and design advice. Is any other financial support provided to the Turkish government?

Mr Sullivan—No.

Senator HURLEY—Just going back to the Anzac Cove road, is it open now, at this time, or is it not?

Mr Sullivan—I had an officer who travelled along it last night, so I think it is open.

Senator HURLEY—So that is officially open?

Mr Sullivan—No. I do not use the terms ‘officially’ or ‘unofficially’ open. They were able to go along it without any hindrance and without any special openings of it. It was open.

Senator HURLEY—So he did not go along it as an official?

Mr Sullivan—No.

Senator HURLEY—Can the committee have an update on the archaeological and historical surveys? What is happening there?

Mr Sullivan—Yes. I can talk from an Australian perspective. We passed a third party note from Australia to Turkey outlining our participants or our proposed participants in the historical and archaeological study. We are again waiting on the Turkish government to come back to us. We took some advice from them before we passed that third party note, which was appreciated. We are waiting on them at the moment.

Senator HURLEY—So things are largely unchanged in that respect?

Mr Sullivan—As I say, we have now got to the point where we have a very formal note and proposal with them. On the informal side, that note is informed by Turkish officials as to what they would like to see in it. I do not think there is anything in the note, so it basically tells them that we are proposing to use Melbourne university’s associate professors Sagona and Mackie, joined with Dr Richard Reid, who is a senior historian with DVA. We have also added to that delegation Rear Admiral Simon Harrington, because the Turks were keen that the group have a military or a retired military presence. They felt this would assist in terms of the cooperation, particularly with the Turkish general staff, which is important. So we incorporated that into it. In the meantime, we have had the Australian group undertake some preliminary research and some literature reviews and a fair amount of work in the Imperial War Museum and other places in terms of particularly the location of survey maps. We have uncovered quite a trove of survey maps of the area. So the group is not standing still and waiting to go. It is engaging itself in a fair amount of good work.

Senator HURLEY—Thank you. I would now like to move on to another memorial, the Le Hamel Memorial. Could you provide the committee with an update on work being conducted for the rebuilding of that memorial.

Mr Sullivan—I will not make an introduction on Hamel this time. I will let Paul Stevens tell the whole story.

Major Gen. Stevens—We have not yet undertaken any physical work. We have been drawing up the project plan and the design brief for the reconstruction of the memorial. We have also been consulting with the people in fact. I visited the Consul-General of the Somme,

for example, just a week or two ago to advise him that we were going to reconstruct this memorial and to find out whether they had any issues with it. We have begun to talk to the original designers and those sorts of people as well.

Senator HURLEY—In the forward estimates of the budget there is a figure of \$0.9 million for 2008-09. The memorial is scheduled to be completed in 2007-08 and a rededication ceremony is planned to take place that following year. Is that amount of \$0.9 million solely to cover the rededication ceremony?

Major Gen. Stevens—From memory I think it covers it. But I think there is probably some allowance, too, for final payments and those sorts of things.

Senator HURLEY—So you do not know the details of the amount required for the actual ceremony?

Mr Sullivan—It would be nothing like \$0.9 million.

Major Gen. Stevens—Off the top of my head I do not, no.

Senator HURLEY—Can you provide any advice about what amount it will cost?

Major Gen. Stevens—Probably not at this stage. I will have a look. Probably not. It just depends on how we decide to go about that and who goes and those sorts of issues.

Senator HURLEY—Thank you. Is the government aware of any problems with the Australian War Memorial in London?

Mr Sullivan—I was there on Saturday night and it was working wonderfully.

Senator FERGUSON—You mean you came back just to see us?

Mr Sullivan—I did. You are a very inspiring group.

Senator FERGUSON—We are considerably flattered.

Mr Sullivan—The Australian War Memorial in London is a difficult memorial in that it clearly has a static element to it with the stone and the etchings. It has two other elements which are lights powered by electricity and water. That is a volatile mixture to put together. Working with the contractors and the maintenance people, I think it is fair to say we have now under control the issue of water, electricity and stone. That is why on Saturday night it was lit and the water was running where the water should run. Because we are at the low end of the park, we take a little bit of responsibility for our own water plus I think a fair bit of groundwater from the rest of the park. We have been talking with the City of London Council about assisting in some drainage sumps and things to make sure that water does not cause a problem to other things, including the Underground. That now has got us to the point where we are fairly happy with it, and that is pretty reasonable. It is two or three years old, so it is good to have it now in a maintenance mode. We only have one other issue which we are delving into, and that is the durability of the paint. It is an issue which we have got under review. The paint is designed to last a long time.

Senator HURLEY—And is it? Is it lasting a long time?

Mr Sullivan—It is not certain that it will last as long as we thought. We are trying to understand the issues. Is it the paint? Is it the depth of etching? Is it the chemicals of the water? Or do not we have a problem?

Senator HURLEY—So what is the problem? What makes you think there might be an issue with the paint?

Mr Sullivan—There was evidence in one particular area that there was some flaking of the paint.

Major Gen. Stevens—On some of the words etched into the memorial, the paint has flaked out of the word. We did some restoration work to put it back, but we have asked the Commonwealth War Graves Commission to do a more detailed investigation on our behalf.

Senator HURLEY—So what areas are flaking off?

Major Gen. Stevens—There is no one particular area. There are thousands upon thousands of letters etched into this memorial. In some of them, a little bit of paint has flaked out.

Mr Sullivan—Most people would not notice it at all. The keen observer would probably say, ‘Is that the effect they are after?’ It is not an evident issue. It is something you notice when you look very, very closely. We just have our thinking caps on about what it means for us.

Senator HURLEY—What about the water?

Mr Sullivan—The water is now contained. We have improved the water catchment technology under the memorial. Basically, like any fountain, you have to circulate this water around it.

Senator HURLEY—And does it run all year around?

Mr Sullivan—The risk of freezing means that over the Christmas break in the heart of winter you should not run it. But otherwise—

Senator HURLEY—And why is that?

Mr Sullivan—Because freezing could cause a real problem with all of your works.

Senator HURLEY—Is this a design flaw?

Mr Sullivan—No. Not the freezing. Most fountains do not run in London during the deep winter months for the reason of possible freezing. In terms of the water now, I think the catchment works well, as does the flow over the memorial work well.

Senator HURLEY—Is there any issue here about the design being a bit rushed? There are issues about paint flaking and whether or not the etching of the letters is deep enough. Are we looking at another Le Hamel, where we just have constant maintenance problems?

Mr Sullivan—No. Le Hamel is very different. It is not a maintenance problem. There was clearly there a pure design fault, where the consequence of that design fault was an unsafe structure. There is no parallel here whatsoever.

Senator HURLEY—I am just thinking of the water. If the fountain has to be turned off, why was it part of the design structure, for example?

Mr Sullivan—The number of visitors to Hyde Park Corner lower end in the winter months of London is not high. As I say, if you visit many fountains in London in those months, you will not see them running. In wintertime, fountains which have constant water in them become solid. For those that spray water, like ours does, it is simply not sensible. That was always understood. The water problems that I was referring to was the fact that the water recirculation and catchment things just saw too great an element of splash. What we have probably confirmed is that the greater water problem has nothing to do with us. We have probably, in building the memorial, seen the issues of groundwater in Hyde Park Corner at our bottom end just come to the fore. Before it was a soggy piece of grass. Now the water comes to the point of this memorial and it finds its way around it. That is something that the council will need to work through, as will some other authorities in London. I think it has probably had more worries than we hoped it would. But there is no comparison whatsoever in terms of the level of problem. In terms of etching, I think we have no doubt that the etching was the required depth. If it is an issue, it is with the paint.

Senator HURLEY—Mr Chairman, perhaps we can end that outcome and go back to health.

I would like to revisit health and talk about the Vietnam veterans cancer incidence and mortality study. The Australian Vietnam veterans mortality and cancer incidence study was published, as we have discussed previously here at estimates, in three volumes. With regard to the finding of the third study, entitled ‘Australian national service Vietnam veterans: Mortality and cancer incidence 2005’, can it be confirmed that national service veterans experience a 23 per cent higher death rate than those national servicemen who did not serve in Vietnam?

Mr Sullivan—I would like to get the specifics. Clearly, that was a very, very significant component of this study. It is probably one of the purest studies of its type anywhere undertaken in the world because of the nature of the cohort—a group of young men who entered service at the same age, having passed a medical, and therefore about the same fitness levels, having undertaken their basic training at the same level, not even having known that some were going to Vietnam and some were not going to Vietnam. Clearly, it reinforced what has been known worldwide from a number of studies, and that is that there is serious consequence to facing war and that it does involve increased mortality rates, increased incidences of cancer and some increased behavioural issues of reckless type behaviours sometimes, or risk taking behaviours. I would need to just confirm—I do not know whether Barry can—that that is the actual number in respect of the cohort.

Mr Telford—The answer to your question is yes.

Senator HURLEY—Again, with regard to the study, wasn’t it found that the specific causes of death were significantly higher among national service Vietnam veterans, including death from digestive system diseases, lung and pancreatic cancer and, notably, a higher rate of suicide and motor vehicle accidents, which could be that risk taking behaviour or sometimes it is recognised as a method of suicide? Doesn’t this suggest that suicide remains a huge problem for Vietnam veterans despite media reporting that this is not the case?

Mr Sullivan—Yes. It says that against a cohort of young men the same age it is higher. That is why it was very important that we release all of these at the same time. The overall

study of Vietnam veterans, which again was the third in the series, showed that overall levels of suicide amongst Vietnam veterans, which is the point made in the first study—nothing more was made of this in the third study—had gone down to community levels, back to levels consistent with the rest of the community. Partly that can be explained. Another analysis of suicide, of course, is that most suicides occur in youth and young adults through to their mid-30s or so. Suicide levels decline in the general community once people reach 45 or so and then only spike again, if you like, towards very old age. Any suicide connected to a Vietnam veteran is a concern. Suicide amongst Vietnam veterans is a concern.

Yes, it very much confirmed that the focus of our attention in respect of health is connected to those who faced war. It shows that is a good policy direction. I do not think you would read that result and say, ‘This dismisses what the media picked up as an overall level of suicide because this proves that it must be higher.’ They are quite different studies. It says yes, amongst people who faced war, suicide levels are higher than the cohort who did not face war. But as an overall group of Vietnam veterans now, you are seeing suicide levels settle to about a community level, as are mortality rates. The things that remain elevated, which is confirmed in both the cancer incidence study and the national service study, is that cancer incidence amongst our Vietnam veterans is higher than the community level. There is certainly a differentiated rate of level depending on service. This takes us back to where we were some time before. Navy in particular have a higher rate of cancers than Army, who have a rate of cancers slightly above community averages, and Air Force, whose level of cancers are about the community averages. Most of the report’s analysis of that once again show the three main killers of Australians at war as alcohol, tobacco and the sun. A lot of the cancers that we see in soldiers and veterans are connected to alcohol, tobacco and certainly the sun.

Senator HURLEY—And that relates in part, I guess, to the significant 14 per cent elevation. There was an overall 14 per cent elevation in the rate of cancer, but especially cancer of the lung, head, neck and pancreas.

Mr Sullivan—Are you talking about the third study again now?

Senator HURLEY—Yes.

Mr Sullivan—Yes.

Senator HURLEY—Did it not also show that there were no causes of death analysed for which national service for Vietnam veterans had a statistically significant lower lead death rate than national servicemen who did not serve in Vietnam?

Mr Sullivan—Yes.

Senator HURLEY—Given the serious nature of these findings, are there any specific programs currently being developed?

Mr Sullivan—As I say, what we recognise as coming from the program is that it really did confirm some very, very important policy settings taken quite a long time ago. These sorts of policy settings were the fact of the separation of health treatment from compensation in respect of cancer. No serviceman who has had qualifying service, including all Vietnam veterans, ever had to prove to us that their cancer may have been linked to their service to get treatment. That was very important. In respect of the navy, it was very important that we had a

policy in place that said if you had a concern about exposure to asbestos, we would provide screening programs et cetera. In respect of behaviours, it confirmed the policy direction taken to provide, again, without linking it to compensation, treatment for post-traumatic stress disorder, depression or anxiety. It would not be linked.

The key thing was that the study, as I say, again basically confirmed what for some people seems just a simple truth, and that is that war is no good for you. It did not reveal anything that said there is a massive gap in the government's policy response. So it probably says to us that some 30 per cent of all Vietnam veterans are compensated at the special rate—that is, totally and permanently incapacitated—and that the level of disability pensions paid to Vietnam veterans as a cohort is probably higher than any other deployment we have ever seen. Yes, it confirmed the reasons for those sorts of things. It confirmed by and large that the system which says 'Once you compensate, you treat' is fine in itself. But had you left it like that, you may have had a lot of people suffering cancers finding it difficult to connect it in a compensatable fashion. So the government policy of many years now says if you served in Vietnam and have cancer, you will be treated. If you suffer particularly psychological impairment or injury, you will be treated. The study really does confirm that it is good policy.

Senator HURLEY—So there is no further action required in terms of increasing—

Mr Sullivan—I am not sure there is any other major action that comes out of it. It sits, as I say, a very important global study on the impact of war on young men, particularly as they age. It very much asserts that the policy decisions taken by a range of governments over a long time have presented a very good cohort of policies and programs in respect of Vietnam veterans. As I said, the problem or the issue which we are focusing on out of it is that we are sometimes concerned that veterans either are not aware of—and we do not think that is a really big problem—or will not avail themselves of some of the services that we provide even when we are compensating them for accepted disabilities. So about half of all of the totally and permanently incapacitated Vietnam veterans who have a major accepted condition—PTSD, depression or anxiety related—which saw them granted that level of pension receive no treatment. So if there is an issue, it is that, even if your policy settings and what you are doing is right, you need to do more to encourage people to avail themselves of treatment. We are doing some work on how to make sure of that. As I say, I do not think it is a lack of knowledge that it is there. There are all sorts of reasons which are sometimes quite complex. But that is what we are working on.

Senator HURLEY—Is there any future research being planned by the department, then, as a result of these findings?

Mr Sullivan—No. I think these three studies are a major piece of research. Some of the science would say that it probably marks the movement of the cohort through a major part of their life. Whether further work or further research is necessary is a question. It is not a question that has been answered. Certainly after the first and second round of these studies, you do not launch into the next one immediately. We want us, the Vietnam veterans and their advocates and other researchers to digest what this is telling us. If they have a view that is different from ours, we will listen. I do not want to present any sense of complacency by saying, 'Oh, gee, we've got this licked.' But it was reassuring for government, I think, that it

had taken some big policy decisions. It was reassuring that they were probably policy decisions in the right direction, and that is over a long period of time.

Senator HURLEY—I will still stay on the health area and talk about the gold card and the announcement of a funding boost to improve access under the gold card and white card health care programs. The minister made a media release on 12 September regarding this. Under this announcement, were there any medical services for which fees were not increased?

Mr Sullivan—Yes, there were. I am just trying to think of them. Radiologist fees were not increased.

Mr Telford—There are some cases, though—I have not got the actual specialty in front of me—in the allied health area where the current fee being paid may be higher than what the current annual arrangement is going to be. So they will be not be increased. The others will be caught up to meet them.

Senator HURLEY—Does that apply to radiologists?

Mr Telford—I am not quite sure which exact one it applies to.

Mr Sullivan—Radiologists are currently paid at I think 100 per cent of the MBS fee. It has stayed the same. Purely on the basis of that, it was established that that fee met the market very well. In fact, it probably exceeds the market. This initiative of the government was really to ensure that the range of fees paid by DVA for the full range of medical services went a long way to meeting the market. Where they struck groups where our current fee structure did meet the market, they were not increased. It is a complex increase rather than a very simple, 'Let's give everyone 20 per cent more. They must be happy.' Some people get a lot, lot more and some people get no more.

Senator HURLEY—Can you give us on notice a list of which services were not increased.

Mr Sullivan—I think it is only radiology. But if it is more than that, I will confirm that it is.

Senator HURLEY—It is only radiology. Is all of the money contained in that announcement being spent on those fee increases, or is some of the money to be provided for health programs, either existing or new, for the health of veterans and/or war widows?

Mr Sullivan—No. That initiative is purely to meet the new price levels agreed by government.

Senator HURLEY—How will the announcement fit into the budget?

Mr Sullivan—It is like all out-of-budget announcements concerning expenditure fitted into the budget. They generally come through in supplementary estimates or additional estimates processes.

Senator HURLEY—Is the breakdown of expenditure for the forward estimates fairly uniform each year? How is that arranged?

Mr Sullivan—Basically, for 2006-07—I will round it to the nearest number—it is \$83 million. For 2007-08, it is \$131 million. For 2008-09, it is \$137 million. For 2009-2010, it is \$143 million. For 2010-2011, it is \$149 million. So it is \$642 million over the five years, with the first year being a part year from 1 November.

Senator HURLEY—Thank you. I am quite happy for you to take this on notice. Are you able to outline a history of the increases in fees for providers treating veterans over the last 10 years? I want the dates when the increases were announced.

Mr Sullivan—Can we leave that to mean special initiatives, because fees increase every six months?

Senator HURLEY—Yes. Special initiatives. Unfortunately, they do increase.

Mr Sullivan—We will give you the budget announcements for as long as we can go back.

Senator HURLEY—Has the department any guidelines for negotiating fees paid to specialists?

Mr Sullivan—What do you mean?

Senator HURLEY—In terms of those increases, obviously they could be open-ended, where specialists whack on a fee increase and then expect the department to come to the party.

Mr Sullivan—No. In respect of these fees, we are a price setter, and a medical specialist or another medical provider must accept the price that we set. They are forbidden by legislation to seek other supplements to that price from the veteran. We do not negotiate fees with the medical providers. We obviously take account of the MBS. We obviously seek as much understanding as we can from the medical providers as to what they regard as the extent of the issue in respect of specialist and other medical practitioners declining services to veterans and what they regard as being the sorts of quantum increase that would arrest that issue.

In the end, we worked in this instance very closely with the Department of Health and Ageing to make some recommendations around fees which we could put to government as, in our view, these would take these fees to a market position which would see the arrest of the problem that we are seeing in some areas, including Tasmania. Late in the process we had another discussion which was around, would you believe, a fee increase of this type that would see that problem arrested. The various associations were very good in terms of talking to us about whether or not they saw that the sorts of proposals the government had in their hands at that stage would do the job or not. I think it was good to see so many of the associations after the announcement come out and say that they believed these fee increases would do the job. We had in some areas extended our consultation to individual doctors and specialists, particularly in those areas where we knew there were problems. So it was not negotiation. It was intelligence gathering and some good assessment by ourselves and Health and Ageing as to whether this would work.

Senator HURLEY—Thank you. The last topic in the last few minutes is community nursing services. The department recently held a tender for community nursing services. There have been a number of complaints, I understand. Has the department received any complaints with regard to the service delivery of community nursing providers following that tender?

Mr Douglas—I am not too sure what you might mean by complaints. I think in a service like this, the department continually has reports of issues of concern, whether they may range from a change in service delivery arrangements to a change in provider to a change in the timing of visits et cetera. I am aware of some issues that have been raised in the process of

implementing the tender outcomes. I am aware of at least one provider, for example, that has complained to the department about not having had any referrals. Our response was to go back and review the tender documentation, where it makes it quite clear there are no guarantees of referrals. That provider is accepted on to the panel. You ask that provider to work within their particular local community to enhance awareness of their existence and the fact that they are registered with us and to set up linkages with local medical officers to ensure those referrals happen.

Senator HURLEY—I am actually more interested in complaints about providers.

Mr Sullivan—You have to remember that, out of all this process, about 250 veteran clients were transferred. So we saw a transfer between service providers. That was a manageable number for us to make sure that we could deal with each of them. We have had only a small number of people who complained about that process. Every complaint, I am told, was addressed satisfactorily. Clearly from a client perspective, a change of provider can be an issue. They are familiar with their old provider. It was not them who went through a process of saying whether or not their old provider was the best provider to give a contract to from the Commonwealth from a range of different criteria. So that is who we have concentrated on. We have kept that number of complaints this small.

Senator HURLEY—How small is ‘small’?

Mr Sullivan—I will have to get you a number. I am told it is small. The two words I have are ‘small’ and ‘all’. It is a small number of complaints and all were addressed.

Senator HURLEY—From which areas?

Mr Sullivan—I do not know. You will have to keep asking or put some on notice, if you wish. I am not going to get down to addresses for you.

Senator HURLEY—No. I am merely asking about general areas.

Mr Sullivan—I am sure if there is a small number, I will tell you what state they are in.

Senator HURLEY—Thank you. Is the department satisfied that all the providers are meeting the guidelines, then, for the provision of community nursing?

Mr Douglas—Inasmuch as we would know, yes. We have in place a series of arrangements which are designed to test that. We do so regularly. But there is a big number of providers, so I do not know that we know of every one every single day and every instance.

Senator HURLEY—But how do you test it? Do you have a kind of rolling survey?

Mr Douglas—We have a quality assessment tool which is in use amongst the providers. We have contract managers who visit and talk to providers. We obviously follow up on complaints that we might receive from veterans or widows receiving a service. We might follow up on complaints that we might get from hospitals or doctors who are referring people to those providers.

Senator HURLEY—They are the main methods for people coming to complain.

Mr Douglas—No. The main method is a mixture of methods, which includes complaints. It also includes a quality assessment framework that all of the providers are putting in place. They provide reports back to the department.

Senator HURLEY—Do the providers have an outcome procedure to advise people of a complaints mechanism?

Mr Douglas—More likely than not, the patient will complain to us or complain to their local medical officer—their GP—or to the hospital or to the nursing provider themselves.

Senator HURLEY—And those GPs and hospitals would know to come back to you?

Mr Sullivan—Our complaints mechanisms, which are in our customer charter, are quite well known to doctors and to veterans. We issue our customer charter widely. It is highlighted there that if you have a complaint about any service provided by DVA or on behalf of DVA, there is a national number to ring and tell us about it. We are also, of course, part of a broader network that uses the same providers. We are in touch with them. I told you about only 250 people being transferred. To give you a sense of scale, we have about 33,000 customers. So that is less than one per cent.

Senator HURLEY—Yes. I am talking not only about those transferred but also the general complaints mechanism for community services. You have gone through that. Thank you. I do not believe we really have time to go on to another topic.

CHAIR—Thank you, Mr Sullivan, and your team for tonight. You can see that a number of broad-ranging topics were canvassed. Thank you on behalf of the committee. We will see you probably in February.

Mr Sullivan—I assure the committee we will get answers to those five questions to you very, very quickly. We will strive to have our answers in by 14 December—if that is the day I heard at the start—for this round.

CHAIR—I think that is right. Thank you very much. Goodnight.

Committee adjourned at 10.59 pm