



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

FOREIGN AFFAIRS, DEFENCE AND TRADE
LEGISLATION COMMITTEE

Estimates

WEDNESDAY, 19 OCTOBER 2011

CANBERRA

BY AUTHORITY OF THE SENATE

INTERNET

Hansard transcripts of public hearings are made available on the internet when authorised by the committee.

The internet address is:

<http://www.aph.gov.au/hansard>

To search the parliamentary database, go to:

<http://parlinfo.aph.gov.au>

SENATE
FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION COMMITTEE
Wednesday, 19 October 2011

Senators in attendance: Senators Bernardi, Brandis, Di Natale, Edwards, Eggleston, Faulkner, Fawcett, Humphries, Johnston, Kroger, Ludlam, Macdonald, McEwen, McKenzie, Parry, Rhiannon, Ronaldson, Singh, Sterle, Wright and Xenophon

DEFENCE PORTFOLIO

In Attendance

Senator Feeney, Parliamentary Secretary for Defence

Department of Defence

Mr Duncan Lewis, AO, DSC, CSC, Secretary

General David Hurley, AC, DSC, Chief of the Defence Force

Dr David Lloyd, Defence General Counsel

Outcome 1

Program 1.1—Office of the Secretary and Chief of the Defence Force

Mr Peter Jennings, Deputy Secretary Strategy

Mr Brendan Sargeant, Deputy Secretary Strategic Reform and Governance

Mr Neil Orme, First Assistant Secretary, International Policy Division

Mr Geoff Earley, AM, Inspector General Australian Defence Force

Mr Geoffrey Brown, OAM, Chief Audit Executive

Mr Ray Bromwich, Inspector General

Program 1.2—Navy Capabilities

Vice Admiral Ray Griggs, AM, CSC, RAN, Chief of Navy

Rear Admiral Allan Du Toit, AM, RAN, Head Navy People and Reputation

Program 1.3—Army Capabilities

Lieutenant General David Morrison, AO, Chief of Army

Program 1.4—Air Force Capabilities

Air Marshal Geoff Brown, AM, Chief of Air Force

Program 1.5—Intelligence Capabilities

Mr Stephen Merchant, Deputy Secretary Intelligence and Security

Mr Frank Roberts, Chief Security Officer

Program 1.6—Defence Support

Mr Simon Lewis, Deputy Secretary Defence Support

Mr Mark Jenkin, Head Defence Support Operations

Mr Mark Cunliffe, Head Defence Legal

Mr John Owens, Head Infrastructure Division

Mr Steve Grzeskowiak, Chief Operating Officer Defence Support Group

Program 1.7—Defence Science and Technology

Dr Ian Sare, Acting Chief Defence Scientist

Mr Jim Smith, Chief Projects and Requirements Division

Program 1.8—Chief Information Officer

Mr Greg Farr, Chief Information Officer

Mr Matt Yannopoulos, Chief Technology Officer

Mr Clive Lines, First Assistant Secretary Information and Communications Technology Reform

Major General Michael Milford, Head Information and Communications Technology Operations

Mrs Anne Brown, First Assistant Secretary Information and Communications Technology Development

Program 1.9—Vice-Chief of the Defence Force

Air Vice Marshal Kevin Paule, AM, Acting Vice Chief of the Defence Force

Air Commodore Bill Hayden, OAM, Acting Commander Joint Logistics

Major General Paul Alexander, AO, Commander Joint Health

Air Commodore Chris Westwood, Acting Head Joint Capability Coordination

Brigadier Bill Sowry, CSC, Deputy Head Cadet, Reserve and Employer Support Division

Major General Craig Orme, AM, CSC, Commander Australian Defence College

Program 1.10—Joint Operations Command

Program 1.11—Capability Development

Air Marshal John Harvey, AM, Chief Capability Development Group

Program 1.12—Chief Finance Officer

Mr Phillip Prior, Chief Finance Officer

Mr Mike Gibson, First Assistant Secretary Resources and Analysis

Program 1.13—People Strategies and Policy

Mr Phil Minns, Deputy Secretary People Strategies and Policy Group

Major General Gerard Fogarty, AM, Head People Capability

Mr Brian Paule, Acting Head People Policy

Mrs Kym Kempe, Director General Workforce and Shared Service Reform

Program 1.14—Defence Force Superannuation Benefits

Program 1.15—Defence Force Superannuation Nominal Interest

Program 1.16—Housing Assistance

Program 1.17—Other administered items

Outcome 2

Program 2.1—Operations contributing to the security of the immediate neighbourhood

Program 2.2—Operations supporting wider interests

Outcome 3

Program 3.1—Defence contribution to national support tasks in Australia

Department of Defence—Defence Materiel Organisation

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

Mr Harry Dunstall, Deputy Chief Executive Officer, General Manager Commercial
Ms Shireane McKinnie, PSM, General Manager Systems
Mr Andrew Cawley, Acting General Manager Programs
Air Vice Marshal Chris Deeble, AM, CSC, Program Manager Collins and Wedgetail
Air Vice Marshal Kym Osley, AM, CSC, Program Manager New Air Combat Capability
Mr Peter Crosser, Acting Program Manager, Air Warfare Destroyer
Rear Admiral Rowan Moffitt, AO, RAN, Head Future Submarine Program
Air Vice Marshal Colin Thorne, AM, Head Aerospace Systems Division
Rear Admiral Mark Campbell, CSC, RAN, Head Helicopter Systems Division
Rear Admiral Peter Marshall, AM, RAN, Head Maritime Systems Division
Major General Grant Cavenagh, AM, Head Land Systems Division
Mr Steve Wearn, Chief Finance Officer Defence Materiel Organisation
Brigadier David Shields, Director General Land Manoeuvre Systems
Brigadier Greg Downing, Director General Land Vehicle Systems
Brigadier Mike Phelps, Director General Integrated Soldier Systems
Mr Anthony Klenthis, Head, Explosives Ordnance Division

Outcome 1

Program 1.1—Management of Capability Acquisition

Program 1.2—Management of Capability Sustainment

Program 1.3—Provision of Policy Advice and Management Services

Department of Veterans' Affairs

Mr Ian Campbell, Secretary

Mr Shane Carmody, Deputy President

Corporate and general matters

Mr Ian Campbell, PSM, Secretary

Mr Shane Carmody, Deputy President

Dr Graeme Killer, AO, Principal Medical Adviser

Mr Dennis O'Brien, Acting National Manager, Veterans and Veterans Families
Counselling Service

Mr Sean Farrelly, Acting General Manager, Support

Mr Adam Luckhurst, National Manager, Rehabilitation and Entitlements Policy Group

Mr Neil Bayles, National Manager, F111 Implementation/MRCA Review

Ms Sandy Bell, National Manager, Rehabilitation Compensation and Systems Support
Group

Ms Peta Stevenson, National Manager, Research, Grants and Consultation Co-ordination
Group

Ms Judy Daniel, Acting General Manager, Services

Ms Narelle Dotta, General Manager, Corporate

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

Mr Roger Winzenberg, National Manager, People Services Group

Mr Richard Magor, National Manager, Parliamentary and Communication Group

Major General Liz Cosson, AM, CSC (Rtd), General Manager, Executive Division

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

Mr Mark Harrigan, Acting National Manager, Organisational Change Group

Mr Matthew Cartledge, Acting National Manager, Anzac Centenary and Planning Group

Outcome 1

Program 1.1—Veterans' income support and allowances

Program 1.2—Veterans' disability support

Program 1.3—Assistance to Defence widow/ers and dependants

Program 1.4—Assistance and other compensation for veterans and dependants

Program 1.5—Veterans' children education scheme

Program 1.6—Military rehabilitation and compensation acts—income support and compensation

Program 1.7—Adjustments to the military rehabilitation and compensation acts liability provisions—income support and compensation

Mr Ian Campbell, PSM, Secretary

Mr Shane Carmody, Deputy President

Mr Sean Farrelly, Acting General Manager, Support

Mr Adam Luckhurst, National Manager Rehabilitation and Entitlements Policy Group

Mr Neil Bayles, National Manager, F111 Implementation/MRCA Review

Ms Sandy Bell, National Manager, Rehabilitation Compensation and Systems Support Group

Mr John Sadeik, National Manager, Income Support Group

Ms Peta Stevenson, National Manager, Research, Grants and Consultation Co-ordination Group

Ms Judy Daniel, Acting General Manager, Services

Mr John Fely, National Manager, Defence Support Services

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

Outcome 2**Program 2.1—General medical consultations and services****Program 2.2—Veterans' hospital services****Program 2.3—Veterans' pharmaceutical benefits****Program 2.4—Veterans' community care and support****Program 2.5—Veterans' counselling and other health services****Program 2.6—Military rehabilitation and compensation acts—health and other care services****Program 2.7—Adjustment to the military rehabilitation and compensation acts liability provisions—health other care services**

Mr Ian Campbell, PSM, Secretary

Mr Shane Carmody, Deputy President

Dr Graeme Killer, AO, Principal Medical Adviser

Mr Dennis O'Brien, Acting National Manager, Veterans and Veterans Families Counselling Service

Ms Judy Daniel, Acting General Manager, Services

Ms Kym Connolly, Acting National Manager, Primary Care Policy Group

Ms Gail Yapp, National Manager, Community and Aged Care Policy Group

Ms Letitia Hope, National Manager, Primary Health Group

Mr John Geary, National Manager, Community Health Group

Mr Sean Farrelly, Acting General Manager, Support

Ms Peta Stevenson, National Manager, Research, Grants and Consultation Co-ordination Group Ms

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

Outcome 3**Program Group 3.1—War graves and commemorations****Program 3.2—Gallipoli related activities**

Mr Ian Campbell, PSM, Secretary

Mr Shane Carmody, Deputy President

Major General Liz Cosson, AM, CSC (Rtd), General Manager, Executive Division

Mr Tim Evans, National Manager, Commemorations Group

Mr Matthew Cartledge, Acting National Manager, Anzac Centenary and Planning Group

Brigadier Chris Appleton, CSC (Rtd), Director, Office of Australian War Graves

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

Veterans Review Board

Mr Doug Humphreys, Principal Member, Veterans' Review Board

Ms Katrina Harry, National Registrar

Australian War Memorial**Outcome 1**

Program 1.1—Commemorative ceremonies

Program 1.2—National memorial and grounds

Program 1.3—National collection

Program 1.4—Exhibitions

Program 1.5—Interpretive services

Program 1.6—Promotion and community services

Program 1.7—Research and information dissemination

Program 1.8—Visitor services

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

Ms Nola Anderson, Assistant Director, National Collection

Ms Linda Ferguson, Assistant Director, Public Programs

Ms Sharmaine Lock, Acting Assistant Director, Corporate Services

Ms Leanne Patterson, Chief Finance Officer

Committee met at 09:01

ACTING CHAIR (Senator Sterle): I declare open this meeting of the Senate Foreign Affairs, Defence and Trade Legislation Committee. I welcome Senator Feeney representing the Minister for Defence. I would like to take this opportunity to welcome to this hearing Mr Duncan Lewis, Secretary to the Department of Defence. This is the first time that he has appeared before the committee as secretary. We have got something in common there, Secretary. Congratulations on your appointment.

The committee also notes that a number of new officers have been appointed to the senior ranks of the ADF. I now welcome General David Hurley, Chief of the Defence Force; Air Marshal Mark Binskin, Vice Chair of the Defence Force; Lieutenant General David Morrison, Chief of Army; Vice Admiral Ray Griggs, Chief of Navy; and Air Marshal Geoff Brown, Chief of Air Force. I would particularly like to acknowledge and welcome the new CDF to the hearing. I congratulate him on his appointment. The committee looks forward to developing a good working relationship with you all.

Today the committee will examine the supplementary budget estimates for the Defence Portfolio in the following order: the Department of Defence and Defence Materiel Organisation until 6.30 pm today, followed by the Department of Veterans' Affairs, Veterans Review Board and Australian War Memorial at 7.30 pm to 11 pm. Normal procedure from past estimates will be followed, starting with opening statements and questions arising out of these statements, and then topics nominated by senators will be considered in the order set out in the agenda.

Friday, 9 December 2011 has been set as the date by which answers to questions on notice are to be returned. Senators should provide their written questions on notice to the secretariat by the close of business Thursday, 27 October 2011.

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

The extract read as follows—

Public interest immunity claims

That the Senate—

(a) notes that ministers and officers have continued to refuse to provide information to Senate committees without properly raising claims of public interest immunity as required by past resolutions of the Senate;

(b) reaffirms the principles of past resolutions of the Senate by this order, to provide ministers and officers with guidance as to the proper process for raising public interest immunity claims and to consolidate those past resolutions of the Senate;

(c) orders that the following operate as an order of continuing effect:

(1) If:

(a) a Senate committee, or a senator in the course of proceedings of a committee, requests information or a document from a Commonwealth department or agency; and

(b) an officer of the department or agency to whom the request is directed believes that it may not be in the public interest to disclose the information or document to the committee, the officer shall state to the committee the ground on which the officer believes that it may not be in the public interest to disclose the information or document to the committee, and specify the harm to the public interest that could result from the disclosure of the information or document.

(2) If, after receiving the officer's statement under paragraph (1), the committee or the senator requests the officer to refer the question of the disclosure of the information or document to a responsible minister, the officer shall refer that question to the minister.

(3) If a minister, on a reference by an officer under paragraph (2), concludes that it would not be in the public interest to disclose the information or document to the committee, the minister shall provide to the committee a statement of the ground for that conclusion, specifying the harm to the public interest that could result from the disclosure of the information or document.

(4) A minister, in a statement under paragraph (3), shall indicate whether the harm to the public interest that could result from the disclosure of the information or document to the committee could result only from the publication of the information or document by the committee, or could result, equally or in part, from the disclosure of the information or document to the committee as in camera evidence.

(5) If, after considering a statement by a minister provided under paragraph (3), the committee concludes that the statement does not sufficiently justify the withholding of the information or document from the committee, the committee shall report the matter to the Senate.

(6) A decision by a committee not to report a matter to the Senate under paragraph (5) does not prevent a senator from raising the matter in the Senate in accordance with other procedures of the Senate.

(7) A statement that information or a document is not published, or is confidential, or consists of advice to, or internal deliberations of, government, in the absence of specification of the harm to the public interest that could result from the disclosure of the information or document, is not a statement that meets the requirements of paragraph (1) or (4).

(8) If a minister concludes that a statement under paragraph (3) should more appropriately be made by the head of an agency, by reason of the independence of that agency from ministerial direction or control, the minister shall inform the committee of that conclusion and the reason for that conclusion, and shall refer the matter to the head of the agency, who shall then be required to provide a statement in accordance with paragraph (3).

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

Department of Defence

[09.04]

ACTING CHAIR: Minister, you told me that an officer wishes to make an opening statement.

Senator Feeney: As I indicated, we will begin with a statement from the secretary of the department.

Senator Feeney: I thank you, Chair. As I indicated, we will begin with a statement from the secretary of the department.

ACTING CHAIR: I invite the secretary to make an opening statement.

Mr D Lewis: Chair, thank you. Thank you for those opening remarks and thank you for the opportunity to make this opening statement. I intend to keep these opening remarks pretty brief. I assumed responsibility as Secretary of the Department of Defence on 5 September. Prior to discussing the department's estimates, I would like to take this opportunity to recognise the contribution my predecessor, Dr Ian Watt. The contribution he made to the department is significant and I wish him well in his new appointment of Secretary of the Department of the Prime Minister and Cabinet.

For my part, I am delighted and deeply honoured to return to Defence as its secretary, and I look forward to working closely with my friend and colleague General David Hurley, the CDF, and engaging with this committee over the coming months and years. I would like to make it clear to the committee that I am committed to continuing the reform of the Defence organisation, to seeing through the strategic reform program and to implementing the outcomes of the Black review. I am committed to achieving the policy objectives of the white paper.

In these remarks, I will address a number of challenges facing Defence; however, my overwhelming impression on assuming office as the secretary of the department, is that the challenges and difficulties that we face as an organisation are more than outweighed by the things that we do right. We operate well. Operations and support to operations are in a way as much a concern to me as they are to the CDF in the modern Defence organisation. The CDF will elaborate on our operational achievements shortly.

We acquire well. While there are some well-documented cases of acquisitions that performed badly, the majority do well and deliver much-needed capability. For example, earlier this week the ADF's new ship HMAS *Choules* was delivered to us on time and under budget. We are a very solid policy development department. We make a very real and valued

contribution to both our own government and our allies through our intelligence capabilities. We undertake world-leading defence science, and Defence's support community provides great outcomes across a very demanding, diverse and dispersed organisation. We should rightly acknowledge, and I think occasionally celebrate, the successes. Nonetheless, as the committee knows, Defence faces a challenging budget year. With a large number of new capability decisions to be made, there are upward pressures on our budget and a large number of reforms to be implemented, including increased strategic reform program savings.

Let me say a few words about the Defence white paper. The committee is aware that, in terms of achieving the outcomes of the Defence white paper, the department has struggled to match its capability aspirations with its capacity to deliver. We have in the last few months begun to increase the rate at which major capabilities are being presented to government for consideration, but I do not consider this indicator to be as important as the quality of those submissions. I would prefer that we are slightly behind where we would like to be in terms of absolute numbers of capability submissions rather than speed up the process and risk poor quality. Our experience is that rushed projects often become problematic projects. However, as I have said, we have begun to increase the rate at which major projects are being presented, and that is a very good sign.

At the last hearing of this committee, Dr Watt made it clear that he did not see the white paper as a rigid shopping list linked to a particular timetable. I support this position. Circumstances do change, and we are having a look at a number of areas and we will tweak our implementation plans accordingly. There will need to be some adjustments. The major internal reviews underway that will impact on the implementation of the white paper are: firstly, the review of the Defence budget by the chief finance officer; secondly, the review of capability development process by the chief of the Capability Development Group, about which I will provide some additional detail later in this statement; and, thirdly, the review of the Defence Capability Plan being undertaken by the chief of the Capability Development Group. The outcomes of these internal reviews will inform the formulation of the Defence budget in 2012-13.

I have a few words on the strategic reform program. I am personally strongly committed to reforming the Defence organisation. I learned long ago that history judges very harshly those organisations that do not or will not change, and so it is with Defence. Reform, change and progress are essential for us to survive let alone to prosper, and I know that senators understand this. The Strategic Reform Program has been in place for nearly two years and the reform program, of course, gets much harder from this point in terms of the ramp-up of savings and the implementation of efficiencies. I am pleased to recall to your attention that the SRP target cost reduction savings of \$1.016 billion were successfully met during the last financial year. This follows the target of \$797 million, which was achieved in 2009-10, and the program is on track to achieve its forecast cost reductions this year.

An additional review of shared service was announced by the Minister for Defence on 6 May this year and has now been completed. The review has identified opportunities to improve service delivery and to eliminate overlap and duplication of the back-office functions across Defence. We are now undertaking the detailed planning to implement the review's findings. The next biannual performance report to government is due to be considered in November 2011.

I would like to make some remarks about accountability and the Black review into accountability. I intend to move very quickly to implement the Black review. My first step will be to appoint, following a merit selection process, two suitably qualified people to fill the associate secretary positions, as announced by the minister. These positions will be central to implementing the organisational reforms to be undertaken. With respect to the review of major capability process, I intend to undertake the review in two parts: an initial study that will help inform the upcoming budget forecasts, and then a more substantive examination led by the new associate secretary for capability.

These new associate secretary positions will perform high level coordination and integration of what I regard as the two most complex areas of Defence business—the definition of new capability on the one hand and the management of Defence business and the support backbone on the other. They are the two great pieces of work that go on within the department. I, together with Mr Sargeant, will be happy to discuss this further later in the day as senators wish.

The Black review is an important strategic functional alignment of business and accountability in Defence. We are working on the finer details of the way that business and responsibilities will be managed by these two associate secretaries. I anticipate that detailed arrangements will be developed early in the new year when the two new positions are in place. The selection process for the two associate secretaries is well under way. I will be moving to implement the Black review progressively during the rest of this year and into next year. Some of the key initiatives of this review have already been actioned and announced by the minister. Consistent with the recommendations of the review, a corporate plan is under development now and will be completed within the coming months. This is an important plan. It is fundamental to our department's business and I expect to have the first draft by the end of the year.

In addition to the selection of the two associate secretary positions, I will fill the vacant position of Chief Defence Scientist and Chief Executive Officer of the Defence Materiel Organisation. I also intend to fill the soon-to-be-vacant position of Deputy Secretary, Intelligence and Security. I anticipate that the selection process for the Chief Defence Scientist and the CEO of the DMO will be well advanced by the end of next month.

Together with the CDF, I welcome the recent Defence culture reviews as an opportunity to continue the work of making Defence as a workplace a safe, inclusive and equitable environment for all. The suite of cultural reviews is largely complete. Defence is considering the reports in consultation with the review leads and we are developing a response. This response will be comprehensive and harmonised with the wider Defence reform agenda.

On submarines, improving the availability and reliability of our Collins class submarines has been a tremendous challenge for Defence over many years, and is a high priority for me as the Secretary. My predecessor indicated to this committee that he was disappointed with the submarines' availability and I share his concerns. Defence is working closely with industry to address the numerous and complex issues. I do not intend to provide great detail of our submarine capability in this public arena, including details of availability, but what I will say is that there is substantial work to be undertaken and I have high expectations of the review being undertaken by Mr Coles. The results and recommendations of this report will be looked at very closely and implemented to the extent that we are able.

That said, we are not waiting for the outcome of the Coles review. We are continuing to work to remediate the submarine capability. An integrated master schedule covering the period from now until beyond 2020 has been developed and agreed, to support the technical remediation program. The schedule provides clear timings for when each submarine is available for training, when it is available for operations and when it is programmed for maintenance. The schedule also provides the basis for a new in-service support contract that Defence is developing with the Australian Submarine Corporation. The contract is performance based and is intended to replace the existing Collins through-life support arrangement, and it will do that before the end of this year. A benchmarking study is also being conducted to provide a framework of industry's best practice, against which Defence and ASC can assess its performance. The benchmarking study will be completed by the middle of next year.

I have a few words on questions on notice. Our performance in relation to the provision of responses to question on notice generally, and more specifically to this Senate committee, has improved since the last time the department sat before the committee. For example, last estimates the overall total number of questions was 415. All have been lodged with the committee, the last on 13 October. The committee might note that many of the questions asked by committee members relate to complex and highly technical national security issues and considerable time is often needed to produce an appropriate response. While it is important to ensure that answers to these complex and technical questions are correct, I have also noted the need for a timely response.

Regarding workplace agreements, bargaining for the Defence Enterprise Collective Agreement for non-SES APS employees has been underway since March this year. A proposed agreement was not supported by employees in June. Defence is continuing efforts to put in place a new agreement as soon as practical. The current pay arrangements for the ADF members set out in the workplace remuneration arrangements expire on 3 November. Defence intends to take a submission to the Defence Force Remuneration Tribunal on 27 October and, if successful, the new pay arrangements will commence as soon as possible after that. The SES have had a three per cent pay rise approved recently and consultation is underway regarding their broader conditions of service. The star ranks in the ADF have been consulted on a three per cent pay offer, and Defence intends to take a submission to the Defence Force Remuneration Tribunal in November.

Regarding AUSMIN, the Australian-US ministerial talks, before I conclude I would like committee to note that this year marked the 60th anniversary of the Australian-United States alliance. High-level ministerial consultations, the AUSMIN meeting, were held in San Francisco earlier this year and attended by not only ministers but the CDF and me. A wreath was also laid at the USS *San Francisco* memorial to honour the US role in the battle for Australia. These meetings, the AUSMIN meetings, demonstrated very clearly the central importance of the United States alliance to Australia's security now and into the future.

Let me conclude by saying once again that my commitment to continuing reform across the Department of Defence is resolute. While we have many varied and even daunting challenges before us, which we will no doubt explore with this committee in due course, we should not lose sight of the achievements and we should recognise the efforts and exertions of so many of our people. It is a great privilege to be able to serve as a secretary of this department.

ACTING CHAIR: Thank you very much. I now invite the Chief of the Defence Force to make a brief opening statement.

Gen. Hurley: Good morning, Chair and Senators, and thank you for your warm welcome. I would also like to recognise the support for the committee that my predecessor, Air Chief Marshal Houston, provided. Hopefully we will be able to provide the same working relationship with you and your members. Thank you also for the opportunity to make an opening statement.

I would like to begin this morning by offering my condolences to the families of four Australians killed in operations since the estimates hearings. Sapper Rowan Robinson was a member of the Incident Response Regiment. He was killed by insurgent small-arms fire on 6 June. Sergeant Todd Langley of 2 Commando Regiment was killed on 4 July during an engagement with insurgents. Private Matthew Lambert of the 2nd Battalion Royal Australian Regiment died as a result of wounds sustained when an IED detonated on 22 August. Craftsman Beau Pridue was killed as a result of injuries sustained in a motor vehicle accident on 15 September while serving with the 8th Combat Service Support Battalion on operations in East Timor. On behalf of the ADF and the wider Defence community I offer our deepest sympathy to the families, friends and mates who were closest to these men. As I have in the past and as did Air Chief Marshal Houston, I assure the families of these men that the ADF will honour our commitment to continue to support them in the months and years ahead.

When I assumed this appointment in July, I outlined my objectives for the next three years. At the top of this list is to achieve our objectives on operations. In Afghanistan this is to train the Afghan National Army in Oruzgan and to support the development of a long-term relationship with the Afghan government and people. We must also achieve our objectives to support peace and stability in East Timor and the Solomon Islands. Regionally we must look to enhance and build on our strategic and regional engagement achievements. These priorities must be addressed in parallel with our preparation for the introduction of interservice of two transforming capabilities for the ADF: a new air combat capability built around the Joint Strike Fighter and an amphibious capability of proportions and complexities which we have not experienced before.

My objectives acknowledged the need to address the sustainment issues which have affected Navy over the past year. There are two aspects to this: firstly, to rebuild the Navy's engineering capability and capacity in order to sustain the fleet and, secondly, to rectify the sustainment issues with the Collins class submarines. Both are already trending in the right direction but there is much hard work still to be done. In regard to Army, we need to implement the initial phase in building a new force structure that is better suited to the demands of future conflict.

Caring for our people is one of my key priorities as Chief of the Defence Force. Among my top eight priorities is to ensure that our culture, the ADF's culture, gives confidence to the Australian people and the Australian government that we are a just, inclusive and fair-minded organisation. Closely associated with this is the need to ensure that we have a valued, committed and sustainable workforce both in uniform and in the Public Service.

As I said, the successful conduct of our operations is my highest priority. Let me now update you on Operation Slipper, our operation in Afghanistan. To achieve our objective in Afghanistan we must stabilise the security situation while mentoring and training the Afghan

national security forces to a level that enables them to assume the lead for providing security in Oruzgan province. Earlier this month I was in Afghanistan to visit our Australian troops in Oruzgan province and to engage with our Afghan and ISAF partners in Kabul and Kandahar. Afghanistan remains a challenging and dangerous environment and our troops continue to perform admirably. The coalition efforts in 2011 have seen the Taliban's momentum halted in many parts of the country and the

insurgency's access to support infrastructure such as safe havens, caches, medical support and IED-making facilities has been severely disrupted. As a result, the insurgency's freedom of movement is more restricted. They influence less territory and are less capable than they were in 2010. This means the Taliban's home ground advantage has been degraded in many of the key population centres in Afghanistan, particularly in the south in places such as Helmand and Kandahar and, most importantly for us, in Oruzgan.

It is very clear that none of the Taliban's publicly declared operational level objectives for 2011 have been achieved—that is, at the operational level in 2011 their offensives have failed. Our progress means we have been degraded and increasingly desperate insurgency which seeks to undermine international confidence in Afghanistan. This has and will continue to manifest itself in the form of sustained efforts by the insurgency to launch operationally insignificant but spectacular attacks in an attempt to derail the progress being made. I would stress that these sensation-thinking attacks are a sign of desperation, not demonstration of strength.

I also accompanied Minister Smith to the NATO-ISAF defence ministers meeting in Brussels earlier this month. The ISAF military leadership remains cautiously optimistic about prospects in Afghanistan including our ability to transition provinces to Afghan control in the lead-up to 2014. There is also a consensus that we are seeing results from our clear strategy, appropriate resources and realistic time line. This highlights the importance of the international community remaining committed to operations in Afghanistan. I am pleased to report that our ISAF partners continue to hold Australia's commitment to Afghanistan in the highest regard, both in the quality of our personnel and in our steadfast support for the mission.

In July this year we welcomed the formal start of the transition process, with the first tranche of provinces and districts across Afghanistan being handed over to an Afghan lead. The Taliban has not been able to reverse this action. President Karzai will shortly announce a second tranche of provinces and districts to begin transition. Progression to the transition phase marks an important step towards meeting President Karzai's goal that Afghan authorities assume the lead security responsibility across Afghanistan within the projected time frame and the growing and increasingly capable Afghan National Security Forces will enhance progress on transition. The Afghan National Army grew to 260,000 personnel in 2010 and is on track to grow to 305,000 personnel in 2011 and on a glide path to 352,000 personnel by 2012.

Australia's commitment to training the Afghan National Army 4th Brigade in Oruzgan province is consistent with the goals agreed by the Afghan government and the international community at Lisbon last year and is progressing well. Our assessment is that conditions will be suitable to transition lead security responsibility to the Afghan National Security Forces in Oruzgan during the period 2012 to 2014. In this regard, members of our Mentoring Task

Force have expanded their partnered mentoring program and continue to live and work closely with the Afghan National Army's 4th Brigade. The mentoring model they now use is widely regarded by ISAF as the yardstick for Afghanistan. Australia took over mentoring responsibilities for the new 6th Kandak, or Battalion, in June this year, further increasing the capability of the 4th Brigade. We have seen solid progress in the 4th Brigade's capabilities, which is increasingly conducting operations and maintaining patrol bases with little or no Australian support. The Afghan National Army has continued to build new patrol bases, which is assisting in extending the security sector in Oruzgan from the Tarin Kowt bowl into the Mirabad Valley in the east and the Tangi Valley in the west.

Our special forces continue to make a highly valued contribution to the broader ISAF campaign across the south. They continue to remove key insurgency leaders, capabilities and supplies from the battlefield, which helps create a security environment conducive to training the 4th Brigade, as well as allowing ordinary Afghans to get on with their lives. Australia is also making an important contribution to institutional training as the lead partner nation for the combined arms artillery school in Kabul.

Now to other operations: since the last estimates hearing, the ADF's security detachment in Iraq has successfully transferred responsibility for the security of the Australian embassy in Baghdad to a more standard contract arrangement under the Department of Foreign Affairs and Trade. Every stage of this transition was based on a careful military risk assessment by Defence and the Department of Foreign Affairs and Trade of the security environment. The final extraction was completed on 6 August this year, three months prior to the original planning time line, without incident, reflecting improvements in the security situation.

Closer to home, East Timor is also approaching a critical juncture with next year's parliamentary and presidential elections. There are currently around 380 ADF personnel, including approximately 140 reservists, deployed on Operation Astute alongside approximately 70 New Zealand Defence Force personnel as part of the International Stabilisation Force. We will work with the government of East Timor to consider our commitment post these elections.

This year also marks the 10th anniversary of Australia's bilateral defence relationship with East Timor through the Defence Cooperation Program. In the 2010-11 financial year this program completed a range of projects, including the construction of new headquarters for the East Timorese defence force engineering component. The English-language training facility at Metinaro has doubled its student capacity and the ADF has provided support to assist in completing the master scoping and development plan for the proposed Port Hera naval complex.

Like our mission in East Timor, the ADF contribution to the Department of Foreign Affairs and Trade led Regional Assistance Mission to Solomon Islands, or RAMSI, known as Operation Anode, is helping to provide a secure and safe environment to facilitate RAMSI efforts to support and develop the Solomon Islands' institutions. Both operations Astute and Anode are critical to our efforts to sustain peace and stability in the region directly to our north.

Finally, on 13 October I wrote to the chair of the committee to raise my long-held concerns regarding the extent of information that has been placed on the public record relating to some of the more sensitive aspects of our submarine capability. All defence forces pay very close

attention to submarine capabilities and I would like to emphasise to the committee the need to exercise restraint in order to maintain the appropriate levels of operational security. The availability of our submarines is a key indicator of capability. Defence officials will be able to respond fully to any questions you may have relating to contract or sustainability issues, or indeed cost, however they will refrain from commenting on more sensitive issues relating to the availability of our submarines. I will continue to make the appropriate senior officials available to members of the committee for a private briefing on submarine preparedness and availability. This approach is not an attempt to obstruct accountability or transparency; rather, it is intended to preserve the operational security of a sensitive national capability. The Chief of Navy will be available today to explain to the committee Navy's operating cycles to help in your understanding of ship availability.

That concludes my statement. I thank you for the opportunity to address the committee and I look forward to your questions.

Senator JOHNSTON: General Hurley, congratulations to you and all the chiefs and the secretary upon your elevation and appointment to the various roles that you all have. I know I speak on behalf of all coalition members of the committee when I say we are very pleased with the appointments and we look forward to a very fruitful and positive relationship with you all in the coming period, particularly at estimates.

Thank you, CDF, for what is a very frank and clear outline of your intent. I know that we are in the process of conducting an inquiry into post traumatic stress disorder in our combat troops. We all know with our special forces that there is a very heavy burden upon them in rotating through the MIO at the moment but also with respect to our mentoring task force men and women. I believe that the report is available and release is planned for Friday. I would like you to take me through what you know of the report. I believe it is ringing alarm bells with respect to this particular aspect. It is a very important aspect of not only the consideration of the well-being of our forces but also an important aspect of this committee's consideration for future policy matters. I would be obliged if you could spend just a few minutes talking about this report and where you think we need to be on this very important subject.

Gen. Hurley: I agree—it is a very important report. We will be releasing the report on Friday, in Melbourne. I will be down there with General Alexander, Commander Joint Health, to do that. I will let General Alexander take you through the key points from the report and I will add to that. You use the term 'alarm bells'. The reason we undertook the study was that we were very cognisant that over time we needed both to develop an understanding of what was occurring on current operations to give us a baseline for observing and supporting our personnel into the future and to look at future operations. There are many facets to this particular study and the report that flows from it, and the actions that support it. There are some very good points in the report, as you would expect, and there are some indicators of concern in it, but the report will be extremely valuable in helping us now to get a much better understanding of where we are at on this, but I will let General Alexander expand.

Major Gen. Alexander: Thank you for the opportunity to talk about what I also endorse in the CDF's comments is an extremely important body of work that has been undertaken by the ADF. The work was as a result of one of the recommendations from the review into mental health services that was undertaken by Professor David Dunt less than two years ago.

One of his strong recommendations was that, whilst we have a good understanding from our discharge rates that there is a mental health burden within the organisation, we did not have any prospective or Defence-wide data in relation to what the mental health burden is within the organisation. We had a reasonably good idea from our discharge rates that there were areas that we needed to concentrate on and, therefore, as a result of his review, we have commenced the process of increasing our workforce, reducing stigma, undertaking early interventions and developing multidisciplinary programs.

So a whole range of initiatives have been put in place over the last 18 to 24 months. But accurate data was not there. It was not as accurate as we could have had and so this range of studies was undertaken. The first study has now been completed, and that is a mental health prevalence study within the ADF. It is the first of three studies in the Military Health Outcomes Study and was conducted across the entirety of the ADF from early 2010 through to January 2011. We had an extremely good uptake on the response rates within the entirety of the organisation. The other really important part of this study was that it was not just people undertaking surveys. Part of the study also was utilising what are known in technical parlance as 'city interviews', which is actually interviewing individuals on a randomised basis to determine not only from the questionnaires whether there is a certain amount of mental illness; they are also diagnostic interviews. So that gives us much more accurate data than probably any of our allies around the world. This is a study that has certainly created interest with our ABCA colleagues as well.

That was the outcome. We had a 49 per cent return rate across the organisation, so we had in excess of nearly 30,000 responses. So the data is extremely accurate. To give a broad summation of the outcomes, I will divide them up into certain areas of mental illness. The first one to discuss is anxiety disorders, which are the most common disorders. But, before that, one other thing I will comment on is that, when we received this data about six to eight weeks ago, rather than accepting that the data was true and accurate we got an Australian mental health expert panel together, which includes a number of leading mental health psychiatrists and other research specialists from around the country, to critically analyse our data in a number of respects, firstly to determine that it was accurate data, that the study had some degree of foundation. They certainly agreed that it had foundation. Secondly, they were to analyse our data and say, 'What do you feel are the implications of these particular data sets?' And they did that also. I will talk about four particular aspects: anxiety disorders; mood disorders, in other words, depression; rates of suicide; and alcohol use. I will concentrate on those four and talk in broad terms because the minister is releasing the details on Friday. We are looking to discuss it in much more detail on Friday. The most common anxiety disorder within the general community is post-traumatic stress and that is the same within the ADF. Our rates of anxiety and post-traumatic stress are statistically higher than what they are in the general community by a very small amount. We will be able to go through those figures on Friday. There is a slight statistical difference.

When it comes to mood disorders within the general community and us, there is very little difference between the two. It would seem that we are developing some degree of mood disorders earlier in Defence members than in the general community and that is something that we are going to examine further to find out why we have issues with depression in our members earlier than the general population. Some of the research specialists and scientists—

we have had, for instance, Professor Ian Hickie from the Brain and Mind Research Institute, who is also going to discuss the report on Friday—have said that is because of the fact that we expose our members to all manners of situations within normal employment and operations. The normal burden of depression within the Australian community tends to increase in middle and later age. He seems to think, and we are yet to prove this through follow-on research, that our curve may be just a little bit shifted to a younger age group because of the work profiles and what we expose our members to. That is quite possible and we will explore that further.

I will finish on two other points. Our rates of suicide within the ADF are significantly lower than in the general community and that is matched for age, gender and work environments. Our rates of suicide ideation—in other words, people who are thinking of committing suicide or self-harm—within the organisation are higher than the general community. We were quite concerned about this. The programs that we have put in place and instituted over the last two to three years, plus the policies of early intervention with self-harm, are impacting upon our actual suicide rates.

The final one in relation to alcohol is that the burden of alcohol disease—that is at the far end of the spectrum, as opposed to drinking, dangerous drinking, binge drinking et cetera—is much less in the ADF compared to the general community. Intuitively that makes sense. You cannot really survive in an organisation like the ADF and perform to the standards in complex employment situations that we require of individuals and have a serious alcohol related illness. If you are looking at the entirety of the alcohol burden within the organisation, we acknowledge that there is some work to be done.

Senator JOHNSTON: Thank you. This is very gratifying. Who are the authors of these three reports? How much is it all costing? What is the outward program in terms of what we are undertaking here, which I think is very positive?

Major Gen. Alexander: This is the first report. There are follow-on reports that are part of the Military Health Outcomes Program, which involve area-of-operation studies, cancer and wellbeing studies and also another prospective study that is looking at individuals prior to their deployment and at the beginning of their service within Defence and comparing over the next three to five years their health outcomes, not only mental health but general health outcomes.

There are a number of authors for these studies. We have a panel. I would like to acknowledge Professor Sandy McFarlane, who is also a group captain in the Air Force reserves, and Colonel Stephanie Hodson, who heads up one of the mental health areas in my organisation. They are the lead researchers. There is also a significant research panel from outside of Defence that is part of our expert panel. The total cost so far for these studies is approximately \$2.5 million, and we are committed to continuing those studies as required. The CDF and Defence have given the undertaking to continue these studies as a matter of import.

Senator JOHNSTON: It will be the best \$2.5 million we have spent for a long time, I would think.

Major Gen. Alexander: Indeed.

Senator JOHNSTON: Thank you, General. I really appreciate those comments. Chair, I would like to move onto another subject unless anyone else wants to take up any of the issues there.

Senator EGGLESTON: You did not mention psychotic illness in the survey that I heard—although you may have done so. Is there any material on the incidence of psychotic illness in your survey?

Major Gen. Alexander: Senator, thank you for the question. Yes, there is a very low incidence of psychotic illness within the organisation. Again, that reflects the age group from which we recruit individuals in that the highest incidence of onset of psychotic illness is in young adults. So whilst we do a significant screening program on individuals prior to recruiting, it is not unusual that we will see some degree of psychotic illness develop in the early- to mid-20s, and that includes manic depressive disorders, in particular, which we have seen in our report.

Senator EGGLESTON: Do you find islands of difference between the various arms of the military forces in terms of psychiatric disorder?

Major Gen. Alexander: In relation to anxiety and the depressive illnesses, we have not seen a statistically significant difference between the three services.

Senator EGGLESTON: Thank you very much, General.

Senator FAWCETT: Gentlemen, can I start by echoing the comments of the chair and Senator Johnston on the new leadership team. There are some significant challenges facing you with a high operational and organisational tempo, and I wish you all the best with those. Mr Lewis, you mentioned the successful purchase of the new ship *Choules*. CDF, you mentioned the fact that you have a high priority on the regeneration of Navy's engineering capability and the implementation of the Rizzo recommendations. Could you give the committee an indication of how far ahead of the implementation of those Rizzo recommendations you are now in putting in place the engineering design support infrastructure to make sure that we do not repeat the mistakes of *Kanimbla* and *Manoora* with this new ship *Choules*?

Gen. Hurley: To reiterate what I said, it is extremely important as we lead up to the new amphibious capability that all these foundation blocks for supporting that capability in the future are in place. The ability of the Navy to do that job and in concert with DMO and the defence industry is very important to us. Over the last decade, I think Navy for a number of reasons, for decisions taken in the nineties, has suffered. We need to correct that, and I would ask the Chief of Navy to address some of those questions that you asked.

Vice Adm. Griggs: You are specifically interested in *Choules* at present? Is that the thrust of your question?

Senator FAWCETT: The thrust of my question, as the CDF has indicated, is that you are in the very early stages of implementing the Rizzo reviews. It is going to be a relatively prolonged period to regain the expertise, the structures and the processes around technical regulation and workforce within Navy. Yet, right now, we are taking on board a ship which, as has been highlighted, is a very capable ship. What assurance does the committee have that, as we are yet to fully implement the Rizzo review, we have learned the lessons in terms of design disclosure, appropriate support contracts and appropriate levels of engineering that

Choules will actually be sustained to an adequate level and actually be a leader for our new amphibious capabilities as opposed to suffering the legacy of previous ships?

Vice Adm. Griggs: Understood. The basic premise for *Choules* is that we are going to maintain her in the way that she was maintained in the Royal Fleet Auxiliary. I suspect that Mr King is better placed to give you the nuts and bolts of how we are going to do that. I think that he would best answer your question. I can certainly come back to the more general issue of Rizzo but if your focus is on *Choules*, I think Mr King is best placed to answer that.

Senator FAWCETT: I guess part of my question goes to the fact that what Rizzo has highlighted is that it is not purely a DMO function but the services and you as a capability manager need to have sufficient engineering know-how to work with DMO and essentially to hold them to account and understand the implications of their maintenance requirements offset against your capability requirements. So it is a two-pronged attack.

Mr Griggs: It is, absolutely, and we have been working very closely over the past few months to work all of the Rizzo recommendations between us. So it is a joint program with the fifth team between the DMO and Navy in putting these recommendations in place. As you alluded to, it is a difficult challenge to rebuild this capability quickly but we have made a good start in supporting the most stressed part of the organisation which was the amphibious and afloat support organisations both in the DMO and navy, recruiting extra people into that. We have just implemented a new ship code called the naval ship code which replaces or refines the SOLAS convention, which is often how many of our maintenance and configuration issues are considered against and is essentially a commercial code. This is being developed through NATO and Australia has had a significant hand in developing the naval ship code. That now gives us a much better and more targeted base line for us to develop standards against, to assure ourselves that we have the maintenance issues of in hand.

Senator FAWCETT: In terms of the people and the engineering capacity, are you predominately transferring within service, recalling reserves, or are you contracting in capability as an interim measure?

Mr Griggs: All of those because you obviously cannot add water and grow experience overnight. We are putting very much a focus on continuous full-time service for some of our engineer reservists. As I said the DMO is in a process of recruiting additional people into the assistance program office for the amphibious and afloat support and we are putting together a business case for additional resources which will include contracted solutions in the interim. Contracted solutions are part of this process in the interim because we have to buy in that help.

You will recall from the Rizzo report that Mr Rizzo said it need to be around 400 people but that was just an estimate from his perspective. We have been doing a lot of work in trying to refine that number to understand the resource implications of that work. That work is fairly well advanced and builds on a review which was being done just before the Rizzo review called a fleet regulatory review, which was looking at safety and maintenance governance and the number of people we needed to do that. We have also had some work done in the Fleet Command since the Rizzo review in looking at, from a fleet perspective, what the optimum structure and numbers would be properly rebuild this capability. I would stress that Rizzo is not just about engineering and that is one of the messages I have been pushing to the Navy and to the 6,000 people I have spoken to since I have taken over. This is about capability

management writ large; it is not simply about engineering. One of the problems is that people have viewed it as an engineering issue, not as a broader capability management issue. So the captain of the ship, for example, is just as much, in fact more so in this game, than the engineer. Everyone needs to be focused on the technical integrity of our platforms.

Mr King: Concerning the last point in particular I would like to emphasise that this is fundamentally about respect for the material state of our equipment and that is not just engineers but our whole organisation. Regarding the specific issues on *Choules* and its maintenance, that vessel was extremely well built and maintained in the UK with very well established systems and a very well established and effective maintenance system ashore. Our approach to start with has been to parallel into that organisation so that we have all the benefits of their lessons learned over the four ships of the class, particularly not just the quality of the maintenance but also the efficiency of how they were doing that business and the rigour with which they approached the maintenance of that ship class. As we become more mature with this ship, we then intend to translate those approaches back to Australia, but still to remain locked in to the UK class maintenance activities, which are very effective and have made the UK happy.

On the broader issue of engineering, we have a number of programs that are very active. I stress firstly that our organisation has to respect engineering, and, we have to develop an organisation that is also respected in the community so that the defence organisation can attract the very best engineers. Although we obviously have different functions with the navy, DMO and other areas, we are still a broad defence community. In my case, I employ about seven per cent of the ADF officers inside DMO and they represent 17 per cent of my workforce. Clearly, in their career progression they are going to move from their core military jobs into my organisation and back out. It is a case of building a reputation from the whole professional development of the engineering force within Defence. That engineering force will, at times, operate in different elements of the defence organisation.

We start with school programs. We have programs running in three states at high school level to encourage prospective engineers to think about a defence career. We support Re-Engineering Australia, which this year became the world champion at designing, building and racing model F1 cars, right through to advanced systems engineering courses at universities.

Senator IAN MACDONALD: I have a question about the issues Major General Alexander was talking about. Has there been any decision yet on the confidentiality of patient-doctor conversations? We have raised that in various committees in the past. Although I do not want to raise an issue that is still sensitively under consideration has there been any advance on that issue?

Gen. Hurley: Yes. As you would expect from our conversations after we looked at the issue when it first occurred, we have done a great deal of work looking at the relationship between the Privacy Act, medical and confidential information and its interaction with our desire to remove stigma from mental illness in the ADF, as well as our desire for people to be willing to come forward. I will ask the head of Defence Legal, General Alexander, to talk about the legal aspects and where we see it from the health management approach. At the moment, it would be fair to say that there are certain circumstances at both federal and state levels where in those jurisdictions police forces, investigative services and so forth are allowed to approach to gain medical information. There are specific protocols and decision-

making processes about how that should be done. We have looked at what we have in place to do that in the ADF. We have certainly made sure that it is very tight and the interaction between the various stakeholders is quite controlled, recorded and understood. I do not think we can get to a point where we can say, 'Sorry, you cannot access the mental health records of ADF members in relation to an investigation'. The law does not allow us to say that at the present time.

Major Gen. Alexander: In relation to the policies and development of policies in relation to the release of medical information we are looking very much to align our policies with all other jurisdictions. In other words, there are some exemptions in relation to the National Privacy Principles, and those exemptions in relation to release of information where there is a requirement through a court system or a non-party disclosure system where they are subpoenaed are allowed and also exemptions where the individuals or organisations may be at imminent risk of harm. So they are the same exemptions that currently exist within the National Privacy Principles.

We are a large organisations and, potentially, individuals within the organisation may have released information in the past under what they felt were their requirements to release information. The policy changes will ensure that there is a single point of authority for the release of medical information under any circumstances where the individual has not given his or her authority for the release of that information, and it will be the Surgeon-General who will have the authority, with legal assistance and legal opinion, to determine whether information has the right to be released. That is the concept that we are moving to.

Senator IAN MACDONALD: Thank you, General. I do not want to prolong this. I can understand if a psychiatrist is talking to a soldier and he says, 'Tomorrow I'm going to go and blow-up Parliament House.' You would perhaps hope that the confidentiality would not apply. But what concerns me is that defence personnel are in a very different situation. As you were saying earlier in answer to other questions, they are in a situation where, perhaps, the trauma is greater than in the general society. It would disturb me if defence personnel were reluctant to seek professional help because they thought, 'If I say, "Gee, in combat last month I accidentally did this that and the other", which in the civilian area would perhaps be a criminal matter but which in the heat of combat may be seen in a different light. I agree that it is a very complex issue. But are you telling me that the Surgeon-General will now be the final arbiter of what is released to the authorities and what is not?

Major Gen. Alexander: Upon consultation with legal opinion. It is very much to ensure that, within our system, information is not released. So we are looking very much to have a process where nobody has the authority to release information without the individual's approval unless it comes to quite a high authority to examine the particular situation and seek legal advice to ensure that not only all the appropriate policies but also we are in compliance with our legislation and other legislation.

Senator IAN MACDONALD: Without going into this in any detail, do you or your legal advisers—and yes or no would be suitable—think the legislative backing you now have is sufficient to do what you and your colleagues looking at this think is right, or do you think that somewhere along the line it might require some form of change in legislation?

Mr Cunliffe: Defence legal has been working closely with the General and the health area. At this stage, I think our shared view is that the existing law, subject to proper processes,

is sufficient to ensure that the needs of the ADF are met. They are not identical to the needs of a civilian environment and there obviously are tensions, but at this stage we think that the plan identified by General Alexander is sufficient for us to be confident that the understanding will be there, in the first instance, and that compliance with the law will be there too.

Senator IAN MACDONALD: So nothing more needs to be done? The decision has been made and the processes have been put in place?

General Hurley: I think the important thing is that we have had a good hard look at this. We have put a lot of structure around it to make sure that the appropriate authorities are there. Certainly we do not want to be in a situation where someone can just access medical records. They will need to be very precise about the reasons why and what they specifically want and so forth, and then we will look to see how that might be managed. So there is no open slather here; it is really quite a constrained and confined approach.

Senator IAN MACDONALD: And is this a change from past practice?

General Hurley: It is putting in a better structure, because previously the delegation of the authority to do this was at lower levels. I decided that I did not want that and that we will bring it up to one person.

Senator IAN MACDONALD: Thank you very much.

Senator McEWEN: I have some questions for Mr Lewis arising from comments about the state of the Defence Enterprise Collective Agreement, DECA, bargaining negotiations. You mentioned that the proposed agreement was not supported by employees in June of this year. Can you tell us the percentage of employees in that ballot who voted for that enterprise agreement and the percentage who did not support the proposal from defence?

Mr D Lewis: I will ask Mr Phil Minns to give some of the detail.

Mr Minns: I will find the exact number for you but, from memory, about 72 per cent voted and the 'no' vote was 76 per cent.

Senator McEWEN: Seventy-six per cent voted against the proposal from defence. What was the paid component of the proposal from defence?

Mr Minns: It was a nine per cent increase over three years—three per cent a year.

Senator McEWEN: How did that vary from what the employees were requesting?

Mr Minns: I think the CPSU claim was 13 per cent over three years.

Senator McEWEN: Is defence offering its civilian workforce comparable to what it is offering its ADF personnel?

Mr Minns: Yes, it is. The two agreements do not automatically phase together. But since about 1991, each time we have looked at the DECA and the workplace remuneration agreement, WRA, for the ADF, we have sought to achieve as much as we can: an equalisation of wage movement and salary outcomes over the agreed period. The WRA does not expire until early November. It is phasing is different to the DECA, where the previous one expired on 30 June. But at the point where it does expire, the wage movements for both classes of our workforce would have been equalised over the last three-year period.

Senator McEWEN: The current DECA has already expired?

Mr Minns: It has nominally expired, in the sense that its term was to 30 June and it continues in force until it is either replaced or some other mechanism operates.

Senator McEWEN: Is there a commitment from defence to award a pay increase if there is one eventually from 1 July 2011?

Mr Minns: No. The government's position on wages bargaining is that backdating is not a supported policy. We will award the wage increase to our APS workforce at that point we reach a new agreement.

Senator McEWEN: What are you doing to overcome the impasse in negotiations?

Mr Minns: We had discussions with the bargaining committee in the period immediately following the 'no' vote. At that time, we made some revised offers to the union members of the committee. That included an offer to change what you might call the 'weighting' of the wage increases over the three-year period. The offer that defence put back was four per cent for year one and 2½ per cent and 2½ per cent in the second and third years. We have a range of other matters which are not yet fully agreed with the bargaining unit. When we last met, the position of the unions was that they did not wish to continue the bargaining process while our offer remained capped at nine per cent. At the moment we are in something of a stalemate.

Senator McEWEN: How many times have you met with the representatives in bargaining since the vote failed in June?

Mr Minns: Two or three.

Senator McEWEN: Only two or three meetings?

Mr Minns: Three times in meetings and in phone conferences.

Senator McEWEN: Not a lot, is it?

Mr Minns: The situation is that the unions said that they did not wish to continue negotiations with us if that was our offer. We said, 'As soon as you would like to continue those negotiations, we are available.'

Senator McEWEN: Defence is not prepared to increase its offer from nine per cent?

Mr Minns: No. I can offer you the fully accurate numbers, Senator.

Senator McEWEN: Yes, thanks.

Mr Minns: Seventy-eight per cent voted; 72.5 per cent voted no. I had those round the wrong way.

Senator McEWEN: At this stage Defence has no intention of moving from the position it last put on the table?

Mr Minns: Not at this stage. We have a range of budgetary pressures and we have our commitment to the Strategic Reform Program. We discussed it with the unions and, indeed, we asked our chief financial officer to meet with the bargaining unit and have a discussion with them about our financial position in which we explained why we remained of the view that nine per cent is what we can afford at this time.

Senator McEWEN: But there are no further meetings scheduled?

Mr Minns: Not at this stage, no.

Senator McEWEN: What were the other matters, the non-wage components, in the proposed agreement?

Mr Minns: There are a series of matters which the Australian professional engineers and scientists association has placed on the table. I will ask Mr Brian Paule, who has been leading the negotiations, to give you more detail.

Mr Paule: We have been in consultation with the unions on a range of issues, including some workplace change arrangements, working hours for executive level employees, some superannuation issues and other workforce change issues. To perhaps correct the record, since the breakdown of negotiations all of the meetings have been via phone hook-up rather than in person.

We are currently dealing with the unions on a proposal they have put forward on a differentiated pay offer. Our initial assessment is that that would not be affordable from a Defence perspective, and we are in active consultation with the unions on that proposal from them at the moment. We have scheduled another phone hook-up with them next week. Aside from that, Mr Minns has met with APESMA to discuss particular issues in relation to engineers.

Senator McEWEN: So there is another phone hook-up next week?

Mr Paule: A phone hook-up, with the four or five key unions that we deal with, on a differentiated pay offer, yes.

Senator McEWEN: All right. I look forward to hearing the outcome of that. With regard to the proposal for ADF personnel—I am not so familiar with the negotiations in that sphere—did military personnel accept or reject the offer made to them by Defence?

Mr Minns: The process with the ADF is that we run a series of largely informal consultative meetings. We go out and do briefings about the proposed structure of the WRA. That occurred in the period July-August.

Mr Paule: May to—

ACTING CHAIR: I think your microphone just went off, Mr Paule.

Senator McEWEN: May to July 2011 you had consultation?

Mr Paule: In all major Defence establishments across Australia members of the ADF were consulted in relation to a pay offer of nine per cent over three years.

Senator McEWEN: They were consulted on it, but have you asked them if they support it or not?

Gen. Hurley: The ADF has a consultative process, not a voting-to-agree process. I need to take into account what the outcomes of that consultative process were.

Senator McEWEN: I understand that, but what was the general feeling about the nine per cent offer?

Gen. Hurley: Sixty-two per cent of members who responded did not support the offer.

Senator McEWEN: Sixty-two per cent of members who responded? How many members responded?

Gen. Hurley: About 26,000.

Senator McEWEN: And what percentage of the total workforce is that?

Gen. Hurley: That is just under 50 per cent.

Senator McEWEN: Fifty per cent responded and, of those, 62 per cent did not accept the offer?

Gen. Hurley: Yes.

Senator McEWEN: And your next stage is to take a submission to the remuneration tribunal—is that correct?

Gen. Hurley: To the Defence Force Remuneration Tribunal, yes.

Senator McEWEN: And that will be for nine per cent over three years?

Gen. Hurley: Correct.

Senator McEWEN: When do you expect the remuneration tribunal to make a decision?

Gen. Hurley: It is really in their hands. We will put that to them in the first week of November.

Senator McEWEN: The WRA expires in November. Is there any backdating?

Gen. Hurley: It is unlikely because I would have to develop an argument for extraordinary circumstances existing. That does not look too positive.

Mr Minns: One point of minor clarification: the hearing date with the DFRT is on 27 October. The agreement currently expires on 3 November. So it is available to the DFRT to reach a quick decision, but that matter is certainly one for their consideration.

Senator McEWEN: Is it just the wage component they are considering or are there other aspects?

Mr Minns: In this case it is just the wage component.

Senator JOHNSTON: Secretary, can I go to the air sustainment and transportation of our people into the MEAO. It has come to my attention via a number of sources that there are a number of problems with that contract. I will go through them. I trust we have someone here from logistics or that area who can deal with some of these. On 10 March the fly-away kit became detached on landing and was rattling around, causing some damage. In December 2010 the plane rolled backwards from the terminal bay. The brakes were applied so severely that the passengers on board were thrown around inside the cabin. One of them had to be hospitalised. I am told there is no screening for security coming out of Al Minhad. The aircraft is a Portuguese-run aircraft. There are various aircraft being utilised to support the contract because of reliability issues with the existing A340.

The crew members have no or very limited endorsements with respect to evacuation procedures, door operation, slide and slide raft operations, the maintenance and protocols with respect to over-wing exits et cetera. A number of them do not speak English. I have mentioned the serviceability and reliability of these aircraft. The seats are broken. The food is dreadful. I would like to know how much we are spending on this particular contract on a monthly basis, if I can put that on notice.

The workforce is not subject to Australian terms and conditions. I can go through some of the matters that I have been advised of: the cabin crew does not get a copy of the 2010 award; the correct accrued annual leave is not paid to the crew; public holidays are not paid; there is no flying allowance; and so on and so forth. There are probably another 10 different aspects

of the way some Australian crew members see a differential between what they know and understand to be conventional flying terms and conditions in Australia.

I think there are alarm bells ringing very loudly on this contract. Bear in mind it is a Hi Fly aircraft that is leased from somewhere else. Everybody who has flown on it says to me that it is a problem. I think there are substantial problems with respect to this contract and I would ask you to have a really close look at it for future reference.

Mr D Lewis: Are you asking a question with regard to the earlier stuff, or are you just asking that the contract be reviewed? I am very conscious of the investigation or review that was done of this contract by this committee and the nine recommendations. We have, as you know, moved deliberately and quickly to implement a number of these things. The actual nine recommendations are currently with government, but I have no reason to believe that they will not be very quickly settled and agreed. Much of that went to probity of the contracts and so forth, and I think we have moved promptly to address that. I will see if we have any response on the issues that you are raising now, but I do understand what you are saying.

Gen. Hurley: We will take that on notice. We do not have a representative here from joint operations who would be across any of that.

Senator JOHNSTON: I did anticipate that you would take those on notice. I was not expecting a line-by-line reply to those issues. But, I must say, a number of people are knocking on my door and telling me that there is an issue with respect to this. Bear in mind, we only really have one combat operation. It is a long way to go—I think we are on board for more than 11 or 12 hours. I really think we could do better, if I may be so bold.

Gen. Hurley: If that is the issue, we certainly should, but I would much prefer people to be knocking on my door rather than yours to let me know about these issues.

Mr D Lewis: Can I just correct the record on one issue. The nine recommendations of this committee's review are still with the department and are going to government shortly. But we do have it well in hand.

Senator JOHNSTON: I am obliged to you for that answer. Thank you.

Senator HUMPHRIES: Mr Lewis, in your opening statement you said that the SRP was on track and that target savings for 2010-11 of \$1.016 billion were achieved. The figures for the savings from the SRP that were included in the white paper in 2009 now appear to be different to that target figure. The figure that was postulated for 2010-11 in that document was \$951 million. I take it this has evolved with further strategies being developed and so on. Is there a revised version of the SRP year by year that we can see?

Mr D Lewis: I will get Mr Sargeant to talk to this in a moment. However, the year-by-year figures on the SRP savings will quite clearly move around as we progress. The good news, of course, is that we have overachieved in the first couple of years. I think it is beholden on us to continue to press the envelope as hard as we can. So I welcome that sort of overachievement. Obviously, if you can continue to do that you would be delighted. It is important for the committee to note, however, that in terms of the glide path for the savings, we move quite soon into a significant ramp up. So the challenge becomes increasingly difficult as we go forward. There is quiet confidence around that at present and we are tracking okay. I will see whether Mr Sargeant has a specific answer to your question with regard to the year-by-year reassessment.

Mr Sargeant: When the SRP was designed, the government decision was to achieve \$20.6 billion savings over 10 years. There was a process of planning which put in place a range of potential measures plus a series of savings targets. Those savings targets basically, so far, have been achieved. I am not sure about the variation that you are talking about.

Senator HUMPHRIES: Attachment A to the 2009 published document about the SRP details the provisional savings and costs. It indicates the streams under which the savings will be made. It indicates the cost streams. I am sure you have seen the document. It is on page 27 of that document. It postulates gross savings of \$951 million in 2010-11. As the secretary has pointed out, we now have savings of over \$1 billion in this area. I want to know how we have reached that figure. In which areas have we achieved greater savings to give us that better outcome?

Mr Sargeant: What has happened is that the original projected savings by stream were based on planning which was done when the SRP was designed. As we have moved into the program we have seen some variation—

Senator HUMPHRIES: Understood. So can I get the details? For example, the first line of savings is ICT savings. It was supposed to save \$92 million in 2010-11. How much did we actually save in 2010-11 from ICT savings?

Mr Sargeant: In 2010-11 we saved \$26.7 million.

Senator HUMPHRIES: That is much less than was postulated in the original publication.

Mr Sargeant: The reason for that was that last year we decided, because we had the opportunity to spend a bit more on ICT, to increase our level of investment. That meant, in terms of how we measure savings performance, that in terms of the targets we did not achieve the savings that we thought we would because the savings were really a relationship between savings achieved and budget. But, that said, all the reform activities that the ICT program undertook were achieved.

Senator HUMPHRIES: Great. There are several streams here. Rather than go through them and ask you to tell me what variation we have had from the original plan, can you table the revision effectively of attachment A to that SRP paper of 2009?

Mr Sargeant: Yes, we can do that.

Senator HUMPHRIES: Other savings have been announced from time to time by ministers. Minister Clare announced \$100 million savings from smart sustainment stream on 13 May this year, for example. I take it that all of those variations will contribute to the SRP target, which is to pay for future capability enhancements in Defence, not to contribute to overall budget savings across the government.

Mr Sargeant: The aim of the program is to achieve efficiency and to improve capacity or improve effectiveness. Take for example the saving that Minister Clare announced. My recollection is that that related to changes to the contract arrangements for over-the-horizon radar and so what we were achieving out of that was process improvements and contracting improvements, which led to cost reductions and greater efficiencies but also, as a result of that, performance improvements. So when we measure the performance of the program we look at both the cost reductions achieved and the efficiency gain but also we look to see that it does not affect capability or safety. Desirably, if you are changing your processes to get the level of efficiency gains that we are after, then you actually ought to get effectiveness

improvements in your organisation. Our performance reporting regime is really designed to ensure that we do not get efficiency gains at the cost of capability or safety. But when you do look at some of these processes and start to rethink them and redesign them, one of the really good results is that you do actually get performance improvements as well—and we have seen that in parts of the program.

Senator HUMPHRIES: That is great. I suggest we see how these are breaking up so we have an idea of what exactly is going on in each area. Are we able to break down the SRP's impact by discrete parts of Defence, for example? Could you tell me how much of the SRP burden is being placed on the shoulders of the DMO?

Mr Sargeant: What we have done is design the program around a series of streams. One of the streams which has a big impact on the DMO is the smart sustainment stream. The DMO is the lead on that stream. That stream is designed to improve the efficiency and effectiveness of elements of the smart sustainment—

Senator HUMPHRIES: Most of the streams cut across—

ACTING CHAIR: Senator, as it is 10:30 we will take our break and come back with you in continuation on your line of questioning.

Proceedings suspended from 10:30 to 10:45

Mr D Lewis: If I could come back to the points Senator Humphries has been raising, in a moment I will get Mr Sargeant to step through a brief explanation of why there is some variation in those figures. There is very clearly in the accounting processes a difference between what I would describe as apparent and real savings in this thing. It is to do with two accounting processes. I will get Mr Sargeant to step through that and then with your concurrence would like to get Mr Greg Farr to the table. Greg will explain to you the actual savings that have been made in the ICT program, which was the point of your question.

Mr Sargeant: When we report to government, we report SRP performance by stream against the budget that was allocated for that area in that year. What happens is that in the case of ICT the budget was increased to take advantage of opportunities to bring forward some investments. That meant that because the budget had increased the proportion of SRP achievement in a reporting sense became smaller and that was the reason for the amount that the report. That said, the level of efficiencies in terms of cost reductions that ICT group achieved through SRP was what had been planned for and targeted. So we are talking about the difference between planned achievement and I suppose volatility within the ICT budget. We report against the whole budget, not against a carve-out of that budget, if I can put it that way. Mr Farr can talk in more detail about what has actually been done.

Mr Farr: It is as Mr Sargeant said. If I could, I would like to take you through some of the details of where efficiencies have been saved because I would hate the committee to get a view that there are not significant efficiencies and savings being made across the ICT budget. I will go back one year further to give you a complete picture of where we are at the end of savings profile for the ICT screen. To go back one year, our savings for 2009-10 was \$49 million and the savings we actually made during that year were \$94 million—that is, taking aside any further investment that would have been made, as Mr Sargeant explained. For the year 2010-11 our target was hundred \$128 million and we achieved \$130 million. So in a cumulative total you can see that we were about \$46 million ahead of where we would have

expected to have been on targets. Some of those savings have been found in different places and some of the savings we thought we would find will be found in later years.

To spend a little bit of time going through the savings for the year 2010-11, we have had specific savings in reductions of unit costs and maintenance and support relating to contracts we have with Microsoft, IBM, SAP, Computerware, HP Oracle and some other software suppliers. As a result, we have realised a benefit of \$20.3 million. We have had reductions in contract costs to fixed and mobile telephones which have resulted in a saving of \$22 million. We have had reductions in unit price costs relating to desktops, monitors, printers and laptops which have resulted in a benefit of \$10 million. We have had reductions in contract prices relating to ICT support contracts through the consolidation of some existing contracts, and they have resulted in savings of \$24 million. Just our general sustained efficiency program has resulted in \$10.3 million worth of savings through the purchase of mobile phones and the rationalisation of regional contract staff relating to voice billing, auditing switchboards and help desks, and then just normal efficiencies that you would expect to find year-on-year have led to another \$15 million worth of savings. In addition to that, other groups and services outside my own group in the ICT stream have made \$28 million worth of savings. So there is very significant reform being done across a number of areas but, as Mr Sargeant pointed out, there were some decisions made to further invest in ICT so that some of those savings could be brought forward in future years.

Senator HUMPHRIES: That is good, but we do not know what the targets were. When are those figures for?

Mr Farr: They are for the year 2010-11.

Senator HUMPHRIES: I would like to know what the targets were for 2010-11 but the targets for 2011-12 would also be good to know. I am reassured that you are approaching the task of finding these savings in a forward-looking and innovative way, that is pretty clear, but I want to make sure we can look at these closely enough to ensure that the commitment that Defence has made that there will be no compromising of capability in achieving these savings can be sustained. That is why a little more detail is important.

Mr D Lewis: I do not know whether this is the appropriate time to make this point, but the savings of the \$20 billion over the life of the SRP and the redirection of that money into capability, which is the fundamental underpinning of the project, is of course enormously important and it is quite right that we go through line by line, as we are currently looking at the savings and looking at achievements and so on. I make the point, however, that as somebody who has come to the SRP process two years into its life, and reiterating what I said in my opening statement about my commitment to this process because I see immediately its essentiality to Defence, I think it is important to register the point that at the end of the day, having saved the money, the outcome that we are looking for is a different Defence organisation. We are looking for an organisation that is different in its structure, different in its approach to expenditure, different in its manner and different in its culture, and it will be imperative, as well as saving the money, that we have an organisation that is culturally different from the way it operates currently in terms of expenditure and its approach to expending public moneys.

Senator HUMPHRIES: Again, I think that is a supportable goal. There was a report a while ago that one of the savings being sought was a cut to the provision of instruments for

Army bands, particularly for Reserve units. Is that savings measure, which was supposed to be saving about \$2 million, still on foot?

Lt Gen. Morrison : There has been a change to the way bands inside Army are managed, including funding. The bands have been divided into two broad categories—the first is those that remain as established Army bands, or defence bands, which include those operating for example at the Royal Military College Duntroon or at the Recruit Training Battalion in Wagga. There are bands that are second tier, if you like, that are comprised of Regular and Reserve members. Those two tiers are funded. They comprise Regular Army musicians as well as Reserve musicians. The pay, the facilities, the instruments and the uniforms are all met from within Defence. There is a spread of those bands across the Army in all of the main population centres where we have an Army presence.

The third tier are regimental bands. They comprise bands that are formed by members of Reserve or Regular units whose full-time job is something non-musical—they are members of that unit. The regimental association have decided that they want to maintain a band within that unit. Under the arrangements that are now in place, we have said that that is fine, but while there has been an initial issue of instruments to them that regimental association is responsible for the upkeep and the provisioning for those bands if they wish to have them.

Senator HUMPHRIES: How would you characterise the decision to restructure those three tiers or to deal differently with the bands at the third tier? Is that part of a cultural change of the kind that Mr Lewis just spoke about, making the organisation more lean, efficient and better focused, or is it simply a response to a requirement to cut a certain amount of money out of Army's budget?

Lt Gen. Morrison: No, I would characterise it as a continuing appreciation of the role that bands play inside Army and a recognition that there needs to be both established and fully resourced bands in areas where their use is most relevant, and an accommodation for those units where it is less important to Army as a whole but important to the regimental associations that we allow those bands to exist and that we provide a limited degree of support. There are definitely some savings in this area. We have found some workforce savings with the realignment of some of our bands, where we have established those that are going to be tier 1, if you like, or tier 2. We have done so in a way that I am satisfied we have achieved all of the deference to the Army culture and the importance that music plays within that.

Senator HUMPHRIES: A story has come to my ears, though I am not sure it made it to the media, about cuts that have been made to the provision of mess uniforms. Can you tell us anything about that?

Lt Gen. Morrison: There have been no cuts to mess uniforms. Those who are entitled to wear a mess uniform—officers, warrant officers or senior NCOs—will continue to do so. However, we have had a look at the way Army has designed its mess uniforms across the various corps that make up the Army and we found that there have been inefficiencies in the way we have done so in the past. The uniforms have been designed particular to Army and particular to certain corps with an Army. We have attempted to find a common design, similar to Navy and Air Force, so that we gain some efficiencies in the production of those uniforms. We have aligned the uniforms within the corps to be more standard, so that we have made considerable savings in the way we will now produce a more common uniform across the

Army. There has been some concern by certain members of the Army that we are being less culturally aware of corp history. I do not accept that. I think that there has been accommodation for that in the design of the new uniforms and there has certainly been a very wide engagement with Army's workforce in terms of the design of these new uniforms. The savings, however, are significant—in excess of \$1 million per year. I found those figures to be desirable in terms of Army's commitment to the Strategic Reform Program while, at the same, remaining true to Army's culture and, indeed, to corp heritage.

Senator HUMPHRIES: You seem to be saying to us that you would be pursuing savings like the ones to bands and to mess uniforms, irrespective of a requirement to contribute to a savings target across Army. You see some cultural advantage in these changes.

Lt Gen. Morrison: I think the secretary hit the nail on the head with the SRP. It is about efficiencies in dollar terms but it is also about enduring reform across the organisation. As the Chief of Army, I have a responsibility to ensure that due attention is paid to our culture, but where I believe I can balance that with cultural reform and efficiency then I feel confident in doing so. With both the bands and the mess uniforms, I think that is the case.

Senator HUMPHRIES: Chair, could I ask a couple more questions on that theme?

CHAIR: All right, Senator Humphries.

Senator HUMPHRIES: There was the media release by ministers Smith and Clare in early May about the Strategic Reform Program, which talked about savings from the way in which Defence dealt with civilian employees and other things. It also talked about savings that the Defence Force was delivering to government as part of the efficiency dividend process—raising the dividend from 1¼ to 1½ per cent. Can we be clear about the separation of those two streams. I gather that the SRP stream will continue to go towards enhancing capability but the efficiency dividend stream of savings will go into heading towards this surplus, supposedly in 2012-13. Can you tell us what the figures are and how those two sets of streams will work? How much is going in this year's budget from Defence into contributing to the government's achievement of a surplus?

Mr D Lewis: I will get the CFO to come forward and answer that. There is a clear distinction between those two issues. We will just give you some idea of the quantum.

Mr Prior: I want to refer to the PBS. Have you got the 2011-12 PBS?

Senator HUMPHRIES: Yes, I have.

Mr Prior: On page 30 of the PBS, we talk about the increased efficiencies—the efficiency dividend. It says: 'Efficiency dividend—temporary increase in the rate'. Can you see that?

Senator HUMPHRIES: Yes.

Mr Prior: And you see the rate changes across those years.

Senator HUMPHRIES: Yes.

Mr Prior: If I take you down—

Senator HUMPHRIES: So \$134.9 million is the total saving over the forward estimates from the efficiency dividend.

Mr Prior: Yes. If I take you back two pages to page 28, there is a table. You will see in that table the budget measures, and then you will see 'Savings measures' as a title and

'Efficiency dividend—temporary increase in the rate'. They are the amounts across the years. I think that answers your question about what the amounts were in each of those years.

Senator HUMPHRIES: Is there a different line for the savings from the SRP—not that they are savings that will go back to the central budget?

Mr Prior: No. The methodology we use for savings that are reinvested is that they are not shown separately as a savings measure, because these relate to the whole-of-government savings.

Senator HUMPHRIES: I know that there is a requirement for the CDF and the secretary to certify every six months that the SRP has not impacted on the operational capability of the Defence Force. Have I got that right?

Mr Sargeant: We have a process of assurance over the program. It is quite elaborate but it involves capability managers signing off or certifying that the SRP as it affects the capabilities they are responsible for do not impact on capability. That then goes through a process of assurance through the Defence Audit and Risk Committee and the Defence Strategic Reform Advisory Board. The chairs of both of those committees write to the secretary and the CDF providing those assurances around the program and identifying any areas where they think there may be issues. That then goes into a larger report which we provide to government twice a year.

Senator HUMPHRIES: I take it the new CDF and the new secretary have not yet signed off on their first of those sign-offs at this point?

Mr Sargeant: We are in the process of reporting to government at the moment.

Senator HUMPHRIES: I will seek at future estimates an assurance that that process of monitoring that the SRP has no impact on capability continues to be kept in line.

Senator FAWCETT: CDF, coming back to your opening statement, you said that the successful conduct of operations is your highest priority. I would just like to go to Operation Slipper. The then minister, Senator Faulkner, in June 2010 announced in a media release:

The ASLAV provides our forces in Afghanistan with mobility, firepower and protection, enabling our troops to conduct search and escort operations and provide support to close combat operations.

Is this still the case?

Gen. Hurley: The ASLAV is still in operations in Operation Slipper in Afghanistan. You would understand the heritage of that vehicle as a reconnaissance vehicle. It does not need to fulfil that role in Afghanistan, so it is used more as a fire support vehicle—observation, oversight, overwatch when troops are moving, particularly in the green zone. So that is its major use at the present time.

Senator FAWCETT: The media release the minister put out in June last year was announcing second-pass approval for LAND 112 phase 4, which was an ASLAV enhancement to the value of \$302 million. The enhancements were to provide 'increased protection against a wider range of threats—including improvised explosive devices—by improving ballistic, fragmentation and blast protection.' Can the ASLAV 25 still currently be employed without limitation in the full range of roles and tasks stated by the minister last year pending this upgrade?

Gen. Hurley: There are a couple of issues in relation to the upgrade of the ASLAV. We might ask DMO to come up and talk about the whole project. Mr King is here. The issues from our perspective are that we intended to do a fairly significant upgrade to the ASLAV for the whole fleet. In short, when we looked at the technical feasibility of that, we were not able to do that. Mr King can address some of the aspects of that. We then went back and said, 'Okay, what must we do in Afghanistan?' We have made certain upgrades to the vehicle in Afghanistan to make it effective, sustainable and survivable in that environment. The broader future for the ASLAV fleet is an issue that is still being addressed. Again, Mr King can talk about the project in detail. Recall that under the force protection review that was done when Senator Faulkner was the minister we looked to enhance the survivability of that vehicle in Afghanistan and we have done that.

Senator FAWCETT: The announcement talked about an April 2012 delivery date for these enhancements. In fact there was discussion both in international and local media about the fact that that timetable would be brought forward. Is that timetable still on the books?

Mr King: I will split it into two parts. The project for the complete upgrade of the ASLAV was not executable as we originally envisaged it. We ran into technical difficulties with the solution, which basically would have made the vehicles too heavy. When we did a risk analysis of the weight of the vehicles against loss of things like braking distance, accelerating times and manoeuvrability, it became a greater risk than the protection it offered. What we have done is to upgrade both the ASLAVs and PMVs in theatre. I will quote from Major General Campbell, the Commander, Joint Task Force 633, who said:

I write to express my appreciation to you for the excellent work completed recently by your organisation, which has improved the survivability of key MEAO land platforms. I wish to acknowledge the excellent effort of your staff associated with the design and rapid implementation that has led to the success of the PMV and ASLAV survivability upgrade programs.

Of particular note was the mitigation. What we did was add belly plates to the vehicles and a range of quick seat protection—a seat that can take blast impact—and arranged to have them shipped directly from the US into theatre, with the successful integration into the ASLAV being conducted on location. But the upgrade teams successfully completed their task, with minimum impact to operational activities and under challenging circumstances. It was also pleasing to see that the PMV upgrade was completed two weeks ahead of schedule and that, during this time within the MEAO, both teams provided assistance above and beyond their primary tasks, such as developing ASLAV and PMV tyre-changing facilities and supporting other technical maintenance activities. The point I want to make is that, from the operations point of view, the commander is happy with what he has in theatre with the upgrades. It is a MOTS adaptation of a US Marine Corps solution and it is in theatre.

We are revisiting the whole ASLAV upgrade program. The basic issue is that the ASLAVs that we use have a weight, axle and propulsion train limitation, and the ambition target that we set for the protection would have been too great a technical risk and too great a wait.

Senator FAWCETT: To go back to the original program, in Canada the *London Free Press* in July ran an article saying that this was coming from Armatec, the company announced by the minister to have won the contract, and that 'the final round of negotiations was successful'. They were very happy with everything but it has been plagued with delay, after delay in their decision-making. That same company presented a prototype vehicle to the

LAV users group in October, and the company is one that has manufactured over a thousand modification kits for both the US Marine Corps and the Canadian forces. Did the prototype presented to the user group contain the belly plates or just the ESKI modification?

Mr King: I cannot answer that. I will see if we can get some additional assistance on question.

Major Gen. Cavenagh: The Armatec is part of an initial contract that we let, and part of that contract was to develop a prototype. Armatec took that prototype to about 80 per cent to 90 per cent, and the prototype that was displayed did not have the belly plate.

Senator FAWCETT: Was testing done to verify the efficacy of that modification against, I am assuming, a functional performance specification around blast protection and did the ESKI modification meet the requirements of the FPS?

Major Gen. Cavenagh: Blast testing was conducted. The blast testing was done to compare it to the belly plate configuration and the ESKI system that was tested in the blast showed that it could actually withstand a certain level of blast.

Senator FAWCETT: Did it meet the FPS requirements?

Major Gen. Cavenagh: Whilst you refer to the FPS, because this was described initially as a military-of-the-shelf procurement as an urgent operational requirement we were essentially buying a package. So we were taking what they had and looking to implement it as quickly as we could. So it was not strictly tested against an FPS. What we were doing was verifying that it could withstand a certain level of blast that we considered was the minimum level.

Senator FAWCETT: Let me rephrase that question. Was there a fatal outcome for the crew using the ESKI modification against the level of blast tested?

Major Gen. Cavenagh: No, there was not.

Senator FAWCETT: And you said it was a comparative test with the other solution. Was there a fatal outcome for the crew?

Major Gen. Cavenagh: I would have to check on the tests for the Marine Corps belly plate, because you are not comparing apples and apples here. The belly plate, as its name suggests, is designed to be an additional level of protection that is essentially bolted on underneath the LAV to provide some protection against mine blast. With the ESKI system, it was a very intrusive modification of a vehicle. That had, in addition to what was included underneath the vehicle or in the base of the vehicle, additional side armour and a whole range of internal systems within the vehicle being shifted or modified in one way or another.

Senator FAWCETT: The industry perspective is that Armatec has 'a reputation for producing equipment that is combat proven against advanced ballistic, mine, IED, shaped charge and other threats.' Also:

Having performed so well in providing and installing spall liners for ASLAVs in the MEAO, the company--

is—

regarded widely as an 'incumbent' in LAV protective enhancements ...

As I say, there are some thousand-odd kits for both the Marine Corps and the Canadians that have been produced. What I am hearing from you is that the prototype that was developed by the company—and that was under contract, I assume, with the ADF—

Major Gen. Cavenagh: Yes, it was.

Senator FAWCETT: How much was spent on the contract?

Major Gen. Cavenagh: I will have to get that number for you.

Senator FAWCETT: I am assuming millions of dollars.

Major Gen. Cavenagh: Yes.

Mr King: We will get that number for you, Senator.

Senator FAWCETT: I presume it has involved a number of vehicles being sent from Australia to Canada.

Major Gen. Cavenagh: Yes, it has.

Senator FAWCETT: That modification did not involve the belly plates but it did pass the blast test in terms of providing protection to the crew?

Major Gen. Cavenagh: It passed the blast test.

Senator FAWCETT: Without the belly plates did the modification come in under the weight budget?

Major Gen. Cavenagh: No, it did not.

Senator FAWCETT: What was the actual weight of the ESKI?

Major Gen. Cavenagh: There are three different types. I will explain. The ASLAV in its standard form has a certain weight budget. There are certain exemptions that were given to take it to a higher level of weight budget for operations and still have it as a certified operational vehicle that was able to carry out its full range of tasks except for swimming. The issue that we had to deal with was this: when you added all of this additional ballistic protection and when you shifted and modified the systems inside the vehicle, did it still perform in a manner that would allow it to be successfully utilised on operations? There are three types of LAV that we are looking to have modified: the first type, type I, the gun car; type II, the PC; and then the variants and so on. Each of those vehicles has a different weight budget. What we were looking at with the type I vehicle was this. It was pushing the absolute limits of what you could consider as safe operation. There are judgments here, so we have been doing our own trials and testing, loading LAVs up with different weights to in fact be able to verify our engineering judgments. In parallel with Armatec going ahead and developing their modifications, we have been doing a range of testing and also engineering work ourselves. On top of that, the type II and the type III—of which prototypes were not developed—had a much heavier weight budget than the type I. Our judgment was that those vehicles could not be viably operated given the changes in performance from carrying that additional weight.

Senator FAWCETT: Is that weight, though, the ESKI modification plus belly plates or is that the ESKI modification alone?

Major Gen. Cavenagh: That was the ESKI modification alone. The belly plate added considerably more weight onto it, so it just made the problem worse.

Mr King: Maybe I can put a broader context onto this. I am currently using this inside DMO now as an example of weighing up the risks of the project. I will be blunt: the company over-represented the MOTS element of this solution. We were motivated, clearly, to get protection into theatre for the soldiers. The company promoted this solution very strongly to us as a MOTS solution, but it is actually a highly integrated solution that involves modifications to the vast majority of the vehicle in one form or another—fuel supplies, electrical supplies, weight, distribution, fittings, support struts. It is a very comprehensive piece of engineering.

The problem was that it was represented to our Defence Force as a very simple solution and one that we could field very quickly. We rapidly found ourselves in an area of a technical risk—the summation of all these pieces of technology which had been proven, or partially provable on one platform or another, coming together in our platform; the amount of time it was going to take to install it, test it, prove it and then upgrade it and get it into theatre; and, finally, we had certain reservations about the company and our dealing with it. All three things in a programmatic sense made it unviable to get that protection, or some protection, into theatre for our people on service. So we took the decision at that point, certainly for the vehicles in theatre, to get the proven Marine Corps upgrade into theatre and protecting our troops. We ran a real risk that we would not get protection into theatre in the time we anticipate before withdrawing.

Senator FAWCETT: I have two follow-up questions on that. Firstly, I am still waiting for the feedback on that answer about whether the alternate solution when blast tested had fatal outcomes for the crew.

Mr King: We will get that answer for you.

Senator FAWCETT: That is a very important thing to establish. Secondly, is the company wrong then in the public reporting to state that through the contract negotiations the Commonwealth was happy with all the aspects—weight, cost and reliability—and that they could deliver not only the 12 April time frame but, if the contract had been signed when they had originally planned, that they were in fact in a position to expedite delivery of that capability?

Mr King: The company view and our view differ, and I have got the responsibility, not the company.

Senator FAWCETT: Has the company actually been advised? I notice that they again in the free press are talking around the fact that they are laying off people, which also affects companies in South Australia. Have they been advised of the termination of that?

Mr King: We have not finalised our completion of the program. What we dealt with was how to protect our people in operations better than they had been. The big issue was getting some additional protection, against none, in a timely fashion for our people. That is what we pursued and we have still got to finalise our advice to government on the balance of the program.

Senator FAWCETT: And that was predominantly for the type I vehicle, the gun vehicle in theatre?

Major Gen. Cavenagh: I am not sure. If you are referring to the modifications that we have made, we have put the belly plate onto all of the operational vehicles in theatre.

Senator FAWCETT: I will put on notice feedback regarding the blast testing.

Mr King: The harder decision, though, was that a protection was better than no additional protection. But we will certainly get the information that we held on it.

Senator FAWCETT: So is that decision around phase 4 of Land 112 currently with the department or with the minister?

Mr King: With us.

Senator JOHNSTON: Can I go to the issue of security vetting, with Mr Merchant.

Senator JOHNSTON: Mr Merchant, on an old chestnut: when will the I-G of Security Intelligence report be coming down? Have we seen it yet? What is the status of that?

Mr Merchant: The investigation by the Inspector-General of Intelligence and Security, I think it is fair to say, is well advanced and we would expect her to finalise her report shortly, probably sometime over the next month or so.

Senator JOHNSTON: I do not want to get into what has occurred in terms of who did what and all that sort of stuff, other than at the very beginning and what you think the corollary of the damage is. How many we have effectively had to redo is, I think, a measure; can you tell us that?

Mr Merchant: We are starting a number of actions to remediate the situation as we now understand it. In particular we are going through a data validation exercise to bring the material we hold in soft copy back to the original data that was provided by applicants in hard copy and, where there are variations, to check those with the applicants. That process is only just starting.

Senator JOHNSTON: How many applicants?

Mr Merchant: We are looking at a validation exercise that will extend over thousands of applications.

Senator JOHNSTON: Is that 5,000, 10,000, 200,000?

Mr Merchant: Our initial focus will be on about 5,000 top-secret clearances but we will extend it to lower level clearances, so the total number is probably going to be around 20,000 new clearances—people who had not previously been through an ASIO check.

Senator JOHNSTON: This was first raised in May 2010 via a number of sources, firstly directly with superiors of the contracted employees, who were all aware—were on television and what have you—but also with four parliamentarians. Are you aware of the issues being raised in 2010 with four parliamentarians?

Mr Merchant: I am certainly aware that a number of the former contractors raised issues about their treatment by their management and the Defence Security Authority during their time in the vetting centre in Brisbane. That seemed to be more around—

Senator JOHNSTON: Bullying and other things?

Mr Merchant: Yes.

Senator JOHNSTON: I have seen some of the correspondence that they raised and some of the reports they made to some people who were employed to report on their complaints back in May, June and July 2010. I will come back to those reports in a minute, but the four parliamentarians were the former member for Forde, Mr Raguse; Minister Snowden; Minister

Griffin; and Minister Emerson. They were all given firsthand information about these problems back in 2010. Are you aware of that?

Mr Merchant: I am certainly aware of the issues raised concerning their treatment and the management practices, and subsequently the Defence Security Authority engaged an independent firm to investigate those claims.

Senator JOHNSTON: Was that Trent and Brennan?

Mr Merchant: Yes.

Senator JOHNSTON: Their remit was simply to look at the management of these individuals?

Mr Merchant: That was the focus of their work. Of course, what we now understand is that one of the people who looked at those, Ms Trent, did include a reference in a report to the Defence Security Authority that referred to concerns that the individuals had about what she termed 'security practices' at the centre.

Senator JOHNSTON: Exactly. Do you have a copy of that report?

Mr Merchant: I do not have a copy of it with me but I have seen a copy of that report.

Senator JOHNSTON: Is it publicly available?

Mr Merchant: Yes, it is available and it is being provided of course to the Inspector-General of Intelligence and Security.

Senator JOHNSTON: Could the committee have a copy today, possibly?

Mr Merchant: I would be hesitant only about privacy concerns if it talks about names of individuals.

Senator JOHNSTON: A redacted copy?

Mr D Lewis: If it is with the inspector-general, there may be some issues around that as part of her report which of course is in process. Perhaps we could have a look at that during the course of today to see whether there is any possibility, but I do alert you to the fact that because it is with the IGIS that may be an obstacle.

Senator JOHNSTON: The status there is that the IGIS can only take a brief from the Prime Minister.

Mr Merchant: In regard to this matter which relates to activities and practices of the Defence Security Authority, because it does not fall within the six intelligence agencies that form part of her normal remit, yes, it required a referral from the Prime Minister. The minister requested the Prime Minister to refer this matter to the Inspector-General of Intelligence and Security. That was subsequently done and therefore the IGIS started her inquiry just about the time, I think, we were last here at estimates.

Senator JOHNSTON: Which was early June.

Mr Merchant: Late May, early June.

Senator JOHNSTON: How much did we spend on the Trent Brennan report of 2010?

Mr Merchant: I would have to take that on notice.

Senator JOHNSTON: Julie Trent's report did advert to, way back then, these practices and these problems. On 21 September, the minister said, 'Allegations about poor security

processes were first raised in passing in the course of an investigation into harassment and bullying.' Is that entirely correct?

Mr Merchant: As I understood it at the time, the reference to the fact that this was raised in an indirect, passing way in the report we received from Ms Trent.

Senator JOHNSTON: But three ministers were told of these practices.

Mr Merchant: My understanding was that the practices were around the way people were treated. The reference in the minister's media release was not meant to imply that the individuals had raised these concerns about the inappropriate practices with vetting in passing with Ms Trent.

Senator JOHNSTON: They raised them directly.

Mr Merchant: Her reference in the report though was only a small part of the text of that report. It did not appear in the recommendations. I readily concede, and the minister has said this, that it was unfortunate and it was not right that we did not follow through appropriately on that reference in Ms Trent's report.

Senator JOHNSTON: Not only did you not follow through; three ministers did not follow through on matters that now require us to redo 20,000-plus vets—of security that is of significant importance.

Mr Merchant: As I have said, the correspondence that I have seen, apart from that reference in Ms Trent's report and I think we may have also had some notes from Mr Brennan, was all about the bullying and harassment. That was the focus of the concerns. The first time it came to my attention that inappropriate practices were being alleged in the vetting process was actually on *Lateline* on 16 May this year, and that of course initiated all the subsequent action. It is unfortunate because if these concerns were raised earlier they certainly were overshadowed by the concerns about alleged bullying and harassment practices.

Senator JOHNSTON: You can see my problem: it is good enough for the producer of a television program to elicit the matters, but when they are directly taken to three ministers of this government and everybody sits on their hands and does nothing, and here we are today with a massive administrative issue, one has to ask why it has to take a television program to get something done or to get attention onto these sorts of matters. Action has only come about because of the television program.

Mr Merchant: I am not aware that they were raised in such explicit terms to ministers. It is not my recollection. As I said, the focus seemed to be on the bullying and harassment issue, and that is where our attention was originally concentrated.

Mr D Lewis: Senator, to suggest that people sat on their hands is your characterisation. I would not characterise it like that. The emphasis was clearly on the bullying and the behavioural issue. The matter of the process was raised. It was raised as an adjunct point, if you like, in the report that you spoke of. We cannot comment on what ministers were or were not told. I have no idea. I am sure Mr Merchant has no idea either. It was unfortunate, we accept that, and as soon as the matter came to what I have described as substantive attention then action was taken to rectify it.

Senator JOHNSTON: I am told on 23 June 2010 that a letter to the then minister, Mr Griffin, specifically made that minister aware of these security issues, together with the

bullying, but specifically of these security issues. I am told that Ms Trent's report averted to these security issues in 2010. I am told that on 7 July a letter from Mr Griffin to Mr Raguse, the then member for Forde, indicated that he was aware of the matter. A letter from Mr Snowden on 26 October indicated that he was aware of the matter. It strikes me that these ministers are aware of the matter and here we are today with this problem. It has been sitting around waiting on a television program.

Mr Merchant: In my recollection, the references were about the awareness of the allegations of inappropriate management practices at the vetting centre. Certainly the specific details about the allegations of inappropriate process practices within the vetting only became apparent to us, and to me, when the contractors appeared on the *Lateline* program. Even when you look at some of the wording in Ms Trent's report, there were words about management practices but all of the focus was on the bullying and harassment rather than on the process issues associated with the vetting issues. Certainly, Ms Trent's report did include a reference to the fact that, apart from the bullying and harassment allegations, the contractors raised issues of concern relating to security practices at the vetting centre. 'Security vetting practices' was not even in the report; it was security practices at the centre.

She recommended that, given the seriousness of that issue, it be followed up by DSA, the Defence Security Authority, and also she said she would provide supplementary information. We did not receive that supplementary information but, equally, we did not follow that up. We admit that that was an oversight and we very much regret it, because otherwise we would have got onto that issue earlier and, indeed it is my sincere wish that we would have got onto it much earlier so that we did not have to have the issue aired on *Lateline* before we picked it up and then started to look at it. Of course, that is what we have done since.

Senator JOHNSTON: The issue that concerns me is not necessarily DSA's conduct because we have ventilated that. We have been down that path and we have seen that errors happen and such is life, sort of thing. What I am concerned about is that I am told that as early as March 2010 these members of parliament, including a senior cabinet minister, Mr Emerson, was told of these specific issues. You are not aware of that and, if you are not aware of that, you cannot probably comment.

Mr Merchant: I would have to go back and have a look in detail at the wording of the letters, but there is a danger at this point that we are reading words in letters with the advantage of what we know now that we were not aware of then. As I say, my recollection is that the sort of references were about management practices. If that was meant to capture the inappropriate process practices within the vetting issue, that was not apparent to us at the time because, as I said, the focus was on the allegation of bullying and harassment. We can certainly go back and have a look in detail at the wording.

Senator JOHNSTON: Just to clarify and finalise this line of questioning: you are not aware of the three ministers being advised, as early as mid-2010, of the security vetting and security practices going on?

Mr Merchant: I am not aware of anybody in the formal correspondence saying that there was a problem with the process of data entry in the security vetting process.

Senator JOHNSTON: The workarounds.

Mr Merchant: The workarounds, yes. There may have been references to inappropriate practices, but, as I said, I think at the time our interpretation of all of that was that it was about the bullying and harassment.

Senator Feeney: Senator, are you in a position to tender those letters?

Senator JOHNSTON: I need permission from the people who have written them before I tender them. I think that would be appropriate. But I would certainly consider tendering them. I have no further questions on this matter but I have some questions on other matters relating to the changes made to the structure of administration inside Defence—that is, the adding of two associate secretaries. We have added two associate secretaries to the managerial structure, to the senior management organisation. My question is: why has the Chief of Capability Development Group been hived off from any direct contact with the CEO of the DMO? Surely that is a problem.

Mr D Lewis: I do not think we are able, at this stage, to reach the sort of conclusion or make the sort of observation which you have just suggested. We are refining the relationships which will exist between the Associate Secretary Chief Operating Officer on the one hand and the Associate Secretary Capability on the other. To go to the particular issue of the Associate Secretary Capability: the relationships between that individual, when they assume their duties, and the respective heads of the agencies and parts of the department which will be impacted—including the DMO, the Capability Development Group, DSTO, the strategy division and a number of other areas—are being worked through right now. I cannot give you a definitive answer. We have not yet established how that is going to work. What I can say, however, is that the Associate Secretary Capability will assume one of the two great areas of our enterprise—capability development. For the whole of that process—one of our major business processes—the Associate Secretary Chief Operating Officer will do the corporate part of the support to the organisation.

Going back to the Associate Secretary Capability: the person appointed to that position will be providing direct support to the Chief of the Defence Force and to me in bringing what I would describe as an end-to-end coordination of that process. You understand, I know, Senator Johnston, the various steps in the process. The acme of success here will be to get an end-to-end approach—to make sure that we are joined up from the time that projects are conceived right through to the time of disposal of the equipment at the end of its life. It is an end-to-end process and that would not be a surprise to you.

Senator JOHNSTON: I share your perception to a degree, but, whilst we want some flexibility, I am concerned about the fact that, while there are lines connecting the Deputy Secretary Strategy to the new Associate Secretary Capability and to the CEO of DMO, who will also be new, there is no line directly between the Chief of Capability Development Group and the CEO of DMO. That is a significant statement to all concerned, if I may be so bold. The Chief of Capability Development Group is separated—deliberately separated—from the CEO of the DMO. I find that absolutely bizarre given everything we have been through: Kinnaird, Mortimer, Pappas—the whole box and dice. How is this going to work, please?

Gen. Hurley: I do not think that is an accurate reading of what will occur. There is no way in the world we would be able to separate CDG from DMO and, having done the job, I understand.

Senator JOHNSTON: The line with is not here. It is a deliberate failure to put a line in.

Gen. Hurley: Senator, I do not run the department off a wiring diagram.

Senator JOHNSTON: Maybe you need to!

Gen. Hurley: It might help sometimes to simplify a few things. When we go through this process and the dust settles on who talks to whom, it is unconceivable that what you have referred to would occur. I give you my guarantee that it will not.

Senator JOHNSTON: Fine. I am happy with that. Thank you, Chair.

[11:46]

ACTING CHAIR: We move on. We are on outcome 1. Senator Kroger.

Senator KROGER: I have a question in relation to the special purpose flights. Can you confirm that there are two types of aircraft used for what are commonly called the VIPs?

Air Marshal Brown: That is correct. We have two BBJ 737s and three Canadair Challengers.

Senator KROGER: And they are used for all domestic and international flights?

Air Marshal Brown: That is correct.

Senator KROGER: What is the difference in the capability of those two crafts in terms of seating and so on?

Air Marshal Brown: Basically the Challenger is a small business jet, whereas the 737 has increased capacity and is better for the long-distance flights. The 737 can do the United States in two stops.

Senator KROGER: What seating capacity would the 737 have?

Air Marshal Brown: I would have to check exactly but it is around the 20 mark. I will get an exact answer for you shortly.

Senator KROGER: And the Challenger?

Air Marshal Brown: Six seats on the Challenger normally.

Senator KROGER: And the 737, as you said, is the one that is better to be directed towards the long-distance hauls.

Air Marshal Brown: That is correct. It has better facilities for long-distance flights.

Senator KROGER: So how is it determined whether the two 737s or the Challengers are assigned to requests, whether from the Prime Minister, the Foreign Minister, the Governor-General or ministers generally?

Air Marshal Brown: Again, we have a tasking agency which has a look at what the request is, the number of passengers, the nature of the task itself and it determines which one to put on. It can depend upon availability. With just five aeroplanes you normally have at least one or maybe two in some sort of maintenance. So it will come down to what is available at the time.

Senator KROGER: I am trying to understand the process here. You determine which aircraft is assigned, whether it is for the Prime Minister, the foreign minister or the Governor-General? They do not put in a request for a particular craft?

Air Marshal Brown: They can indicate in a request but again it gets down to how many requests are in and the priorities of the tasking at the time.

Senator KROGER: What would be the fuel consumption difference of those two types of craft?

Air Marshal Brown: Again, I would like to take that one on notice to get you the exact figures. The 737 consumes more fuel than the Challenger aircraft because it is larger.

Senator KROGER: So on that basis it would be reasonable to assume that there would be a significant difference in carbon emissions?

Air Marshal Brown: Yes. The 737 basically produces about 13 tonnes of CO₂ equivalents per hour. I do not have a figure on the Challenger here at the moment but I can get it for you.

Senator KROGER: You have a far better understanding of aircraft than I do—is it reasonable to presume that, given the different size, the figure for the Challenger would be half the 737, or a third of it?

Air Marshal Brown: No, it really depends on the task and the speed it is flown at. The Challenger is cheaper to operate than the BBJ.

Senator KROGER: I have seen the manifest for 1 July 2010 to December 2010 which I understand was only published in July of this year, is that right?

Air Marshal Brown: That is correct. We published it from 1 July 2010 to 31 December 2010.

Senator KROGER: Why would it take six months to publish that report?

Air Marshal Brown: That is just the normal process that we go through. We have to collate it and it has to be checked, and that is the time it takes. That has been the standard time frame that has been used for quite a while.

Senator KROGER: It just seems extraordinary that it would take six months to collate manifests which could be produced at the time of the flights and be put together in a format for distribution. I will leave that with a question mark beside it. I come back to the use of aircraft. There are many instances where you only have, say, three people using a 737, so a 737 is utilised for a very small number of people, given that you have just said they accommodate over 20 people, instead of a Challenger. On 17 December the Treasurer, the Hon. Wayne Swan, flew in a 737 Canberra-Brisbane return for three people, at a cost of just under \$10,000. Is any consideration given to a cost-benefit analysis of this, in terms of the allocation of craft?

Air Marshal Brown: A lot of this is to do with the timings and the unavailability of civilian flights during that time frame. Again, that has to be considered when looking at what aeroplane can be allocated. Of those five aeroplanes, there are often probably only three or four available, so it does depend on availability.

Senator KROGER: I understand. I then thought maybe the other aircraft were being used for other flights, but on 17 December there is no list for any other passengers on any other craft, so I can only presume on the basis of what you have just said that only one out of the five craft were available for flying that day, because it would be extraordinary to send a 737 on a Canberra-Brisbane return flight with three people.

Air Marshal Brown: There are requirements for crew training, to keep the pilots and crew attendants current. I do not have the details available for that particular day, but there might have been some priority training taking place. The squadron has to balance all those requirements before we decide which jet to take.

Senator KROGER: What is the difference in crew requirements for each of the aircraft? Is there much difference?

Air Marshal Brown: It would just be in crew attendants. Both aircraft have two pilots. On the BBJ there are often two crew attendants; on the Challenger there is just one crew attendant.

Senator KROGER: Then I noted that on 8 December 2010 the foreign minister travelled from Canberra to Brisbane to Bali, returning the following morning, for a mere \$41,000—a pretty expensive flight. It was a 737 with only two people travelling with him to Bali for, as I said, no less than \$41,000. I would have thought that Bali would be a short flight. It certainly is from WA. They use it as weekend holiday destination. I would have thought that would come under the classification of a potential short flight.

Air Marshal Brown: And it could have, but again it goes to aircraft availability and what other taskings were on. Again, I would just point you to that schedule of special purpose flights. It does not account for all the operations of the SPA fleet during that day.

Senator KROGER: It actually was a very busy day for you. I see the Governor-General had a 737 and the Prime Minister was in a 737 earlier on, so I presume it was one of those that continued on.

Senator Feeney, do not think that I am going to leave you out of the equation here. I see that you travelled from Canberra to Brisbane return on 17 November on your own—nobody else wanted to travel with you; you were on your own—

ACTING CHAIR: What is the secret? Tell me.

Senator KROGER: for the significant sum of \$9,000. Have you ever looked at googling to see what the options are? I understand there are direct flights from Canberra to Brisbane each day, and my googling tells me it is only \$1,700-odd for a business class flight to Brisbane. Do you recall that day?

Senator Feeney: I do recall it. I do not have the privilege of travelling on VIP aircraft that often, so I can tragically reveal that I remember most of the occurrences. On that occasion I was attending, I think, the Land Warfare Conference in Brisbane and presenting an award for a particular DSTO competition. My recollection is that I needed to get there and then return because the Senate was sitting at the time. That was the logistical choice at the time.

I guess it is also worth making the point—although let me say at the outset I do not have a forensic understanding of this—that there is a process whereby requests for VIP transport are 'triaged' at the Prime Minister's office, and there is approval at that point before the request for transport proceeds to the team the Chief of Air Force has referred to.

Senator KROGER: Did you scope whether there were any departmental or parliamentary colleagues who wished to travel with you so that you could defray the cost of that particular flight?

Senator Feeney: If the question is whether I tried to round up volunteers to accompany me on my trip to Brisbane then I suspect the answer would be no.

Senator KROGER: I was asking whether you had sought to inquire as to whether anybody was flying to Brisbane who might have been able to assist in defraying the cost, because it just seems extraordinary for one person.

ACTING CHAIR: You could have asked me. If it had got me out of question time I would have come with you.

Senator KROGER: I move on.

Senator Feeney: Senator, my recollection of that flight is that I literally flew there, did the business I needed to do at the conference and then returned immediately to Canberra, so I am not clear on whom you are suggesting I should have given a lift to.

Senator KROGER: And at a cost of only \$9,000, so I hope it was a worthwhile conference.

Senator Feeney: I am sure it was.

Senator JOHNSTON: A couple of shadow ministers would have liked to go.

ACTING CHAIR: But you had Senate chamber duties, Senator Johnston. It was a sitting day, I just heard.

Senator Feeney: Yes indeed.

Senator KROGER: In closing, could you provide the committee with the manifests for the Prime Minister, the Minister for Foreign Affairs and the Governor-General from 1 January to date, including those who travelled with them, what craft they travelled on and the costs of each of those flights please?

Air Marshal Brown: I will have a look at what is involved in doing that and get back to you on whether we can do that in the time frame. To answer your other question about the Challenger and the difference between the BBJ, I have noted down here that I do have the information on the CO₂ emission from the Challenger and it is about 5½ tonnes per hour.

Senator KROGER: In closing, do the Prime Minister and the Minister for Foreign Affairs ever share any flights? When I went through each flight, even when it was on the same day, they actually seemed to have their own aircraft, which seemed to me to be extraordinary. It is like a very expensive taxi service. Have they ever shared an aircraft on one of these special purpose flights?

Air Marshal Brown: I am sure it has happened at some stage. I think you have got to take account of the fact that people in government are busy. They need to get to specific locations. A lot of those locations are not serviced by normal airlines to suit the time lines that people have actually got to move with. That is what these aircraft are about.

Senator EGGLESTON: I have a follow-up to that. Senator Kroger has already asked for some of the information I was interested in. You mentioned it was a two-stop flight to the United States in a 737. How often are these aircraft used for international flights?

Air Marshal Brown: I would have to take that on notice and get back to you. Again, they are used when required by the Prime Minister and the foreign minister.

Senator EGGLESTON: That will be in the published manifests?

Air Marshal Brown: Yes. I would have to go through it in detail.

Senator EGGLESTON: I may be able to do that myself.

Senator Feeney: I think it is fair to say it is common.

Air Marshal Brown: Yes.

Senator EGGLESTON: Is this based on security? If the Prime Minister or the foreign minister is travelling, rather than sitting in a commercial jet, is their security better cared for by being on a RAAF VIP flight?

Senator Feeney: It will often go to questions of itinerary and schedule as well in the sense that they will be required to appear at various places in various countries that do not bear any relationship to commercial schedules.

Senator EGGLESTON: So convenience is an issue.

Mr D Lewis: As one who has spent more than a fair share of his time on these aeroplanes travelling internationally, I can assure you that it is a combination of issues to do with schedule, security, the ceremonies that are involved at receptions and departures, the size of the accompanying party, whether there are media accompanying and so forth. There is a complete collage of issues that need to be brought into some sort of focus to make the decision that the aircraft is going to go. But they do routinely carry the Prime Minister, senior members of the government and the Governor-General overseas.

Senator EGGLESTON: And perhaps the Queen this week. Would you say it is more common now for these aircraft to be used for the Prime Minister and the foreign minister when travelling abroad than the use of commercial aircraft?

Senator Feeney: I have no way of knowing.

Mr D Lewis: I cannot answer that. I do not know.

Senator EGGLESTON: I suppose the manifest might be of assistance there when compared to the number of trips they made. Don't you have an instinctive feel for it? If the Prime Minister is going somewhere, or the foreign minister, would they be more expected to use the 737 VIP aircraft than to take a commercial flight?

Gen. Hurley: We are not privy to the full itineraries and diaries of the people you are talking about. We only see one aspect of it. We provide aircraft when available and as requested. That is the information we have.

Senator EGGLESTON: That is fine. I understand the limitations of your own information. We will have Foreign Affairs here tomorrow so I might ask them the same questions.

Mr D Lewis: Senator, if I might say, it might be worth directing that question at some point to PM&C, who may have a better view of the whole-of-government position on this. I would make the observation—which you would realise—that senior members of the government through time have been increasingly travelling internationally. A prime minister or a foreign minister today travels far more extensively than one did 40 years ago. So I think there is a certain time element in all of this. The world is a different place.

Senator EGGLESTON: I understand.

Senator IAN MACDONALD: I have a couple of questions about cadets, which I think is under program 1.9—the vice chief. Is that the correct place? Can I thank you for providing me on notice some figures on funding for the past three years.

Senator Feeney: Senator, could I trouble you to speak into the microphone.

Senator IAN MACDONALD: Sorry. Could you explain briefly what the line items 'VCDF-CEE' and 'VCDF-suppliers' represent. What sort of expenditure is covered by those items?

Air Vice Marshal Paule: Could I inquire as to where you are reading that information from?

Senator IAN MACDONALD: It is an answer to a question that you provided for me following last estimates, question No. 13. You will see in your answer 'ADF cadet scheme for the past three financial years is outlined below.' It has Army, Navy and Air Force and then VCDF-CEE and VCDF-suppliers. I am wondering what 'CEE' and 'suppliers' means.

Gen. Hurley: CEE refers to APS costs, labour costs, personnel costs and 'suppliers' is your normal day-to-day purchasing of goods to make the organisation run. So it is minor purchases and so forth.

Senator IAN MACDONALD: I did not quite hear what the CEE is?

Gen. Hurley: That is the employment costs for our civilian personnel who work in the VCDF group that support cadets.

Senator IAN MACDONALD: For the future, what does the acronym CEE actually stand for?

Gen. Hurley: I was hoping you were not going to ask. I just read them and understand what they are—civilian employment. Where is a CFO?

Senator IAN MACDONALD: 'Civilian employment expenses' perhaps.

Gen. Hurley: Yes, civilian employment expenses.

Senator Feeney: Of course, now that you have worked out the acronym we will have to change it.

Gen. Hurley: It has taken me years to work that one through.

Senator IAN MACDONALD: I am interested to know why there has been a fairly dramatic increase in the funding for VCDF suppliers. It seems to have more than doubled in 2009-10 and up to by a million dollars and then it went up by another 1.2 last year. Funding this year was almost five times greater than it was two years ago. Could you elaborate on that for me.

Gen. Hurley: You might recall that after the Hickling review there was a restructuring of cadets and they moved into the VCDF area and a different funding arrangement was put in place. Brigadier Sowry can take you through the detail. What you are really seeing is a change in the way we manage the cadet organisation and that being reflected over time as money has moved from different organisations.

Senator Feeney: Senator Macdonald, we might hear from Bill Sowry.

Senator IAN MACDONALD: Yes, if you would, but bear in mind that VCDF suppliers means minor purchases, as I understand the acronym.

Brig. Sowry: As a result of the Hickling review, as the CDF has noted, a degree of funding came into the Cadet, Reserve and Employer Support Division for the conduct of activities. We have that mandate for integrating the triservice policy aspects. But that has also meant that we have been supporting the other three service organisations in the provision of some support. That is why we have had an increase since the Hickling review came into being in 2008.

Senator IAN MACDONALD: Could you explain that again?

Brig. Sowry: In 2008 the Hickling review came into being. In line with that, we were given some additional support funding to enable cadet activities and for implementation. As a result of that, we have been conducting a range of support activities for the three single-service organisations. That has led to that commensurate increase in both civilian employer expenses and supplier expenses.

Senator IAN MACDONALD: I note that the spending on the Army cadets has in the same period dropped by about \$2 million, which is a $33\frac{1}{3}$ per cent reduction. Is there an explanation for that? Is it perhaps related to the increase in the suppliers?

Brig. Sowry: No, the general decrease in Army—and Army finance people would be better placed to answer this—is the result of all elements that have been going through the Strategic Reform Program where cost reductions have had to occur and we have been subject to those cost reductions. There has been a small element reduction in the reserves in the cadet space as there has been elsewhere across Army.

Senator IAN MACDONALD: I do not want to generate any interservice rivalry, but both Navy and Air Force have gone up at the same time as Army has come down by \$2 million—which, as I said, is not a big amount but it is a third of the total budget. I wonder if there is an explanation.

Brig. Sowry: I cannot particularly answer that one. But whilst there has been a reduction, it has been managed very well by Army because, at the same time, the cadet numbers have grown by some 600 or 700 since 2008 and they have also grown a number of units. As they have looked for inefficiencies, they have been able to garner those but still maintain the strength of the program.

Senator IAN MACDONALD: Are you telling me there is sufficient funding for things that are needed on the ground like cadet forces allowances? Has that been put under pressure? Is anyone missing out?

Brig. Sowry: There is a challenge with cadet forces allowances inasmuch as not everybody chooses to claim the allowance, as much as anything else. The cadet organisations rely on a volunteer force that is $2\frac{1}{2}$ thousand strong and a large number of those choose not to claim simply because they do not want to claim it because they see it as their contribution to volunteerism, if you like.

Senator IAN MACDONALD: They do not want to or the money is not available? Someone has mentioned to me that there was not enough money, particularly in the cadet forces allowances, and also that new Army cadet units could not be established because the money simply was not there. This is information that has come down within the ranks that has been passed on to me. For that reason, I am curious to hear your explanation.

Brig. Sowry: I will deal with the second part first, which is the establishment of new units. Money is typically not the driving reason that a unit is not established. It actually has to do with the ability of a community to support that cadet unit over time. Whilst we will often get a person or an individual demonstrating goodwill and wanting to set up a unit, what we do not find is that there is the critical mass to keep that unit going for a period beyond one or two years. There is not a sufficient number of volunteers to support it. The community itself might not have the size and the 13 to 17 demographic of youths to support it. That is typically why a unit is not established. I would highlight that Army, Navy and Air Force have all established units in the last 12 months. Army established a unit at Williamstown in Victoria, Navy set one up in Jindabyne just recently and one has been set up by Air Force near Bordertown in South Australia. So all the services are in the process of setting up. As a community requests to set up a cadet unit it is looked at on the basis of its merits. Typically, money has not been the driving reason why units have not been established.

In regard to the cadet forces allowance, that will require a broader answer from Army, Navy and Air Force finances but typically, cadet forces allowance is paid out of the civilian employer expenses. As far as the service writing is concerned, if a volunteer chooses to claim cadet forces allowance they are entitled to be paid it, and that is not an issue.

Senator IAN MACDONALD: Thank you for that assurance. I am delighted to hear it. You say there have been three new units established in the last year.

Major Gen. Sowry: In the last 12 to 18 months.

Senator IAN MACDONALD: Was one of them at Werribee Secondary College?

Major Gen. Sowry: Werribee, yes. Sorry, I said Williamstown but it was Werribee.

Senator IAN MACDONALD: That was one. The other two?

Major Gen. Sowry: One was at Jindabyne, which was a naval cadet unit, and the other was an Air Force unit at Bordertown in South Australia.

Senator IAN MACDONALD: Perhaps on notice, if you do not have it—you said that is in the last 18 months?

Major Gen. Sowry: Correct.

Senator IAN MACDONALD: Could you go back three years, on notice, and tell me what new units have been established? Also on notice, unless you have it with you at the moment, how many applications have been received for the establishment of new cadet units in the last three years?

Major Gen. Sowry: I will have to take both of those on notice. They require consultation with each of the services to get that.

Senator IAN MACDONALD: Would you have a feel for the fact that there were many more than were actually started?

Major Gen. Sowry: Not many more, no. Again, I go back to the commentary that unless there is the right demographic—the number of children who would support it over time—and more importantly, the volunteers who can make their time available in an enduring way, then that has been the limiter on establishing a unit.

Senator IAN MACDONALD: Has any thought been given as to why the volunteers are not there? Is it again a question of inability to claim some sort of compensation?

Major Gen. Sowry: No, because access to the cadet forces allowance is there. It is not the compensatory elements. I guess it is a challenge we have in the broader community. We are not the only organisation that relies on volunteers and we compete in a competitive market for people with discretionary time.

Senator IAN MACDONALD: I am very well aware of that. What do we do about promoting, firstly, volunteers in the community and, secondly, the young people? Do we do anything to encourage them such as promotion activity that might increase the activities in the cadet forces.

Major Gen. Sowry: From our own division—the Cadet Reserve and Employer Support Division—our Directorate of Defence Youth Strategies is actively engaged with youth expos and the like around the country. We have done this recently in Victoria where they had the first of the youth expos. We maintained an active presence with military displays and the like to promote the cadet organisations there. More generically, the parliamentary secretary will have the privilege to launch next week the generic youth development framework. We are taking a more active approach to extolling what we do in the youth environment. We have established the Defence Youth Engagement and Development Network, which brings together the 23 or so programs, some of which we have already heard about today with the DMO going out and supporting youths in schools. We have the Young Endeavour Scheme, the Defence Work Experience Program and a range of other activities like that.

Senator IAN MACDONALD: So you regularly alert schools, for example?

Brig. Sowry: Correct. We have developed our flyers and we are putting those out into the community. That is what we do, and of course all the single services do exactly the same with their own particular brand—the Australian Navy cadets, Australian Air Force cadets and Australian Army cadets.

Senator IAN MACDONALD: That is good to hear because it is a good organisation—it does tremendous work with young people and it deserves to be promoted so that those who are at all interested are able to get involved. So congratulations, and I look forward to getting those answers to my questions. I would like to ask a couple of questions on the defence estate, which is 1.6. We had some discussions about the acquisition of land at Cultana at the last estimates. I was told there was a meeting held on 29 June at Port Augusta, and Defence hopes to finalise negotiations before the end of 2011. Can anyone tell me where that is up to? My advice is that very little happened at that meeting held in Port Augusta, and pastoralists are still waiting for confirmation about legal expenses. Can someone update me?

Mr S Lewis: I can give you a bit of an update. There has in fact been some significant progress since the last meeting. I appreciate the opportunity to provide you with something of an update. By way of preamble, we emphasise that we share the frustration being experienced by the pastoralists in relation to this matter. We are doing everything we can to expedite this project because it is very important to defence capability.

We did meet the pastoralists on 29 June in Port Augusta to propose a way forward that would involve a compulsory acquisition to expedite the process and to ensure that further delay was minimised. Since that meeting, we have pursued various compulsory acquisition options that might allow us to commence that process. On 13 September the parliamentary secretary, who is at the table with us today, sought the agreement of the Special Minister of

State to the compulsory acquisition of the pastoral leases pending Indigenous agreement. On 12 October the Special Minister of State advised he was willing to consider making a pre-acquisition declaration under the Lands Acquisition Act which allows Defence to commence the acquisition process with the pastoralists. The pastoralists have been notified this week that Defence and the Department of Finance and Deregulation personnel will meet with them as soon as possible to outline the next steps and answer any questions they may have.

The critical step in the acquisition process is the valuation of each lease. Defence is currently waiting on property valuation information from the pastoralists which, once received, will allow Defence to commence the valuations. Defence has provided funding to three of the pastoralists to assist the negotiation process and will also fund independent valuations for each pastoral lease. Also in Cultana, on 15 September Defence and Barngarla, the registered native title claim group for the Cultana expansion area reached in-principle agreement on the Indigenous land-use agreement. Defence also met with the South Australian state government on 17 October to finalise the miscellaneous lease for defence purposes, which will ultimately allow defence to use the expansion area for defence activities. So we have actually made quite a bit of progress on all three fronts since we last met. I can assure you this is an absolutely key priority for Defence.

Senator IAN MACDONALD: That sounds like a very positive series of activities. Thanks for that update. I am sure the people involved, both from Defence and the pastoralists, will be very happy to see some action on what has been a very long-running activity. Can I quickly shift in the last couple of minutes before lunch to Scherger. Thank you again for outlining the discussions between Defence and DIAC that occurred prior to Immigration increasing the number of detainees housed at Scherger and the extended period that they would be there. In the response, you use the term 'option'. Can you tell me whether or not these options were in the original agreement between Defence and Immigration, or is it something that has been added in recent times?

Mr S Lewis: I am at a bit of a loss. Are you talking about a response we provided to you?

Senator IAN MACDONALD: The last paragraph of question on notice 96:

In early February 2011, Defence and DIAC discussed an option for extended use of RAAF Base Scherger to 30 June 2012. On 3 March 2011 the Minister for Immigration and Citizenship announced the extension of the use of RAAF Base Scherger as detention accommodation for a further 12 months, to 30 June 2012.

I am just wondering if the option was part of the original agreement or something that was later discussed. You keep assuring me that having more than the appropriate number of detainees at this bare base does not impact upon defence's use of it. You have told me that a couple of times, which I cannot quite understand.

Senator Feeney: My recollection is you wanted some reassurance and I recall you got it from Air Marshal Binskin in his previous as Chief of Air Force that the DIAC use of Scherger did not in any way degrade Australia's capacity to defend itself, and that was the undertaking you were given.

Senator IAN MACDONALD: The longer this arrangement continues the less available that base will be, in the event of it ever being required. I appreciate that its use may not be immediately foreseen. Is there an end in sight for the detention centre at Scherger?

Mr S Lewis: The current government pronouncements are built around Scherger's use until June 2012. But as I mentioned at the last hearings, and the then CAF mentioned as well, there is no impact on current capability from the use of Scherger for IMAs. They are behind a wire. They are in a special section of Scherger. Planes can certainly land and depart from there without any effects of any kind.

Senator IAN MACDONALD: How many caretakers do you have there?

Mr S Lewis: Two or three.

Senator IAN MACDONALD: It does not impact on them?

Mr S Lewis: No.

Senator IAN MACDONALD: I am going to go up there when the minister gives me permission to do that and I have time. Could you take on notice the cost of running the caretaker service over the last three years?

Mr S Lewis: Certainly.

Senator JOHNSTON: After lunch I would like to deal with the defence legal matters relating to the ex-gratia payments surrounding *Success*, as recommended by Gyles QC and DLA Piper; all those ADFA reports and where they are at; DMO; *Success*; *Tobruk*; *Choules*; Strategic Marine; a contract with respect to 12 landing craft and Navantia; Collins class submarines, sustainment costs only; SEA 1000, where that is at regarding budget and progression; maybe mine warfare; and the joint light tactical vehicle and the \$100 million and where that has ended up.

Proceedings suspended from 12:32 to 13:31

ACTING CHAIR: Mr Lewis, I believe you have some answers you wish to answer before we go to Senator Johnston.

Mr D Lewis: Yes, thank you very much. Senator Kroger asked just before lunch with respect to the special purpose aircraft about the seating capacity of the Challenger and the 737 and what are the fuel consumption and carbon emissions of the two aircraft. The seating capacity of the Challenger is normally nine, but it can be eight, depending on the configuration, and the seating capacity of the 737 is 26. With respect to fuel consumption, the Challenger is 3,000 pounds per hour in the first hour and then 2,000 pounds thereafter. The fuel consumption of the BBJ 737 is 4,000 pounds per hour. The carbon emissions of the two aircraft: the Challenger, 5.5 tonnes per hour and the 737 is 13 tonnes per hour.

Senator JOHNSTON: I have questions for Defence Legal about the three sailors on HMAS *Success* and the Gyles inquiry, the recommendation that the three landed sailors in Singapore from HMAS *Success* were landed erroneously. The inquirer recommended that the three be paid an ex gratia payment. Where are we up to with that?

Vice Adm. Griggs: On 7 July, I apologised to the three sailors in a telephone call and in writing. I told them that we would be proceeding with that recommendation from the commission of inquiry. That process is under way, the details of which I think Mr Cunliffe is better placed to answer.

Mr Cunliffe: In a nutshell, there has been correspondence between our lawyers and their lawyers in relation to both the issue of quantum and basis and that is ongoing. Some material came back from the lawyers in relation to those two issues. Our people are addressing them at

the moment. There has been correspondence this week and last week between each side about some of those of issues, and I am hopeful that they will come to an early conclusion. One of the issues is exactly which of the discretionary schemes might be applicable, and that is one of the matters that is being engaged with at the moment.

Senator JOHNSTON: So it is probably not proper for us to stick our beak into that negotiation at this time, given the sensitivities. Can I turn to the Gyles inquiry. How much have we spent on that?

Vice Adm. Griggs: \$5.72 million.

Senator JOHNSTON: Have we still got a third tranche of his report to come?

Vice Adm. Griggs: That is correct.

Senator JOHNSTON: So it will have been running for 18 months by the time we receive the final report.

Vice Adm. Griggs: It is of that order.

Mr Cunliffe: It may be a bit longer.

Senator JOHNSTON: How did we come to choose Mr Gyles? We have a panel of presidents, have we not?

Mr Cunliffe: We do have.

Senator JOHNSTON: And there are 12 people on it.

Mr Cunliffe: I am not sure of the number on the current group, but it is of that order.

Senator JOHNSTON: I am told there are 12 and they have a daily rate. I think you know what that daily rate is.

Mr Cunliffe: The matters to do with commissions of inquiry are not managed out of my part of the world. They are managed separately but I am broadly familiar with those rates.

Senator JOHNSTON: Where are they managed, may I ask?

Mr Cunliffe: I think there is a combination of places. The commission of inquiry cell is a part of the CDF's structure. I will try to stop at that point because I think different interests are engaged in terms of the remuneration.

Senator JOHNSTON: So this inquiry was not handled in the usual course by the usual panel of presidents that we would normally go to.

Mr Cunliffe: That is correct.

Senator JOHNSTON: Instead of \$2,000-something per day, we are paying how much? Five? Six?

Mr Cunliffe: Again, I was around the edges of that arrangement and not directly negotiating it.

Gen. Hurley: I have the broad issues on costs in my notes. This obviously goes back, as you said, about 18 months or so, so I do not have that detail, I am afraid, in my hand. But if you either provide it for us or ask the question, we will get back to you.

Senator JOHNSTON: Just so that we know exactly where this is going: I am told that we have a panel of 12 presidents who are senior jurists across various jurisdictions, particularly Sydney and Melbourne. They charge \$2,000 to \$2,500 per day. Mr Gyles is charging in

excess of \$7,700 per day. I would like to know who chose Mr Gyles and why we are paying more than double the normal panel president fee.

Gen. Hurley: I cannot answer that question now, but I will certainly take it on notice. All I have in here is the announcement by my predecessor about the appointment of Mr Gyles. I will have to come back to you on that.

Senator JOHNSTON: I would like to know who chose Mr Gyles. I cast no aspersions upon his capacity or ability. I think he is fine. But I want to know who chose him and who set the rate, because for the life of me I cannot see why on earth his inquiry is any different from an ordinary board of inquiry that would use one of the panel presidents, unless someone can convince me otherwise.

Gen. Hurley: Again, I will take that on notice and come back to you.

Senator JOHNSTON: Certainly. Counsel assisting are both members of the Reserve. Why were they chosen as counsel assisting, and who chose them? They were paid respectively \$3,600 per day and \$2,400 per day—that is, upon my advice; I hoped that you would confirm that.

Gen. Hurley: Again, I will get back to you.

Senator JOHNSTON: Obviously both of them, as assisting, are being paid more than the presidents on the panel. This matter was in my view—and I think not unreasonably so—not a complex matter. It was long, with lots of witnesses, but not complex. I would like someone to tell me why we are paying these rates in this matter to this particular person, in deference to the panel members. Does anyone have any answers they want to give now? I am sure you will want to take them on notice but I am not sure we want to leave that unanswered.

Gen. Hurley: The only thing I can think of—and again I will come back to you on your questions—is that Gyles goes beyond the actual incident. Part 3, for example, looks at the conduct of inquiries and so forth. Perhaps at the time we were looking for someone with broader experience to go beyond just that inquiry into the incident, to look at the broader implications for the department and the ADF and bring those issues back to the table. That could well have driven it, and therefore you are looking for a different person than the person on the panel. It is an assumption. I will come back to you.

Mr Cunliffe: I think there were some other features too, from memory. One of them is that the general commission of inquiry is a commission of inquiry into a death. This is not; this is something which was of a different type and scale in terms of the features of the time. It is a little bit hard to be precise about that, but my recollection is that those features were part of the reason thinking was given to it being not necessarily the standard commission of inquiry. Again, I will need to verify that.

My memory is that counsel assisting in this matter, while they may be members of the Reserve, are not actually acting in their capacity as reservists but acting as civilian barristers. That is my understanding. Obviously I say that subject to checking and subject to coming back and confirming or clarifying. We are not necessarily comparing like with like is what I would be saying in this instance. On one measure this is something to which the commission of inquiry structure is a convenient structure to apply but it is a somewhat atypical commission of inquiry in the history of that model, which is itself a relatively recent model.

Senator JOHNSTON: Even if we did want to have an inquiry into broader judicial administrative matters inside the ADF, and particularly inside Navy, I would have thought that a panel member—I know some of the panel members and they are very senior, superior and capable judges and senior counsel—would have been ideally suited to do such a job. And if we could have had counsel assisting in uniform fulfilling their role within the ADF in this commission of inquiry we would have saved a considerable amount of money. I just do not get why we have gone to all this trouble, because I just cannot see the justification for it. Indeed, may I say I think the wider jurisprudential fraternity are amazed at some of these numbers, as you would expect. Seven thousand, seven hundred dollars a day and it has gone for 18 months—nice work if you can get it.

Gen. Hurley: Again, on these questions we will come back to you. I am afraid it precedes my knowledge and I do not have the detail in my brief.

Senator JOHNSTON: Do we have an expected time for when we would be close to resolution of the ex gratia payments? Are we continuing to negotiate? I acknowledge we cannot talk about it, but there is no time frame for this. Where is the light at the end of the tunnel?

Mr Cunliffe: I have certainly made it clear to those of my people who are directly involved that I see this as a high priority. We will be seeking to take those steps and, I hope—subject to some whole-of-government issues—able to resolve that quite promptly.

Senator JOHNSTON: There are, I think, six or seven inquiries into ADFA running at the moment. Correct me if I am wrong.

Gen. Hurley: There is only one inquiry into actions at ADFA. There are six reviews.

Senator JOHNSTON: I need to get my inquiries and reviews sorted out. The inquiry is Mr Kirkham's inquiry?

Gen. Hurley: Correct.

Senator JOHNSTON: The reviews are all down the line. Can we step through, very briefly, where we are up to and what the reporting dates are for each? Do we have any costs so far?

Gen. Hurley: All the reviews have been completed.

Senator JOHNSTON: And they are all with the minister?

Gen. Hurley: No, they are all in the department at the moment. I am sorry—not all the reviews have been completed. I was in error there. The second review by Ms Broderick of the treatment of women in the broader ADF is still to be completed. That will be completed in the early part of next year. Her first report into the treatment of women at ADFA is, I think, in the process of final completion before it is handed in to the Attorney-General.

Senator JOHNSTON: To the Attorney-General?

Gen. Hurley: Yes.

Senator JOHNSTON: That is Mr Kirkham's report?

Gen. Hurley: No, that is Ms Broderick's first report.

Senator JOHNSTON: Ms Broderick—the Sex Discrimination Commissioner's report?

Gen. Hurley: Yes, because she was an independent—

Senator JOHNSTON: She is handing that to the A-G?

Gen. Hurley: Correct.

Senator JOHNSTON: That is one.

Gen. Hurley: All the others—the ones into alcohol, social media, ADF behaviour, treatment of women and progression of women in the APS—have been completed and are with the department.

Senator JOHNSTON: When are they going to see the light of day?

Gen. Hurley: I will just step back into a broader picture of this. Obviously, the outcomes of each of those reviews are very important to us as we look at the implications for the culture of the ADF and the defence organisation. I have made a very strong point that we will not gain any of the cultural changes we need to see as an outcome of this if we just go through a requirements management process—a process where we take each report with its 10, 20 or whatever number of recommendations and turn the traffic lights from red to green as we go through each one and say we have ticked off that report. These have to be considered as a whole. The reports have to be synthesised and they have to be the platform for a cultural change program for the ADF and, where appropriate, defence more broadly. I had that discussion with the minister and said to him that I would rather not just deliver these reports piecemeal. We have a steering group of SES and three-stars, who are bringing that together with the review writers to look at a coherent, integrated and cogent approach to delivering outcomes from those reports. That is the process we are going through now. We will then take the reports and recommendations to the minister along with how we believe we can implement the culture change process we need to put in place.

Senator JOHNSTON: I am gratified to hear that. It is a different approach from that employed in so many inquiries and reviews previously. Do we have a time schedule?

Mr Minns: We are hoping to have that coherent cultural change plan by late October, with a view to discussing it with the Defence Committee and achieving the sign-off of the secretary and the CDF early in November. At that point, release timing will probably be a matter for discussion between the secretary, the CDF and the minister. We are still waiting for a final version of part 1 of Liz Broderick's report. We do not, as a department, yet have access to DLA Piper part 1, and we think that the Gyles inquiry part 3 will have some bearing in this as well. It will not be that we have a cultural change of plan and that is it, it is all finished—it will be our current view of what are the major interventions that are required to drive cultural reform in defence. We will seek to take the reviews as one very important set of drivers for change, but so also is the ongoing campaign of strategic reform, the extension of shared services, the accountability reforms recommended by Rufus Black. It is a requirement for us to talk about the future defence organisation and how it works, what its culture is, what its leadership practice and behaviour is, and once we have identified how to drive that forward we will then ask where the recommendations sit under those various strategic interventions, and that is how we will manage the detail of the recommendations.

Gen. Hurley: Very importantly in this, from the Defence Committee's point of view, is that it provides a platform for us to pick up on the point that the secretary mentioned this morning about the criticality of reform in the SRP. It is not only about behaviours to each other in the sense that was driven out of the original ADFA incident but it is also about

broader behaviours in the ADF, from go to whoa. It is providing us, as the leadership of the defence organisation, with an opportunity to sit back and say there are some very important messages here for us, how do we use this in a broader sense to continue to drive cultural change and behavioural change in the organisation?

Senator JOHNSTON: I am very pleased to hear all of that. Without anticipating or pre-empting the minister, who needs to consider all this, who is anticipated to be the driving body or persons of these particular reforms? Who is in charge of making it happen?

Gen. Hurley: The structure to administer it and the implementation is still being worked through as we go through the synthesising process at the moment. This is all about Defence Committee leadership of the organisation and so the SES level 3s and three-stars in that organisation all have responsibility to provide that. Then as we look at each of the particular subsets of the overall plan as we go forward and there are areas to be implemented, they will be allocated to key people. But this will come back to the Defence Committee to run, and the secretary and I will be responsible there. This is fairly big thing for us, and I do not think it is something we can just devolve down and let run on the side. It has to be managed, led, by the Defence Committee.

Senator JOHNSTON: Most parliamentarians are aware of the similar sorts of events that are activating DLA Piper at the moment. Firstly, DLA Piper is put forward as an independent legal firm to deal with these matters. I am not sure that is the case; I think they have received substantial payment from Defence on a number of contracts over some considerable years, so to that extent they are not independent. Can you confirm that, Mr Cunliffe?

Mr Cunliffe: Can I answer the question slightly differently. It is true that DLA Piper is a firm that is on our legal panel and in that capacity, yes, we have paid them. In one respect there is that inextricable issue with any funded contractor that provides an independent report—no matter how you cut the cake, you ultimately come back to the fact that by and large people will not act for nothing.

Senator JOHNSTON: But there are plenty of firms not on the panel.

Mr Cunliffe: Firms not on the panel may potentially wish to be on the panel.

Senator JOHNSTON: In this area independence is very important, is it not?

Mr Cunliffe: I have to say to you, having been involved in dealing with DLA Piper, I have no doubt about the independence of the review and the processes in place. I can only say that; others may doubt it. Those who have dealt with them would be in no doubt.

Senator JOHNSTON: Bear in mind that all of these victims, of which there are more than 1,000, as I am given to understand—

Mr Cunliffe: Certainly more than a thousand reports have gone off.

Senator JOHNSTON: are suspicious, emotional, distrustful. Would it not have been better to have an arm's length relationship with a law firm that is not supported financially over a long period, through being a panel member, to administer this particular line of inquiry?

Mr Cunliffe: I might ask the general counsel to join me because the general counsel was key to making the decisions in this matter. I should reflect to you that, as others know, due to some other circumstances I do not exercise the ability to make decisions in this space

unilaterally. Several people within the division have that role, and Dr Lloyd is one. Having made that point, I would say that the strength of the team that we could put together from DLA Piper, including the presence of a former Commonwealth Ombudsman, Professor Dennis Pearce, was decisive in terms of identifying them as an appropriate place to do it. This is not just a simple law firm used as a law firm; this is a law firm used in a quite unusual capacity, and I think it is a qualitatively different role.

Senator JOHNSTON: I accept that, but forgive me for asking the questions because this is a very difficult area for these people who have been the victims of some horrendous acts of bastardry. Dr Lloyd, are you surprised by the length and breadth and magnitude of the initial report? You have received an initial report, have you?

Dr Lloyd: I should clarify that. We have not.

Senator JOHNSTON: The minister has?

Mr D Lewis: The minister has received part one of the report. I have a copy of that. The minister and I are considering that, but that is where it is sitting right now while recognising that there is a second part to this report, which is yet to come, so we are not in possession yet of the full array of the findings. But it is in my hands and I am considering that now.

Senator JOHNSTON: So you are uncomfortable in talking about it in this forum now.

Mr D Lewis: It depends on where your questions go but, yes, if you wish to drill down into some of the detail—

Senator JOHNSTON: No, I don't.

Mr D Lewis: It is not only 'uncomfortable'. I am not able because I have not considered the matter.

Senator JOHNSTON: I think we will come back to this. How much have we spent on DLA Piper to this point in time?

Mr Cunliffe: In terms of actual spending I do not have the number but in terms of the expected spending that we have identified we are talking in excess of \$6 million.

Senator JOHNSTON: And what is the task that they are going to perform? Obviously they will identify components.

Dr Lloyd: This is the first phase. It is the initial phase and it is to review all allegations of sexual or other abuse and any related matters to make an initial assessment of whether the matters alleged have been appropriately managed and to recommend further action to the minister.

Senator JOHNSTON: What if a complainant does not receive a positive first vet, if you like; that is, their complaint is denied? What right of appeal do they have from that decision?

Dr Lloyd: In terms of the process—and it is not a right of appeal—under the process that is set up that first assessment is whether they are in scope, so whether it is an allegation of sexual or other abuse.

Senator JOHNSTON: Are you prepared to discuss the scope?

Dr Lloyd: I was going to identify for you the sort of process that we have set up. DLA make that assessment of whether it is sexual or other abuse related to Defence and they make a decision. So they have made a decision and it is their decision. But they do refer that to me

and I look at it and I also form a view on whether there might be other matters that they may wish to take into account. The assessments that I make I also pass to the Ombudsman's office and the Ombudsman's office also have a look at them and satisfy themselves that the thought processes of DLA and my thought processes are okay. I have had referred to me about 110 matters which were on first view considered to be out of scope. I have returned about 19, I think. The Ombudsman's Office has also looked at those and agreed with the decisions.

Senator JOHNSTON: One hundred out of how many? If you could go to percentages I would be happy rather than to specific numbers.

Mr Cunliffe: We cannot be entirely sure but we understand that they have an initial assessment of over 1,000 allegations.

Senator JOHNSTON: So approximately 10 per cent have been rejected?

Mr Cunliffe: I do not know whether they are additional to that 1,000 or whether the 100 is part of that 1,000. We are talking those sorts of numbers and that sort of scale. We do not know because you have to understand that in a great many matters we do not know the detail, the assertion or the claim. It has not come to us; it has gone directly to them and it will not be seen by us if they consider it is in scope.

Senator JOHNSTON: So you cannot even tell us the full extent of the numbers other than very broadly to say more than 1,000?

Mr Cunliffe: I can tell you what they have told us and that is there are more than 1,000 allegations.

Senator JOHNSTON: Is it more than 2,000?

Mr Cunliffe: I do not think so because the way the numbers have gone I take it that that is a number within 100 either way. I would not go further than that.

Senator JOHNSTON: So this one single review is scoped at \$6 million?

Mr Cunliffe: That is where we stand at this stage. I should, in the interests of completeness, say that given that what has been delivered to the minister is an initial report in relation to those 1,000 allegations, with some more work to be delivered progressively in the next few weeks, it may even be that that number is greater by the end of that process.

Senator JOHNSTON: So we have potentially 900 claimants.

Mr Cunliffe: I cannot say that either. I know that some of the 1,000 allegations are in some cases multiple allegations from the one person. So there is some multiplicity of case in relation to individuals. Equally, I do not know that from the broad range they have indicated I think that of that number they have then come down to a number in which those other ones have—

Mr Lloyd: To be clear, it is also important that when we talk about 1,000 allegations it is probably a bit of a misnomer. It is actually over 1,000 communications. Concerning the 110, that is not 110 allegations which have been determined to be out of scope. There is a range of reasons why they might be out of scope. For example, a percentage, from memory a reasonably significant percentage, are out of scope because they are not allegations at all. They might be communications about general comments on issues such as bullying, or support for or concerns about a process. So it is a range of communications and the process covers all the communications to make sure that nothing is inadvertently missed. Nothing is

assumed to be perhaps only a communication whereas in fact in there is a possible allegation. It is a process like that. So those numbers are not quite how it might look at first glance.

Senator JOHNSTON: What is our intent in going through this exercise? What is the end game? Why are we doing it?

Mr Cunliffe: Why is this step being taken? Because it was necessary to refine the initial numbers to ensure that there was a capture of the material and an opportunity for people to provide the complaint.

Senator JOHNSTON: To what end?

Mr Cunliffe: From our point of view, we were seeking to give effect to what the minister had announced that he wished this to take place. As I have understood it, the intent is that there will be some form of outcome for these people.

Senator JOHNSTON: Negotiated settlements with successful claimants.

Mr Cunliffe: Senator, I am not using those words, I am not adopting those words; the decision on that will certainly not be mine, certainly some resolution of issues which may take many forms. That is one of the issues to be addressed.

Mr Lloyd: I think relevantly part of the role for DLA Piper, the review team, is to give the minister advice on options and ways for going forward. Because I have not seen them, I do not know what those options are but conceivably it could be a full range of possibilities.

Senator JOHNSTON: I do not want the number but have we put a potential figure on the cost of all of this compensation, were it to be paid?

Mr Cunliffe: No, we have not at this stage. Clearly, I would flag that there is still a considerable body of work to be done. Obviously, in the absence of the material that will be provided, presumably as part of the reporting, I cannot tell you what the scale of the issue is or what the significance of the issue is. Nor do I have any idea whether, if it is all in the nature of financial compensation rather than some other methodology, what sort of figure that might amount to. All I will say—and this is something the former secretary said to me very early in the piece—is that this is not a cheap exercise.

Senator JOHNSTON: Absolutely, it is not.

Mr Cunliffe: That is undoubtedly the case.

Senator JOHNSTON: What is the time frame and the plan? When do we cement the claimants into place? Will we have scoped this out, or stepped this out to the future?

Mr D Lewis: I do not think that question can be answered by any officials at the table, including myself, because we are not in possession yet of the full facts. I have the first tranche of the report. I have not considered that yet; I have only just received it. When we have the full array of facts in front of us, then we will be able to move to whatever the treatments and arrangements are for those findings. But we are not in a position to answer that now.

Senator JOHNSTON: Do we know when we are likely to be in possession of all of the material from DLA Piper as settled?

Mr D Lewis: I am not sure that I have a figure on that. It will be some weeks, I suspect. I am sorry, I do not know.

Senator Feeney: I might be able to assist there. As I understand it, volume 2 is expected to be submitted to the minister in November.

Senator JOHNSTON: So some time probably in the new year there will be a decision from the minister as to how to go forward.

Mr D Lewis: When the minister and I have considered this then we will be in a position to answer your question, but I am not in a position to answer that now.

Senator JOHNSTON: In February, we will come back to this. Obviously, this is a significant contingent liability.

Senator Feeney: I am not sure it can be characterised in those terms at this juncture.

Senator JOHNSTON: Why would we spend \$6 million asking people? We just wasted \$6 million for no good purpose.

Senator Feeney: You have heard that this is an exercise that has involved a whole number of allegations being brought to the attention of DLA Piper. Those allegations are being considered. I do not think you can characterise what flows from the work as a contingent liability.

Senator JOHNSTON: You have a law firm, have complainants, rejecting 10 per cent of them, reviewing them. Why are we going through this exercise? It is obvious, is it not? We are going to pay some people. This is a huge contingent liability. You can dress it up any way you like, minister, but I tell you, this is an unfunded contingent liability of monumental proportions.

Senator Feeney: I can understand why you would be eager to characterise it in those terms, and that is a matter for you, senator, but that is not how the department has described it.

Senator JOHNSTON: Thank you Dr Lloyd and Mr Cunliffe. That is as far as I want to go on those two subjects.

Senator FAULKNER: I want to follow through on a matter that I have been addressing for some time, which is the issue of recognition of the Australian Women's Land Army. I understand, given a quiet word from the table, that Defence has had a look at this issue since it was raised at PM&C estimates, most recently by me on Monday of this week. There was a suggestion made there by Senator Evans that we might be able to make some headway on this today. Senator Feeney, I do not know if you can help me on this or not, or an official might be able to, but I wondered if there had been any progress since Monday's PM&C estimates?

Senator Feeney: I think there has been, and I will let the secretary of the department address this.

Mr D Lewis: As I mentioned to you just prior to today's proceedings, there has been some movement on this. You and I of course had an exchange at the previous estimates hearing about this when I was in my former capacity.

Senator FAULKNER: That was when you were in another portfolio.

Mr D Lewis: Yes. Dr Watt and I have transposed in that time. So we are still very much in a position to address the question that you raise.

Senator FAULKNER: I am still on the wrong side of the table.

Mr D Lewis: The Women's Land Army was formed back in 1942 to bolster our rural workforce and it was raised under the National Security Act 1939 to 1945, and it was controlled by the Director-General of Manpower. It had no direct relationship with the armed forces or the defence portfolio. Some submissions were brought forward many years ago that the Australian Women's Land Army be granted status as a fourth auxiliary force to the services and that was not agreed or proceeded with. So the Women's Land Army was not included in the defence forces or therefore considered under the act.

Having all that read into the record, it is absolutely clear that the dedicated and committed service rendered by the Women's Land Army should be recognised. The issue, of course, as I think we discussed at the last Senate estimates, was that if it is not being considered under the Defence Act then how is it being considered? You will recall also that a Civilian Service Medal was approved for those members of the Women's Land Army who qualified. So those members who qualify are in receipt of that medal.

Notwithstanding all of that, we get back to the issue of your concern regarding the identification of which department now should be taking this matter forward. I acknowledge the awkwardness that you have faced in the last couple of hearings. I have spoken with Secretary Watt. I have spoken with several ministers. I think it is clear that there is a general shared view that recognition should be made. It remains now for me, Dr Watt and our respective departments to provide to government a recommendation and then it is entirely a matter for the government as to whether that recommendation was accepted.

Senator Faulkner, I ask that you either acknowledge or indeed accept that I will work with Dr Watt and the Department of the Prime Minister and Cabinet around this to ensure that between us, either individually or collectively, one way or the other, that the matter will be put before government.

Senator FAULKNER: Thank you very much. First of all in relation to your comments on this, yes, I am well aware of the background. In fact, I have the relevant memorandums of 18 January 1943 signed by the secretary to cabinet and the document of 19 October 1942, under the signature of Eddie Ward, the then Minister of State for Labour and National Service. I think you have given a fair and accurate summation of the background to the issue, which you wanted to place on the record. I have no quarrel with that. If anyone is interested in even more detail, perhaps I could refer them to my speech in the Senate of 13 September this year which outlined some of these matters in greater detail. The critical thing here, Mr Lewis, is that the arguments or debates of yesteryear about access to veterans entitlements and the like is not the issue here. Those matters are in the past. I think you do appreciate that, don't you?

Mr D Lewis: Yes, Senator.

Senator FAULKNER: I accept the point you make that, at the end of the day, this will be a matter for ministers, because I think a very small amount of public moneys would be involved. I have suggested the presentation of a formal certificate to surviving members of the Women's Land Army, and of course there are not many surviving members of the AWLA. Perhaps there could be the presentation of a brooch. That suggestion has been made because a similar item was awarded the UK Women's Land Army and the Women's Timber Corps. It would be designed by Defence Honours and Awards. Perhaps there could be the development of some sort of memorial book, which might include a nominal role. We are not talking about massive expenditure here, but I do acknowledge the point you make that, at the end of the

day, whatever work agencies do, that becomes a matter for government. I hope the Department of Defence and the Department of Prime Minister and Cabinet are clear on those limitations.

Mr D Lewis: Certainly I am, Senator. I have not discussed specifically those limitations with Dr Watt, although he also, I think, is aware of the extent or the scope of the recognition that you are proposing.

Senator FAULKNER: Are you aware that there were a number of meetings held last year that included, amongst others from Defence, Brigadier Webster? I do not know whether Brigadier Webster is still DG NOS.

Mr D Lewis: No, he is not.

Senator FAULKNER: But it did include Brigadier Webster at the time, and Mr Clarke, who was the Director of Defence Honours and Awards. Again, I do not know whether Mr Clarke is still in that position.

Senator Feeney: He is not.

Senator FAULKNER: There was also the chief of staff of the Nature of Service Branch at the time too. There is quite a record of these matters being discussed internally in Defence, I believe, and also with government. My frustration here is not that I consider that there is the slightest bit of concern in a political sense or in a partisan sense. My concern is that every week there are literally fewer and fewer surviving members of the Australian Women's Land Army. I have suggested that the 70th anniversary of the Australian Women's Land Army on 27 July next year might be an appropriate time to give consideration to this recognition. Having said that, Mr Lewis, you would be aware that in 1985 the Australian Women's Land Army were given the opportunity to march on Anzac Day, so that obviously was a recognition.

Mr D Lewis: I was not aware, no.

Senator FAULKNER: In 1991 they were given the opportunity to join the RSL and access the Civilian Service Medal. I am pleased to hear that this work is ongoing. I ask you to thank Dr Watt for his department's engagement. We seem to have made massive progress in the last 48 hours, and that is really good news. I pass on my appreciation. I appreciate the fact that you have given the commitment in the terms that you have given it, and I have heard them clearly today. Most of all, I would encourage Senator Feeney to take this matter up because time is of the essence here. There is not a major expenditure involved. This is something that has been a work in progress now for literally some years. I think the entire parliament and the Australian community would welcome this appropriate recognition, which is of course at virtually no cost to the taxpayer, of the people who made a very significant contribution to our nation during a time of crisis.

That is the point I have been trying to make. Perhaps I have not been eloquent enough in doing so, but I hope that by the time of the next estimates we will have been able to finalise this matter. The 70th anniversary will be very close at hand by the time this estimates committee and Prime Minister and Cabinet's estimates committee meet again, so I hope, Senator Feeney, that the government will really progress this matter now in the sorts of terms that we have been speaking about here.

Senator Feeney: Senator Faulkner, I hear you loud and clear, and I will follow those matters up. You look dissatisfied. I understand that there are something in the order of 700—

Senator FAULKNER: You are reading a lot into a look if you can—

Senator Feeney: No, it encouraged me to try and look more enthusiastic, Senator.

Senator FAULKNER: If I were dissatisfied, it would not be a look; you would probably know about it, Senator Feeney.

Senator Feeney: That is true. So I look forward to—

Senator FAULKNER: I am hoping you do not give me any reason for dissatisfaction on this matter.

Senator Feeney: Sorry?

Senator FAULKNER: I said I hope you do not give me any reason to look dissatisfied on this matter.

Senator Feeney: Quite right, exactly.

Senator FAULKNER: I do hope we can make some progress. I thank agencies for making that commitment, including the Department of the Prime Minister and Cabinet, and look forward to a welcome outcome.

Senator Feeney: Before we go on, Chair—and this is really for no benefit other than my own; forgive me—where are we up to in program 1?

ACTING CHAIR: It is somewhere between 1.1 and 1.19, but I will just narrow it down. Senator Ludlam, in which area do you wish to ask questions?

Senator LUDLAM: Somewhere between 1.1 and 1.19, Chair.

ACTING CHAIR: There you go; I'm up to speed! I can chair this committee.

Senator LUDLAM: I will give you a quick preview. I have two questions, one relating to cluster munitions and the ADF and one relating to Talisman Sabre, so fit them in where you will.

Senator Feeney: Go for it.

Senator LUDLAM: Do we have the right people at the table? Okay. Last time we met we discussed cluster munitions. You outlined that the ADF had some cluster weaponry for training purposes, countermeasures and so on only, in terms of being able to disarm them and identify them and so on. Can you update the committee or provide on notice how many people are trained within our various services for dealing with these weapons?

Gen. Hurley: I do not have an answer to that precise question, but I think they are fewer than on one hand. I will take that on notice.

Senator LUDLAM: It is not part of basic training? I am trying to get an idea of whether it is generic—

Gen. Hurley: No, I would be wrong—not fewer than on one hand. There would be EOD personnel who are trained. We have explained the purpose—

Senator LUDLAM: Acronyms, General!

Gen. Hurley: Sorry. We have explained in the past the purpose of keeping them, and that is to train our explosive ordnance disposal personnel, EOD personnel, on how to handle them,

so there would be a subset of that community that could dismantle them and so forth, but we do not employ them. So, if you are asking, 'Do we have people who could take cluster munitions ensembles and put them on aircraft and so forth?' no, we do not have them—not at all.

Senator LUDLAM: No, that is not what I mean at all. They were used extensively in Afghanistan, I understand, in the early days. We have people there. Do they know how to recognise, disarm and avoid these things if they come across them?

Gen. Hurley: I will get back to you on that, but I do not think we have run into one since we have been there.

Senator LUDLAM: You have not run into one?

Gen. Hurley: No.

Senator LUDLAM: That is lucky for us.

Gen. Hurley: Not reported that I am aware of, but I will get back to you.

Senator LUDLAM: Good. Thank you very much. Could you maybe provide a bit of a brief for us on training efforts that might have taken place in the last two years on these weapons? Maybe that is a supplementary to what you have taken on notice for us.

Gen. Hurley: In the last two years?

Senator LUDLAM: Just to get a snapshot. Last time I asked the CDF whether Defence had a view on whether we need to give the US government access to Australian territory to stockpile these weapons, as is possible under the terms of the bill that is before the Senate at the moment. The CDF answered that Defence had never been approached along those lines, which is not a direct answer to the question but that was the response. He said it was hypothetical. Can you confirm for us that it continues to be the case or, if you can provide us with any more information on that issue, ever since the May budget estimates session, has Defence been approached by the US on stockpiling cluster munitions in Australia?

Gen. Hurley: Not to my knowledge.

Mr Jennings: Not to my knowledge either.

Senator LUDLAM: Great. Given that this one probably sounds like it is coming out of left field, could I invite you to take on notice to clarify that that is the case as to whatever you might have on the record. That is the stockpiling issue. The other one is the issue of interoperability, which also goes to the terms of the bill that is before the Senate at the moment. To what degree have discussions of any kind at all taken place with US government or US armed services about interoperability in the case of cluster munitions?

Mr Jennings: We have made very clear our position to the US with regard to the cluster weapons convention. So the Americans understand that we are now a signatory to the convention, that we are now passing enabling legislation and they understand the terms of the convention and how that is something that will be abided by by Defence.

Senator LUDLAM: The US has played quite a significant role in undermining that convention, unfortunately with the assistance of Australia, but I recognise that is outside of your portfolio.

Senator Feeney: We will put that down as a partisan remark rather than a question.

Senator LUDLAM: It is a statement of fact. Maybe it is a statement of partisan fact. I will leave the clusters issue there. I have a couple of questions on the issue of Talisman Sabre by way of follow-up to a question on notice last time. Thank you very much for your answer to my question 563, which went into a bit of detail on the costs and some of the background details of the exercise. In the answer you indicated that you did not yet have a total cost for this year's exercise. I think you have also indicated that 2009 cost \$48 million. Have we got a total cost for this year's exercise?

Air Vice Marshal Paule: I do not have all the costs that have been acquitted for Talisman Sabre 2011. You would understand perhaps that the exercise is not long ago completed. It was run in July and it does take a period of time to have these costs acquitted. As you correctly identified, to put some perspective around Talisman Sabre 2009, it was \$48 million. The budget for Talisman Sabre 2011 was \$40 million. To date Headquarters Joint Operations Command have acquitted about \$13 million of that. We have not yet had the acquittals from all the other groups. You would understand that joint operations command is one group. There are Army, Navy and Air Force groups and other participants as well. So all of those groups participating we would expect to come in under the budget of \$40 million.

Senator LUDLAM: I will put in a question on notice to you on a bit of a long fuse that is not a time limit apart from when you get those final acquittals from all of the services. Could you provide that for us?

Air Vice Marshal Paule: Certainly.

Senator LUDLAM: I suspect that will be before the February session. Thanks. You indicated in your answer that you were not aware of any campaign to cancel the exercise given the extraordinary natural disasters experienced by Queensland over the summer with that money better spent on recovery. I do find it a bit incredible that you were not aware that people were making those comments and those requests of Defence. What can you tell us about your engagement with people who quite clearly are opposed to these things occurring at all; and do you think maybe you need to improve your interaction with local communities?

Air Vice Marshal Paule: This does not normally sit within my portfolio, but I do know that Joint Operations Command undertake community engagement in the lead-up to the exercise. I cannot tell you right here and now how much of that they did or for how long a period in the lead-up to Talisman Sabre 2011, but I am certain that they would have undertaken some community engagement.

Senator Feeney: It does not fall within my area of responsibility either but I have had cause to meet with the local council there and represented the minister when they have made representations to Defence. I think in that and related meetings I have only ever encountered a sentiment of support for Talisman Sabre.

Gen. Hurley: We do hold town hall type meetings with the local community for people to come and be briefed on the exercise for that particular year: the nature of the exercise, who is participating and so forth, and give an opportunity for people to present issues. I think there is a reasonable engagement program with the local community. If particular issues are aired but not aired to us directly we may not be aware of them. If it is taken up with the local government and so forth and they do not pass it on, we will not be aware of it.

Senator LUDLAM: That is interesting. You are aware there are people in the community who are very against these exercises occurring at all; you have people trespassing onto leases during—

Gen. Hurley: Yes, we are quite aware of it and quite aware of many of the activities they undertake.

Senator LUDLAM: How many complaints did Defence receive about the noise from the live firing exercises this time around? I would just indicate that my office is in Fremantle, which is a long way from Shoalwater, and we received several complaints. How many did you receive?

Gen. Hurley: I have not received any; I am not aware of any. We will get back to you.

Senator LUDLAM: You must have received some.

Gen. Hurley: We may have; I do not know.

Senator LUDLAM: That would be very interesting to discover. Defence also indicated that water quality is routinely monitored in Shoalwater Bay in the training area and in the Great Barrier Reef Marine Park during exercises. Could Defence table data on water monitoring for the bay and for the parts of the marine park that are impacted by these exercises?

Gen. Hurley: We will take that up.

Senator LUDLAM: Thank you very much. Could you also table for our benefit the strict protocols that are used for warships during the exercise that exceed the obligations of commercial, tourist and recreational ships, which I understand is the case.

Gen. Hurley: Yes.

Senator LUDLAM: Whatever you have on that. Finally from me is a general question on the outcomes of the latest AUSMIN discussions which took place not that long ago: has there been any material impact on defence as a result of the most recent round of discussions, which I understand discussed issues of interoperability, basing rights and so on here in Australia?

Gen. Hurley: There has been no material impact. I mean, the issues in AUSMIN were very much policy-level issues with signing of agreements and so forth, so in a sense direct material impact from the discussions—no.

Senator LUDLAM: None. I will return to these later. Thanks, Chair.

ACTING CHAIR: Senator Di Natali has three very quick ones in section 1.13.

Senator DI NATALE: My questions relate to smoking in the Defence Force. I want to know whether a health survey for ADF personnel has been conducted this year; and, if so, what are the most recent smoking rates identified for males and females?

Gen. Hurley: As a non-smoker I was not asked. I will see if Commander Joint Health is around, and we will find out what we have surveyed or not for you.

Senator DI NATALE: Perhaps while we are waiting I can ask a follow-up question. I want to know whether access to duty-free tobacco has been examined as a possible contributing factor to the high smoking rates in the ADF and potentially a factor that undermines attempts to quit by personnel.

Gen. Hurley: I am not aware of any statistics that say we have a high smoking rate above anybody else. We do have access to excise exempt cigarettes depending on where people are, which country and so forth. Whether there is a direct correlation between that and the levels of smoking in Defence I would have no data at all to call on to make that sort of conclusion. I will let General Alexander speak about general health issues in relation to smoking.

Major Gen. Alexander: In relation to surveys and statistics on smoking, as part of the prevalent study that I was speaking about earlier there were some questions asked in relation to smoking. Those have yet to be analysed, because there is quite a significant amount of data. We are going through on a gradual basis analysing all the datasets. That particular dataset has not been analysed.

Senator DI NATALE: In your view do you think there may be a correlation between duty-free tobacco and smoking in the ADF?

Major Gen. Alexander: We do not have data in relation to that.

Senator DI NATALE: Finally, when duty-free tobacco is sold to deployed personnel on board ships, for example, is the ADF acting as the tobacco retailer and do they collect any revenue for the retailer from the sale? If not, is the retailer's normal percentage of tobacco sale revenue passed on as a discount to the personnel member?

Gen. Hurley: We will take that on notice, Senator.

Senator DI NATALE: Thank you.

ACTING CHAIR: Senator Xenophon has about five minutes in the same area of 1.13. Then Senator Rhiannon has two quick questions in 2.2 followed by Senator Johnston to mop up. And then straight to DMO.

Senator XENOPHON: Thank you, chair. These questions go to Defence Force recruitment. What are the current average defence recruitment numbers annually?

Senator Feeney: Just give us one moment and we will assemble somebody to answer the question.

Gen. Hurley: We will bring the statistician forward.

Major Gen. Fogarty: Our recruiting numbers have been decreasing over the last three years and our recruiting and retention performance, particularly our retention performance, has been particularly pleasing. That means we have had less numbers required to come through the front door. Over this current year we have a 16 per cent reduction on the target numbers that we sought last year; in 2010-11, the ab initio recruiting numbers were 6,505 which represents a 25 per cent reduction from the numbers that we sought the year before in 2009-10 of 8,971.

Senator XENOPHON: So this is a reduction because you are retaining more people essentially?

Major Gen. Fogarty: That is correct.

Senator XENOPHON: I have permission from this young man to raise his case because it is something that has concerned him: Michael Roach is a young man who is dedicated and passionate about serving his country. He was denied recruitment on the basis of a knee injury on which the doctor at the time could not provide a conclusive assessment. There was a subsequent assessment saying that there was no fracture. He appealed his decision to DFR

and there was a confirmation there was no fracture. What do you do in cases such as that where someone wants to serve his country and the medical evidence appears to indicate there is no difficulty? Where do you leave a young man like that who is quite passionate about serving his country and who by all other accounts would be an outstanding member of the defence forces?

Major Gen. Fogarty: Currently recruiting is a very competitive process. We have a large number of people applying to join the Defence Force.

Senator XENOPHON: How many out of the 6,505 that you will be taking in, how many people actually apply to get in?

Major Gen. Fogarty: I cannot give you the exact figures—

Senator XENOPHON: Approximately?

Major Gen. Fogarty: But the inquiry rates are normally about 13 times the amount of people who come in.

Senator XENOPHON: But actual applications though?

Major Gen. Fogarty: Sorry, are 13 times the list of application. When somebody does apply there is a very robust application process. If there is any risk in terms of medical conditions, there is an assessment process that includes a review process. The review process is conducted in the first instance within the Defence Force Recruiting Organisation and then it is referred to the single services—either the Army, Navy or Air Force—to see whether or not they wish to offer a waiver. We might have circumstances where the risk is acceptable, particularly in trades where we are undersupplied, but generally that is not the case.

Senator XENOPHON: Major General, isn't there an underlying premise of if there is a risk but if in fact the medical evidence indicates there is no risk and that there was an initial error made, where does that leave that individual in terms of recruitment?

Major Gen. Fogarty: I cannot comment about the individual case—

Senator XENOPHON: Sure. But in terms of general principles, the assessment is based on risk obviously—

Mr Minns: Sometimes what happens is that the particular region of Defence Force Recruiting has a set of targets that are related to trade groups. When there is a delay in the consideration of someone's application, which could be about lack of documentation or a medical issue that is unresolved, sometimes what occurs is that the quota of placements to target for that area is filled. I do know that we sometimes receive complaints around that theme. This occurs particularly when someone's record packet of data is incomplete and we have been unable to make the assessment. When we finally do assess them they are advised that positions in that trade group are now filled for this period. In those circumstances, the best we can offer a candidate is the opportunity to reapply in another cycle.

Senator XENOPHON: Which is an annual cycle?

Mr Minns: Well it will depend—sometimes it might be more than once a year if there is a training intake for that trade group more than once a year in a particular service. Similarly, one of the things the centres often confront is that a member is adjudged not perhaps quite ready to make the commitment to a service career—I am not saying that is the matter in your

case—where again they are encouraged to continue to hold their interest in joining the ADF and to return at a later point.

In the case that you are talking about, while obviously we cannot directly comment on it, the opportunity to ask for consideration and to pursue the matter with the Defence Force Ombudsman exists but so too does the idea of coming back in six, nine or 12 months in the next cycle.

Senator XENOPHON: Thank you.

Gen. Hurley: I am not quite sure on the case you have quoted that the fellow has been told he cannot be recruited or you are simply saying there has been clarification of a medical condition and he could be back into the chain if that was so.

Senator Feeney: It was unclear whether his appeal succeeded or not from your comments—

Gen. Hurley: Or whether there actually was an appeal process or he was just told to come back when this is clarified.

ACTING CHAIR: Sorry to come in on you but I do want to keep it moving, Senator Xenophon.

Senator XENOPHON: I am satisfied with the answers to date. It is something I might take up in correspondence directly.

Gen. Hurley: Sure, okay. We would be interested in making sure the individual is appropriately addressed.

Senator XENOPHON: Thank you.

ACTING CHAIR: I remind Senator Rhiannon that the clock is ticking but it is your call.

Senator RHIANNON: How much does the government pay Australian security firms that are operating in conjunction with the Australian military in overseas countries; and what are the names of those companies?

Senator Feeney: If you can give us one moment to assemble the relevant team.

ACTING CHAIR: While we are waiting I will let the officers know that Senator Bernardi's questions will be to 1.16 and Senator Macdonald's to 3.1. So if officers can please be ready as soon as the senator before them has finished their questions.

Air Vice Marshal Paule: We do not currently have any contracts with private security contractors overseas in support of our operations at the moment.

Senator RHIANNON: So those occasional reports that the bases are secured by private companies are not true?

Gen. Hurley: They might be secured by private companies; they are not contracted by us.

Senator RHIANNON: Thank you for clarifying that. Who are they contracted by?

Gen. Hurley: I do not know. It would depend on the base, the location, the country and the operation.

Senator RHIANNON: As they are securing your base, what is their exact role in the field and what is the relationship between the security firm and the defence forces? How does that work?

Gen. Hurley: For example, in Tarin Kowt there is a mixture of a private security company that is contracted through ISAF and works together with our people who run the base in terms of providing security at the main entry points and so forth. We would interact with them in terms of the processes that they use, quality assurance and so forth. But we would not manage the contract per se because we would not be paying for it. We would be working with them to ensure that we are happy with what they are providing.

Senator RHIANNON: This question is about private US firms. If there are US firms providing the security, do you work out the operations with them in terms of who is responsible for what. Is that how it plays out?

Gen. Hurley: If there was a private US firm—and to my knowledge there are none, but I could be incorrect—providing security for us, they would be managed by the organisation that is letting the contract. It would depend on the base. We only assist in the running of one base, and that is at Tarin Kowt. At Kandahar and elsewhere we do not have anything to do with the running of the bases—we are just lodgers. But where we have a particular interest, such as at Tarin Kowt, we would be ensuring that the quality of what they are doing is up to scratch and talking to the contract manager. But we do not necessarily tell them what they must do under the contract.

Senator RHIANNON: You do not tell them what they must do, but if it is our base that we are operating from wouldn't we have the ultimate responsibility?

Gen. Hurley: It is not our base in the sense of us owning it. We are helping to manage it. On Tarin Kowt, there are US, Australian, Afghan, Slovakian and Singaporean soldiers. There is a whole host of ISAF countries there. So we are interested in the quality of the product, but we do not manage the contract.

Senator RHIANNON: I am still trying to understand the relationship between the Defence Force and private companies. Are you saying that at times the private companies would determine aspects of their operations or are they always at the direction of individual defence forces or the combined defence forces?

Gen. Hurley: The contract would be entered into with an element of ISAF. That contract would stipulate what the requirements for security are. That would be delivered under the management of the contract owner. We are not the contract owner, but we obviously, as you are indicating, have a very keen interest to see that what they are delivering is up to scratch from our perspective.

Senator RHIANNON: I want to ask about private companies administering aid in the field. What assistance does the Defence Force offer private companies delivering aid projects in Afghanistan?

Gen. Hurley: Could you define 'private companies' in that sense. Are you talking about NGOs or—

Senator RHIANNON: A private company; not an NGO but a private company that undertakes an aid project of some form.

Gen. Hurley: On a profit basis?

Senator RHIANNON: Yes.

Gen. Hurley: I do not think that we have those arrangements in the particular areas where we are operating in at the present time. My only hesitation is about the precise detail about the arrangements for the security of the building of the road from Tarin Kowt to Chora for which there was a company hired under Dutch contract, I believe, to provide the security for that. But our interaction would have only been in determining where they were and what they were doing rather than managing what they were doing.

Senator RHIANNON: What is the Australian government's attitude to private Australian companies administering aid in countries where the Defence Force is operating?

Senator Feeney: I will have to take that on notice on the basis that none of us here are aware of there being private Australian companies undertaking such work. Before I say that categorically, I would want to take it on notice and check.

Senator RHIANNON: Can you take on notice the list of the companies, what countries they operate in and the relationship?

Mr D Lewis: It might be better if you directed that question to the foreign affairs hearing. I think they are up tomorrow. Certainly AusAID will have all of the data around this. I am not sure we are able to answer that question. It is not really in our space.

Senator RHIANNON: We are definitely doing that, but because I have information about a relationship between the military and the private organisations in delivering certain projects I was asking it here. If you could still take it on notice, I would appreciate it.

Mr D Lewis: We can take the bit about the relationship with the military. I am just saying that there may be companies there of which we have no knowledge.

Senator RHIANNON: I totally agree with that. Can I have the details of the names and relationships of those ones you have knowledge of.

Senator BERNARDI: I have a couple of brief questions with respect to the construction that has taken place at the front gate of the Edinburgh RAAF base. Is the appropriate person here?

Mr S Lewis: Perhaps I can help you without bringing somebody up from the department.

Senator BERNARDI: I am responding to a constituent inquiry. They have observed the construction of what they have described to me as a gatehouse or guardhouse at the front of the Edinburgh RAAF base. Are you familiar with it?

Mr S Lewis: Give me the rest of the question. Nothing is ringing a bell just yet.

Senator BERNARDI: Their concern is about how long it has taken to build what has been represented to me as a three metre by four metre guardhouse or sentry box. They suggest it has taken over 12 months and they want to know what the delay has been, why it has been delayed and whether there were any faults in the original construction.

Mr S Lewis: I did reread my notes on Edinburgh last night. I am pretty certain they did not mention anything about a guardhouse. I could be wrong. The talking points lead me to advise the committee that we are broadly on schedule and in budget in relation to Edinburgh and it is tracking pretty well. If we are behind in a component of that project, I suggest I would probably need to dig a little bit deeper and provide you a response on notice if that is all right.

Senator BERNARDI: Of course. I recognise this is a very minor issue in the totality of what this committee considers, but I do have a concerned constituent. So if you could find out what the time to build this sentry box, guardhouse or whatever it is at the front gate—

Mr S Lewis: We certainly are lifting security at a number of our bases and Edinburgh is one of those where we are investing funds to do that. I was not aware there was a delay in the construction of the access control point, but I will look into that and advise you.

Senator BERNARDI: There was also a suggestion that the original front gate that was installed at the access control point was deemed to be faulty and had to be replaced. In the totality of the defence budget that is not significant, but they were concerned about the amount. Could you establish whether that is the case, whether it had to be replaced due to a fault and what the cost of that replacement was?

Mr S Lewis: Certainly.

[14:54]

ACTING CHAIR: Senator Macdonald is going to 3.1 followed by Senator Singh on 3.1 too.

Senator IAN MACDONALD: On Talisman Sabre, the recent defence exercise, you might recall that at last estimates I raised with you the issue of inveterate peace campaigner, Bryan Law, who had publicly stated he was going to disrupt the exercise. I asked the authorities what they were doing to make sure nothing happened. I was told, 'We have 30,000 people out there, 20,000 Americans and 10,000 Australians, and we will be able to handle any sort of protest.' You would all be aware that Mr Law during the exercise jumped the fence, took a meataxe to a helicopter and caused damage of about \$200,000. I am just wondering what went wrong with security and what we would do in the future to prevent people, not the Mr Laws of this world doing that but more serious people, who might be seriously intent on interfering with the Australia Defence Force. It seems to me incredible that it is so easy for a 'peace' campaigner to get in and do that sort of damage. What would a real terrorist or otherwise do? Surely there must be a better system of defence than we have around Talisman Sabre?

Gen. Hurley: Initial response: Mr Law's alleged incident occurred on the airport at Rockhampton, which is not Defence property nor the responsibility for Defence to secure. What I am not 100 per cent sure about in my mind is whether there were any other arrangements made with the appropriate authorities for the security of assets. I would need to come back to you on that. But, primarily, the security of Rockhampton airport is not a Defence matter.

Senator IAN MACDONALD: No, but we had a lot of our helicopters, which are worth \$36 million, sitting on the airstrip. So just because it is airport property rather than Defence property we turn a blind eye, particularly when—

Gen. Hurley: I am not saying we turned a blind eye. I am just saying that I am not quite sure of the precise arrangements—if there were any other arrangements put in place.

Senator IAN MACDONALD: Clearly there were not, because Mr Law got in and you have the bill for \$200,000 to fix a helicopter.

Gen. Hurley: It may not be that there were not. It may not be that they did not work on that occasion.

Senator IAN MACDONALD: I am really interested in what will happen.

Senator Feeney: Let us take it on notice.

Senator IAN MACDONALD: Bear in mind that not only did I warn you but Mr Law himself publicly boasted in the local newspaper that he was going to do it. It seems to me quite incredible that it has happened. I do have some other questions about Talisman Sabre, but in view of the time I will put those on notice.

Senator SINGH: I understand that Senator Ludlum was here earlier asking about cluster munitions in relation to training, so I will not ask that. But, in how many joint operations directly or indirectly involving cluster munitions has the Australian Defence Force participated?

Senator Feeney: In a time frame?

Senator SINGH: In the last few years or so.

Gen. Hurley: We will get back to you on that. A few years: five, two, one?

Senator SINGH: Five.

Gen. Hurley: Yes. Are you asking precisely if we were involved in operations in which we, or people we were working alongside, were using cluster munitions?

Senator SINGH: That is right. Also, correct me if I am wrong, but I understand that under the Explosives Act 1961 the Minister for Defence must authorise the transit of cluster munitions in Australian territory by foreign governments. Is that your understanding?

Senator Feeney: Yes, that is correct.

Senator SINGH: In how many instances and relating to how many munitions has such an authorisation been made, again looking over the last five or so years.

Senator Feeney: Peter Jennings might assist with answering that one.

Mr Jennings: That is the correct understanding. The minister does need to authorise it. I understand that there are zero instances.

Senator SINGH: Are you able to give a guarantee that no cluster munitions will ever be stockpiled in Australia, including on present or future US bases? And, can you guarantee that Australian troops will not directly assist US troops or those of any other ally in the use of cluster munitions under any circumstance?

Mr Jennings: There are no US bases in Australia. There are a number of joint facilities. I think in order for me to give a precise answer to the first two parts of your question I would prefer to take it on notice so that I can study your words more carefully.

Senator Feeney: Obviously, when you say, 'Can we give an undertaking that never'—it is only so far into the future we can peer. I guess we can take that on notice in the consideration of the existing regulatory regime.

Senator SINGH: And the current treaty that is before us.

Senator Feeney: Indeed.

Senator BRANDIS: I had a question relating to, I think, program 1.6—military justice. I was just wondering if the committee could be given an update on where we stand with the progression to the Australian Military Court.

Mr D Lewis: Sure.

Senator BRANDIS: There does seem to have been more than a little delay in this matter.

Mr Cunliffe: The Military Court of Australia Bill, you will recall, was introduced into parliament before the last election and it has not, at this stage, been re-introduced into the parliament.

Senator BRANDIS: Why is that?

Mr Cunliffe: The Minister for Defence made a statement in the House of Representatives in June, I think, indicating that he was still looking at a number of issues. I understand that that is still the case. It is, of course, the Attorney's legislation, as you would well know. But it is certainly a matter of shared interest between the two ministers and it has significant roles and interests for defence and for the Minister for Defence. There are a range of issues which have been raised by matters which have either occurred or been identified in recent times. Certainly the issue of the courts martial proceedings in relation to the civilian casualties issue in Afghanistan was one where the minister was keen to understand better some of those matters. I think it is still the case that there are issues which he and the Attorney are discussing in relation to how the model might work.

Senator BRANDIS: These are issues which remain outstanding between your minister and the Attorney-General.

Mr Cunliffe: I do not completely know but I think they are issues of discussion between the two of them. We have certainly provided some advice and assistance on a number of matters.

Senator BRANDIS: It is probably best if you take my next question on notice, because I would like a reasonably considered and detailed response. I would like a summary of the issues which remain outstanding, please.

Mr Cunliffe: That is obviously an issue which I will need to talk to the minister about.

Senator BRANDIS: That is why I have asked you to take the question on notice. Are you able to give us any indication of when the bill might be re-introduced or the matter might be further progressed? Is it going to be before the end of this year, for example, or will we still be waiting next year for the matter to be further advanced?

Mr Cunliffe: Again I think that is a question which I will have to seek the minister's decision on. As you would know, I obviously do not introduce the legislation.

Senator BRANDIS: It does not sound as if we are very much closer.

Senator JOHNSTON: Admiral Griggs, could I have an update on our amphibious capability as it stands today?

Vice Admiral Griggs: Currently we have HMAS *Tobruk* alongside in Garden Island. She is completing a maintenance period. The expectation is that she will be at sea before the end of the month. She is being supported by SOV *Windermere*, which was leased recently. That vessel is currently between Darwin and Townsville conducting a training cruise and providing sea-training experience for some of our people. ADF Ship *Choules* is alongside in Falmouth

in the United Kingdom. She should be proceeding to sea at the end of this week to start her work-up before she returns to Australia. She will get back to Western Australia about 9 December. She will commission then come around to Sydney towards the end of December.

Senator JOHNSTON: What about *Tobruk*?

Vice Adm. Griggs: It is planned that *Tobruk* be at sea at the end of this month. She will then be available through that period.

Senator JOHNSTON: When did her availability commence?

Vice Adm. Griggs: She is still in maintenance at the moment.

Senator JOHNSTON: The reason I ask that, as you would understand, is that the minister advised that she was on 48 hour stand-by in January this year, and I think it has been some 10 months.

Vice Adm. Griggs: That is not quite correct. From 1 January to 23 February, she was at 48 hours notice. There were obviously some issues surrounding that, which led to issues that we have discussed previously at this committee. She went to sea on 23, 24 and 25 February. She was then at 48 hours notice until 8 May and then entered the maintenance period that she is now in. In fact, there were two separate maintenance periods but because of issues found in the first maintenance period they have been merged together.

Senator JOHNSTON: When you say she was at sea between February and May, what was she doing?

Vice Adm. Griggs: No, she was at 48 hours notice for sea. She was alongside but she was at 48 hours notice for sea.

Senator JOHNSTON: Until May?

Vice Adm. Griggs: Until 8 May.

Senator JOHNSTON: When was she in dry dock?

Vice Adm. Griggs: I do not have the exact—

Senator JOHNSTON: I think it was in that period.

Vice Adm. Griggs: No, she entered the maintenance period in May and during that period she was docked.

Senator JOHNSTON: What is wrong with her?

Vice Adm. Griggs: It is an old ship. It is 31 years old. Over the course of many, many years *Tobruk* has been one of those ships that on a number of occasions there have been plans to decommission her and at times the amount of resources applied to her maintenance was, frankly, not enough. Over the last few months we have progressively been trying to restore her condition because there has been underinvestment in *Tobruk*. That was very clear out of Mr Rizzo's report. And she is an old ship. Things will go wrong. In the last few days we have just started the diesel generators in the ship. Things are being set to work. She is getting into that phase now of returning to sea, but I would caution that she is an old ship and has always been, frankly, a temperamental ship mechanically. We will have issues that unfold over the next week or so as we try to get her back out.

Senator JOHNSTON: Are you confident that, were there to be a cyclone across the north of Australia, we would have sufficient amphibious capability to answer a requirement for that?

Vice Adm. Griggs: I am confident that we have a variety of mechanisms available to give us the lift that we need to deal with a humanitarian assistance or a disaster relief scenario. We have the *Windermere*. While we have the *Windermere* and we do not have *Tobruk*, we will have a frigate and two Landing Craft Heavy as a package available to go with the *Windermere* to provide the lift we need.

Senator JOHNSTON: So this is the *Balikpapan* and other vessels of a similar nature.

Vice Adm. Griggs: That is correct.

Senator JOHNSTON: Where are these Landing Craft Heavy at the moment?

Vice Adm. Griggs: We have some based in Darwin and some based in Cairns. I do not have the exact details of where they all are.

Senator JOHNSTON: So the *Windermere* is our front line of resource?

Vice Adm. Griggs: From a heavy lift perspective, yes.

Senator JOHNSTON: How many tonnes is *Windermere*?

Vice Adm. Griggs: It is displacement. I can get you that detail. She can take about 1,000 tonnes of cargo.

Senator JOHNSTON: Can it take a helicopter?

Vice Adm. Griggs: There is a helicopter pad forward of the bridge but it is not cleared for military use. We also have from an allied perspective HMAS *Canterbury*, which is currently available.

Senator JOHNSTON: I am a bit nervous about her sea state capacity. Let us talk about the *Windermere*. We have a lease there?

Vice Adm. Griggs: Yes, we have a lease until the end of January and an option through to the end of February.

Senator JOHNSTON: And what is that costing us?

Vice Adm. Griggs: I will flick to that and give you that. It is of the order of \$80,000 a day. I think it is \$82,000 a day. I will make sure that is a correct figure.

Senator JOHNSTON: So something more than \$7 million for 90 days?

Vice Adm. Griggs: That is the basic lease cost and then there is an operating cost on top. I think if we use it every day for the period it is about \$1.2 million, of that order.

Senator JOHNSTON: Over and above the seven?

Vice Adm. Griggs: Yes.

Senator JOHNSTON: So if we say \$8 million just to talk in round numbers. We have \$8 million for the *Windermere* and we have HMAS *Choules*, which we have acquired—for \$140 million?

Mr King: We bought the ship for \$100 million.

Senator JOHNSTON: So \$100 million; sorry. When do we have to return the *Windermere*?

Vice Adm. Griggs: We have a contract until the end of January and then we have options through to the end of February.

Senator JOHNSTON: Next year?

Vice Adm. Griggs: Next year.

Senator JOHNSTON: What happens after that if there is a cyclone in March?

Vice Adm. Griggs: We will have *Tobruk* and *Choules* available.

Senator JOHNSTON: Why do we not have *Tobruk* and *Choules* now?

Vice Adm. Griggs: Because *Tobruk* is in maintenance and *Choules* is in the UK.

Senator JOHNSTON: And *Choules* is arriving when?

Vice Adm. Griggs: It arrives in Fremantle on or around 9 December, then commissions in Fremantle and comes across to Sydney with an expected arrival in Sydney around 21 December.

Senator JOHNSTON: Let us talk about *Success*. Where is that now?

Vice Adm. Griggs: *Success* is alongside in Sydney and it is currently in extended availability in the maintenance period at this time.

Senator JOHNSTON: Define for me what 'extended availability in the maintenance period' means.

Vice Adm. Griggs: When we are at more than 48-hours notice for sea when we go into a refit the term used is 'extended availability'.

Senator JOHNSTON: What is being refitted?

Vice Adm. Griggs: I think Admiral Marshall would have the full details on that.

Rear Adm. Marshall: We have done a significant amount of work on *Success* over the last couple of months. We have replaced the cargo refrigeration units, which are very large refrigeration compressors used to carry cold and frozen stores as part of the cargo capacity of the ship. We have done a significant amount of work on the replenishment-at-sea rigs, which are the gantries, the winches and the cabling that allow us to pass goods between ships while underway at sea. We have done a significant amount of general maintenance throughout the ship.

Senator JOHNSTON: Have we done any sea trials with it since we put another skin on it?

Rear Adm. Marshall: We did trials after the IMO conversion when the ship left Singapore.

Senator JOHNSTON: And how do we measure up in terms of its serviceability and sea-keeping capacity?

Rear Adm. Marshall: Well, the ship is the ship.

Senator JOHNSTON: I am told that it has got some problems.

Rear Adm. Marshall: Most ships do have problems, whether ours or others.

Senator JOHNSTON: I am told that it has got some substantial handling problems as a result of poor weight distribution now.

Rear Adm. Marshall: I am not aware of substantial problems.

Senator JOHNSTON: My 'substantial' is probably not your 'substantial' but I am told there are problems, shall we say.

Rear Adm. Marshall: The ship came back from Singapore and I am told that there were no issues with the passage back from Singapore and she handled well.

Vice Adm. Griggs: That is correct, Senator. There were no issues on the transit back.

Senator JOHNSTON: What about since? That was probably with some ballast. What is the story? I am told that there are some problems with its handling. So that is not true? No problems at all with handling?

Vice Adm. Griggs: Not as far as I am aware.

Senator JOHNSTON: No problems at all with sea-keeping and sea state capacity?

Vice Adm. Griggs: Not as far as I am aware.

Senator JOHNSTON: And it has work going on at the moment on it.

Vice Adm. Griggs: That is correct.

Senator JOHNSTON: Is there nothing else you want to tell me about HMAS *Success*?

Rear Adm. Marshall: I am happy to answer questions, Senator.

Senator JOHNSTON: I put to you that there are some issues with it. I am looking for you to tell me that there are absolutely no issues to your knowledge in terms of its capacity to fulfil any role that we would want it to. You have mentioned the RAS. Some work is going on, the compressors are being replaced and there are no other issues. Is that correct?

Rear Adm. Marshall: *Success* is a 24-year-old ship. The hull is 26 years old. She is an old ship. She has a refit scheduled to commence next year, and there will be a large body of work to be undertaken in that refit. So there will naturally be problems. In terms of her sea keeping, my understanding is that all is well. The IMO conversion did increase the vertical centre of gravity of the ship by a very small amount, but that has not impacted the ship's handling to my knowledge.

Senator JOHNSTON: What effect does the increase and raising of the centre of gravity have on this vessel? And how do you know that?

Rear Adm. Marshall: You measure the vertical centre of gravity by conducting an inclining experiment. You baseline the weights throughout the ship, including the volume of liquids contained within the tanks of the ship. Then you move a weight from port to starboard a couple of times, and with a very long pendulum—in fact, they probably do it with slightly more advanced technology than a very long pendulum these days—you measure the angle to which the ship heels. Then, through a series of calculations, you can work out where the vertical centre of gravity in the ship lies. That has not had significant movement in the ship out of this availability.

Senator JOHNSTON: So that is not a problem.

Rear Adm. Marshall: No.

Senator JOHNSTON: What other problems are there with it?

Rear Adm. Marshall: I have mentioned the RAS rigs. We have done a significant amount of work. They are 24 to 26 years old. That is very old for that sort of equipment; it is tired. As part of the routine survey inspection and maintenance of the ship there are areas that will

require corrosion work to be conducted. We have done some of that during this availability. That will be ongoing for the rest of the life of that platform. That is not unusual.

Senator JOHNSTON: What is our anticipated life of platform at this stage?

Vice Adm. Griggs: It is currently through to around 2017.

Senator JOHNSTON: Is it going to make it? I am talking in *Manoora* and *Kanimbla* terms.

Mr King: I do not think we have any information of that nature, of that seriousness. We certainly know it is an old platform. We certainly know there is work to be done to it. We certainly know it is getting towards the end of its age. I do not believe we are aware of anything that has that shortened life against what we anticipated.

The cost of maintaining older ships and vessels obviously increases with age. The difficulty in some of these areas—and the Chief of Navy touched on it—was that if we look back in the records the earlier government decisions on phasing out some of these fleets set us on a path that we were being more prepared, for example, for the new LHDs and maintaining the current capability. Subsequent to that there has been a change of emphasis on amphibious capability. So a good deal of maintenance work needs to be caught up on in these platforms to bring them back to that more reliable state of operation.

Senator JOHNSTON: What are the current costs with respect to the repairs of *Success*? That is my last question on that.

Rear Adm. Marshall: For the current body of work the figure at the moment is \$15.6 million. I am not sure whether it is the budget or the actual expenditure; I think it is the budget.

Senator JOHNSTON: Is that in addition to the work done in Singapore?

Rear Adm. Marshall: The work done in Singapore was a completely different body of work, but the answer to your question is yes.

Senator JOHNSTON: I am happy with those answers, Chair. Can we go to a DMO issue—Strategic Marine in Western Australia? We will bat on, if Mr King will forgive me for moving on in this fashion but I think he is used to it by now. Strategic Marine was given an MOU from Navantia to manufacture the 12 landing craft for the LHDs. All systems were go and then suddenly DMO decided that there was a problem with respect to that manufacture and the job has gone totally to Spain. In the context of what has been happening in Canberra and, particularly with Australian industry from the Prime Minister's point of view—that is, Australian manufacturing—how did this happen?

Mr King: Your summary is broadly correct but it is not in detail. We let a sole source tender to Navantia for the construction of the proven LCM-1E landing craft for the LHD ships. I cannot comment on the MOU between Navantia and the company but I can comment on what we sought from Navantia. We sought three options from them: construction in Spain; four of the vessels constructed in Spain and the balance in Australia; and all of the vessels constructed in Australia. I would be very surprised if Navantia's MOU did not cover that spectrum of outcomes and, indeed, an outcome would be that one or all of those might survive depending on a government decision. We evaluated the tenders—they were not the only company, by the way—

Senator JOHNSTON: No, but they were preferred. They were told they were preferred.

Mr King: As we understand it, Avantia was the preferred supplier if there was an Australian build.

Senator JOHNSTON: To build the whole 12.

Mr King: I cannot comment; I have not seen the MOU. Our request of Navantia was for three options: one—build in Spain; two—four in Spain and eight in Australia; three—12 in Australia. We played no direct role in who they chose in Australia but we did want assurances from them about the activities that they would undertake in Australia. For example, at one point we became aware of a potential plan to do the work in Australia but to import workers, and we said that was unacceptable. If we want an Australian build, we want Australian workers.

In the options that involved a build in Australia, they were not built from ground up but were kits to be produced in Spain—because Spain has the experience with these vessels—and for those kits to be shipped to Australia and then made up into the vessels. There were two really significant issues about the choice of which was the best strategy for us. The first was the cost and the second was the schedule. It was very important that we commission the first of the LHDs in 2014, to be able to prove the ship's functionality, and to start working up that capability because, as you are aware, it is a very substantial capability. The LCM's are a very critical part of that ship's capability and so it was very important that the first four of those LCMs were available for the commissioning of the first ship. When we did a value analysis of the cost, capability and schedule, the preferred recommendation that we made, and Defence made to the government, was a Spanish construction of all 12.

Senator JOHNSTON: When you say 'to the government' you mean to the minister.

Mr King: The minister took it to appropriate committees of government.

Senator JOHNSTON: Why on earth were these 12 craft, if they were going to be manufactured by the LHD manufacturer, not in the original contract?

Mr King: They just were not phased at the same time and, at that time, we also had a project that was on the books—the LCM2000, you might remember, that we cancelled.

Senator JOHNSTON: But at one point, we were going to build them in Australia.

Mr King: Going to build what?

Senator JOHNSTON: The LCMs.

Mr King: No. We have never had a plan to build in Australia which we have cancelled. We had three options: build in Spain, build in Australia or a four-eight mix. There was never any one of those that was not preferred. We tested, if you like, the market for all three options.

Senator JOHNSTON: Let us go back to the beginning. Why did we separate the landing craft, which are a vital component of the functionality of these LHDs, from the actual LHDs that are being manufactured virtually entirely in Spain?

Mr King: I was not around at that time, Senator. Those decisions would have been made around 2004, so it is a bit before my time, but I am thinking it is along the lines that the lead time to construct and build the landing craft—a much simpler vessel—is a lot shorter than the lead time to design and build the LHD. You will remember we had two different LHDs at that time.

Senator JOHNSTON: These vessels have already been built on numerous occasions in the past.

Mr King: The LCM1Es?

Senator JOHNSTON: Yes.

Mr King: But if we had chosen, say, the Mistral we may not have chosen the LCM1Es.

Senator JOHNSTON: We chose this particular craft, what, about four years ago?

Mr King: No, I do not think so. Do you mean the LHDs?

Senator JOHNSTON: Yes.

Mr King: The final decision on the LHD was made in 2007.

Senator JOHNSTON: So, three or four years ago. Having made that decision we then separated out the vital component of the landing craft from it and we had three choices. I am told you chose the first choice because you did not like the risk of the preferred tenderer.

Mr King: I do not know who told you that, but they were not inside my head.

Senator JOHNSTON: They have been debriefed.

Mr King: But that is not the reason. I do not know how they have conveyed it to you, but it is exactly as I described it to you. Can I make it clear that although we have chosen the landing craft designed by the same designer as the LHD—and that makes a lot of sense—they are not uniquely coupled. There were other—

Senator JOHNSTON: But the design was always going to be their design, wasn't it?

Mr King: No, it was not. After we had chosen the LHD and we went to the market for the landing craft, we sought a worldwide look at what landing craft might be available that could work with that ship. There were others that could potentially.

Senator JOHNSTON: We or Navantia?

Mr King: We did.

Senator JOHNSTON: Well, Navantia are the ones that have run the tender for this.

Mr King: Yes, because after we had done the search for landing craft that might be suitable for use on the LHD we drew the conclusion and we recommended to government that, given the risk of the other vessels that might work or the lack of interoperability, we sole source that work to Navantia. So, Navantia did run the competition for us, if you like, on the three options.

Senator JOHNSTON: Why would we engage Australians at some tremendous expense, \$300,000 or \$400,000, to tender for a project and then just decide that we did not want to do it in the end.

Mr King: Senator, it would be wrong to portray the work we do as 'just do' something. We do not do it that way. We assemble teams of experts—whether they are in capability, cost analysis, contracting analysis, technical issues—and do full evaluations of each of those options. We fully evaluated the cost schedule risk of each of those options. We made evaluations of the work content and we put recommendations to the government in a very balanced way on the three options that were available.

Senator JOHNSTON: You have gone down the path of allowing Navantia to enter and sign an MOU with a manufacturer for the 12 craft. They have spent considerable time and money investing in meeting the requirements of a prime contractor—a prime contract which DMO has let—only to be told, 'No, sorry, we didn't want to do that.'

Mr King: I am not privy to the MOU, but Navantia is a very well-experienced, very honourable company—

Senator JOHNSTON: I have no doubt about that.

Mr King: Bear with me for a moment. I would be extraordinarily surprised if the MOU does not convey that they would be the Australian company to be engaged with in the event that that option to build in Australia was exercised. I am sure that in the broadest context the company tendering would have made a risk assessment of their opportunity to win that work against the other proposals. Having said that, I am not privy to the commercial arrangements between Navantia and Strategic Marine.

ACTING CHAIR: General Hurley, we have finished with you and your department. You are free to run away, if you wish, and thank you very much for your assistance. DMO, you are not going anywhere.

Gen. Hurley: We should stress that DMO and the Department of Defence are one, and I shall stay until we have dealt with this.

Proceedings suspended from 15:30 to 15:46

Mr D Lewis: With your approval, I will ask Mr Merchant to read in a quick answer to a question this morning from, I think, Senator Johnston with regard to vetting. We have an answer on one of those matters.

ACTING CHAIR: Thank you.

Mr Merchant: Senator Johnston asked for the cost of the work that was done by Robert Brennan and Associates in relation to the issues in the National Coordination Centre in Brisbane. The cost of that work was \$35,888.24. Senator Johnston also asked about the possible tabling of the reports from Robert Brennan and Associates. There were two reports, one by Ms Trent and one by Mr Brennan himself. It is clear that both reports contain many references to individuals by name and that staff at the Brisbane centre spoke in confidence to the investigators. Careful redactions would be needed to protect their privacy, but I can read into the record what I regard as the relevant paragraph from Ms Trent's report. This is on page 15 of a 46-page report. She refers to a named individual and then says:

... highlights a number of concerns relating to the security process at NCC. The scope of this project does not allow me to investigate her alleged breaches of process, however, I would highly recommend that her concerns are taken seriously and that, at the very least, an internal review is conducted into the particular circumstances that she refers to. This information will be provided separately to DSA for their attention.

I note that the information was not provided to the Defence Security Authority until it was requested after the 16 May 2011 *Lateline* program.

The report by Mr Brennan contains a number of references. For example: 'minimum vetting standards are not being met,' that is on page 6 of 27; 'inconsistent work practices and concerns about approval processes having potentially negative impacts on national security,'

that is on page 14 of 27; and 'inconsistent staff management and vetting is occurring (step-parents/name/bank accounts),' that is in attachment 3, on page 23 of 27.

As the minister has said, and we agree, it is unfortunate that these references were not followed up at the time by the Defence Security Authority.

ACTING CHAIR: Thank you, Mr Merchant.

Mr D Lewis: Chair, if I could read two other quick answers into the record, please. There was a question asked this morning about the special purpose aircraft being used on a number of occasions for international trips. The question asked was: on how many occasions? This information is tabled in the schedule of special purpose flights, and is tabled as flight legs, not trips. I just want to make the distinction between legs and a trip. From July to December 2009 there were 22 international trips, which included multiple legs; from January to June 2010 there were 12 international trips, including multiple legs; July to December last year, 22 trips, again including multiple legs; and January to June this year, 27 international trips, including multiple legs. So that gives you an idea of the frequency of the international flights that are undertaken by the SPA.

The second question I have an answer to was: please provide the manifests of the Prime Minister's, Minister for Foreign Affairs' and Governor-General's travel on SPA from 1 January 2011 to date, including those travelling with them, costs of each flight, aircraft used et cetera. In accordance with the Guidelines to the Use of Special Purpose Aircraft, as part of the entitlement handbook the *Schedule of Special Purpose Flights*, which is known as 'the schedule', listing of all VIP flights and passenger details is tabled in parliament every six months. For July to December the schedule was tabled in parliament on 7 July this year. The next schedule, covering the period January to June this year, will be tabled in November—next month. Providing accurate information on all VIP flights and passenger details is only achieved after a thorough checking and review process between Air Force VIP Operations Cell and the SPA approving authorities. Finally, the draft version of the next schedule is currently being reviewed by the Prime Minister's office, the Department of the Prime Minister and Cabinet and the Department of Finance and Deregulation.

ACTING CHAIR: Thank you, Mr Lewis.

Mr King: Chair, could I correct or add to information we provided you on *Success*?

ACTING CHAIR: Please.

Mr King: There is a long-term problem with *Success* which has gone back over a decade and which relates to shaft alignment. It is part of the maintenance of ships but it is a significant matter, so that is also a matter that is being addressed now.

Senator JOHNSTON: And is it going to be—

ACTING CHAIR: Sorry, Senator Johnston. Mr Lewis, did you want to add to that?

Mr D Lewis: Chair, Mr Minns has one answer to read into the record.

Mr Minns: I thought it might be of benefit to Senator McEwen and to the committee to give you a full consolidated view of the bargaining process. We started negotiations with bargaining representatives on 29 March. We met five times for nine days of bargaining leading up to the decision to ballot, which gave us the no vote that we discussed. Following that we had a planning meeting on 13 July with bargaining reps, a bargaining meeting on 20

July, and two further days of bargaining on 4 and 5 August. It was at another scheduled bargaining meeting on the 16th that negotiations broke down, as we discussed. Since that time we have had one teleconference, on 29 September, and we have another scheduled for 25 October. As mentioned earlier today, there were two offline meetings between me and APESMA on 2 August and 14 October related to their particular claims.

Senator McEWEN: To your knowledge, Mr Minns, has enterprise bargaining with the civilian workforce in Defence ever led to industrial action?

Mr Minns: I would probably seek the advice of someone who has a longer history in Defence than me. We have had a scenario where an agreement was voted down, which was back in either the late 90s or early 2000s. The industrial action that we have seen has not been extensive. I do not think that would be a matter of debate with anyone concerned. But there has been notified protected industrial action and there has been action in accordance with it.

Senator McEWEN: But not as part of this agreement?

Mr Minns: Since negotiations broke down, yes.

Senator McEWEN: Thank you.

Gen. Hurley: Chair, could I just read a response to Senator Johnston in relation to the Adagold contract for the MIO sustainment contract?

ACTING CHAIR: Please.

Gen. Hurley: The contract is for two years followed by two one-year extensions at the discretion of Defence. In the last 11 months of operation there have been only four significant delays attributable to the contractor, indicating a contract success rate of 97 per cent. You asked how much is spent per flight. I am advised that the cost to Defence for the provision of four routine weekly flights is \$1.564 million per month. This does not include fuel costs or government charges.

Regarding complaints, within the contract there is a customer survey conducted as part of the theatre induction process for all members who travel on the aircraft. It covers a wide array of subjects, including cabin cleanliness, in-flight entertainment system, cabin crew performance, quality of food and the serviceability of passenger amenities, including lighting and seating. The surveys are collated and analysed and passed to the contractor. Our contractor notifies us what they are going to do about it, and that response is tracked and followed up in quarterly contract performance meetings. Seat serviceability has been raised as a matter of concern in the past. As a result in the reporting and monitoring process there have been significant improvements, but the matter remains under review. With regard to food quality, only a very small number of individuals have indicated dissatisfaction, and this is more likely to be reflective of individual preferences. It is assessed that the meals provided are in accordance with the industry international premium economy standard. As a result of customer feedback the adequacy of the in-flight entertainment system remains under scrutiny. The problems appear to centre on quality as opposed to functionality and the contractor has commenced a rolling program to remedy the perceived problems.

You asked about some specific incidents. In December 2010 a plane rolled backwards and braked hard, with passengers thrown around and one hospitalised. I am advised that an incident did occur, arising from an internal communication misunderstanding between the flight crew and the ground crew. Procedures have been put in place to address this matter.

There have been no subsequent incidents of this nature. Neither Defence nor the contractor have any information concerning the hospitalisation of any person from this occurrence. It was stated that in March this year the fly-away kit was not secured. I am advised that the assertion that the aircraft fly-away kit was not secured in March this year is only partially accurate. These spare parts were found to be insecure during a normal pre-flight safety check. The issue was reported and resolved prior to the aircraft's departure. Subsequent to these incidents CASA has conducted two audits and no significant issues of concern have been identified.

In relation to security screening out of Al Minhad, the baggage of defence personnel who embark on the aircraft is subject to random checks on at least 25 per cent of items, undertaken by Defence, to ensure that no dangerous goods are carried on the aircraft. There are also in place numerous orders and supporting briefings delivered to personnel travelling on aircraft, and failure to obey these orders may result in disciplinary or administrative action. Immediately prior to boarding the aircraft at Al Minhad all personnel and their carry-on luggage is subject to random spot-checks by defence personnel. Contractor aircrew and cabin crew are not subjected to bag searches but action is being taken to remedy this oversight.

On the use of a Portuguese aircraft due to unreliability of the normal aircraft and serviceability of aircraft, the contract stipulates use of either two specific aircraft: a primary airframe and a secondary substitute. Both aircraft are Portuguese registered, operate under normal CASA safety regulations that apply to all aircraft operators flying into and out of Australia. Where aircraft maintenance schedules are not met the secondary aircraft is substituted in place of the primary airframe. Defence is satisfied with the company's overall performance, reliability and serviceability, which is assessed to be in the order of 97 per cent. In the past 11 months of operation there have been only four significant delays attributable to the contractor, relating to aircraft serviceability. Of these delays three were attributable to aircraft services with the issues relating to two outward-bound flights.

In relation to crews not trained in evacuation procedures, maintenance and protocols and who do not speak English, the contractor is obliged under the MIO air sustainment contract to ensure that all cabin crew are adequately trained in evacuation procedures and operational matters in accordance with normal airline operating procedures. Defence was made aware, through submission of the feedback form, of a training shortcoming. This was notified to the contractor, who investigated the incident and the training shortfall was identified. It arose partly from an aircraft change-over and corrective action was taken immediately. All cabin crew are Australian citizens and have been since March this year. Although there is no specific contractual obligation for the contractor to provide native-English-speaking cabin crew, international standards require English competence as part of their normal training and qualifications. The contractor has confirmed that all flight, engineering and cabin crew speak English.

In relation to workforce not being under appropriate cover, including current leave not paid, no flying allowances, not being subject to Australian conditions, the deed of standing offer and the contract stipulate the contractors comply with Australian employment and legislative policy. The contractor has confirmed that these specifics are being met and that all cabin crew are employed in accordance with the provisions of the Aircraft Cabin Crew Award 2010 and the Fair Work Act, and are paid above the minimum rates in the award.

ACTING CHAIR (Senator Sterle): Thank you, General. Before I go back to Senator Johnston, are there any other answers that you wish to give us or table?

Mr Lewis: Not at this point.

ACTING CHAIR: Thank you, Mr Lewis. Senator Johnston?

Senator JOHNSTON: In response to General Hurley's answer with respect to the MEAO air sustainment contract, could we have the full detail of the survey and all of the answers and a proper analysis of the extent of the survey and what issues were raised? Has anyone travelled on that aircraft?

Gen. Hurley: No. I haven't. I do not think anyone at the table has.

Senator JOHNSTON: Nobody here today has travelled on that aircraft?

Gen. Hurley: Not on the current contract.

Senator JOHNSTON: Thank you very much, General. I appreciate those comments. I will go back to strategic. Mr King, these people actually sent a team to Cadiz and were encouraged to do so by Navantia. As I say, there was a signed MOU such that they wanted to announce it for the construction of these vessels. They met the DMO officials, Mr Hegarty and Mr Benzie, for several days. They met a financial team and another team from DMO over a number of days. A considerable amount of expense went to participating in what was allegedly a proper contest. They won the contest only to be told the second pass has resolved no work, at some considerable expense. Is that the way we do our business here?

Mr King: Let me express it another way and then I will say it is the way we do our business.

Senator JOHNSTON: Navantia has represented certain things.

Mr King: I just took an email—the wonders of modern technology—on an iPad from Navantia saying that they entered into an MOU with Strategic Marine for options 2 and 3. Option 1 was to build in Spain; option 2 was four in Spain and an Australian supplier who Navantia preferred to be Strategic Marine, or all 12 in Australia. That was consistent with our request of Navantia to explore those three options so that we understood the cost and schedule risks associated with either approach. There was not a preferred option. We wanted all three options made available to us so that we could make a recommendation from Defence to government about the preferred way of acquiring these 12 vessels. There was never expressed by Defence, to my knowledge, that the preferred option was build in Australia.

Senator JOHNSTON: Why would they do that? Why would they put three options in? You see, all options contained Navantia supply, design, materials and equipment. They were building to a specification from Navantia.

Mr King: That was a lesson learned from LCM2000, and you would think ill of us if we did not learn from our lessons. In down selecting to the LCM1E design, apart from the fact that that craft is designed specifically for the LHD operations, we wanted to make sure that we did not get into a position where we had unreasonable risk or unreasonable cost with acquiring what is a reasonably simple vessel. In minimising those, the approach Navantia took—and understandably—was to produce kits that could be assembled in Australia.

Senator JOHNSTON: Did the DMO know that there would be a contest, a request for quote, on four and eight, option No. 2, and wholly 12 vessels in Australia, option No. 3. Did you understand they were going to do that?

Mr King: Yes. We asked Navantia to explore three options.

Senator JOHNSTON: Was there any advice to Navantia to make sure that everybody understood they might get nothing?

Mr King: We told Navantia we wanted three options explored. I cannot be sure, but in correspondence that I just received Navantia described it as they had an MOU with Strategic Marine for options 2 and 3, which means that they clearly understood that there was an option 1.

Senator JOHNSTON: They understood that. But they have had an all-singing, all-dancing contest, with a whole lot of shipbuilders competing with each other. One wins, and then nothing.

Mr King: I do not know what they disclosed to Strategic Marine, but knowing the style of company Navantia is I would be very surprised if they did not disclose the totality of the options being pursued. I can check with them.

Senator JOHNSTON: Sure. We will all go away and check, but it strikes me that when \$200,000 or \$300,000 are expended to participate in a contest and then suddenly there is no work in Australia in our current circumstances—and this is not about price; I was told that it was not about price but about risk—

Mr King: That is not true. The price—

Senator JOHNSTON: So the Navantia price was the winner?

Mr King: All prices were Navantia's, but the build in Spain price was significantly lower cost.

Senator JOHNSTON: That is not my advice.

Mr King: I can assure you that that is a fact.

Senator JOHNSTON: Competitors in such a situation where you have a prime contractor seeking to subcontract should be very aware that there might be no work at all, having spent the \$200,000 or \$300,000 to participate.

Mr King: Indeed. As I said, I will take that as an action. I will investigate. But my experience with Navantia is that I would be very surprised if they had not described the options being pursued.

Senator JOHNSTON: Were you aware that Navantia was seeking an Australian option?

Mr King: Yes. We asked them to.

Senator JOHNSTON: So you actively instructed them to?

Mr King: Yes.

Senator JOHNSTON: And they went out and got one and then you did not take it.

Mr King: No. Let me restate this, just in case I have not been clear. I know that I am always that clear, so I will start again. We asked them to pursue three options for us. Option 1 was a complete Spanish build. Option 2 was for four vessels to be built in Spain with eight to

be built in Australia. Option 3 was for all to be built in Australia. We did that because we wanted to give maximum opportunity for Australian industry to participate. We wanted to understand the costs and schedule risks associated with each option. Despite what you might have been advised, there was a significantly different cost between the three options.

Senator JOHNSTON: I am told that Navantia would supply design, material and equipment and the Australian partner was only to supply labour and some very small amount of materials.

Mr King: And to build them.

Senator JOHNSTON: Yes. So the labour was the only issue with what the Australian builder was contributing—the build.

Mr King: And the testing trials and all of that. There is a fair amount of work in it. I am not sure of their average figure, but the labour content of a vessel like that is quite significant. The idea of providing the pre-cut materials and so on was to minimise the risk for all parties and to make sure that we could execute the project on schedule or as close to schedule as we deemed necessary.

Senator JOHNSTON: Okay. I just cannot see the point of asking for an Australian option, having a contest, having people spend a lot of money and then not following through on it at all.

Mr King: But the other option would also apply if we did not as an organisation provide opportunities for Australian industry to participate. There was a design in the world that was low risk, proven and that could carry the loads that we needed it to carry at the speeds at which we needed it to go. It came from a Spanish manufacturer. They could have taken the line, 'If you want it, I'll build it for you.' But we said that we wanted to maximise the opportunity for Australian industry to participate in this program. That was seen the best way to give them an opportunity to participate.

Senator JOHNSTON: But what you have achieved is exactly the opposite of that. You have got people to participate at great expense and then ripped the rug out from underneath them.

Mr King: You have raised the issue that maybe we did not declare it, but I do not believe that to be the case. I will check it. But from all my experience in industry, you always make a business judgement about the opportunity that you have to win it and the costs that you are prepared to invest to pursue that opportunity. The only deception that would apply would be if that was not adequately declared to a company trying to participate in the process. My expectation is that Navantia did declare those options.

Senator JOHNSTON: It does not look like that to me because the request has come from Navantia, they have then signed an MOU, they have then had a celebration for being awarded the title of preferred tenderer—

Mr King: I would say it went this way, but I am guessing and I think it would be better if I got the information for you: there would have been some downselect by Navantia about who was the best company to do it. The celebration most likely was the celebration of the downselect of that company being their preferred supplier in the event that that bid was successful. I will check that because I do not know that for a fact.

Senator JOHNSTON: The point is that Navantia were happy, Navantia had chosen someone, and then the DMO said no, we want the Spanish option.

Mr King: Senator, that is not true.

Gen. Hurley: This is very much akin to the process we normally go through with the Kinnaird process, where we are looking at one, two or three options. Companies form groupings and so forth to compete, and some lose and some win. The cost of tendering, as I think Senator Johnston would be aware, has often been raised as one of the issues out of the Kinnaird process. This hinges on, as Mr King has said, whether or not the company understood that we were competing three options and they were part of two of those options and not the third, but all three stood a good chance of winning. I think we have gone through the normal process you would expect us to under the Kinnaird arrangements.

Senator JOHNSTON: At the last estimates the then Chief of Navy discussed what the sustainment cost currently was for the Collins class submarines. The Chief of Navy suggested \$363 million. I think we all know that that is not correct. In answer to question No. 4 on notice, you have indicated that the total cost is \$629 million, comprising some \$430-odd million in sustainment and another \$183 million. The correct figure for the cost of sustainment and operation of the Collins is somewhere beyond \$600 million.

Vice Admiral Griggs: It is \$629 million.

Senator JOHNSTON: What is the depreciation figure for that, bearing in mind that in a lot of other force element groups we get a depreciation figure. What does DMO use—four per cent, five per cent, six per cent?

Mr King: Do you mean on the asset value?

Senator JOHNSTON: Yes.

Mr King: I do not know; I will have to take that on notice.

Senator JOHNSTON: I think we have used four per cent for the minehunters.

Mr King: It would be the standard government depreciation rates I am sure, but I will get the CFO DMO to support me.

Senator JOHNSTON: If we use a figure of \$200 million across the fleet, that takes us up to around \$800 million a year. Is that correct?

Mr King: I would have to go back to what we have in the book as the asset value and what we are writing it down as. I am not certain.

Senator JOHNSTON: It is something more than 629, anyway.

Mr King: Well, 629 is the cost we incur in maintaining and operating the Collins class.

Senator JOHNSTON: Admiral Griggs, do you see that as value for money?

Vice Adm. Griggs: It is what it is. It is the cost of maintaining the Collins class. I see the capability as an essential strategic capability for Australia and, on that basis, yes. Am I happy with the availability? No, and it is on the public record that we are not. We are working very closely with the DMO to improve that.

Senator JOHNSTON: Given that we are not going to talk about availability, bear with me while I work out what I can talk about that is comparable. I noted the other day that the

Ohio class boats are \$50 million per annum per boat. We are running at \$70 million per annum per boat, on these calculations.

Mr King: If I can respond to that point, the only place I can find \$50 million in open source is from a vasoc assessment in 1996, which has two issues about it. It is old, and if you look back in the government assessments of vasocs numbers there was an adverse report back in that era about the ability of the organisation at that time to predict costs accurately. So I think you can park that number as any reasonable comparator. Like I have said previously, comparing different boats and different navies is always difficult.

Senator JOHNSTON: Sure.

Mr King: But the number that we talk about with our friends in the US is significantly greater than that number.

Senator JOHNSTON: The French have recently signed a €500 million contract—\$675 million—with DCNS for six SSNs for five years. In Australian dollar terms, that is \$27 million per boat, nine-month intermediate refit, three 18-month complete overhauls. So it goes on. The Germans have type 212s, full-cycle dockings in 12 months. These numbers and these comparisons mean that we are on average somewhere to a factor of three beyond the operating costs of broadly comparable machines.

Mr King: I do not think that is correct, but could I go to the heart of your issue, which we all agree is a challenge for us—the cost of maintaining and operating Collins and making sure it is the appropriate investment to get the right return. Both of them are challenging for DMO and for defence. When we designed Collins, one of the design criteria, for example, was a one-year full-cycle docking, six-year usage upkeep cycle. That was subsequently proved not to be the case. The design does not support that length of full-cycle docking and we have to do more maintenance than was anticipated by the design intent. That is a fact that we have with the Collins class submarine. I do not believe it is likely to be anywhere near the number that you are saying. Having said that, we have every intention of driving it to the right level.

Of course, you will be aware the Coles review has started. One of the key pieces of work we are asking Mr Coles for—and companies will assist him; we are not just asking for Mr Coles's view but calling in specialist companies from around the world to assist us—is this. Given what the Collins design is, what should we be driving towards as the reasonable costs and availability for that submarine? That is a serious piece of work that should be done. There is probably another side to this. If I look back at the numbers—and I was not there at the time—going back to the 2005-06 era, it looks like we seriously underinvested in Collins. So we are probably not only just finding out how much we need to do to get them back to the proper operational state or the material-available state, indeed, so that Chief of Navy can build up all his crews, we have probably got an underinvestment for several years that we are catching up on. I think what we are doing is going about this with a great deal of focus and rigour. It is going to involve two things: do we have to invest to catch up on the years we did not invest perhaps enough, and what efficiency levels can we drive to to pull down those costs through the rest of the life of Collins?

Senator JOHNSTON: When is the parliament likely to see the detailed costing of the remediation plan that needs to be undertaken if we are going to go down that path. Because, at

some point the decision is going to have to be made not to go down the path or to go down the path of trying to get these boats back to some sort of—

Mr King: I do not think it is a big cliff of remediation; I think it is a program of remediation. And of course a parliament will see the figures we are spending each year as we publish them in our estimates. You can see from the estimates that that number has gone up to play this catch up.

Senator JOHNSTON: We are updating the integrated master schedule, we are rewriting the in-service support contract, we are rewriting the Navy to DMO Materiel Sustainment Agreement, we are conducting a PWC-led Submarine Capability Improvement Program, Mr Coles has just arrived and is doing work, and then we have the submarine life extension program study, all running at the same time. Where is this all leading?

Mr King: To a very capable, competent submarine fleet that supports Australia.

Senator JOHNSTON: When?

Mr King: We have actually seen the first glimmers of the change in the work we have done. I would not go any stronger than that. We fully expect that we will see this bite in by about three to five years from now. The reason is simple. The boat is on an eight-year cycle. The full-cycle docking at the moment takes up to three years. There are some remediation programs, significantly, at the moment, in the propulsion area, that you simply cannot undertake unless the submarine is in one of those full-cycle dockings. So, we will only be able to improve the availability of submarines in that grand scale. There are other matters that we can do almost immediately. There are things like improving spares availability. During that underinvestment period, for example, we ran down the spares holdings. So you can very simply and unintentionally extend refit or maintenance work when you do not have spares available.

Senator JOHNSTON: How did we run those down? Who was asleep? Surely we are monitoring where this capability is in terms of its capacity at any given time.

Mr King: There are a couple of reasons, I think, and I am probably old enough to remember most of these things that went on at that time. First of all, research in the US would say that nearly every ship class goes through a three-cost cycle. The first cost is acquisition. Just after you acquire that ship class you taper off your interest, because it is all brand new. Then you typically see a surge in maintenance costs when you realise that you were not putting the money you should have into the class. That peaks and then, funnily enough, particularly in, say, nuclear boats, there is a third surge when you pay it off, because you have disposal costs, which are very significant.

In our case, our submarine experience, up until the introduction of Collins, had been buying a class of ship significantly less sophisticated but, more importantly, part of a broad fleet of submarines operated by the UK. When we took on a brand new Collins design, we were, if you like, as a nation naive about the costs of both acquiring and operating the submarine.

Senator JOHNSTON: I appreciate those remarks.

Mr King: I believe what happened, most likely, is this. When we built Collins you will remember the real significant issues that drew everybody's attention: there was propeller noise and hull noise, but the combat system was actually the big topic. When we replaced the

combat system—and we are now very comfortable with how that program is running—I think it became more evident that we had significant matters of an engineering nature in the propulsion plant that really are the broader focus that we have today and absorb most of our time in making sure we get this materiel availability up to the standard that Navy needs.

Senator JOHNSTON: All right. In answer to one of my questions you said that a particular mast—we will not get into what sort of mast—has cost us \$20 million to put it on one of the boats. That is broken up into the raising equipment, just under \$3 million; the purchase of the actual mast, \$7½ million; the direct installation costs, \$4 million; and the ASC engineering proposal for design—that is just designing what we are doing—\$7.13 million. Is that a reasonable cost?

Mr King: I cannot answer on that specific project, Senator, but you will know—I have spoken about this before, and I am sure the ASC board and the ASC CEO would agree—that we and ASC have to find a better, more efficient way of doing our business.

Senator JOHNSTON: Where are we at with that?

Mr King: That is the ISSC contract. We have made very good progress, in fact. We have now described the work. For example, under the TLSA contract, which was put in place at a time when the survival of ASC as an entity—we had IP conflicts with the overseas designer—

Senator JOHNSTON: We still have those, haven't we?

Mr King: With the overseas designer?

Senator JOHNSTON: Yes.

Mr King: No, it is all resolved.

Senator JOHNSTON: They have all been resolved?

Mr King: As far as we need to operate and maintain the Collins class, yes.

Senator JOHNSTON: All right.

Mr King: So this contract was formulated around, effectively, cost-plus. Whatever it cost to maintain the submarines we paid ASC, plus a fee. Broadly that is how it worked. There were some incentives in there, but that is fundamentally how it worked.

Senator JOHNSTON: What is the percentage? Cost plus what?

Air Vice Marshal Deeble: The current profit is eight per cent on the costs, and there is an incentive fee that is paid—about seven per cent on everything bar the overhead.

Mr King: Fundamentally, though—as you realise, Senator—we are very comfortable with companies having a reasonable profit margin.

Senator JOHNSTON: Sure.

Mr King: What we want is for companies to do their job well.

Senator JOHNSTON: But these numbers I have just given you include \$7 million for design work. Seriously, this strikes me as unbelievable.

Mr King: I do not know whether that is a good figure or not, but we have to recognise the complexity of a submarine. I think some people think it is like a truck that, for 99 per cent of its time, is on a highway going up and down from Melbourne to Sydney. It is much more like an F111, a shuttle or something where you actually prepare it, if you like, for a cycle which

includes a mission. I understand, for example, that on the F111s, towards the end of their lives, for every hour of flying there was 180 hours of maintenance. Suppose you multiply that up to a submarine, where you have this incredibly complex platform, and you think of it more like preparing for a mission—preparing the shuttle for a mission. How many shuttles did NASA operate to run three missions a year? If you think of it more in that context and you think about the integrity of the design, the safety we have to ensure for our crews and the safety for the plant and the weapons, I cannot be sure whether that \$7 million is a good fee or not, but I would say that you have to address all of those issues that we are seized with to make sure the design is safe and certifiable and that it works.

Coming back to the first point, under the new ISSC contract ASC will be driven to being more efficient and they will be quoting work like that in a much more competitive environment. As a principle, what we have said—and I do not really see this applying to design work—is that, where there is work that we think should be outsourced, for example, ASC will be doing make/buy decisions and they will have to give us comfort that they are pursuing those options vigorously to pull down their costs.

Senator JOHNSTON: Is it true that ASC charges you—the DMO and Defence—to quote on work on Collins-class submarines?

Mr King: At the moment we pay ASC to be an entity.

Senator JOHNSTON: Sorry—to be a what?

Mr King: If you split their work into two parts so I can isolate this, they have a contract that they are executing on AWD; but on submarines, we, Defence, pay for ASC. It only has us as a business—

Senator JOHNSTON: That is right.

Mr King: and so its only source of revenue is us.

Senator JOHNSTON: So when we ask them to do this mast, which we have to because no-one else is going to do it, they say, 'We'll give you a price, but it's going to cost you for us to cost it.'

Mr King: We pay for the existence of that skill base. That is true.

Senator JOHNSTON: But why would we pay a fee for them to quote a dollar figure to us when we have nowhere else to go and it is cost plus?

Mr King: Because it would not matter, really. If you have a company whose only business is one customer, then that company must derive all its income from that customer. The question you might be putting to me is: how do we ensure we get efficiency out of that basis? And that is exactly what we are trying to do with this new ISSC contract.

Senator JOHNSTON: Right. Could I ask you to provide me, on notice, with some visibility of this \$3.5 billion or whatever it is we spend over 15 years on this contract with these people. I would like a list of all of the jobs carried out on Collinses that exceed a \$2 million threshold, and a short description of the scope of work carried out. Now, is that a huge task?

Mr King: Yes, it is.

Senator JOHNSTON: Right.

Senator Feeney: An unclassified task too.

Mr King: It is not so much that. One of the things we want to fix up at the moment is that, because we have a cost-plus contract, effectively—a TLSA—we do not feel that work has been properly scoped or understood or managed, because we are simply paying for the existence of a capable entity to support the boats. Part of the work of moving into ISSC is getting much more into that realm where, when a boat comes in for a particular level of maintenance, we expect a certain servicing routine to go on and a certain number of things to be done, and their estimate for each of those activities will be defined and they will work within those estimates—and, indeed, the way they will improve their profit will be to drive down the costs of doing that work for us.

Senator JOHNSTON: All right. But we wanted them to give us a warranty on the work they are doing. I note that the EPU on *Farncomb* has failed twice; did we recover the money on that? Is there some quid pro quo here or do we just cop it in the neck at every turn?

Mr King: No, we do have some warranty—

Air Vice Marshal Deeble: We were never charged for that additional work, and they will be recovering that back from their insurer.

Mr King: But I do not want to downplay that we are seeking of a higher level of performance from ASC.

Senator JOHNSTON: I am just worried that, whilst we were not charged for that original work, that work was extremely expensive. Are we absolutely satisfied that that offset has indemnified us for the loss of the use of that EPU and the seaworthiness of the vessel?

Air Vice Marshal Deeble: We costed all of the activity that was undertaken on both repairs for the EPUs, and we have agreed that as part of a settlement of all warranty claims.

Senator JOHNSTON: All right. How much are we spending on all these inquiries?

Mr King: Are you talking about Coles?

Senator JOHNSTON: We are updating the integrated master schedule; we have obviously got some lawyers doing that—

Mr King: That is not an inquiry. That is just work we do.

Senator JOHNSTON: Well, we are seeking to get that fixed. We are rewriting the in-service support contract renegotiations—

Mr King: That is a DMO activity.

Senator JOHNSTON: and the Navy-to-DMO materiel sustainment agreement.

Mr King: That is a Defence activity. We do that with every product.

Senator JOHNSTON: The PwC submarine capability improvement program?

Mr King: I think that is a Navy contract with PricewaterhouseCoopers.

Senator JOHNSTON: Pricewaterhouse, yes. Do we know how much that is costing?

Vice Adm. Griggs: I will have to take that on notice, Senator.

Senator JOHNSTON: Sure. The Coles review is going to cost us what?

Mr King: We are still finalising that. But there will also be elements of remediation possibly undertaken under that review. So it will not be standing back paying someone just to

look at us but also to work with us and design solutions. We expect to engage international companies, specialists in the field from both the US and Europe, to assist Mr Coles in doing this work.

Senator JOHNSTON: Rizzo has given us some guidance on this. I hope we accept it. He said that there needs to be an active contract that clearly defines the obligations of both Navy and DMO and is supported by measurable performance indicators, improved reporting and consequences defined for non-delivery against those indicators. What does that mean in terms of Collins class submarines? What are the consequences for non-delivery against those indicators?

Mr King: I do not suppose they will be talking to you at next estimates.

Senator JOHNSTON: You might be pleased about that.

Mr King: You will have observed that a few CEOs of the DMO have disappeared over the years.

Senator JOHNSTON: Let us pretend the status quo prevails.

Mr King: That is an appropriate reaction. If the DMO cannot deliver what it undertakes to deliver, there should be consequences for the people.

Senator JOHNSTON: But it is not just the DMO—you only have one port of call. You can only go one place to fix these problems and they look like they are charging the sun and the moon.

Mr King: As I said when I opened my remarks, I would feel fairly confident—I would like to feel very confident—that the board and the CEO of ASC share with us a need to reform the way we do business. I cannot deliver that until we make progress on this ISSC. It is a serious matter for the company and for DMO to get this strategic capability right at a reasonable price. It has us totally focussed. It is our No. 1 priority in DMO other than supporting operations. We are working very hard to get into a performance based contract which should drive those behaviours we expect.

Senator JOHNSTON: All the while, the four that we have and the two that are in Adelaide have to be the subject of a life extension program.

Mr King: I know we have described it that way. I would rather describe it another way. Nearly every product we buy is designed for a certain life. When the designers sit down to describe the thickness of the metal or the type of engines or whatever, they do it against the design criteria. One of those criteria is the expected life of the platform.

Senator JOHNSTON: What was the expected life of this platform?

Mr King: It was to 2025 for the first.

Senator JOHNSTON: To 2025? And we are going to 2031—I think that was one of the answers you have given me.

Mr King: We now use a cycle of eight years. Some very unkind people would say that the Collins subs have not spent long in the water so they have a lot of life left—I think that is unkind. Some people would also say—and this is fairly true and we do not want to get into sensitive areas—that, when they are used, they are used vigorously. We are a long way—

Senator JOHNSTON: They were designed to be used vigorously.

Mr King: Perhaps not as vigorously as we thought. We have long distances to cover and considerable work to do with them. What normally happens in a design is that there is a design margin built in. So what we are looking at is a program to understand the state of various aspects of the submarine and to understand what genuine life we can take it to and what actions we might need to make sure we can take it to that period.

Senator JOHNSTON: So we are looking at extending the life from 2025 to when?

Mr King: The logical sequence would be eight years.

Senator JOHNSTON: So we are talking about 2033. What is that cost of that review? Do we know? You can take it on notice if you do not.

Mr King: No, I do not.

Senator JOHNSTON: Who is doing it and how long is it going to take? What are we looking at—AIP and all this sort of stuff?

Mr King: I will let the Air Vice Marshal answer that, but it is a combination of work we are doing anyway with ASC and others.

Air Vice Marshal Deeble: We are still doing the plan for what the activity actually is. There are a number of elements which we know will be in that but we have not costed it out at this point in time. Elements that we know will be pursued fairly quickly include a land based test facility for the Hedemora diesel. The issue there is to ensure that we can improve its reliability. It is one of the poorest performing systems and we are going to address that reliability issue through a land based test facility.

Senator JOHNSTON: Do we stick with it? Why would we not replace it?

Air Vice Marshal Deeble: There are a range of issues which come with replacement. As you are aware, to replace it is a fairly significant issue for the back end of a submarine. So we are going to have to look at the options which would be entailed in replacement. But clearly we are going to have to operate this submarine for a period of time and those systems which are unreliable will need to be sustained in that period of time. So we are going to look at reliability fixes and potential replacement options. This is a significant amount of work and there are no easy answers. Evaluation of service life is a standard part of any sustainment activity and that is where we are starting. We already have significant work being undertaken by DSTO in addressing things like the fatigue life, the nature of the welds and other aspects. We will build on that work in an IPT framework using our engagement with the US and NAVSEA, Electric Boat, ASC, our other industry partners and DSTO in particular. We will look at all of these aspects in a coherent way and present a coherent plan to go forward.

Senator JOHNSTON: I turn to sonar. In answer to question 68 you said there is insufficient inventory to support all of our systems concurrently. You are getting by at the moment because you do not need all of those systems, but you make the point that the situation will become much worse by 2016. SEA 1439 phase 6 has been stalled for some long time. Why is that? It deals precisely with that issue, does it not?

Mr King: Yes, it does. It deals with that issue in part and it deals with the performance issue. It has been stalled because our own view and the initial view of Mr Cole's, in conversation, is that an important priority needs to go into getting the submarine's platform

operation in a reliable state so that the Navy can have enough vessels to build up all the skills and expertise.

Senator JOHNSTON: Do you mean the drive train?

Mr King: Mostly in the drive train and in the power generation.

Senator JOHNSTON: Have we let a contract for the shore based construction and testing of a drive train?

Mr King: No, we have not.

Senator JOHNSTON: Are we close?

Air Vice Marshal Deeble: We will have those elements in place by the end of the year. We are currently looking at the costs associated with doing that and working with the industry partners.

Senator JOHNSTON: Is there a preferred tenderer?

Air Vice Marshal Deeble: We will be working with ASC. They have the prime responsibility as the platform system integrator with that. We are also looking at teaming with a number of industry partners. We have identified a number of experts in the European context to help us address processes.

Senator JOHNSTON: So in February we will come back and see some light shining.

Air Vice Marshal Deeble: I will be able to update you on the land based test facility at that time.

Senator JOHNSTON: That is good news.

Mr King: That is Western Australian based.

Senator JOHNSTON: Admiral Griggs, we have four submarine crews with 58 submariners stood up by the end of this year according to the former Chief of Navy. Do you stick by that?

Vice Adm. Griggs: No, I do not.

Senator JOHNSTON: Tell me why not. I appreciate your frankness.

Vice Adm. Griggs: Because we do not have enough qualified and experienced people to stand the fourth crew up at this time.

Senator JOHNSTON: What are we doing about that?

Vice Adm. Griggs: We are training our people. We have about 559 qualified submariners. Our target is 699. Over the last two financial years, we have grown the number of qualified submariners by about 40 per year which frankly has been our best result for some time.

Senator JOHNSTON: A significant achievement.

Vice Adm. Griggs: It has been. We have 149 people in the training pipeline; 69 of those are on course, 37 of those are at sea undergoing their qualifications and 27 have completed the course and are about to go to sea—they are waiting for slots as people come off the three crews that are crewing the boats at this stage. The important part of this is that we could stand a fourth crew up right now, but we would be denuding the submarine support group and denuding the shore based support structures. This is exactly what we used to do and what got us into the difficulties that we were in in the latter part of the last decade. This led to Admiral

Moffitt doing his review about the capability. I am absolutely determined that we will stand this crew up in a sustainable way. I am not going to stand it up and have it fall over three months later. I cannot give you a date right now. It will not be the end of this year. We have just appointed the commanding officer of the fourth crew. Here is a bit lonely at the moment, but he is going to build his crew through the year as people come out of the training pipeline. We will go forward from there.

Senator JOHNSTON: I appreciate that answer very much. I would like to talk about periscopes. In the Naval Institute's *Headmark* journal there is a crisis of confidence according to the editor and author of this particular article. If we want 12 submarines we need to double the number of commanding officers. I think we are down to something like four in the last five years, with a success rate of 56 per cent.

Vice Adm. Griggs: We have 16 Perisher qualified submarine lieutenant commanders and commanders at this time.

Senator JOHNSTON: Not a problem?

Vice Adm. Griggs: I am not saying it is a problem. I would like more. We are planning on sending another two to Perisher next year.

Senator JOHNSTON: Together?

Vice Adm. Griggs: On the same course, yes.

Senator JOHNSTON: That has been a problem, has it not? This article identifies that the buddy system had broken down because we were sending them alone.

Vice Adm. Griggs: As patron of the Naval Institute, I probably should have read that article. I have not read the article, but we must remember what that journal is for—it is for very open debate about maritime issues.

Senator JOHNSTON: I think it is important that they acknowledge that we do much better when we send two candidates than when we send one on his or her own. I do not want to talk any more about Collins, but I would like to talk about SEA1000—sorry, General?

Gen. Hurley: Could we go back to that question you put on notice about the number of contracts?

Senator JOHNSTON: I will withdraw that question because Mr King is obviously perturbed by the amount of work. I will consider that in due course. We might have a look at that in a private briefing-type structure where we can talk more freely and get to the bottom of it.

Gen. Hurley: I appreciate that because I expect that is a large volume of work.

Senator JOHNSTON: I will go to SEA1000 now. Rear Admiral Moffitt, the last time you were at the table you told us that you did not have any money allocated for this particular year. Has that situation changed?

Rear Adm. Moffitt: If I may be clear, what I would have said was there has been no additional funding allocated to me for this year.

Senator JOHNSTON: I stand corrected.

Rear Adm. Moffitt: At this point that is still true. I also recall saying to you that I had an expectation that we would be on our way to government around about the end of this year or early next year for a visit that would bring some money, and that is still the case.

Senator JOHNSTON: Do we still have our expectation?

Rear Adm. Moffitt: We do.

Senator JOHNSTON: Then you are waiting on the phone call?

Rear Adm. Moffitt: We are in conversation with the Minister for Defence in preparation for that visit.

Senator JOHNSTON: You are in conversation with the minister?

Rear Adm. Moffitt: Yes, we are.

Senator JOHNSTON: Good. You have been conducting a study called SPESIFy. Can you tell us something about that? How much is the cost and what is the intent of it?

Rear Adm. Moffitt: Certainly. SPESIFy is an acronym for Submarine Propulsion Energy Support and Integration Facility. We issued a request for tender in May of this year to select an organisation with experience in maritime land-based test facilities to conduct a feasibility study on the options for such a facility. It is to focus on preparatory work around the area of what has been identified in technical terms as Australia's area of least preparation, if you like, for the execution of the Future Submarine Program. That is to say, we have a bunch of expertise in a range of the requisite areas for the future submarine. Propulsion systems is not one of those. A vehicle for helping us to build our expertise whilst also addressing some of the potential risk areas for the future submarine will be to build a land based test facility to make sure that the sorts of problems that we have touched on today, in respect of Collins, are avoided, or the risk of encountering them mitigated, well before we start doing anything with the submarine itself.

Senator JOHNSTON: Does that mean we are going to build two land based test facilities—one for Collins and one for SEA1000?

Rear Adm. Moffitt: Conceptually speaking. If you look at this there are a number of functions that you might want performed in a land based test facility, and I can see four or five potential functions. A single facility may or may not do all those things.

For example, as we previously touched on, getting the most out of the Hedemora diesels for the Collins class submarines currently in service is something that would be helped with a land based facility, and Air Vice Marshal Deeble is looking at that aspect. That is not a great deal of assistance from my point of view. What I need is an understanding of what is involved in setting up a useful facility for potentially a not yet designed propulsion system. And that is what this tender is all about: it is getting knowledge and understanding of what sorts of things we need to think about in executing a land based test facility for a propulsion system that has not been designed yet. It is early preparatory work.

That is a facility which could, in and of itself, perform a couple of functions once built. It could integrate each of the components for the propulsion system to make sure that they will all work as advertised, that they will all work together and that they will all work together in a submarine environment. We can, by doing that, mitigate a significant amount of the potential risk of the future submarine program.

A third function for a land based facility would be to examine in a research and development sense, a science and technology sense, if you will, the sorts of individual issues that might be associated with some emerging technologies—for example, because we would be looking at the complete propulsion system including energy storage and distribution, battery technologies and emergent air-independent propulsion technologies. That is more of a science and technology type function, which may not be served well by the sort of thing that I am talking at or that specify it is about.

Then of course there is also the training function and problem resolution function for in-service equipment that we would need to factor in. So there are a range of functions that you could foresee any land based facility of this nature needing to perform. What we are trying to do with this tender is select a company which is experienced in maritime facilities that are land based for, specifically at this point, understanding what things we need to think about if a decision were taken to go down this path because it looked sensible to us to do so.

Senator JOHNSTON: Do we have a band of costs with respect to the land based facility?

Rear Adm. Moffitt: I very deliberately have not been personally associated with the tender evaluation, so I do not know what the quotes are. The tender evaluation is not yet complete. I would expect it to be complete fairly soon. I have been told by my staff that we are very close to the end but there has been a question asked about a particular individual associated with one of the bids, which has only emerged in the last few days and which is unresolved.

Senator JOHNSTON: Just take us through what you expect next year to hold for this project. Firstly, there is a meeting with the minister. If the minister is positive, where do we go from there?

Rear Adm. Moffitt: The expectation is that we will have a visit to the National Security Committee of Cabinet on a range of issues, part of which will be seeking their agreement on particular activities to take this program the next steps, perhaps over the next couple of years of activity, in refining and further developing our understanding of all the potential options, of which there are broadly speaking four groups and within each group almost any number.

We need to refine that number down to a manageable workload, so we will seek to have funding with an objective of achieving that outcome: a workable grouping of options, some of which have lateral options that might cross all of them. If you take the air warfare destroyer as an example, one of the first decisions we took in that program was around the combat system and the weapon. A similar approach could be seen to apply to the future submarine. The government may choose to make a decision on that basis. Equally, it may choose not to make a decision on that basis. Either of those decisions will have significant implications for the number of particular options that remain for us to consider. So we need to work through a process with government of gathering the information needed to tell them in significant detail what the capabilities and the real performance parameters are of each of the options that exist—that is, the so-called MOTS, or military off-the-shelf options. What are they really? What is their level of performance? How does that fit with our requirement, and what is our assessment of the issues associated with the potential capability envelope, potential schedule, potential risk and potential industrial aspects of each of the others? Many of those will be in spaces for submarines which do not exist today, so there will be a degree of theory associated with all of that.

We seek to gather a great deal more information in each of those spaces so we are able to enter into an ongoing dialogue with government to advise them progressively as we go and invite them to take decisions at a sensible time with respect to each of them. The visit to government will canvass the approach that we propose to take. It will canvass in more detail the underlying strategic requirements expressed in very broad high-level detail in the white paper and it will seek to acquire approval for some funding so we are able to get on with the body of work we have outlined over the next few years. It will also include a forecast of when we would expect to have particular outcomes from the work that we propose to do, that we can come back to government with.

Senator JOHNSTON: I note that in one of the questions on notice you have answered you said: 'We will not necessarily be applying the first and second pass principles to this project.' Take me through what you do intend to do.

Rear Adm. Moffitt: Again, if you look at the Air Warfare Destroyer program as a bit of an exemplar, there was a first pass and a second pass, but there were many, many other passes as well, or visits to cabinet to canvass particular questions. I think the nature of the future submarine program is exactly that.

Mr King: It is probably badly expressed, if that is how it is expressed. The Kinnaird review said there is a first and second pass, but it also said there would be other visits if necessary in complex projects. I think what is meant in the response, if it is not expressed this way, is that we will clearly be following the path of spending some money, learning a lot, spending some more money, learning a lot and we will keep going back and informing government. We expect—in fact, I think it is essential—that we will have more than two visits to government on such a significant program. There will be multiple visits to government.

Rear Adm. Moffitt: That is certainly the intent, recognising there are also four phases of the program, each of which will have various elements associated with it.

Senator JOHNSTON: So the AWD project is a model of being more than first and second passes?

Mr King: That is correct. For example, in the one that Admiral Moffitt spoke about, a decision was made that we would base the solution on the Aegis combat system. Normally you would just consider the ship, the combat system and everything, but in that case we first went to government in probably 2004 or 2005 and made a recommendation about why we should focus on one combat system. That decision was made. It was not the first or second pass but it was part of a series of passes that we took to government.

Senator JOHNSTON: I will turn to question on notice No. 780, which dealt with SEA1000 and acquisitions. I asked a question in March of a similar nature to the one I asked on 5 July. Firstly, are you aware of the question?

Rear Adm. Moffitt: Yes, I have the question.

Senator JOHNSTON: Do you know when you answered it?

Rear Adm. Moffitt: Off the top of my head, no, I do not.

Senator JOHNSTON: Can you take that on notice?

Rear Adm. Moffitt: Yes, of course.

Senator JOHNSTON: It seems to me a long delay between you getting the question and the question finally being answered—about two months, maybe more. These questions were asked six or seven months ago.

Senator Feeney: It was 30 June.

Senator JOHNSTON: Yes. And I am looking to work out where the hold-up is in these questions. If it is a question on notice that is being held up for four months or whatever, and you have answered it, it does not augur well for having to go back to government again and again with respect to a complex project like submarines. But where is the hold up with that particular question? Can you tell me?

Rear Adm. Moffitt: I will take it on notice. I honestly do not know when it was that it left my office, but we will answer the question.

Senator JOHNSTON: Okay. I will appreciate the answer to that.

Senator Feeney: This is a question you asked on 30 June. As I comprehend it, it was answered on 13 October—

Senator JOHNSTON: I asked it on 22 March, because it did not get answered on 22 March. It was question no. 504 on 22 March.

Senator Feeney: Right, I see. I do not have that in front of me.

Senator JOHNSTON: When I do not get an answer I either go into the chamber and ask for an answer from the responsible minister or I ask it again—give everyone another crack of the whip. But you can see the point I am making.

I am concerned that our original date for Collins was 2025. One learned body of thought that I have been reading says it is a 17-year developmental cycle between beginning to design something to putting it in the water. I note that we have the submarine life extension program running that we discussed this afternoon; it is clear to me that there is a very strong potential and likelihood for a capability gap here. Could you comment on that for me?

Rear Adm. Moffitt: Yes, I am happy to comment on that. I have said publicly, and I stand by, my statement about the completely new design of a submarine. There are a couple of dots here that need to be joined in the right sequence.

To meet the high end of all of the capabilities of the submarine as outlined in the Defence white paper—which is not the only way of meeting those requirements—is to describe a design of submarine that does not exist. There are submarines that can come close; they may or may not be available to us. For example, in terms of size overall—but not capabilities overall—the Japanese Soryu class could come close. But to execute a high end of capability of all of the things described in the white paper is to undertake a new design.

A new design, from the commencement of design activity through to the completion of operational test and evaluation—the point at which you have a submarine at an initial operating capability—is around a 17- to 18-year program of activity. That is consistent advice that we have had from five or six nations routinely involved in that sort of activity.

The caveat is that that is a period of time dependent upon starting with a ready workforce, all of the design tools and the design environment—the design rules that you are going to work to—all of those in place. Clearly, we do not have all those things in place. We would need to make an allowance for an additional period of time. So I have said consistently that

for a high-end capability expression of those things described in the white paper we should be considering about a 20-year period. That is a couple of years to get to the point of being ready to start the design activity, seven to eight years of design activity and seven to eight years to build the first submarine—recognising that the next submarine we build will be the first we have built in well over 10 years. Even though some nations would say that it takes you four years to build a submarine, the Americans would say it takes you seven to eight for a first of class. We should expect that the next submarine we build will take us closer to seven to eight years than it will take us to four. Maybe later on we will get close to four, but we should expect it to be a long-ish time to start with.

Then add at least a couple of years for operational test and evaluation. With a complex weapons system like that of a submarine, you cannot expect any crew to take it out and to have a fighting capability the first time they take it to sea. It will take a considerable amount of time of testing to determine exactly what the submarine will actually do—particularly first of class. For the later ones we will need to test that everything is working properly, obviously, so the period should be shorter. So it is about 20 years for the high end. If, on the other hand, we choose to acquire something which is an off-the-shelf existing submarine, we would expect that period of time to be significantly less. Exactly how much less will be determined by what the nature of the submarine is. Typically, the same blocks of activity will need to exist but the time taken for each would vary. We would still expect the build time for the first one to be longish compared with some others. The same blocks will exist; the overall time taken could be considerably less. But that is approaching it from the replacement end.

It is equally important that we approach the question from the Collins end. That is why there is the evaluation of the service life, which is what we are doing at the moment. We are not extending the service life; we are evaluating the service life of the Collins-class submarine because, as Mr King said, the submarine was designed for a certain life if the usage profile was this. The usage profile that we gave to the Swedish firm Kockums, who did the design of Collins, is not a usage profile that we have been able to execute. In addition to that, we have some other problem areas which we will address in the intervening period. That might—in fact, I would say it almost certainly will—have implications for what is the realisable service life of each of the Collins-class submarines. Each of those submarines needs to be assessed individually, because each of them will have been used in a different way during its existing life.

Until we know the answers to those questions and understand what we realisably can get in a service life from the Collins-class submarines and what might be the effect of remediation activities that we may perform in terms of the propulsion system for the Collins class, we cannot give you an answer as to whether there may or may not be a capability gap, because we do not have a clear picture of all of the pieces that need to fit together in a total capability sense, which we need to have. That is why Air Vice Marshal Deeble and I are working hand in glove to make sure that there is a strategic level of planning associated with the entire submarine capability. The other critically important part of the whole equation is: how quickly we seek to have 12 submarines in inventory. That is a part of the conversation that we need to have and will have with government in time too.

Senator JOHNSTON: When will you have a clear picture such that you will be able to answer the question? It was a question that was framed only as to a high probability. When do

you think that you will be in a position to address the issue of a capability gap with all of the facts?

Rear Adm. Moffitt: I think we have an expectation that towards the end of next year we will have a view on Collins. That will not be a definitive view, but it will be a view. Perhaps towards the end of the year following that we will have a clearer view on realistic schedule in respect of the multitude of options that exist for the future submarine. But then, of course, there is the question: what is the work we are actually going to do on Collins? So it is going to be an evolving story, I think, for the next few years.

Mr King: If AWD is a sort of guideline here in a simpler form, you probably will not know the entire answer to that until second pass, because at second pass you will have all of that information at your fingertips—or the government of the day will. For example, there might well be a trade-off decision at that time that talks about the MOTS option—the military off-the-shelf option—being available in the shorter build time frame and the bespoke design being the longer time frame. It might have short-term implications for capability at that time, but a government of the day might decide that that is the better option, or not. But there is just so much work to be done. That is the beauty of the Kinnaird process of investing money to do the work so you do not just pluck at answers but actually have engineering data and company data that we can base our advice to government on.

Senator JOHNSTON: One would have to be very concerned given the performance reliability of the current platform that we are painting ourselves into MOTS option corner very, very rapidly as time goes by.

Mr King: Yes, you would be concerned if that was the fact, but I am not sure that is the case. I think we will be a lot better informed within 12 months. I think we will have a lot from the Coles review. I do not want to resile from the fact that I have had strong discussions with ASC and they would know my position on this and it is quite strong. We need them to be an exemplar company. We need them to be one of the leading-edge companies of the world, and I believe that they have got the commitment to do that. But that is going to be essential for both the life of Collins and there is no doubt that ASC, to a greater or lesser extent, will be a core capability in leading into the future submarine. So all of this is an integrated plan. I do not think that it is quite as black as you are saying but we need the data to know.

Rear Adm. Moffitt: Adding to that, I think that it is quite a reasonable proposition to put forward that anything and everything we do with the Collins class from here on in—and in fact a great deal of what we have already done with the Collins class—can mitigate in a way the risk associated with the future submarine. It can take all that forward into the future submarine and in a number of the potential options spaces that is very eminently executable. We can take all the work that we have done, the experience that we have had, the expertise that we have built up and the systems that we have grown confident with through investing in to remediate previous problems, and take them forward into our future acquisitions in much the same way that the Japanese have with their submarine models where very little in each subsequent class of submarines is different from the one before—they change very little as they go. They take all the things that they are happy with and make improvements that are more or less incremental. That is an opportunity which, in some parts of the option space available to us for future submarines, does exist for us.

Senator JOHNSTON: What really concerns me, I guess, is that the white paper specified and injected into our capability a very discreet, heavily described capability requirement. We have done nothing for three years other than wait on the minister and the government to say go. We have certainly prepared for the 'say go' as best we can, but those three years are looming very large, because it will be three years in March or April next year, I think, and our options are becoming extremely narrow in terms of this ageing platform—a platform that has prematurely aged, may I say. We will not go any further dealing with that, because I think that whilst we need facts, anybody who has a passing interest in this particular platform would be alarmed at its reliability.

Rear Adm. Moffitt: In answer to that, I would not characterise it quite that way. Let me assure you that the last nearly three years of my life have been extremely busy doing things in respect of the future submarine. I will make no comment about the reliability of Collins; that is not my remit. But as I think I mentioned last time we met in this forum, it is an inescapable characteristic of the execution of a Defence acquisition of any sort that it will involve visits to government. There are many people who need to get government, not least elsewhere in Defence but also other government departments and I think it behoves all of us to structure our program so that work does not stop when our planned visits to government do not occur on precisely the day we think they should, because it is not like that. Life is not like that.

Senator JOHNSTON: Seven years later, yes.

Rear Adm. Moffitt: I have not been inhibited in doing very productive work with the funds available to me by what others may characterise as delay getting to government. I have not at all. The work has gone on unabated. It continues to go on unabated today and will continue to go on until whensoever.

Senator JOHNSTON: I know that. But it is treading water until a real commitment is made. We know that the dollars involved are very significant.

Rear Adm. Moffitt: . There will be a lot of dollars involved.

Senator JOHNSTON: Probably our biggest ever defence project.

Rear Adm. Moffitt: I think so.

Mr King: I think it is worth really focusing on that point that Admiral Moffitt made about a program of work. I may have 'misportrayed' multiple visits to government. With smaller projects you can do a body of work, pause, and go to government for approval and then move on. What will be very important for executing Collins—and it was for AWD—is to design a broad program of work which is continuous. You obviously learn and shape your direction but you make your visit to government at times when you have the knowledge to advise it of important matters but you continue the work anyway.

Senator JOHNSTON: I do not doubt that. Do not get me wrong that we have not been doing anything in SEA1000; I know we have. But the burden of the problem strikes me as being a very, very heavy one, with a requirement for some hundreds of millions of dollars at the front end to commence the process in great detail and properly. The barrier has not opened. We have the horse at the barrier but the race has not even begun. As time goes by, we paint ourselves into a MOTS option corner because of a serious and real potential for a capability gap with a platform that is unreliable.

Mr King: But I do not think we are there yet, and I think we should start that program.

Senator JOHNSTON: I have only two more issues—joint light tactical vehicle. I thank Navy and DMO for their participation in that discussion. Admiral, did you want to say something?

Vice Adm. Griggs: I can clarify the question you had about the PwC study. It is part of our continuous improvement program for the Strategic Reform Plan program. We have been working through each of our capabilities and trying to identify reform initiatives and efficiencies within each of our capabilities. The submarine capability, phase 1, which was the investigation phase, was \$450,000; and phase 2, which is just drawing to a close at the moment and which is the development of the business cases for individual initiatives, was \$925,000. We have done similar work in other capabilities. The mine warfare area is a good example where out of that process with similar amounts of money we are reaping savings in the vicinity of \$120 million to \$130 million. So I think it is a very good investment for what we are doing.

Senator JOHNSTON: Very good. Joint Light Tactical Vehicle sees the end of me, which I am sure everyone is pleased about.

ACTING CHAIR: Will that take long?

Senator JOHNSTON: It will be done very shortly. I want to ask about our \$100 million.

ACTING CHAIR: Sure. I want to ask some questions of Navy.

Senator JOHNSTON: I will be done in one second. General Cavenagh, the joint light tactical contest has fallen over. I know we have got contest onshore—I think that is right; correct me if I am wrong—between three participants. I do not want to talk about them. We put \$40 million into the US contest. We have lost that, I think—again, correct me if I am wrong. And we did commit to \$100 million dollars. What is the story?

Air Marshal Harvey: Our contribution to the Joint Light Tactical Vehicle program was approximately \$30 million—

Senator JOHNSTON: \$30 million—right. I stand corrected.

Air Marshal Harvey: in terms of cash, plus we also contributed some people to the program. You will be aware—I think it is approximately a month ago—that of the four key committees in the US, the Senate appropriation committee recommended cancellation of the Joint Light Tactical Vehicle project.

Senator JOHNSTON: Ooh, those senators!

Air Marshal Harvey: They are tough. However, the other three committees, the house appropriation committee, the Senate services committee and the third services committee recommended progressing the project. There were some doubts about that and so we are sitting back and watching. I am advised that in early October a draft request for proposal was released on the Joint Light Tactical Vehicle project. So the project is not dead but we sit back and monitor progress on that. In parallel with that, we have been involved in the manufacture and support of an Australia option as well, and we are considering the way ahead with those three options.

Senator JOHNSTON: So do we have a cost? I think we have done our \$30 million, unless this project in the US gets started again.

Air Marshal Harvey: We have spent \$30 million, yes. However, we learnt quite a bit from that in terms of the requirements for our vehicle and the testing we did in Australia, and we have developed quite a lot of knowledge for the next phase of the project. It was really a requirements clarification process.

Senator JOHNSTON: Sure. Do we have any idea of what the entry fee for the next phase, if it were to get up and running, will be?

Air Marshal Harvey: The next phase of the JLTV side of it is the engineering and manufacturing development program, which is more than the initial phase of that. General Cavenagh may have details on that, but that is still subject to final negotiation.

Mr King: We would rather not.

Senator JOHNSTON: Okay.

Mr King: We love our American friends dearly, but we do like to get a decent deal.

Senator JOHNSTON: But you can see, Mr King, why I am concerned. We have a contest running on shore, and I think we have three very good candidates—without getting into the details. We have burnt \$30 million. If it is going to cost us more than the \$100 million that we anticipated, were it to still be extant, I think the committee and the public would be pretty concerned, if you follow me.

Mr King: Yes, I understand entirely. First of all, I would say we did not burn our \$30 million. I would say we invested that in what we knew was an early phase—a requirements to development phase. I will just ask the general in a minute to summarise some of the things we did get out of that. I agree with you entirely that we have three strong candidates in the 'manufactured and supported in Australia' option. We in the department are currently formulating our advice to government on the way forward in light of the various matters that you and others have raised, and I believe the government will be in a position to consider our advice in the reasonably near future.

Senator JOHNSTON: Very good.

Major Gen. Cavenagh: Just to go back on the cost issue, you and Air Marshal Harvey were both correct, but we will just put it in the right dollar terms. It was US\$30 million, which was about A\$43 million at the time.

Senator JOHNSTON: Ah. I am used to our appreciated value. Sorry. Thank you.

Major Gen. Cavenagh: As you are aware, there were around, I think, 31 vehicles delivered by the US manufacturers to the JLTV program, and there was an extensive testing regime as part of that. Five of those JLTVs were tested in Australia, and we took them through a very extensive testing regime. We did the 'reliability, availability, maintainability' testing program from September to December last year. When you conduct a testing program with a new piece of equipment, you learn a great deal out of that. That stands us in pretty good stead for whatever we do in terms of testing any of these sorts of vehicles in the future. So that is good knowledge to have gained out of that program.

The second area of testing we did was survivability testing, which we did from March to July this year. That involved essentially blowing up those seven JLTVs and understanding—as you are aware, protection is one of those critical issues with the JLTV—the testing regimes, vehicle performance, characteristics and what limits people had reached at this

particular point in time. So that is again very useful knowledge for us to have for whatever we do in future. The areas that we are looking at are functional performance in terms of that survivability, mobility, payload and carrying capacity. That is C4I readiness, mobility and survivability. All of that testing contributes to our knowledge of the functional performance requirements that we actually want and can expect out of any vehicle that Defence may purchase.

Senator JOHNSTON: Thank you very much for that answer; I appreciate it. I have no further questions.

ACTING CHAIR: I have some questions for Navy re unauthorised maritime arrivals. My question goes to procedure. If the Australian Navy is out there north of Australia and you come across a suspected illegal or unauthorised vessel, what is the procedure you would take to turn the boat around or tow it back out of Australian waters into Indonesian or international waters?

Vice Adm. Griggs: We have not done that since 2001.

ACTING CHAIR: Say that you have this magic phone in the boat and it rings and it is the Prime Minister, who says, 'Tow it back.' What would you do then, how would you do it, what procedures would you follow?

Vice Adm. Griggs: Based on my own experience, and I am actually one of the few commanding officers of ships who have actually done this—I did two of these operations in 2001, one of which was successful and one of which was not successful—

ACTING CHAIR: You will have to forgive me because my shorthand is not that good. So, there were two. One was successful and one was not.

Vice Adm. Griggs: This is ones that I did. There were more. There were about nine, I think, altogether.

ACTING CHAIR: Tell us what happened. How did you go about it? Tell me about the successful one first. Then, are you allowed to talk about the unsuccessful one?

Vice Adm. Griggs: Yes. In the first case we picked the vessel up from Ashmore Island. There were, from memory, around 230 or 240 people on quite a small boat. In those days the numbers on the boats were significantly higher than today. I separated a large number of the people on the boat. I brought about 120 onto HMAS *Arunta*, which is the ship I was in command of. That was largely to ensure that my boarding party could safely manage the vessel during the return process.

ACTING CHAIR: Sorry to interrupt, but when you say 'safely manage' do you mean safely tow it back?

Vice Adm. Griggs: No. We were steaming it back. There was very little room to move on board the vessel. I needed to give my team space so that they could safely manage the process over the 24 to 36 hours it took to undertake this activity. We then proceeded towards Indonesian waters. At a point we moved the people on board *Arunta* back to the boat and then the boat proceeded back to Indonesia. During that move back to the boat it was obviously a period where the people involved realised that they were not going where they thought they were going and a number of incidents occurred, which have been covered in previous inquiries and Senate hearings in 2002.

ACTING CHAIR: That is fine, because the people on board accepted that they had to turn around and go back. You had an unsuccessful one? Would you tell us about that one?

Vice Adm. Griggs: The unsuccessful one was a few days later. The engine on the vessel was sabotaged as we arrived. We basically drifted and the current was taking us back up towards Indonesian waters. We worked on the vessel, from memory I think it was for about three days, trying to restart the engine.

ACTING CHAIR: Going to the situation now, if you or your officers intercepted a vessel now—

Vice Adm. Griggs: Noting, Senator, that they are working for the Customs and Border Protection Service when they are employed in that role. They are not working for me.

ACTING CHAIR: All right. Fine, but I think I am asking the right person. So, Admiral, what would be the procedure now, then? I know you have not done it for a while, but, if your officer or your commander were instructed to turn a boat back, how would he do that? What would he take into—

Senator IAN MACDONALD: Whether it was safe to do so.

ACTING CHAIR: I did not even see your lips move, Admiral! I am very happy to hear that. That is great! But I am asking you, Admiral: what would be the procedure?

Vice Adm. Griggs: It is actually one of the key factors in the commander's—

ACTING CHAIR: So how would your officer determine if it was safe to do so? I have got no idea. I only have a 5.8 metre aluminium boat that floats around Freo.

Vice Adm. Griggs: The team would look at the boat, look at the condition of the boat and make an assessment, based on their mariner background and their mariner skills.

ACTING CHAIR: And what sorts of conditions would you be looking at?

Vice Adm. Griggs: The state of the engine, the state of the hull, the equipment on the boat.

ACTING CHAIR: Equipment—as in?

Vice Adm. Griggs: Life-saving equipment, radio, any navigational equipment.

ACTING CHAIR: Do these boats currently have that, to your knowledge, these vessels that come in now?

Vice Adm. Griggs: I think it varies—and I have not been close to this for some time, so I do not want to speculate.

ACTING CHAIR: I fully understand. I do get that, Admiral, but there is some talk that this sort of thing could possibly happen. Now, in your very learned experience, you said some of them have life-saving equipment. So would it be fair for me to assume that a lot of them do not?

Vice Adm. Griggs: In 2001, it varied. I am not sure what the current practice is. I believe more of them come with life jackets than 10 years ago, certainly.

ACTING CHAIR: In fairness to you, then, Admiral, would you be able to take that question on notice? Would you be able to supply the committee with information relating to what we just talked about—the condition of the engines, the equipment and so on—say, in the last two years? Is it possible to take that on notice?

Mr D Lewis: Senator, I will have to look at this, but it might be better directed towards the CEO of the Customs and Border Protection Service, because it is with that officer that the responsibility lies. My own tangential sort of contact with this indicates that Admiral Griggs's comments about the increasing availability, if that is the right word, of life jackets is probably right, but I can assure you that there are craft that arrive either without life jackets or with an inadequate number of life jackets on them, and there are craft that arrive with life jackets. So it is not possible to refine that. But I think Mr Carmody would be in a much better position to answer that question.

ACTING CHAIR: Okay. Thank you very much, Mr Lewis. Admiral, you have made it very clear that there are a lot of conditions that your commanders would have to take into account to even contemplate taking that sort of action—to tow a boat back. If you did have to tow a boat back, would that be contrary to the United Nations Convention on the Law of the Sea, in your opinion?

Vice Adm. Griggs: That is actually not the—

ACTING CHAIR: If it were out of Australian waters and into international waters.

Vice Adm. Griggs: The International Convention for the Safety of Life at Sea is the convention that would be the prime driver in the decision-making of the commanding officer.

ACTING CHAIR: Okay. In your opinion, is it a safe practice to tow these boats back, bearing in mind that there are a lot of factors to it?

Mr D Lewis: Senator, the issue about safety is, as the admiral described, something that is a matter of what I would describe as professional judgment at the time. Other matters go to policy, and that is really not obviously within our purview to answer. But it would be a matter of professional judgment, and I think the admiral has described it for you.

ACTING CHAIR: Yes. I fully accept that.

Senator IAN MACDONALD: If I could add by way of a point of order to the chair, who is asking the questions: you are, Chair, as you know, asking for opinions, which during your spiel at the beginning of the session you advised officers they were not required to give.

ACTING CHAIR: Actually, I did not in this committee, but I take that on board. I know because I read it very clearly. In your experience, Vice Admiral, has the towing back of boats previously resulted in any risks to life?

Vice Adm. Griggs: There are risks involved in this whole endeavour. As I said, there were incidents during these activities, as there have been incidents subsequently, which have been risky. There have been fires lit, there have been attempts to storm the engine compartment of these boats, there have been people jumping in the water and that sort of thing. Again, I am going back to 2001.

ACTING CHAIR: I do appreciate that, Admiral.

Vice Adm. Griggs: But yes, there are obviously risks involved in this process.

ACTING CHAIR: And has there been risk to our defence personnel when tow-backs have been conducted?

Vice Adm. Griggs: When people are lighting fires on boats, yes.

ACTING CHAIR: That was one very well-known incident.

Vice Adm. Griggs: Again, I am talking about 2001, I am not talking about SIEV36.

ACTING CHAIR: Thank you very much.

Senator McEWEN: My questions are for the DMO about LAND 121 Phase 3, medium and heavy trucks. These are not the same vehicles that Senator Johnston was talking about, are they?

Mr King: No, it is a different phase of the same program of activities.

Senator McEWEN: I understand a decision about procurement of those vehicles is to be made soon.

Mr King: We would anticipate it would be made soon.

Senator McEWEN: Within the next few weeks or months?

Mr King: We are finalising the advice that we will offer to government, and government will need to consider those options, but we would not think the decision is too far away.

Senator McEWEN: Is it right that there are a substantial number of vehicles involved?

Mr King: Yes, there are.

Senator McEWEN: How many, roughly?

Mr King: There are 7,501 in the total span of LAND 121. The number of vehicles in Phase 3 will depend on a combination of the cost of the vehicles and the amount of protected and unprotected vehicles and so on.

Senator McEWEN: Are there three companies or consortia on the short list at this stage?

Mr King: Three companies, yes.

Senator McEWEN: Are all three of those companies able to provide us with all of the vehicles that are required under Phase 3, or are some of the companies able to provide only some of the vehicles?

Mr King: I would not want to go too far, because it is commercially sensitive at this stage, but one company did not offer for all the vehicles.

Senator McEWEN: There is obviously a cost ceiling to this program—there is a cost cap and we cannot go above that—so we have to get the best value for money within that cap. Is that correct?

Mr King: That is correct.

Senator McEWEN: So the vehicles are a base model for each of the companies, and they will be brought to Australia and dressed up to accommodate the various requirements for those vehicles, is that right? And will that work be done in Australia?

Mr King: There are variations depending on the vehicle.

Senator McEWEN: Is there a substantial amount of work available in Australia to make those vehicles ready for defence requirements?

Mr King: Yes, because if I remember rightly there are some minor modifications to the vehicles and there are also trailers and modules to go with them.

Senator McEWEN: Apart from basic cost, what other factors are going to be taken into account when a decision is being made? I am interested in this, of course, because I am from South Australia, and we would very much like to get that work. I understand there is at least

one competing state. I know that the South Australian government has offered some land for a facility where work could be done on those vehicles, and it would be located in an area where there are other support industries around, including defence industries. South Australia has a reputation as a state that has already done a lot of work in supplying military vehicles. What weighting is given to those sorts of benefits of where this work will be situated?

Mr King: We do not favour a state but I would have to say South Australia has done very well over the previous years. Their investment in defence is well recognised with of course things like the warfare destroyers. But we do take account of things like Australian industrial capability and participation and the value to both work in Australia and the ongoing support to the vehicle for the life of type. But all of those things are balanced. It starts off clearly with meeting the capability manager's needs. They are first and foremost in the process—costs, risks, schedule, the number of vehicles that you can get for the money and the Australian industrial content are all balanced out in these assessments.

Senator McEWEN: What is the life span of the work that could be available to keep these vehicles—not just build or amend them in the first instance but maintenance wise?

Mr King: If I can go to the broader DMO activities and then we can try to translate it to that vehicle. Obviously it depends where the vehicle is manufactured, but we sustain virtually everything in Australia and probably not well understood is that about 54 per cent of our DMO money is spent in Australia. That is about \$5.4 billion and, just to correct the record for some people, about \$2.7 billion to \$2.8 billion of that is spent on SMEs. So there is an enormous amount of work that DMO manages for Defence into the Australian economy. Something like an AWD obviously has a higher percentage of Australian content in the acquisition phase but virtually all of our products are supported in Australia. We spend over 70 per cent—I think it is mid-70s—of our sustainment budget in Australia. So for the life of type of a truck—I am not sure, maybe 15 to 20 years—that sustainment will be done in Australia.

In addition there will be manufacture, as I said, of various modules and so on that goes with these trucks, and maybe some modifications and things that have to be done. So broadly as a rule of thumb any asset that we buy, whether it is from overseas or manufactured in Australia, will be supported in Australia. You will probably find that we will spend the cost of the vehicle almost again in maintaining it in Australian industry—that sort of order of magnitude in Australia.

Senator McEWEN: Are we confident that we have the skilled personnel to maintain these vehicles when they come? There was some discussion earlier about how defence capability is constrained a bit because we do not have enough skilled personnel—of course, it is not just a problem in defence.

Mr King: I dare not say this in front of the Chief of Army, but they are just trucks.

Senator McEWEN: Senator Sterle might have something to say.

ACTING CHAIR: As a former truck driver, it is noted.

Mr King: Can I say that is a bit of a standing joke because, as I worked my way up through DMO the few years I have been there, I got told at one stage I was going to inherit a project called LAND 121 'but don't worry about it, they're just trucks'. Can I assure you that they are anything but just trucks.

To put that in context for you, with the modern networked Army and where the Army is moving to, the cost of the equipment inside the truck such as the electronics, battle management systems and the radios can be worth more than the truck. So if you want to look at the Australian content of the truck once it is equipped, most of that work—integration, fitting out and so on—will also be done in Australia. These are anything but just trucks actually. But if it comes to the maintenance of drive, train and truck—I think Australia has that capacity.

Senator McEWEN: In terms of skilled personnel?

Mr King: Obviously they are under demand for everybody in the road industry—one of the things we would like to see in defence is a larger more relevant industrial base than the one we have to support where it is unique. At least in the area of trucking there is a large trucking industry in Australia that has those automotive skills to maintain and operate trucks.

Senator McEWEN: I think you were trying to make peace with Senator Sterle with those comments.

Mr King: I was.

ACTING CHAIR: I was going to tell you how to make a small fortune out of trucks, Mr King: start with a large one!

Senator McEWEN: Thank you very much.

Senator HUMPHRIES: I wanted to, as is my custom, go through the projects of concern. First of all, it was very helpful to have that statement of what was happening with each of the projects. It saves a lot of time—which is just as well, because we have not got much time today—on those projects. I will just whip through a few that I wanted to ask about. First of all, could I ask about the statement made by Ministers Clare and Smith on 29 June, in which they described reforms to the process on projects of concern. They mentioned among those increased ministerial involvement, including having biannual reviews of projects of concern with Defence and industry representatives. Have any of those biannual reviews involving the minister actually occurred as yet?

Mr King: Yes. If you do not mind, I will answer on the policy issues or the broader issues and then introduce Andrew Cawley, who will handle any detail on projects of concern. One of the advantages of being the acting CEO is that he gets to do all the problem children now! Yes, we have had two series of those meetings hosted by the minister. They were very productive, with very strong direction coming from those meetings. They were a powerful forum where both DMO and industry explained to the minister the remediation plans we intend to execute and reported on progress against those plans to drive the projects to a conclusion.

Senator HUMPHRIES: How many meetings have we had?

Mr King: Two series. Not all projects of concern involve a company. I will get the details, but I we have certainly had two series of meetings, and on each occasion the companies and DMO staff for each of the projects have met with the minister to explain.

Senator HUMPHRIES: It would be helpful if you could take on notice a description of the process. Where were these meetings held? Who were the participants? I do not necessarily

need to know each name, but which organisations and companies were represented? Which ministers were involved? I assume Minister Clare was involved.

Mr King: Minister Clare was involved. They are held in Parliament House, broadly. Senior representatives come from the companies—from the US and from Europe if that is necessary. We occasionally hold the meeting in a more economic place somewhere else.

Senator HUMPHRIES: And they are roundtable rather than bilateral meetings?

Mr King: All parties are in the room, and all parties commit to the actions arising from that meeting.

Senator HUMPHRIES: Okay. The media release makes reference to the meetings with the minister, ensuring that 'responsible individuals are being held to account for the progress of projects'. That is more than just rhetorical guff, I hope. We are actually talking about focusing on individuals who might be responsible for lack of progress with projects?

Mr King: Absolutely.

Senator HUMPHRIES: That is very good. If you could table that information, that would be much appreciated. I know you want to say something, Mr Cawley, but if you do not mind I would rather get that on notice so we can plough through some other issues at the same time. With Wedgetail, is the acceptance of the radar for the aircraft a separate issue from the acquisition of the aircraft themselves? If so, are they both, as it were, projects of concern, or is just the aircraft that is the project of concern?

Mr King: No, it has always been a system. It is the radar as installed in the aircraft being accepted as a functioning system. What we did do—and I am not sure if you were in this role at the time—was hold private briefings on this matter. At the acceptance of the aircraft the radar performance in a particular area of performance was accepted and a deal struck with the company about the compensation around that matter. So we will accept the aircraft with the radar having a lesser than total performance in one area.

Senator HUMPHRIES: Yes, I recall.

Mr King: If I could add to that, part of that settlement agreement and some work we have done since then is aimed at restoring or, if you like, increasing the performance back to the original specification. I am happy to report that we are making good progress on that, more quickly than we thought we would. What we found out at the time was that the available world technology at that time could not get us to the level that we desired. We thought it would take in the order of seven years to get to that place. What we found in a very short period and with some work we are doing now is that we are getting much closer to the final specification already.

Senator HUMPHRIES: Okay. So we are looking at this project at a delay in delivery but not necessarily a cost overrun, because Boeing is bearing some of the cost of the project delays.

Mr King: Definitely. Boeing have put a considerable investment in this project and have settled with us the issues around our deliveries. You could almost say that we are getting an aircraft that is worth \$1 billion more than we paid for it.

Senator HUMPHRIES: That is good. Just to clarify the statement you have given us, you say that Boeing and the Commonwealth agreed to a new project plan to achieve an aircraft

final acceptance in March 2011. Then you say elsewhere that there will be final acceptance of all aircraft software by March 2012. So we will have the aircraft finally accepted before we have the software that goes in them finally accepted.

Mr King: That is correct.

Senator HUMPHRIES: Moving to phased array radar, this radar is being installed in the Anzacs. When are the Anzacs reaching their end time of life?

Mr King: I will need a bit of help on that. I think it is in the order of 2025 to 2027.

Senator HUMPHRIES: The final acceptance of the phased array has already happened in the *Perth* and it is coming into the other ships progressively. When is the final integration expected in the last of the Anzacs?

Mr King: We had a lot of challenges with that project, as you will recall, Senator. The technology is now working extremely well. The Chief of Navy recently gave initial operational release for that capability. We now have to go back to government because of the strategy we put in place, which was that we would do it on one ship and, if successful, we would ask for the government to approve it for the remaining seven ships. We are now formulating our advice to government for a decision on doing it in the remaining seven.

Senator HUMPHRIES: What is the earliest you can get the seven ships fitted out?

Mr King: I think it is 2017 or 2018 for the last ship. I am just getting confirmation of that date. The main issue there is a constant workload. Chief of Navy needs a certain number of ships available to him to meet his operational commitments adequately. We have come up with a program—it is 2017, Senator—that makes sure that Chief of Navy has enough ships available to him to meet his mission and then, considering the workload of the industry base, to keep a pretty low level loading so that we can just run the program from second ship all the way through to eight, subject to the government agreeing to our proposal.

Senator HUMPHRIES: Once the Anzacs come to the end of their life is it possible to redeploy the radar into other vessels?

Mr King: Look, it could well be but, of course, by that stage the earlier radars will be 15 years old and that is relatively old for technology. What I would say is that this system—you know I have sung its praises for quite some time—is a world beating system developed here in Australia. There is an enormous amount of interest now from the US through to Europe and if it were not for the global financial crisis we would have a lot more opportunity than we currently face—or the company has. The way it has been designed it is very modular, so probably what will happen is that it will be quite easy to upgrade over the time. In fact, we expect within a year of fielding this system to be able to offer a significant upgrade in the number of targets the system can engage.

Senator HUMPHRIES: This is potentially an export product, isn't it?

Mr King: Absolutely. I just think this is the best military system we have designed and built in Australia since a system we called Ikara, which was in the 1960s and 1970s.

Senator HUMPHRIES: It would be helpful then to take it off the projects of concern sooner rather than later; wouldn't it?

Mr King: Clearly our advice to government will be that, with the Chief of Navy's acceptance of the system and us being able to put together a package of work that will allow it

to be fitted in the eight ships, if the government agrees to that our strong recommendation would be to remove it from that list.

Senator HUMPHRIES: Thank you for that. Moving across now to the lightweight torpedos JP 2070. As you recall there was some controversy about the letting of a contract for translation of material that was in French and Italian. When this issue broke there was a media release from the department in which it was claimed that the reports that manuals needed to be translated from French and Italian were quite simply wrong and that it was only later test results that needed to be translated from other languages. I have in front of me the page from the AusTender website which says in describing the tender:

As a result of acquiring a torpedo manufactured in Europe, most of the original data (required to accept the MU90 into ADF service) is written in French and Italian. As such a requirement for translation exists.

If this was only the later test results and not the original data, why does the AusTender website say that it was the original data?

Mr King: I will start the response and then pass to my colleagues. This project is as if a black cat crossed our path. If there are things that seem to come out badly, this is the one. After Collins it is our biggest issue to solve now, with the progress we have made on Wedgetail, MRTT and all these. My advice is that we may have misworded what was on the AusTender site but that it is translation of test data that was made available to us by the French and Italian navies, and clearly they write their test results in their own language. The big advantage of this was that it saved us doing trials of our own, each trial of which could cost in the order of \$350,000. I will pass over now.

Mr Klenthis: The lightweight torpedo project is in my division. Your question relates to the information that was on the AusTender website and, as Mr King has explained, the original data relates to original untranslated data emanating from French Navy and Italian Navy trials. The assertion in the media, which was incorrect, was that that data was provided in French and Italian and related to operating instructions for the torpedo. As we have put in our media release, that is completely incorrect. As Mr King has also explained, the opportunity for us to source original data from, if you like, the initial navies, the French navy and the Italian navy, through a translation service for use in determining our own test and evaluation requirements has saved us a considerable amount of money. But I think it comes down to an interpretation of what original data actually means.

Senator HUMPHRIES: If you had meant by original data the results of tests that were conducted subsequent to the original manuals being produced in French and Italian and translated into English, it would have been helpful if you had made that clear, I would have thought, on the AusTender website. With great respect, you led people to believe that you were talking about the original manuals.

Mr King: Inside the Defence arena, there is a big difference between manuals and data. There is an upside to this. We were having trouble finding technical translators. As a result of the uninvited publicity, we have a lot of respondents now willing to translate our data. So we are very happy about that side of it. I always try to look for the silver lining on every matter.

Senator HUMPHRIES: You should arrange such stuff-ups more often, may I suggest, Mr King. Let us turn to project 121, which has already been referred to by Senator McEwen. I accept what you are saying about the need to restart this process and go out for a fresh tender.

That is, with respect, I think a fair thing to happen in the process. I understand it was originally suggested that the request for tender would be processed and dealt with in the early part of this year. Then there was going to be an announcement of an outcome from that tender in July this year. It is now coming up to the end of October and there is still no announcement about this. Someone at the table made a point earlier today that you would rather take your time and get it right than sort of rush a decision, but there is also the implication for a large number of businesses, one of which has spoken to me, of the enormous cost associated with holding on with a skilled workforce, waiting, before the tender gets answered. This particular firm is carrying hundreds of thousands of dollars in costs each month in order to hold on until this tender is decided. Can we have some idea of when this tender is going to be settled?

Mr King: We are finalising our advice to government right now. I would imagine that, depending on what matters government want to clarify with us, we will be able to get an announcement on this project quite soon.

Senator HUMPHRIES: Is it possible for a revised tender time frame to be given to the interested parties in this process? They may have only heard for the first time listening to these estimates when it is likely that the government is going to get to this decision. Do you have a way of publicising where you stand with these matters so that they have some idea?

Mr King: The difficulty with that is that we as a department might be fairly clear in our mind but the government, in making this sort of expenditure, naturally might want to take some time to contemplate all of the issues. We could certainly look at that, and maybe we could speak to the minister and see if we could put out some further advice.

Senator HUMPHRIES: I note from the other inquiry we are conducting in this committee that we are accelerating the decision making in acquisitions. So I look forward to this being one of those things that is accelerated, if that is at all possible.

Mr King: I take the point. We do take the point about the costs of tendering and the time. I do accept that.

Senator HUMPHRIES: Good. On tactical unmanned aerial vehicles, I understand the Shadows are replacing the ScanEagles that are currently being used.

Lt Gen. Morrison: That is correct.

Senator HUMPHRIES: Are they also intended to supersede the Herons that are being used by Army?

Lt Gen. Morrison: No, a Heron is a UAV that is flown by the Air Force in Afghanistan. It is an unmanned aerial vehicle and it operates with, I guess, the same generic focus, but it is a different platform with different roles. The Shadow will replace ScanEagle and will be a much more capable system, but it will be focused very much on the needs of Army in terms of unmanned aerial vehicles' roles.

Senator HUMPHRIES: Is this new vehicle a weapons platform?

Lt Gen. Morrison: No, it is not.

Senator HUMPHRIES: Is Heron a weapons platform?

Lt Gen. Morrison: No, it is not.

Senator HUMPHRIES: You say that we are buying two Shadow 200 tactical UAV systems. How many UAVs do we get in each system?

Lt Gen. Morrison: As I understand it, there are five vehicles—that is the unmanned aerial vehicles—but there are a number of other component parts to each of the systems. If you give me a moment, I can describe what comprises those.

Senator HUMPHRIES: In light of the time, I think it would be more helpful if you perhaps took that on notice.

Lt Gen. Morrison: I can provide that.

Senator HUMPHRIES: If you have two systems, does that mean you operate the UAVs from two separate locations or could you operate from four locations with two systems?

Lt Gen. Morrison: The actual operations of the aircraft will depend very much on the tactical situation and the needs of forces operating in an area of operations, so it is a very open-ended question that you have asked, and I think I would have difficulty in being definitive in answering it.

Senator HUMPHRIES: There was a report in the *Australian* from 23 October 2010 that said that Defence originally considered buying this product in 2005 and instead decided to go with the Boeing product; of course, that contract was terminated in 2008. It is now going back to buy the original TUAVs but at a higher price. How much higher a price are we likely to pay by virtue of coming back to this?

Mr King: I do not know what he means by a higher price. Relative to what? We bought it under the—

Senator HUMPHRIES: Relative to what it was offered to Defence for in 2005.

Senator Feeney: Senator, maybe you could tender the article.

Mr King: We buy them at the same price as the US. Since 2005 there would be capability increments and cost drivers in the US, but the bottom line is that we get them at FMS sales, which, apart from administration fees, is the price that the US pays.

Senator HUMPHRIES: You are telling us that these are no more expensive by virtue of the fact that we were going to be buying them off the shelf in 2005 and we are now having to go back, get back into a queue and buy them again at a higher price.

Mr King: I will just let Mr Cawley update you on that. We have bought them at FMS. Mr Cawley, would you like to update the senator on where we are with it?

Mr Cawley: We are buying two Shadow systems. Each system comprises five air vehicles, two ground control stations, two tactical launch and recovery systems, training and additional air attrition vehicles. The orders have been placed. Under FMS, the first system has arrived. It has been checked out. It is operational.

Senator HUMPHRIES: What is the cost?

Mr King: The total project cost?

Mr Cawley: The original project approval was \$133 million. The current budget is \$100 million.

Senator HUMPHRIES: For the two systems?

Mr King: Yes. That includes training, preparation, training for Army and preparation before being deployed into theatre. There are a range of costs inside that project cost.

Senator HUMPHRIES: Were we offered two systems in 2005?

Mr King: We would have to look into the records.

Senator HUMPHRIES: Could you take that on notice and tell us how much we were going to pay for this system in 2005, please.

Mr King: Sure.

Senator HUMPHRIES: I will move to the multirole tanker. I understand that there have been some remediation processes underway with this. We already have two of the aircraft, but they are not able to refuel in the air using a boom, so we can refuel Hornets but we cannot refuel C17s or Wedgetails. Is that correct?

Mr King: That is correct.

Senator HUMPHRIES: Can we refuel Super Hornets?

Mr King: Yes.

Senator HUMPHRIES: Okay. There is a boom improvement program, which presumably will allow us in due course to refuel the C17s and the Wedgetails. What happens if that improvement program cannot solve the technical difficulties and we cannot refuel the larger aircraft?

Mr King: I will let Mr Cawley add any detail he would like to, but the boom is functioning—but not to the level that we would like it to function. It mostly revolves around the operational envelope of the boom. Senator Fawcett might be better off answering this than me!

ACTING CHAIR (Senator Sterle): I am not calling him!

Mr King: When you conduct flight trials et cetera, you establish a safe operating envelope for things. They could be distance, speeds, heights or whatever. The operational envelope is not as large as we would like it to be and the degree of skill that the operator needs to operate the boom is higher than we would like it to be. So the boom is actually functioning; it is just not at the level that we think is satisfactory. It is unlikely that the program will fail and we would therefore say that, although there are risks involved, we expect to have a functioning boom and we expect it to function to the better level.

Senator HUMPHRIES: I am reassured by that, but the point I am making is that you think it is likely that the boom will not fail, but you are not 100 per cent certain.

Mr King: Well, no. We can't be.

Senator HUMPHRIES: What happens if, for some reason, you cannot get an acceptable tolerance for the use of the boom? We have already bought the platforms, but we cannot refuel some of our aircraft with them. What do we do?

Air Marshal Brown: At the moment I am quite confident that we could refuel our aircraft off the boom. The issue is that the envelope, the variance that the aircraft can have behind the tanker, is not to the specification that we put in the contract. What that means is that when the guys are flying it they just need to fly a better formation to refuel. So I am confident that we can operate the boom right now. We just need to work on it to meet its contractual—

Senator HUMPHRIES: But isn't there a higher level of risk associated with it by virtue of that? Wasn't this the aircraft that had some sort of incident over Portugal when it was being trialled?

Air Marshal Brown: That is correct, but it was not actually to do with the envelope restrictions and the tighter restrictions. It just means that the guys have to fly it to a higher standard in terms of their formation-keeping skills.

Senator HUMPHRIES: So the risk of something going wrong is increased?

Air Marshal Brown: I do not believe so. It is just more difficult for them to do; that is all.

Senator HUMPHRIES: All right. I do not have any other questions to ask about the other projects of concern. I have just one more question about first and second pass approvals. How many more first and second pass approvals are planned for the rest of this calendar year and the rest of this financial year?

Air Marshal Harvey: The number of approvals so far this financial year is 11. That is a combination of first pass, second pass and other approvals.

Senator HUMPHRIES: I want to know about first and second pass. We went through this the other day in another committee. These intermediate approvals are a new notion. I really want to know about first and second pass approvals so we are comparing like with like.

Air Marshal Harvey: Okay. There has been one first pass approval so far this year and eight second pass approvals. That is for an approximately three-month period.

ACTING CHAIR: Senator Humphries, you are the shadow parliamentary secretary for defence materiel. You have all the call, and if you need that time it shall be afforded to you, but at 25 past I am going to go to Mr Lewis.

Senator HUMPHRIES: I understand that. Could you take those passes on notice then, Air Marshal Harvey: how many first and second pass approvals are planned for the rest of the calendar year and how many for the rest of the financial year?

Air Marshal Harvey: Certainly, Senator.

Senator HUMPHRIES: Thank you.

Mr D Lewis: Senator Humphries, I might just make the qualification with regard to those planned approvals that, of course, that is entirely a matter for government, so anything that we might project is entirely in the hands of the government.

Senator HUMPHRIES: Yes, I understand.

Senator FAWCETT: Just before we move off second pass approvals, in principle, given that both the procurement manual and the capability development manual highlight that second pass approval means that there have been a number of reviews through committees and there should be a well-founded opinion presented to the minister that the proposal is going to meet the capability needs, once the minister has actually announced second pass approval and announced the funding and the preferred tenderer, is it reasonable in your view that a company could then start investing in recruitment and scaling up their productive capability in anticipation of a contract from Defence?

Mr King: It would not be prudent. The government announcement is almost invariably that on the basis of advice from Defence we have a preferred supplier, subject to negotiation of a satisfactory contract.

Senator FAWCETT: Okay. I have a question for Chief of Navy. Going to the ANAO report into the introduction of service of Navy capability, I note that there was quite some discussion around essentially a lot of the Rizzo-type issues: regulatory systems, RAN flag authority arrangements with certifying bodies. There appear to be many different approaches to how Navy is going to guarantee the suitability of a product, whether it be a completely new system, an adaptation or, in the case of something like *Success*, an IMO conversion. I wonder if you would talk to me a little about where you see the Seaworthiness Board fitting into that and how Navy plan to get a common approach, a little bit like the Airworthiness Board in certification systems used in the air environment for Navy capability.

Vice Adm. Griggs: Certainly, Senator. The Seaworthiness Board was implemented by my predecessor as an independent form of advice to him. Where I want to get with the Seaworthiness Board is that they do not bring any surprises to me. At the moment they are bringing new information to the Chief of Navy, as happened last year. What we do not have underneath the Seaworthiness Board is what I am terming a seaworthiness infrastructure. I have spoken to both the Vice Chief and the Chief of Air Force about the airworthiness construct. I have recently recommended, and the minister has approved, the appointment of Rear Admiral Tim Barrett as the next fleet commander. I did that deliberately because I wanted someone with an airworthiness background. He is an observer and a former aviation force element group commander, so he is steeped in airworthiness. I wanted someone like him with his skill set to take the fleet forward in seaworthiness construct.

Senator FAWCETT: I know in the past you have had a number of legacy processes that have given some degree of assurance before you actually set off on what I think you actually called the fifth, the first and service trials and some of those activities. Is it your intention to try and use a common process whereby that board is the body that gives you comfort that you can actually issue an interim flight permit or sailing permit so that there is one process that is applied across all acquisition projects?

Vice Adm. Griggs: That is correct. I want to develop a seaworthiness construct similar to but not the same as the airworthiness construct that Air Force uses. I do not need as many of the layers that are there because of the risk issues in airworthiness versus seaworthiness, but I need the same sort of approach. I want a standardised approach, and the board is obviously that final check that those processes are working.

Senator FAWCETT: Do you have a time frame for that?

Vice Adm. Griggs: That is part of the Rizzo implementation. The team is still working on it. I want to do this properly; I do not want to rush into it. But I would hope that at some point next year we will be very much putting that in place.

Senator FAWCETT: Going back to HMAS *Choules*, in terms of holistic capability the comment was brought up before about being the least-lift ship at the moment, that it has a helipad but it is not cleared for ADF helicopters. With the *Choules* coming back, has the project provided Navy with funding to conduct a first-class flight trial? Or is that something that Navy is going to have to take out of hide?

Vice Adm. Griggs: I am not sure about the actual funding arrangements for first-class flight trials but I can get back to you on that.

Senator FAWCETT: Would you take that on notice.

Vice Adm. Griggs: We are doing it on the way back, between Fremantle and Sydney.

CHAIR: Thank you, Admiral.

Senator McKENZIE: I am following up on the LAND 121 program, which Senator Humphries raised. That is in my local electorate in regional Victoria in my and Senator Feeney's state; one of the manufacturers is out there. I want to get some clarification on the anticipated date for a decision on the project.

Mr King: We are very close to formulating our final recommendations to government. I did take a question on notice from, I think, Senator Humphries to see if we could clarify with the minister and industry a likely time frame. It is a big decision for government, as it is for us, but we are very close to that point where we will be able to give enough information to government for them to make an informed decision.

Senator McKENZIE: Thank you. Are we confident that it will be prior to Christmas 2011?

Mr King: No.

Senator McKENZIE: Okay. I thought I would try. Minister, are you aware of the government policy supporting the importance of local manufacturers, the 'Buy Local' plan that was announced by the PM?

Senator Feeney: No. That is not something that I can speak to in any detail. Is that an issue for Mr Clare?

Senator McKENZIE: Minister, I am not seeking detail on it. I just want to know whether you are aware of it.

Senator Feeney: Only in the broadest terms.

Senator McKENZIE: For my understanding I had hoped to be provided with an explanation of how Defence, and particularly this program, will be contributing to this initiative around a local manufacturing focus announced by the Gillard government.

Mr King: We already have a range of Defence activities. I mentioned earlier the DMO's budget on behalf of Defence, but I am not sure whether you were here. We spend about \$11 billion a year, and about 54 per cent of that is spent in Australia. That is in the order of \$5.4 billion a year that is spent in Australia, and about \$2.7 billion to \$2.8 billion of that is spent with SMEs. There is a misconception about the amount of work. If you take the clothing business, which is close to everybody's mind, we do about \$80 million to \$90 million worth of business in clothing in Defence a year, and we do about 75 per cent to 80 per cent of that in Australia.

Senator McKENZIE: Thank you.

Mr King: And just to fill it out a bit more and to give you some confidence that we care, because we do, we are required to have an industry capability plan. So when we get a tender, and we often do big projects through primes, they are required to have an industry content. I think it is for all projects above \$20 million or \$25 million, but I will check that. So we are already engaged very strongly, and we need a well-developed and well-supported defence industry in Australia to support the Defence Force and the products.

Senator McKENZIE: Absolutely. Given the local uncertainty in the particular regional area that I am speaking about, Minister, I would appreciate your perspective on this issue for the local workers in Bendigo, who anxiously await this delayed decision. This manufacturer is in regional Victoria, as I have stated, where in the current climate job losses will have a significant impact. I would appreciate your comments, Minister.

Senator Feeney: I am obviously aware of the company and the community you are talking about. I respect the fact that as a fellow Victorian Senator you are seeking to provoke me into a—

Senator McKENZIE: Just an answer.

Senator Feeney: The simple fact of it is that it is not appropriate for me to prejudge a decision of government, nor it is appropriate for me to suggest that any of the tenders before government are being treated differently than any others. I really feel constrained from being able to make any comment about—

Senator McKENZIE: Which is why I have not asked you specifically about tenders. It is more about your awareness and perspective of the buy local plan and supporting local manufacturers.

Senator Feeney: I am confident that government will make a decision based on a range of principles and those principles will include best value for taxpayers, best value for defence and of course what is in the national interest.

ACTING CHAIR: It is 6:25. Mr Lewis, you have the last five minutes—four and a half because I am going to thank you all as you are going out the door.

Mr D Lewis: Thank you very much. First of all, I will ask Air Marshal Harvey to expand on an answer he gave a moment ago about the number of project approvals that have gone through. The answer was correct, but there is another piece that I think would be useful, Senator Humphries.

Air Marshal Harvey: Senator Humphries, I gave you the numbers for the fiscal year so far but also the number for the calendar year so far. It is a total of 30 approvals for the calendar year, of which seven are first pass, 16 are second pass, including at least one combined first and second pass, and then seven other approvals. So the key figure is 30 for the calendar year so far.

Mr D Lewis: In the interests of time, I would like to table three answers to questions asked earlier. One was with regard to SRP cost reduction targets and achievements. These questions were asked very early this morning. The second one was on the cost reduction targets in the SRP by stream. The third one was a response to question on notice No.10 from Senator Macdonald with regard to cadet units being raised across Australia. We have complete answers on those and I would like to table those with your concurrence, Chair.

ACTING CHAIR: Thank you.

Mr D Lewis: There are two other matters which I would like to read into the record. You asked Chief of Navy earlier a question—I am not quite sure who asked the question—about the *Windermere* and its lease arrangements. I think it was—

Senator IAN MACDONALD: I think it was Senator Johnston.

Mr D Lewis: Yes, Senator Johnston actually asked the question. The *Windermere* is leased from 14 October this year to 31 January next year for an amount of \$11.683 million. That comprises a charter cost of \$10.589 million and operating costs of \$1.094 million. I just note that the fuel costs for the *Windermere* are an additional \$2.2 million.

There was a question asked with regard to Talisman Sabre and the armed reconnaissance helicopters. I can say that, following the incident on 26 July, the Chief of Joint Operations appointed an inquiry officer under the Defence (Inquiry) Regulations to examine the circumstances surrounding the incident as they relate to defence. The inquiry is reasonably well advanced and the inquiry officer is due to submit his report to the Chief of Joint Operations by the 21st of next month. Noting that the inquiry is incomplete and the fact that, as you know, the matter is also subject to criminal prosecution, it would be inappropriate to speak in detail about the incident itself or the security measure that was in place at the time of the incident.

There is one last point. I will invite Air Vice Marshal Paule, head of MSC, to read back some answers in relation to Talisman Sabre and community consultation, which was raised earlier in the proceedings.

Air Vice Marshal Paule: Senator Ludlam asked some questions in relation to Talisman Sabre and community engagement. I can tell you that consultation for the exercise was conducted from November 2010 through to March 2011. AECOM Australia was contracted by headquarters JOC to provide much of this community consultation and produce a public environment report. A range of stakeholder consultation activities that included councils, community and traditional land owners were undertaken for Talisman Sabre. This included a 1800 exercise information line, a reply paid and an email address, advertisements, public facility notices and media releases in both state and local newspapers, and staffed and static public displays throughout the region, which were staffed in Rockhampton, Yeppoon, Townsville and Darwin. Feedback forms and frequently asked questions facts sheets were available during the consultation process at numerous locations and there was also a key stakeholder mail-out, some information packs and subsequent briefings at Rockhampton, Yeppoon, Townsville and Darwin. Additionally, our public affairs established a Talisman Sabre website to provide information to the public.

Senator Ludlam asked how many noise complaints we received about the live fire exercises. Headquarters Joint Operations Command is not aware of any complaints relating to the live fire events at Talisman Sabre 2011, noise or otherwise.

In relation to water quality in the Shoalwater Bay area and the broader marine park, Defence routinely monitors the water quality inside the Shoalwater Bay training area but not the broader marine park. We believe we will be able to answer the first part of that question in time. In relation to protocols for warships being different to commercial and recreational craft, strict protocols, which generally exceed the obligations that apply to commercial, tourist or recreational shipping and boating, apply to all warships that participated in the exercise, particularly in relation to discharges of sewage and other ship-borne waste and management of fuels et cetera.

Mr D. Lewis: Chair, that concludes the answers to questions that we received earlier in the day.

ACTING CHAIR: On behalf of the Senate Foreign Affairs, Defence and Trade Legislation Committee may I sincerely thank you, Mr Lewis, and all the officers at the Department of Defence. I also thank the Chief of the Defence Force, General Hurley, and his fellow officers.

Proceedings suspended from 18:31 to 19:31

Department of Veterans' Affairs

ACTING CHAIR: I welcome back Senator Feeney, representing the Minister for Veterans' Affairs. I also welcome the Secretary, Mr Ian Campbell, and officers of the Department of Veterans' Affairs and officers from the Australian War Memorial. This evening the committee will examine the supplementary budget estimates for the Veterans' Affairs portfolio. Topics nominated by senators will be considered in the order set out in the agenda. Mr Campbell, do you want to make an opening statement?

Mr Campbell: No, I do not want to make an opening statement.

Senator WRIGHT: I have just one question, which relates to military rehabilitation and compensation acts and income support and compensation. It is about the offsetting of legal fees, which is an issue that I became aware of in a committee inquiry earlier this year. It came to light that, when calculating the amount of compensation previously paid to be used in an offsetting calculation, some legal costs incurred in obtaining a compensation payment are deducted from the compensation paid and some not. Currently, party-party legal costs are deducted from the gross compensation payment before it is taken into account for the purposes of offsetting, but solicitor-client costs are not. Solicitor-client costs are a legitimate expense incurred in obtaining compensation, in my view. Firstly, what is the justification for excluding their deduction?

Ms Spiers: Senator Wright, you would recall we had a discussion on this during the Senate inquiry into the consideration of legislation. The way the definitions of compensation work in the Veterans' Entitlements Act means that the definition of party-party costs is excluded. I think it would be useful to step it a bit to clarify a little further how party-party and solicitor-client costs operate.

Usually in a settlement, as you would appreciate, there are a number of heads of liability. There is usually a costs order and the costs order within the settlement includes the party-party costs. Usually the settlement does not include the client-solicitor costs. As the senator may appreciate, when an applicant enters into an agreement with the solicitor, a contract for providing services, there are costs that may be recoverable because of the settlement, and then there are those additional costs. So the solicitor-client costs do not form part of the costs of the lump sum settlement at all. There is no provision as such in the legislation to say that those, which are contractual costs outside the terms of the settlement, should form part of a deduction for the purposes of offsetting. I am not sure whether it has assisted you.

Senator WRIGHT: I certainly understand the different concepts. I am just interested in pursuing the all-in payment, the order for costs that is made, whether it is made by settlement or by court order. My understanding would be that that does not always specify an amount for party-party costs. Sometimes that will be an all-in settlement figure, will it not?

Ms Spiers: Because of the way our various provisions operate on the income support side and on the compensation side, when someone seeks a settlement payment we do ask them to

be clear as to which are economic loss settlements versus those that are non-economic loss. My understanding of most settlements is that in arriving at a settlement, whether it is through a court process or through a negotiated settlement, that does not include the party-solicitor costs as part of that settlement. I think where it can be slightly confusing in terms of how these things operate is the difference between what forms part of the settlement and how people might have the cheque or the payments drawn from that settlement to pay their debts. One of the things people often do is have from the settlement a payment drawn to pay their solicitor for the solicitor-client costs, and so they might assume that the settlement does cover off the solicitor-client costs when in fact it is just to deal with the contractual arrangement between themselves and their solicitor.

Senator WRIGHT: Thank you. Again, I do understand the basis for that and I understand what the common practice is in legal settlements. What became evident to me in the course of the inquiry was that, if the justification for compensation offsetting is the notion that a person has a certain amount of money available for their use, which would then be offset so that they do not double-dip, essentially if a percentage of that is actually not going to be available for their use, because the solicitor-client costs are necessarily spent in order to obtain the financial benefit they have ended up with, it seemed unfair. I have been interested in looking at whether there are ways around it, whether there could be some nominal, notional agreement as to what percentage of a settlement might be solicitor-client costs, even if that were different from what the usual legal process would be. That is in a sense what I have been exploring.

Ms Spiers: Since we last discussed this in August, we have considered those sorts of issues. It really is to some degree horses for courses sometimes in terms of what the solicitor-client costs are. It is not as easy to say well, that is a percentage of the effort involved, because sometimes it can depend on how long the case has been before the various decision-making bodies or has been underway, so to speak. I am not sure that there is an easy way of measuring a percentage for that purpose. Having said that, there would need to be a mechanism to exclude that from the consideration of compensation and, at the moment, the legislation does not have that provision.

Senator WRIGHT: I appreciate your answers on that, thank you very much. What I understand is that the ultimate amount of solicitor-client costs would sometimes depend on factors within the control of the person who ends up with the compensation—for instance, if they have dragged their feet or have been a difficult litigant, and in some cases there would have been delays that were occasioned through no fault of their own. I understand that it is very variable but thank you very much for your answers.

Ms Spiers: I have one last clarification—and I think my colleague is trying to write me a note but I have just remembered the issue. In the very extreme cases where we become aware that the value of the settlement is less than we would be seeking to recover, the Repatriation Commission has the ability to waive recovery of some of those costs. So, while it does not happen in every case, in the cases where there would be a net deficit to the individual, the commission has very favourably looked at those sorts of cases so that there has not been, in effect, a debt owing that is greater than the value of the money they have received.

Senator WRIGHT: Thank you.

Senator RONALDSON: Mr Campbell, can I take you first to question 12 from last time around on the protocol for managing the provision of advice to clients at risk of self-harm and our discussions in relation to the protocol. You said:

The comment I will make is that I think the paragraph you have read from, and you have read it very accurately, is ambiguous to say the least, and I think therefore it is very unhelpful.

You also went on to say:

... I will take this away because I am not happy when I read that sentence. I will take it away and I will come back to the committee.

You provided me with some further information again confirming it was ambiguous. In that question on notice you outlined some exceptions to the rule of not sharing information between DVA and VVCS and you state at the end of the response:

The *Protocol* was based on the assumption that client consent had been given for the case conference and that staff understood this aspect - it is therefore ambiguous.

I would assume that the assumption should have been that consent had not been given until there was evidence that it had been provided prior to any case conferencing. Can you tell me please whose assumption was the interpretation based upon and why was this the assumption?

Mr Campbell: I might ask Ms Bell to take you through the answer to that.

Ms Bell: The principle that the department and VVCS have operated on for a long time and which is in some of our procedures is that there is no information sharing between VVCS and the department unless it is with client consent. That has been documented well into the past. It is simply something that was well understood by staff and was part of procedures for a long period of time. It was assumed that was the way people would operate because that is how they had been operating.

Senator RONALDSON: So the assumption was that, until there is evidence that consent had been given, there would be no referral. Is that what you are saying?

Ms Bell: Yes. I am getting a little confused by the negatives, but my colleague is saying yes.

Senator RONALDSON: I am not meaning to confuse you. I just want to be sure about it.

Mr Campbell: The assumption was: no consent unless there is obvious consent.

Senator RONALDSON: Yes. I think your concern, Secretary, was that indeed it was ambiguous. You were concerned about what the assumption was and what the interpretation was.

Mr Campbell: Yes, particularly given the discussion we had at the last estimates and how you were reading it and other people might have read it.

Senator RONALDSON: What work has occurred since the last estimates in relation to the protocol? I understand it was to be redrafted. Has that been attended to?

Mr Farrelly: Before I get to that, I will just cover off a few points from last estimates. I think they will be helpful to you.

Senator RONALDSON: In relation to this matter?

Mr Farrelly: Absolutely. On reflection, when we started working on redrafting the protocol, we concluded that we could have been clearer last time. There were a number of

points at which I think we were talking at cross-purposes. For example, what does notation mean? What is on paper file versus what is on the system? What sort of assessments do staff make in coming to conclusions? When would DVA engage with the VVCS?

On the subject of notations, what Ms Bell had in mind when she was talking about that subject was the notations that appear on our IT systems, and the answer to question 10 helps to clear that up. That is what we had in mind.

Senator RONALDSON: Mr Farrelly, I fear that it does not. In fact, it has probably confirmed my fears rather than allayed them. That is actually my next question so I am happy to have a further discussion with you about that. If I have misinterpreted it I would be very happy for you to show me where because I am still concerned about it. Perhaps we could get back to Ms Bell in relation to the protocol.

Mr Farrelly: On to the work we have done, in trying to rewrite and rework the protocol, we found that there were a number of other related streams—for example, there are referrals to the Client Liaison Unit and referrals to the Case Coordination Unit, where a staff member might think that a client has either complex needs or has mental health difficulties and should receive a case coordination service. There are also cases covered by this particular protocol which is designed to encourage staff to think about the impact a particular piece of advice will have on a client and to think about that before they send that advice. That is what the protocol is about. Lastly, there are critical security incidents where a staff member might receive a phone call and come to the view that the client is in imminent danger of doing themselves harm, or doing somebody else harm, in which case they would call the police. In working on this protocol, which is only designed to get staff to think about how a client might react before they contact the client, these other factors came into play.

Senator RONALDSON: The thrust of the revisions indicate:

- There is to be no sharing of information (including case conferencing) between DVA or
- VVCS unless one of the exceptions applies;
- VVCS and DVA client files must continue to be maintained and stored separately; and
- Where a person is considered at imminent risk of harm to themselves or others then critical incident procedures are to be followed.

When is the updated protocol likely to be finished?

Mr Farrelly: We expect to finalise that in about a month. The first version of the protocol was reviewed by the mental health consultative committee and we plan to go through that process again.

Senator RONALDSON: After the last Senate estimates, was there a direction sent to staff clarifying any potential ambiguity with this interpretation?

Mr Farrelly: No.

Senator RONALDSON: We have had acknowledgment from the Secretary that this was ambiguous. We had a long discussion about it. It was so ambiguous that, indeed, you undertook to redraft the protocol but you have not sent anything out to the staff who are implementing it to say that there was an issue and it was going to be addressed.

Ms Bell: If I can address that, in March 2011—and if you recall, the protocol was promoted in July 2010—I issued an internal instruction to all staff about obtaining

information from VVCS records. Although, yes, the issue was raised in the May estimates hearing, that staff notice had already been issued just a few months prior. We did not think at that time that it was necessary to raise the issue again.

Senator RONALDSON: But that was a lot more narrow than this advice should have been, Ms Bell. Given the nature of our discussions and the ambiguity that was outlined, the note that you sent out was at the micro level and not the macro level, given the matters that were raised. I ask you again. I am surprised that this had not been raised in May, and the fact that it was not would indicate to me that there had not been communication with staff at the macro level and it was at the micro level; otherwise, I would have thought you would have mentioned it. I have got to say I am very surprised that there was no endeavour, given our discussions. We all took it on good faith. Indeed a change to the protocol was not raised in May; it was raised as a result of those matters that came out of the estimates process. I put to you that I am somewhat staggered that there was no attempt to contact staff in relation to this matter, because the protocol change only came out of the matters that were raised at this committee and an undertaking from the secretary that there was an ambiguity which needed to be addressed. Anyway—I will just go round and round if I pursue that any further.

Can I take you to that answer to question 10, particularly section (d), where there was, for want of a better word, a proforma about case coordination referrals that had been declined. Just so that I am absolutely clear, this is where the case coordinator has declined the referral, isn't it?

Ms Bell: Correct.

Senator RONALDSON: It is not the client; it is the case coordinator?

Ms Bell: Correct.

Senator RONALDSON: If a case has been declined, why is there a need still to have a pop-up appearing on this client's electronic file?

Ms Bell: The circumstances could have shifted for a client. The client was referred for some reasons that a staff member thought should be looked at and a needs assessment undertaken by a case coordinator. The behaviours or concerns may be more apparent for another staff member, and it gives the opportunity for it to be rereferred.

Senator RONALDSON: This is the issue and this was my concern last time: my understanding is that there is no protocol for removal of these pop-ups. I will give you a scenario and I acknowledge that one would hope it would never occur. But we are talking about people's privacy here and we therefore need to investigate opportunities. If a particular case coordinator had grounds for this referral which were, maybe, suspect and for some reason their referral to the case coordinator group was not reasonable, that pop-up remained there irrespective of the veracity of the issue that led to the request for the case coordination. Is that right?

Ms Bell: Yes. The notation will remain on the system.

Senator RONALDSON: Therefore, irrespective of the veracity of the information, that person is automatically labelled as soon as that pop-up appears on their file. Is that right?

Ms Bell: There are a number of reasons why a person could be referred to case coordination, and they are not always about self-harming.

Senator RONALDSON: I was concerned about this and that is why I raised it. I understand the protocol is going to be revisited, but this was my concern last time around: you are forever, potentially, having a pop up on that screen where there was a referral, irrespective of the veracity of that initial approach to the coordination group.

Mr Farrelly: If the referral were regarded as completely unreasonable by the case coordinator and the management team, that it had been completely incorrectly referred, then no such pop-up would appear.

Senator RONALDSON: But, Mr Farrelly, what would happen if it was a standard referral but the veracity of that standard referral was not correct? You are talking, potentially, about where the case coordinator group would say, 'That is so completely and utterly outrageous that we going to do something about that.' But what happens if it is the sort of referral that they often get and the veracity of that is questionable for whatever reason. Your situation does not address that, does it? The answer is no, surely.

Mr Farrelly: The scenario you talk about could happen. However, as I have said, in the event that the coordinator thought that it was completely unreasonable and that the referral was just a mistake, it would not appear.

Senator RONALDSON: That is your best case scenario, where the case coordinator group is actually alerted to it because of the outrageous nature of the referral. I do not want to get hung up on this tonight, but you do acknowledge that there could be a typical referral that had no veracity and that would not alert anyone to a potential issue?

Mr Farrelly: It is conceivable.

Senator RONALDSON: Thank you. What is the process for cleansing those pop-ups and that information? Is there a process for some contact with the client or some contact with someone else to ascertain indeed whether the circumstances that allegedly led to that referral remain the same?

Ms Bell: It would be by a review process.

Senator RONALDSON: You tell me about the review process, Ms Bell.

Ms Bell: I can only tell you about the numbers that we have in case coordination and the number of—

Senator RONALDSON: No, I am sorry, Ms Bell. Can you tell me please what the process is to cleanse the pop-ups to make sure that (a) they need cleansing or (b) there has not been a change in a client's circumstances which would indicate that it is no longer relevant to have that information on their file, particularly for someone who indeed did not have an issue, which Mr Farrelly acknowledged could occur? What is the process to cleanse those pop-ups?

Ms Bell: I would have to say that there is no standardised process, given the newness of the program. It has been operating for only 18 months and we have not got that review in. The bulk of clients that have been referred have been accepted and either are in an active wellness phase or have been moved into a follow-up. I think you probably raise a good point in that we need to pay attention to that.

Senator RONALDSON: I would assume you would agree with me, Ms Bell, that there has to be only one effective abuse of this process for it to be a bad process?

Ms Bell: Yes.

Senator RONALDSON: I do not want to put you on the spot tonight so would you undertake to go away and revisit this, review it and take it on notice to see what an appropriate course of action would be to address, Secretary, what I still think is a serious potential concern? I accept that you want to do something.

Ms Bell: Yes.

Mr Campbell: We are happy to do that. I would just make one observation for the record. Our staff are in a bit of a difficult situation here, because every so often something might improve and then something might go bad again. I can imagine the circumstances where we would be then strongly criticised for not having a record to say that a person was a risk. That is not an argument not to go back and review the pop-ups and to try to work through that, but I think you will agree that this is a very difficult situation for us because the mental health conditions of people can improve and then regress. We do have a very difficult issue here, but I think the discussion we have had tonight has been quite useful. We will take it away and review it.

Senator RONALDSON: I would be utterly amazed if there were not some process that could be put in place to address what I acknowledge is a difficulty from your point of view, but as to the fundamental issue about that information remaining permanently on a file, I think we all agree that there needs to be some process. I will move on to question on notice 11, which was about staff training. How many staff in this area hold qualifications at diploma level and what are those qualifications? If you want to take that on notice I understand. How many staff are currently taking part in a training course to attain those qualifications?

Ms Bell: I would have to take that on notice, yes.

Senator RONALDSON: I understand from your response to question 11 that:

Staff within the Security Team are formally trained in security practices and risk management. The senior staff who manage critical security incidents hold, or are in the process of attaining, qualifications at Diploma level. Incident reports are maintained.

I know that is correct, because it is in the answer, but what I need to know is what the numbers are of those who have qualifications at diploma level and how many staff are in training.

Mr Winzenberg: About six or seven.

Senator RONALDSON: Six or seven? Anyway, could you get me that information please. On the second page of the response it says:

More generally, departmental staff have undertaken a range of training on how to manage clients at risk of self-harm which are detailed below:

- (i) Managing Challenging Behaviours: ...
- (ii) Applied Suicide Intervention Skills Training (ASIST): ...
- (iii) SafeTalk: ...

Then there is point (iv):

(iv) Understanding Military Culture and Mental Health: A two hour session run in-house which gives insight into military experiences, including training and deployment, and the effect this may have on mental health.

Who runs this two-hour course?

Mr Winzenberg: We have outsourced providers that do that.

Senator RONALDSON: What are their names?

Mr Winzenberg: I do not have the names here but I can get them for you.

Senator RONALDSON: You do not know who the outsource group is that is handling the training in relation to this issue?

Mr Winzenberg: We have a range of training under our client service framework. Some of the modules are delivered in-house and some are delivered externally.

Senator RONALDSON: Are there current or ex-serving ADF personnel involved in this training?

Mr Winzenberg: Some of our staff that we bring in to do—

Senator RONALDSON: No, this particular training, the one that you have outsourced.

Mr Winzenberg: I would have to take that on notice.

Senator RONALDSON: Does the VVCS have a role?

Mr Winzenberg: They are involved in some of our training. In respect of that particular course—

Senator RONALDSON: Come on, Mr Winzenberg, please. All my questions are in relation to this issue.

Mr Winzenberg: In respect of that particular course I would have to check.

Senator RONALDSON: Do you think that two hours training is enough in relation to this area?

Mr Winzenberg: Not only do we do that sort of classroom training; we also have a range of other training. For example, we have run very successfully over the last 12 months SES and executive level forums that have involved presentations from current serving members about their experiences.

Senator RONALDSON: But in relation to this particular issue, do you think that is long enough? Do you know what is in the module?

Mr Winzenberg: The 'Managing Challenging Behaviours' in the military sphere?

Senator RONALDSON: The two-hour outsourced 'Understanding Military Culture and Mental Health' module, whatever it may be. Do you know what they are being trained in?

Mr Winzenberg: Yes, the module is about the military experience and what the impacts may be on the serving member in terms of how we deal with the serving member.

Senator RONALDSON: When you went to one of these sessions, what was your take out of it?

Mr Winzenberg: I have not personally attended one myself, but in the review we did in providing the courses they were tested with the business area and—

Senator RONALDSON: Are you responsible for this area?

Mr Winzenberg: For the delivery of the training framework, yes.

Senator RONALDSON: And you have not bothered to go and see what this two-hour session is?

Mr Winzenberg: We have received reviews from the people who have attended the sessions and they have been positive.

Senator RONALDSON: Has been outsourced or is it in-house?

Mr Winzenberg: It is an e-learning module that has been put together by outsourced providers, but the content has been vetted by our in-house business area.

Senator RONALDSON: This answer to the question says:

A two hour session run in-house ...

Not only have you told me it is outsourced; the answer says that it is in-house. Not only have you told me that you are responsible for training; you actually do not know what is delivered because you have not been there. You have no idea whether ADF personnel are involved in the training. I would have thought:

A two hour session run in-house which gives insight into military experiences, including training and deployment—

would have probably required someone with some experience in this area to give that training, would it not?

Mr Winzenberg: That is right.

Senator RONALDSON: But you have no idea.

Ms Dotta: If I could help here.

Senator RONALDSON: That would be very useful.

Ms Dotta: We have a range of client service training in place. To date, we have run workshops on managing sensitive conversations targeted at staff who may be dealing with former and serving ADF members reporting sexual abuse or assault. We have a suicide awareness e-learning module that staff are required to do. We have a managing challenging behaviours e-learning module—

Senator RONALDSON: Can I just hold you there because I have actually gone through that. I have already said what is in (i) to (iv). I am not interested in that for the purpose of this discussion. Can you tell me what you know about (iv): Understanding military culture and mental health? Do you know anymore than Mr Winzenberg?

Ms Dotta: No.

Senator RONALDSON: Secretary, I think this is absolutely outrageous and I will tell you why I think that. The one clear message that I have got from my travels around Australia, and about which you are acutely aware, is the issue regarding the concern amongst your clients that there are people in the department with whom they are dealing who have no understanding of military service or the uniqueness of military service. Clearly, this module is important enough for you to put it in an answer to a question on notice. It is outsourced or it is run in-house and no-one knows whether there are ADF personnel there. I would have thought understanding military culture and mental health was absolutely fundamental to understanding the concerns of clients. Can someone get back to me ASAP in relation to the questions I asked Mr Winzenberg.

Mr Campbell: I can undertake to do that.

Mr Winzenberg: The training contract is with a company called O2C. The principals are two ex-Army officers and one is a veteran. I can get you further information about that.

Senator RONALDSON: Thank you.

Mr Campbell: At the risk of prolonging this, but I think I need to, I do know what is being said to you around the country. At times, I suspect those comments may be well-founded. No organisation is perfect. However, a lot of the comments that I understand are being made I do not accept. I do not accept that, as a general fact, the staff in the department are not conscious of the speciality of military service. I just do not accept that. I do not accept that, and I know this was said to you at a meeting recently, because the new deputy commissioner in Western Australia does not come from a veteran or a military background he cannot operate effectively within the department. I would always be honest and say: 'Yes, we always have issues with this because we are a large department; we have people coming in and leaving all the time. It is a concern of mine.' But I do not accept the claims made by some members of the veteran community that as an organisation we do not understand and value the uniqueness of military service.

Senator RONALDSON: Sure. I do not think you were suggesting that they were my comments.

Mr Campbell: No. That is why I was saying it is what was said to you, Senator. I think probably you have an understanding that we sometimes get it wrong and that is unfortunate, but some of the comments that are made are a bit off the mark.

Senator RONALDSON: Mr Carmody, I think you have been away on holidays. Welcome back, fully refreshed. You are looking after some reprobates in Korea soon too, aren't you? It is a term I use loosely because I am one of the them. Maybe I am the reprobate and the others are all thorough gentlemen and ladies.

Mr Carmody: Can I take that on notice!

Senator RONALDSON: I have got to say, Secretary, from my experience on the first delegation that I went on, where the minister kindly invited me, and I assume this will be the same, the support provided is absolutely second to none.

Mr Campbell: I am sure it will be.

Senator RONALDSON: In fact, I think some of the participants are sorry when it finishes. Mr Carmody, I will now go to collocation, which will be the least surprising news you have had today I suspect. In relation to question 8 relating to the leasing of the premises, it said:

Property Dynamics was contracted on 8 March 2011. The final report was provided on 16 March 2011.

How much were Property Dynamics paid for this work?

Mr Carmody: Property Dynamics were paid \$10,100 for that report, which was produced, by my notes, on 10 March.

Senator RONALDSON: \$10,000.

Mr Carmody: Correct.

Senator RONALDSON: And they were contracted on 8 March 2011. The final report was provided on 16 March. Do they have an office in Lismore?

Mr Carmody: I am afraid I do not know the answer to that. I presume so. One of my colleagues might know.

Mr Rochow: I will have to check for you to be definite, but I believe we engaged the provider from outside the Lismore area to get a more independent view. But I will check on that for you.

Senator RONALDSON: Independent view about what?

Mr Rochow: About the property options. It is often difficult in a small town like Lismore because there are very limited options, particularly in terms of the real estate, and we tend to look to get a bit more of an independent view from outside of the local area.

Senator RONALDSON: Why wouldn't you go to someone who might know what is available locally and who lives locally?

Mr Rochow: We engage professionals who are aware of the local market but are not necessarily located within the local market.

Senator RONALDSON: It is not bad work: \$10,000 for five or six days work. It is good work if you can get it, and they are not locals. They are based in Melbourne and Sydney, aren't they? Did you make any approaches to local agents to cross-reference what you were getting back from these people?

Mr Rochow: I will check in more detail in relation to your question, but the people we normally contract to do this certainly have an awareness of the local market and I suspect probably do make some inquiries within the local market.

Senator RONALDSON: Can you answer my question. Did you or did you not approach some local people as well as paying \$10,000 for six days work to this mob based in Melbourne or Sydney?

Mr Rochow: I will have to take that on notice.

Senator RONALDSON: It is not the first time we have discussed this matter, is it? We were talking about Lismore and Darwin. I think it probably predates me getting this job. What did the report say? Did the report say they had spoken to local people?

Mr Carmody: The report did say they had investigated local properties. I presume on that basis they had spoken to local people in conducting their investigations and had come to the conclusion that there were no suitable premises available.

Senator RONALDSON: Do you always pay someone based in Melbourne or Sydney to go into country towns \$10,000 look at these sorts of things?

Mr Carmody: Not that I am aware of.

Ms Dotta: The approach that we take in relation to market-testing or investigating commercial properties in different locations is that we use commercial consultants and/or local real estate agents and we also use the government property repository, which has available on it any government property locations that may be coming available. We tend to use panels that have been established for this type of thing, and it is typically less than \$10,000 or up to around \$10,000.

Senator RONALDSON: What is the population of Lismore?

Ms Dotta: I would have to take that on notice.

Senator RONALDSON: It is not big, is it?

Ms Dotta: No.

Senator RONALDSON: So you would have thought that someone locally will know what is available and what is not available and a local will probably tell you, 'Jack is about to close down his little giftware shop and there might be some premises there,' or 'Auntie Beryl has had that property sitting there for a long time and she might be convinced to lease it out.' You get someone from Melbourne or Sydney in to make these inquiries without actually checking with the locals. I cannot understand it.

Ms Dotta: We use specialists who understand government property requirements, including compliance with the Disability Discrimination Act and the Building Code of Australia and to meet the standards. We have done subsequent market testing in the Lismore area and have identified two potential properties and we are currently investigating the suitability of those. So it is something that we constantly keep looking at.

Senator RONALDSON: For \$10,000 you have to assume that they had no idea where Lismore was and they got lost and that added to the travelling costs. Have you had these people involved again in this latest round?

Mr Carmody: No, Senator.

Senator RONALDSON: Who is doing the latest round?

Ms Dotta: CBRE.

Senator RONALDSON: CBRE. You did not go to Property Dynamics?

Ms Dotta: As I said, we go to panels and use panels and use commercial consultants because we are looking for commercial property.

Senator RONALDSON: Ms Dotta, you have certainly convinced yourself but you have not convinced me that Property Dynamics would have gone and made inquiries about what was there. Why would you not go back to the people who, according to you, have had this thorough search of Lismore?

Mr Carmody: If I may, the results from Property Dynamics indicated a number of properties none of which was suitable. I cannot recall the number of properties that they explored in Lismore but essentially none of them was suitable. As you know, we have taken a one-year extension to the lease in Lismore. We are very keen to see whether we can find a solution, so we chose another option. We went to another provider and now we have two options available to us. I do not want to go into too much detail on the options because we are still in commercial negotiations, but both of them look promising and one of them looks particularly promising.

Senator RONALDSON: My concern is that in February of this year said, 'At the present time we are looking at those leases that are expiring and we are exploring options for them.' What was the exploration that was going on?

Mr Carmody: We were looking at the leases that were expiring and subsequent to that review of the leases that were expiring we contracted with Property Dynamics to do a property search for us.

Senator RONALDSON: But you were not exploring options in the February estimates when you told me you were exploring options because you did not contract these people until 8 March.

Mr Carmody: We were exploring options internally and looking at all of the leases that we had that were coming due.

Senator RONALDSON: So, Mr Carmody, are you confident that this issue will be resolved if these negotiations are successful?

Mr Carmody: I am confident. The information that has been provided to me so far indicates that there are two solid options—one particularly solid—and I am hopeful that we will reach a resolution shortly.

Senator RONALDSON: These were options that were not available when the \$10,000 crew went through, is that right?

Mr Carmody: One of them certainly was not. Ms Dotta tells me both were not, and so I take her advice. I know one of them certainly was not.

Senator RONALDSON: Just out of interest, was the Property Dynamics mob ever briefed about potentially looking at a new VAN office?

Mr Carmody: In my recollection—I have not got the documentation—in these locations we looked at both, just to make sure we were clear about a co-located office or separate offices. That is what Property Dynamics was looking at in that search.

Senator RONALDSON: Can you take it on notice?

Mr Carmody: Certainly, but I am sure it is correct.

Senator RONALDSON: In May you told me that 'with Darwin we are currently undertaking a property search as well' and I think you indicated that the former site at Casuarina was unsuitable. Has the search concluded and, if so, what is the outcome?

Mr Carmody: In Darwin at the moment we are on a month-to-month lease. The former lease has terminated. We have undertaken a number of things. We have endeavoured to negotiate with the owner of the property to see whether we can acquire more space in that property and, in fact, we thought we would be successful in that regard. Ultimately, we were unsuccessful. The owners of the property, who occupy the top floor, have decided they wish to expand and take over the rest of the property in due course. We had another option, which was in the local area and which we explored but unfortunately dissolved into dust—somebody else took it.

We have undertaken a market search in Darwin. That search identified 10 properties, of which seven were unsuitable. We have three that look suitable—one that looks particularly suitable. We are exploring that option right now.

Senator RONALDSON: Again, has any thought been given to leaving the VVCS there and shifting the VAN office, or are they viewed as being similar requirements?

Mr Carmody: The space that we have identified in those three locations is for a co-located office, but at the same time we are working to ensure that we meet all of the requirements that have been raised about the ideal size, structure and shape of these offices.

Senator RONALDSON: Will you be sticking rigidly to the NAC views of the requirements that should be in place?

Mr Carmody: To the extent that it is possible. I would not wish to commit to 'rigidly' but we are reviewing all of the VVCS properties to see whether they fit within the guidelines that the NAC has put forward for an ideal VVCS. For example, there are a couple of requirements that have been put forward, such as telephone availability in the waiting room so that veterans do not have to go to the counter to make a telephone call. I may or may not be in a position to put that into place. I would not say 'rigidly' but we are very close.

Senator RONALDSON: But the two key requirements, which are the separate entrance and the separate waiting rooms, I presume are not negotiable?

Mr Carmody: That is what we are working towards—very much so. Depending on what happens back of house in terms of staff crossover in a kitchen or something like that, we may not be able to provide 100 per cent of separate facilities.

Mr Rochow: I can confirm that suitability of the preferred property we are exploring at the moment is such that we can provide separate off-street entrances and separate counter areas.

Senator RONALDSON: That would be fantastic news were that to come off. I think there would be a lot of very relieved people were that to occur. I can assure you that nothing would give me greater joy than to front up here in February, which does not seem all that far away, and for us not to be discussing these matters or for them to be discussed literally in two minutes in which we have good news.

Senator XENOPHON: I too would have great joy in not asking you questions on Maralinga and Montebello nuclear test veterans, so in that spirit of optimism, maybe by next February I will not be pestering you about these issues. During the recent debate on the veterans affairs legislation an amendment was moved, but not supported, to grant all persons classified as nuclear test veterans automatic access to the repatriation health card for all conditions—the gold card.

At the time, the government advised Senator Wright that it would cost up to \$110 million on the basis that it would cost \$15,600 per person per year over four years for a total of 2,000 persons. The Greens received an undertaking from the government that actual costings would be prepared. I co-signed a letter with both Senator Wright and Senator Madigan, from the DLP, asking for further details of the costings. Has the department finalised its costings for giving automatic access to the gold card to the approximately 2,000 remaining British nuclear test participants?

Mr Campbell: Yes, I am fully aware of the issue. My understanding—and this goes to—

Senator XENOPHON: I just wanted all the people who are listening online and watching online to—

Mr Campbell: The people listening online might not particularly like what I am going to say. We are not a department that has been heavily involved in the protocol of how the Independents and the minor parties seek costings from the Department of Finance and Deregulation. My understanding is that the protocols for seeking costings of this nature—

Senator XENOPHON: Mr Campbell—

Mr Campbell: Senator, I am just doing what I understand are the rules, and this is the agreement that has been set. In this situation, when I formally get asked for the costings, I can do them overnight. I do not even need that long; they are ready. My advice is that the protocol for seeking costs of this nature is that the signatories to the agreements—in this case, Senator Brown—write to the PM seeking the costing before we can provide it. That is the advice I have been given. As with any of these costings—and I admit that we do have this one ready—I understand there is a protocol. As you would understand, my department is not one that has been involved in costing arrangements for the minor parties and the Independents. That is the advice I have been given. If it is wrong and I can be informed it is wrong then I am quite happy to provide the costings. That is the briefing I have been given.

Senator XENOPHON: In the course of the debate, my assumption was that the costings would be done. I am not sure if Senator Feeney had the conduct of that in part for the government.

Senator Feeney: In a bit of serendipity, I was representing the government through that debate, so I do recall it. My recollection is that—

Senator XENOPHON: I do not want to verbal you.

Senator Feeney: No, you are not at all. My recollection is that Senator Wright discussed the figure in the context of talking about her negotiations with people from government—maybe the minister; I do not remember. The number was certainly then debated in the Senate.

Senator XENOPHON: My recollection is that the figure was put to Senator Wright by government but no formal costing was done.

Senator Feeney: I do remember speaking on this very briefly and describing in a thumbnail sketch how the number had come into being. That is as good as my memory is on it I am afraid. But broadly I think that is right.

Mr Campbell: This advice I have been given I understand comes from the minister's office. I do not want to cause a problem here. The minister's office are probably watching this. I do have the costings. I am not going to kid you that I do not have the costings. But my understanding is that there is a process that has to be gone through and that process has not been gone through yet.

Senator Feeney: Can I have one moment to clarify something for myself.

ACTING CHAIR: Yes.

Senator Feeney: I am taking my life into my hands, but we will talk about the costings.

Mr Campbell: These costings, because of the process I talked about, have not been agreed with the Department of Finance and Deregulation. Therefore, they are still not formal costings but costings we have done based on the assumptions.

Senator XENOPHON: I am very grateful for this. Could you tell me what those assumptions are?

Mr Campbell: Okay, but you should understand they are not formal government costings because they have not been approved by the Department of Finance and Deregulation. The assumptions underlying the costings are that 60 per cent of the population will already be receiving disability pension. Future disability pension claims by British nuclear testing participants will have a 31 per cent success rate. Of those on disability pension, 34 per cent

will receive a gold card and 66 per cent will receive a white card. They are assumptions that I would ask my technical experts, who are sitting here, to go through if you want to discuss them, but my observation would be that they would be based on many years of knowledge of our population base.

Senator XENOPHON: Could you set out what the difference will be between a white card and a gold card?

Mr Campbell: A white card is where they already have a card for an accepted disability, but it is not for all medical. Whereas a gold card is for all medical costs irrespective of whether it is an accepted disability. Therefore the gold card is a far more attractive card because it covers all medical costs.

Senator XENOPHON: Is that where the costing that was given to Senator Wright of \$110 million comes from?

Mr Campbell: I do not know what—

Senator Feeney: My recollection is she said that number was given to her in negotiations with government, but I do not know from who, where or when.

Senator XENOPHON: That is fair enough, but I accept in good faith that Senator Wright was told that figure.

Senator Feeney: As do I. We are just not in a position to get forensic about that conversation.

Mr Campbell: Then you get assumptions about start-up dates and period. I think what you are actually after is order of magnitude. Over a four-year period, estimating that there are about 3,400 at the end of 2011, if we extend—

Senator XENOPHON: Sorry, I was told about 2,000.

Mr Campbell: This is all BNT, not just ADF. I have got two costings here. One is if it is extended to all British nuclear testing participants and one is if it is extended to just the ADF.

Senator XENOPHON: Will that include Indigenous Australians?

Mr Campbell: Yes. Over a four-year period, if it were extended to all—

Senator XENOPHON: Sorry, I should qualify that: Indigenous Australians who were not members of the forces but were residents of the area.

Mr Campbell: That is right. I understood what your question covered. Over a four-year period, for all British nuclear test participants, our estimate is that, if the gold card were extended, the cost would be \$186 million. If it were extended to all former ADF participants, which is the 2½ thousand figure that you were referring to, then the cost would be \$125 million. As I stressed, those costs have not been agreed with the Department of Finance and Deregulation, but they are not too far out from what it would be.

Senator XENOPHON: Sure, but there would be assumptions about how many people would—and there is no pleasant way of putting this; the fact is these people are getting older, some of them already have serious medical conditions, some of them have medical conditions as a result of their exposure to radiation. So is all that factored in?

Mr Campbell: Yes. We do factor those in. Our costings for anything take into account all of those parameters that you think would impinge upon the outcome. Whether or not we get

the rates right is something that only time will tell. but, yes, we will have factored in here the fact that of the individuals that we are talking about I think most would be in their eighties or older. There might be several who are in their late seventies but I think that would be a very small number. So, yes, that would take into account the factors, their age and the fact that people are getting increasingly frail. It does take those sorts of things into account. You could sit down and debate it in particular estimates, and that often happens when we are actually producing estimates in a budget circumstance, but my experience of the cost estimators of my department, who have been doing this for many years, is that if they do have it wrong then it is probably not wrong by a long way. Even then you are not going to know for some years.

Senator XENOPHON: I have a question for the parliamentary secretary on a policy issue. During the debate the government said—and it may well have been you, parliamentary secretary—

The gold card is only automatically granted to veterans with qualifying service, and that of course means warlike service ...

My question is: does the government seek to reduce the seriousness of the injuries as a result of participating in such dangerous tests with little or no protection?

Senator Feeney: I think it was me, as it happens. By not designating this as warlike service we are not casting any aspersions or characterisations on the service. It is simply a category used to describe and define service, and warlike service is, as the name suggests, service in high-intensity, high-threat environments—

Senator XENOPHON: A nuclear blast is pretty intense.

Senator Feeney: I am not making any rhetorical point about what these people went through or the experience. It is nomenclature used by the department to describe the service.

Senator XENOPHON: So, obviously, that would include anyone in conflicts. With Timor veterans was that warlike service?

Mr Campbell: For a time East Timor was classified as warlike, yes.

Senator Feeney: So 1999.

Senator XENOPHON: Sure, and I do not begrudge those service men and women who participated in Timor at that time.

ACTING CHAIR: Senator Xenophon, if I may, it is a very important issue but I am mindful of the time and your colleagues also have questions to ask.

Senator XENOPHON: Would it be possible to provide further details given that you have outlined them—

Mr Campbell: But I think, Senator, given how far the parliamentary secretary and I have gone out on a limb tonight—

Senator XENOPHON: I appreciate that.

Mr Campbell: What my point is is that if we can then clarify it between you and your office and the minister's office if there needs to be a further letter, because the assumptions—and therefore how the assumptions impact upon the estimate—are really something that should only be given by government after Finance and Deregulation have been through it.

Senator XENOPHON: You are saying, given the agreement between Senator Bob Brown and the government, if there is a formal request from Senator Brown for formal costings they will be provided pursuant to the agreement between Senator Brown and the Prime Minister?

Senator Feeney: That is the case. That is the mechanism. But it is between the Greens and the government, one which, presumably, you can avail yourselves of readily.

Senator XENOPHON: Not being a member of the Greens I do not think I can.

ACTING CHAIR: Not yet anyway!

Senator Feeney: I was looking at Senator Ludlam when I said that.

ACTING CHAIR: Thank you, Senator Xenophon. Senator Ludlam, do you have a couple of quick questions?

Senator LUDLAM: Yes, I have some follow-ups—and thanks for this as some of the questions I was going to put have been asked. To finish the thread that Senator Xenophon has started, I guess the definition of warlike service we consider to be exposure to hostilities. The reasons that these people have been excluded is that in this case the hostilities were carried out by an ally; they were exposed to the nuclear weapons tests of an ally. If they had been exposed to nuclear weapons on the battlefield they would be eligible.

Senator Feeney: Of course.

Senator LUDLAM: Same damage, same chemicals, same harm but they were attacked by an ally. So if it is simply a definitional issue that is in the way—

Senator Feeney: Of course they were not attacked. In the military usage of that term they were not attacked. I am not in any way trying to dismiss the experience or the decisions that were made in the 1950s. But we do use technical terminology that does not lend itself to these rhetorical debates.

Senator LUDLAM: This is a form of 'friendly fire'.

Senator Feeney: It is not even that because 'friendly fire' is—

Senator LUDLAM: Accidental, and this was deliberate.

Senator Feeney: 'Friendly fire' is something that happens in a war zone, where blue on blue—

Senator LUDLAM: In the interests of time—

Senator Feeney: It does not help to use those terms, and they are misapplied. I do not think, frankly, the story of Maralinga requires much embellishment to attract the attention and sympathy in Australians.

Senator LUDLAM: Can I invite you, Minister, or the officers at the table, who have been generous and gone out on a bit of a limb, to reconsider the definitions that have excluded these service personnel and some of the civilians who were exposed, because I do not think anybody in this room tonight would like to see them excluded on such a technicality. To close this thread, can I invite you to reconsider the definition that has seen them put on the outside. If they had been exposed to hostile nuclear weapon attacks and suffered exactly the same harm, they would be eligible. I think that is highly problematic.

Senator Feeney: Senator, I am happy to take that on, but I will invite Mr Campbell to perhaps set out for the record the fact that these persons are already supported to varying degrees by DVA.

Senator LUDLAM: I want to raise one particular issue. We have been contacted, and let me know whether this is someone you have heard from, by a gentleman called Albert Martin, who served at Maralinga and at Emu Fields. He has leukaemia and it is recognised as being service related. He does not have the Gold Card, and has been asking for one since 2002. He was paid out in 2004 and he is now on a 60 per cent disability pension, according to this correspondence, which I am happy to provide. He is 72 years of age. His wife also has liver and bone cancer. If his leukaemia is service related he asks us why exactly he does not have the Gold Card. I think that is an easy one.

Mr Campbell: Perhaps I should go a little bit generally. I do not know the individual's case.

Senator LUDLAM: I will provide you with his details.

Mr Campbell: There are complexities in this arrangement because the people who served at Maralinga served in other places as well, both peace time and warlike. So they have a variety of service and, therefore, a variety of coverage, and they will have potentially received compensation under more than one act, particularly under the Safety, Rehabilitation and Compensation Act and under the Veterans' Entitlements Act. So each case is unique and should be treated with great dignity and great care.

The point I want to make is that there are two main ways of granting a Gold Card. One is the level of disability you have. For example, if you get to 100 per cent disability—that is not the maximum level; the maximum level is a special rate—under the Veterans' Entitlements Act, you get a Gold Card. There are other levels of eligibility but I am not going to go through them here tonight because the chair would tell me that we have to finish before I could finish all of that, but we can provide that if you like on notice. Probably it would be a good idea if we do provide that to you on notice. What governments have done—and it was done for the World War I veterans, then it was done for the World War II veterans and then it was done for all veterans with warlike or qualifying service—is to give people the Gold Card at the age of 70. So if you do not have a Gold Card and you have warlike or qualifying service, at age 70 you get the Gold Card.

The Gold Card does not get given to people who do not have that, as the parliamentary secretary has said. However, you can have the Gold Card without having qualifying service, because you can have a 100 per cent disability pension without having qualifying service and that gives you the Gold Card. You can be a totally and permanently incapacitated veteran without qualifying service and get the Gold Card. So the Gold Card really has two criteria, if you like, in the way I am explaining it. One is the warlike or qualifying service—'qualifying service' is what 'warlike' was called in World War II, and you have asked that question of the parliamentary secretary—and the other is the level of disability under the VEA. I think it might also be helpful here for the record if I ask Mr Luckhurst or Mr Bayles to just take one minute of indulgence, Chair, to say what services and what benefits are currently available to those who were subjected and exposed to the blasts in the mid-1950s in South Australia.

ACTING CHAIR: I think it is very important we do take a minute or two to do that, Mr Campbell, but I will have to remind colleagues that the night is ticking away and that there are a lot of questions to ask. But this is very important information.

Senator RONALDSON: Perhaps that could be dealt with on notice.

Senator LUDLAM: Mr Luckhurst, would you be reading from a document that you could put on the record?

Mr Luckhurst: We can put it on the record.

Senator LUDLAM: I would be delighted to hear it, but if others are edgy—

Senator Feeney: We are happy to do that, Chair. We are just making the point that these people, notwithstanding the circumstances they are in and the experiences they have endured, have not been left without support by the Department of Veterans' Affairs.

Senator XENOPHON: That could be disputed.

Senator LUDLAM: If that were the case, we would not be here wasting your time. I will provide contact details for Mr Martin to the secretary and perhaps he can pass them to you, because I will be following up. To me he seems to qualify—quite aside from the controversy we are raising tonight.

My final question is about non-service personnel who just happen to live in the area—that is, the region's Aboriginal people. I have raised this a couple of times and I have been told, 'Go talk to DRET,' despite the fact that it was military activities which caused the harm. However, I thank you for your response, provided on 28 September, to my question No. 1085. It was indicated in parts 3 and 4 of the answer that there are some compensation claim portfolio responsibilities here for non-Commonwealth employees. There is an administrative scheme open to claimants, including Aboriginal Australians, contractors and pastoralists. Are you familiar with what I am showing here?

Mr Luckhurst: Yes, but that is a scheme administered, I believe, under the auspices of the Department of Education, Employment and Workplace Relations.

Senator LUDLAM: So there are no responsibilities whatsoever for Aboriginal civilians—I do not think they were even citizens at the time—who were irradiated during these tests?

Mr Luckhurst: We are responsible primarily for looking after the ADF members. We do have responsibility for the provision of the non-liability white card for cancer treatments, which is certainly available to civilians and contractors.

Senator LUDLAM: I have spoken before of the extreme difficulty arising out of the fact that radiation exposure is responsible for a whole host of exotic, non-cancer related conditions—blindness, for example—for which people have been shut out, including large numbers of Aboriginal people. I will follow the remainder of these up with a separate portfolio.

Senator RONALDSON: May we get Ms Dotta back to the table, please? Mr Campbell, we have a bit of a problem. I did not think what I heard today rang true and I have gone back to the *Hansard* and we do have a pretty serious issue. This is what was said at Senate estimates last time around:

Senator RONALDSON: When was the corporate outsourcing done? Was there a contractor engaged in that?

Mr Carmody : The sourcing of the property consultant?

Senator RONALDSON: Yes.

Mr Carmody : I do not have the answer, but somebody here will, in terms of how we engaged the consultants. I presume we directly sourced a local property consultant, but I am certain that somebody behind me will be able to provide an answer to that shortly.

Ms Dotta : Senator, in regional locations we use local real estate agents to conduct market searches for us. So we used local real estate agents in Lismore.

Senator RONALDSON: When was that?

Ms Dotta : We usually do that about two to three months before the lease is due for renewal, so it would have been earlier this year.

Senator RONALDSON: When was it—you must have an indication there about—

Ms Dotta : No, I do not have that information available; I will need to take that on notice. We were required to advise the owner by 31 March, and we contacted the real estate agents in the lead-up to that.

Senator RONALDSON: When?

Ms Dotta : I would have to take the actual dates on notice and come back to you.

Mr Carmody?

Mr Carmody: I was just listening. I am just trying to identify the question.

Senator RONALDSON: I do not even think I need to tell you what the question is. But, if you want me to ask the question, I will.

Mr Carmody: I am just following through, if I may. One of them was on local real estate agents. I think I said that I was not aware whom we had engaged. I do not have the document in front of me. I will go back and find it. Ms Dotta said that it was a local agent.

Ms Dotta: We typically use local agents but we do not always; it is dependent on the size and the location and the number of real estate agents within the area.

Senator RONALDSON: Ms Dotta, I am sorry, you gave evidence to this committee in May that you used local real estate agents in Lismore; you did not. You paid \$10,000 for the company we have already discussed, Property Dynamics. We have got a problem, haven't we?

Ms Dotta: I thought I said 'typically used local real estate agents'. We have three—

Senator RONALDSON: You said:

Senator, in regional locations we use local real estate agents to conduct market searches for us. So we used local real estate agents in Lismore.

You did not use local real estate agents in Lismore did you.

Ms Dotta: No, we used a commercial specialist.

Senator RONALDSON: Do not worry about putting the spin about the commercial specialist. You gave evidence to this committee in May that you used locals. Did you not know the answer to my questions at that time?

Ms Dotta: I was operating under my understanding at the time that what we typically do is use either local real estate agents or those who have knowledge of the local area. Unfortunately, in Lismore, my understanding is that there are only two local real estate agents.

Senator RONALDSON: That is not the point, is it? How many agents there are is not the point in relation to this discussion. Why did you not clarify the record?

Ms Dotta: We did clarify the record in the question on notice. At the time I said that I did not know the exact details and I would have to come back on the dates.

Senator RONALDSON: Please do not make this worse: 'So we used local real estate agents in Lismore.'

ACTING CHAIR: Do you have a copy of the answer to the question taken on notice to confirm you corrected the record for the committee?

Ms Dotta: I think we have one.

ACTING CHAIR: Could you get that for us.

Senator RONALDSON: I have got it here if you want it.

ACTING CHAIR: So you clarified that?

Ms Dotta: Yes, we did clarify it.

Senator RONALDSON: The only answer you gave to me was:

Property Dynamics was contracted on 8 March 2011. The final report was provided on 16 March 2011.

There is no clarification at all.

Ms Dotta: The answer that we provided was that Property Dynamics was contracted on 8 March 2011.

Senator RONALDSON: Yes, I have just read that out. There was no attempt to clarify the evidence you had given before this committee. It would be open to me to ask this committee to pursue this further. I will not do so.

Ms Dotta: Thank you, Senator.

Senator RONALDSON: When we are discussing matters as important as that, this committee is entitled to rely on the information we are given. All right?

Mr Campbell: Senator, can I come in there, please. I will undertake to give reinforcing to staff within the department to be very careful in checking the *Hansard* when it comes out afterwards and checking the factual accuracy of all answers given.

Senator RONALDSON: Thank you, Mr Campbell. I now want to turn to another issue. We have been talking about the VVCS, so it is appropriate to deal with that now. I understand that Relationships Australia is undertaking a pilot program in the Ipswich area to identify gaps in the VVC Service. Is this correct?

Ms Daniel: Senator, did you have a specific question about the Relationships Australia pilot?

Senator RONALDSON: Yes, I did. Are you undertaking this pilot program in Ipswich to identify gaps in the VVC Service?

Ms Daniel: The pilot is an advice and referral service to assist families of veterans experiencing mental illness, so it is not intended to replace or overlap any of the services provided by VVCS.

Senator RONALDSON: I have an email from Gail Yapp, dated 16 September, stating:

The intent of the pilot is to fill the gap for veterans' families who may not be in a crisis or seeking ongoing counselling themselves but want information-help in supporting a veteran family member who is experiencing mental health issues. If a veteran or family member does not present in a crisis, appropriate referral pathways to VVCS or veterans lines have been established.

I cannot vouch for that last sentence but I think that is part of the email. Is that a correct description of the service?

Ms Daniel: Yes, that is right.

Senator RONALDSON: What are those referral pathways that are referred to there?

Ms Yapp: Essentially, the work with the families help line was for them to provide referrals as appropriate. The advice is that if people need counselling then they should be referring to organisations such as VVCS and the veterans help line if it is after hours.

Senator RONALDSON: It goes on:

This pilot will also enable DVA to identify the information needs of veterans' families, assess take-up rates and resulting service delivery implications for those seeking assistance, including identification of any service gaps or barriers to accessing current services. As part of the pilot Relationships Australia has also been asked to identify caller groups, take-up rates and types of information requested and provided and, as part of the evaluation of the pilot, they have also been asked to provide recommendations to the department on future requirements for the help line and bring sustainable models for a national service to assist and support families.

Is that correct?

Ms Yapp: Yes, that is correct.

Senator RONALDSON: Since the service was launched, how many calls have been received?

Ms Yapp: We are not expecting the first report from the agency until the end of October, but informal feedback from Relationships Australia (Queensland) indicates that there has been just a small number to date.

Senator RONALDSON: For how long has the service been running?

Ms Yapp: It became operational on 18 July.

Senator RONALDSON: For three months. How many staff have been trained to provide the assistance, do you know?

Ms Yapp: No, I do not. I would need to take that on notice.

Senator RONALDSON: Do these staff have interaction with DVA?

Ms Yapp: Not directly.

Senator RONALDSON: Have veterans and ex-service people in the Brisbane-Ipswich area been notified of the service?

Ms Yapp: Relationships Australia Queensland have developed information, so they have released press releases and there have been notices appearing in the press. They have also done emails in order to alert people to it. They will continue to monitor that and the rate of calls, and do further promotions if that is required.

Senator RONALDSON: Will you take on notice the endeavours that have been made to interact with the community?

Ms Yapp: Certainly.

Senator RONALDSON: What will the pilot program cost?

Ms Yapp: The overall cost is \$330,000.

Senator RONALDSON: Where is that money coming from?

Ms Yapp: It is coming from a 2006 budget measure.

Senator RONALDSON: We will discuss that with you a bit later on. When will the evaluation be completed?

Ms Yapp: The final evaluation report is due in April 2012.

Senator RONALDSON: What will happen to the files made by Relationships Australia during the course of this pilot?

Ms Yapp: We are not expecting that we will get detailed personal information. We are just interested in the general information on what sorts of families or veterans are contacting them, the nature of the calls, whether they have been able to provide the information or what sort of referrals and so on are put in place.

Senator RONALDSON: How can you be guaranteed about access from elsewhere into those files when you say that Relationships Australia—was it part of the contract as to how those files might be dealt with?

Ms Yapp: No, they are not.

ACTING CHAIR (Senator Sterle): Senator Ronaldson, I bring to your attention that it is nine o'clock.

Senator RONALDSON: Are you seeking a break?

ACTING CHAIR: We have to. We are. We will have a 15-minute suspension.

Proceedings suspended from 20:59 to 21:15

ACTING CHAIR: We are ready to start again. Senator Ronaldson.

Senator RONALDSON: Ms Yapp, we were talking about the integrity of these files. What has been put in place in relation to that? Was it to form part of the contract? Have there been discussions about it?

Ms Daniel: If I could take that question, I first reiterate that the service we have contacted with Relationships Australia is an information service, not a counselling service. I do not have it with me tonight but I have no reason to believe that that service is not covered by our standard contract arrangements, which include extensive clauses around data security and confidentiality. I can go through for you, if you like, the sorts of things that the pilot will investigate and evaluate. It is certainly not keeping clinical information; that is not the nature of the service. There will obviously be for the evaluation some administrative information collected with general personal information. I am also happy to look for you, without the contract here, at what arrangements are in place with any information collected through the pilot to be destroyed at the end of the pilot period.

Senator RONALDSON: The issue is that someone ringing this line would assume that it has been conducted by the department. It is called the Veterans Families Helpline, so there would be an assumption from the users that this was something DVA had their fingers all over. But that is not the situation, is it?

Ms Daniel: Relationships Australia are delivering the service under a contract for us, so they are delivering it on our behalf.

Senator RONALDSON: I appreciate that they are doing it on your behalf, but people ringing that number would assume, reasonably I would have thought, but this was a DVA initiative and not Relationships Australia or that it had been outsourced, or indeed that DVA has very little interaction with Relationships Australia. Were you briefed on the nature and extent of Relationships Australia's staff training?

Ms Daniel: I have not personally looked through that aspect of the contract but Ms Yapp might add something.

Ms Yapp: As part of the training and information provided to Relationships Australia Queensland, as part of the initial work we just made sure that they were aware of the different sorts of services that they could make referrals to. Part of consideration of their tender to undertake this pilot was the information they provided to us in terms of their expertise and understanding of the needs of veterans and that they were able to establish and maintain an up-to-date database of available community resources and that they had expertise and capacity to undertake an information and referral service.

Senator RONALDSON: So the realities are that you really do not know the sort of things that are discussed with the people on the other end of the phone, you do not know whether they are taking notes of crisis calls; you do not know the nature and extent of these matters at all. I put it to you that there is actually no security for any files that might be kept in relation to DVA clients who ring or others.

Ms Yapp: They are not a clinical counselling service. We are not expecting them—

Senator RONALDSON: I appreciate that, but the name itself would indicate to clients and family that this is a DVA matter. You do not know what is being discussed with the person on the other end of the phone, do you? You do not know what notes are being taken.

Ms Yapp: As part of the contract arrangements we have specified the sort of information that the agency needs to report back to us.

Senator RONALDSON: I understand that but that is not my point. My point is: you do not know what clinical matters are being discussed over the phone with Relationships Australia, you do not know what files are being kept, and there is not the security that would normally be associated with VVCS and DVA in relation to these matters.

Ms Yapp: We would not expect that they would be discussing any clinical matters with clients.

Senator RONALDSON: That is the very point: you do not know. You have no interaction with them; you have said that. You trained them in relation to what the referrals were to be, but there are no processes in place for you to ascertain whether there are discussions with clients about sensitive information as part of this referral service.

Ms Daniel: We have a very clear understanding in the department of the nature of the service that we are seeking from Relationships Australia. We believe that it is well set out in the contractual arrangement and specification of deliverables that we have in place with them, which came from their success in an open tender process. But hearing your concerns we will

certainly communicate with the service provider to ensure that our understanding and their understanding are well aligned.

Senator RONALDSON: I hope, as part of that, you will reinforce with them that they are not to engage in clinical discussions; that they are not to take notes in relation to clinical matters. With the greatest respect, I would have thought that would form part of the contract and that the department would have been all over outsourcing something that has been held very tightly within the organisation, and in my view quite rightly so.

Ms Daniel: We will certainly revisit the contract and work with Relationships Australia to make sure that we have that very shared expectation. As I said, it is intended to be only an advice and referral service and not a service that is stepping into the counselling space.

Senator RONALDSON: Right. Thank you. I will now turn to an organisation that is within the domain of the department totally, which is the VVCS. The last fact sheet was updated, I think, on 30 August, so it is pretty recent and one could assume that the fact sheet is current. Under the question 'Who are VVCS staff?' it says:

VVCS staff are qualified psychologists or social workers with skills in working with veterans, peacekeepers and their families. They can provide support for working through lifestyle, health and family matters as well as issues related to military service or peacekeeping operations.

Further down on page 1 it says:

People with an interest in or concern for a veteran's welfare can seek advice.

On page 2, under 'What services does VVCS provide?', the last two dot points say:

- Referral to other services
- Information, education and self-help resources.

Then it goes on:

In a friendly and safe setting, counsellors help people address problems in their lives with the aim of finding effective solutions for an improved quality of life.

On page 4, under 'Information, education and community support', it says:

VVCS provides information and education on health and welfare issues that affect veterans and their families. VVCS also assists the veteran community to identify needs and get access to services in the broader community.

If you go to the Veterans Families Helpline it says:

The Veterans' Families Helpline can provide families and carers with the right information and link them to appropriate support to best suit their needs.

It goes on. Everywhere you look in relation to the VVCS and the Veterans Families Helpline you see, in my view, duplication. That is a comment, not a question. But can you answer this for me: was VVCS invited to lodge a tender for the service? Was anyone else invited to lodge a tender for the service?

Ms Yapp: It was an open tender, so it was advertised and open to whoever wished to lodge a tender and believed they could provide the service and demonstrate they could meet the selection criteria.

Senator RONALDSON: I have cross-referenced this today. At 'Who are VVCS staff?' it says:

VVCS staff are qualified psychologists or social workers with skills in working with veterans, peacekeepers and their families. They can provide support ...

I talked about that before. Then we see that the Veterans' Families Helpline is provided by Relationships Australia Queensland and that RAQ staff are social workers with experience in family support and counselling; RAQ was established under the program to provide family support and counselling. But you are saying they are not providing that now?

Ms Daniel: Certainly that is not what we have contracted them to provide for us. Obviously they have their broader service and activities that they offer, but the services that we have contracted for them to provide for the clients that ring in on the number for the service are the information and referral services.

Senator RONALDSON: In the section on information, education and community support, we see that VVCS provides assistance with educational and health and welfare issues that affect veterans, also assisting the veteran community to identify needs and access services in the broader community. We see that the Veterans' Families Helpline can provide families and carers with the right information and link them to appropriate support to best suit their needs. It sounds very similar—VVCS provides referral to other services, information, education and self-help resources. The Veterans' Affairs Helpline provides families and carers with the right information and can link them to appropriate support to best suit their needs. Surely this is just \$300,000 spent on duplicating the VVCS. The question I am being asked is, given that they are so similar, is this actually the thin end of the wedge in relation to the services that the department provides? Is this the start of the outsourcing of DVA responsibilities?

Mr Campbell: No, Senator—the answer is no.

Senator RONALDSON: It is not?

Mr Campbell: No.

Senator RONALDSON: Well how can you possibly, given the information—

Mr Campbell: Senator, you have asked the question. I have seen some of the concerns expressed by some veterans, and Ms Daniel mentioned earlier that this is part of a whole package from several years ago. The answer is there is no hidden or open agenda—no agenda whatsoever—that this is anything to do with outsourcing or removing or diminishing the services provided by Veterans and Veterans Families Counselling Service.

Senator RONALDSON: Can you tell me what the difference is between the two services?

Mr Campbell: I think Ms Yapp and Ms Daniel have actually explained that, and they can do it again. I am answering the question—I understand the question and I understand some veterans are asking it—and as the secretary of the department and president of the commission and chairman of the other commission, I am saying no, there is no agenda.

Senator RONALDSON: And, please, the difference between the two services?

Ms Yapp: One is a counselling service and one is an information service. If I can put it in the broader context, we understand that families play a really important role in encouraging veterans to seek help, and part of what we wanted, as we considered how we could make sure that we put in place appropriate prevention and early intervention strategies, was to

understand what is the information that families might need or be seeking in order to support them in encouraging their partners, their family members, to seek help.

Senator RONALDSON: Ms Yapp, you know as well as I do that the VVCS has amongst its responsibilities referral. So they are not different, are they? What is happening is that the Relationships Australia part of it—

Ms Yapp: I would imagine that often, for example, VVCS might be referring to other clinical services, so where expertise is needed beyond what VVCS offers or there are complementary services that the veterans need, then they are the sorts of referrals we hear. We are talking more about general information, not counselling.

Senator RONALDSON: But Ms Yapp, with the greatest respect, that is simply not correct—and you know that. You know the VVCS is referring off to all sorts of services—not medical or other services as you are trying to allude to; not some second- or third-tier hire services but the very services that the Relationships Australia contract people are delivering. **The only difference in my view is that VVCS is providing more but it is most certainly providing the same.** That is why I want to know what the rationale is for this. If you wanted some work done to ascertain whether the information being collected was appropriate, why did you not get VVCS to do it in a specific area—Ipswich or wherever it might be?

Ms Yapp: The focus was just on testing whether there were information gaps for families. It went beyond the current services that VVCS provided. The aim was to focus on a different group and on a different nature of service.

Dr Killer: I would like to reinforce this. This service was not set up to provide clinical services at all. The VVCS provides clinical services and the particular project we are talking about is looking at trying to gather information to better understand needs of families. As we can see, when we manage veterans it is equally important to manage the families. I do not think with the contemporary veterans we fully understand the needs of families. We know some of them but I do not think we know all of them. This particular project was put in place to better understand the needs of these contemporary families.

We are really moving into a different era with veterans' affairs. We have three cohorts now: World War II and Korean veterans, the veterans of the Vietnam War and the contemporary veterans. We do not understand these contemporary veterans nearly as well as we do the Vietnam veterans and the others. We certainly do not understand the needs of their families. So this project was put in place in no attempt to provide an alternative service to the VVCS but as a mission to better understand the information needs of this younger group. That is what it is all about.

Senator RONALDSON: I accept that, but again, if this is to understand the needs of the families of veterans, surely you would go to an organisation that was developed around providing the support for veterans' families, which happens to be the VVCS, as opposed to an organisation that your department is not having any contact with at all. There is no idea about what is happening with information. We do not know how many there have been and I suggest to you that you have outsourced it to a group that knows little about the concerns of veterans' families compared to an organisation such as the VVCS. We do not even know what training the Relationships Australia people have had, whether they even understand what military service is. That is my point.

With the project itself, if there are gaps there that need to be identified, I have not issue with filling the gaps; I do have an issue with paying \$300,000 to an organisation whose *raison d'être* is not looking after veterans or their families. The Department of Veterans' Affairs and VVCS are skilled and trained in that area. Anyway, time is getting on and that was a comment rather than a question—a statement even.

I now want to turn to BEST funding, which again will come as no surprise to any of you. Can I set the scene for this by reading out a letter from the Vietnam Veterans, Peacekeepers and Peacemakers Association of Australia New South Wales Branch, from Tim McCombe. I think Mr McCombe has sent this letter widely so I am not breaching any confidence. He said that 'the repat commission challenges us to find the \$80,000 it has stripped from our BEST funding through efficiencies and amalgamations as provided to us with a business consultant to help find the money. But we've been running on bare bones for years. Finding savings of that magnitude will be impossible, especially as we've no other paid staff to sack. The only solution would be to sack two applicants with a consummate, ever-increasing backlog of appeals.' It goes on, 'This primitive approach to allocation of BEST funding can only end in reduced quality of service and increased government cost.' My understanding from the minister's letter is that statistics were used to determine the grants provided to each organisation. Indeed, the letter says, 'Consideration has also been given to the workload statistics of each organisation and to regional demographic information as to whether a collaborative approach to service delivery was demonstrated by the applicant organisation.' Am I correctly stating the position so far? I do not want any comment, but is anything I have said not right?

Mr Farrelly: Yes.

Senator RONALDSON: Were the organisations applying for funds in this year's round advised they had to demonstrate such a model?

Mr Farrelly: No.

Senator RONALDSON: Do you think it might have been appropriate, given that you were changing the basis on which these funding allocations were to be made, to tell the organisations what they were going to need to do to receive future funding?

Mr Farrelly: It is a matter of budget timing. All organisations have access to the service integration grant, the SDI grant, and all organisations were invited to apply for those grants. The first closing date is in fact today. ESOs have another opportunity by the end of November to apply for those grants.

Senator RONALDSON: Surely, in fairness to these organisations, they needed to know what the rules were. Quite frankly, I think the excuse that it was budget timing is complete and utter bunkum, with the greatest respect. These organisations, who have applied for these grants before, were not provided with the information on what basis they would be given the grants this time around. I want to know whose decision it was not to advise them and why they were not advised.

Ms Stevenson: When we were advising of the opening of the applications for this current round, it was made clear that one of the criteria would be demonstrating that they were moving towards more integrated approaches. The flag was very clear that it would be a consideration. If there were—

Senator RONALDSON: What about the rest of it?

Ms Stevenson: The rest of what?

Senator RONALDSON: The workload statistics and other matters. Where they advised of that?

Ms Stevenson: I am trying to remember what was in the letter.

Senator RONALDSON: According to Mr Farrelly, no. You think they might have been?

Mr Campbell: The BEST funding applies on a financial year basis. The announcement of the reduction in the BEST program was made in the budget, which was 10 May this year. So the grants application and assessment process was well underway. I think the request went out in February or March.

Ms Stevenson: That is right.

Mr Campbell: Say March. We actually went out as everybody was expecting because they have bills from 1 July. As Mr Farrelly has said, it was an issue of timing. The government decision was taken. It applied from the financial year 2011-12 and we had already called for applications. In that circumstance, it might be regrettable but it is understandable why. When we went out for the applications for grants for this current year, we did not know about the cut ourselves. How could we have said those things back in February or March?

Senator RONALDSON: With the greatest respect, once you found out about the change, wasn't it incumbent upon you and wasn't it the responsibility of you and the department to advise people, particularly in relation to the workload aspects?

Mr Campbell: There are such things as budget sensitivity and budget confidentiality. This was announced and we told them and then we started working through it with them from 10 May.

Senator RONALDSON: But Mr McCombe has referred to the workload statistics in his letter and he has expressed concern. I will just go through with you what was said in the review in relation to the workload statistics area. It says:

The Department accepts the Funding Principles outlined by the Review team as a guide when assessing BEST applicants. It is acknowledged that a robust system for measuring workload needs to be developed in order for a formula based approach to work. Collection of reliable claims data and demographic statistics is very much dependent on the design and development of an effective IT system. The system will need to include the facility for data input by practitioners at an ESO or centre to be readily transferred to the DVA system. A proposed IT system is discussed in Section 12 of this report.

It is estimated that an appropriate IT system will take up to two years to develop and the suggested approach of funding a number of demonstration projects in the interim to evaluate how the Funding Principles work in practice is supported. Development of a Funding Formula can take place in parallel with the development of an IT system.

You have actually used these workload statistics without the IT system which you identified in the review process yourselves—without providing any knowledge of this to the ESO at all and without following your own views and principles as enunciated in the review.

Mr Farrelly: I think I should say a couple of things. Firstly, workload has always been a factor in evaluating the BEST grants. It has not been on a fee-for-service basis, but it has always been a factor in the sense of asking, 'Does it appear that this ESO is doing work on grants?' We would not, for example, give a large grant to an ESO which is doing three claims a year as opposed to one doing 300 or 400. Workload has always been a factor and it is interesting—

Senator RONALDSON: Has that been specified in the manner that the minister did in his letter of 21 July this year?

Mr Farrelly: Ms Stevenson will look at her notes. But it is curious that, in talking to the ESOs about this subject, we find that ESOs are counting things on a different basis. Some organisations count on the basis of the conditions per claim. Others count claims. People are counting different sorts of claims. In fact, when we look at the claims emanating from one state, they are way in excess of the claims we actually receive in that state.

Senator RONALDSON: So they are the sorts of things that might require a formula and might require some appropriate IT.

Mr Farrelly: I think there is a lot of work—

Senator RONALDSON: Is the answer to that yes?

Mr Farrelly: There is a lot of work to be done—

Senator RONALDSON: Is the answer to that yes?

Mr Farrelly: But that is if we—

Senator RONALDSON: Is the answer to that yes?

Mr Farrelly: Possibly, yes.

Senator RONALDSON: 'Possibly' yes? It is your own document!

ACTING CHAIR: Senator Ronaldson, I think that, if you give Mr Farrelly the opportunity to finish his answer, it might surprise you.

Mr Farrelly: My view is that a workload based system leads to a fee-for-service system. That is one approach. Another approach—the current approach—is that BEST funding is only ever a contribution to the costs of that organisation. The current arrangements—the past arrangements—have never been a full cost-of-service funding arrangement. It has only ever been a contribution. A workload system is fine, but it leads you in the direction of a fee-for-service system.

Senator RONALDSON: But, Mr Farrelly, with the greatest respect, the minister has made his decision based on workload statistics. There is no mention of fee-for-service in relation to that in your document. You say it here.

Senator RONALDSON: I know it has been partly based on workloads and it has been based on regional demographic information, and whether there has been a collaborative approach—I know that. I am saying that you have used workload statistics, but you have acknowledged that you actually do not have a form where you can do that properly and you require two years for that IT system to be put in place.

Ms Stevenson: There are several different types of IT systems discussed in the review report and agreed by the minister. The first, which is a system that has been in place for a

while now, developed for ex-service organisations, is called VPAD—and I am struggling to remember what the acronym stands for. It is still used by a number of ex-service organisations to manually record the number of calls, the number of claims and the number of appeals that they do, and we rely on them to keep those statistics. They provide them in their application form, which also asks for the number of hours of telephone inquiries they take and the number of hours their administrative officers work to differentiate between primary claims appeals reviews and welfare activities.

Ex-service organisations are well aware that, from the point of applying for a grant to when they receive the grant and then quit the grant, there are statistical reporting requirements involved. We know VPAD is old and not everybody uses it because it does require some level of IT expertise and it does take people to actually operate it. The review suggested that VPAD be enhanced relatively quickly to make it easier for people to use. It then recommended a replacement of that system. But the much larger system that will take the two years, depending on other priorities, is very much a closed system. The minute that a phone call or a claim comes into the ex-service organisation, it is registered and that can be followed through the system. DVA can see that a claim has come through, sponsored by a particular organisation or a particular practitioner. We follow it through the process and then there is a loop back of quality assurance to the person who supported the veteran through the claim process. That is the closed-loop system that can automatically count and do the statistical analysis. That is the two-year system mentioned.

Senator RONALDSON: Mr Farrelly has already acknowledged the statistics—'statistics and damn lies', I think is the expression—and that people are using different methods of collecting them. Ms Stevenson, you may not have read this review document, which states:

It is acknowledged that a robust system for measuring workload needs to be developed in order for a formula based approach to work.

I put it to you that what has happened is that you have introduced this as a measure and you have failed to provide that information to the ESOs. You have failed to provide people like Tim McCombe and others with the opportunity to substantiate their workload statistics, and they were presented with a *fait accompli* without any right, entitlement or opportunity to address that specific matter. Unless you can provide me with some correspondence which indicates that these BEST fundings have been based on this before—that is, in writing to the ESOs—then I can only assume that they were flying blind in relation to this matter.

Ms Stevenson: I am more than happy to have a look at the detail of the question that you have asked. What is in my mind, though, is that when the review was finalised the recommendations were clear. We issued a range of documentation when the applications opened for this round that talked about the need for statistical information and the broad basis on which grants would be decided. That was then conveyed with the grant documentation when the grant was approved. That documentation talks about the reporting requirements, which do require statistical reports at the six-month mark.

Senator RONALDSON: So you circulated the review?

Ms Stevenson: Yes.

Senator RONALDSON: Having had it circulated, let me put this scenario to you: I am an ESO and I read that and I thought: 'In relation to workload statistics, the formula to be used

properly is going to require an IT system. That IT system will developed over the next two years. Therefore, in relation to this round that is not an issue.' But it was, was it not?

Mr Campbell: Senator, perhaps I can come back in here again, and I think I am probably going to repeat what I said a few moments ago. The government took a decision to actually reduce the amount of moneys available in the BEST and the TIP program. We had to find a way with equity and having all organisations that were part of BEST continuing in the program while they worked their way forward to the new arrangements that the review set out. I think that what this debate is all about is: is it unfortunate that a decision on savings was taken at the time they were performing their bids and that the savings took effect six weeks later? That may well be the case. But I would then say what I said a few minutes ago: that is not unusual in a budget environment. Once a decision had been taken and announced we had to find a way to work with it, and that is what we did.

Senator RONALDSON: The other answer may well be that the department was faced with a funding cut that was not flagged in the review and in fact was contrary to the outcome of the review, there needed to be an excuse for these funding cuts and these workload statistics were trotted out as one of those reasons, despite everything in the review. Is that the other potential scenario for these letters being written the way they were?

Mr Campbell: I—

Senator RONALDSON: That is not a question for you, Mr Campbell. That is a question for the parliamentary secretary because you do not know the answer to that. You are a public servant. The shadow minister at the table does know the answer to that question.

Senator Feeney: The shadow minister?

Senator RONALDSON: Parliamentary secretary, I think I called you, didn't I? Do you want to be the shadow minister?

ACTING CHAIR: It was actually both in the same sentence.

Senator Feeney: Senator Ronaldson, I do not have any response to your proposition.

Senator RONALDSON: So it could be correct then?

Senator Feeney: I am confident that it is not—

Senator RONALDSON: Will you take it on notice?

Senator Feeney: but I am equally aware of the fact that it is not a matter for which I have responsibility in the government.

Senator RONALDSON: So you will take it on notice for me?

Senator Feeney: I am happy to do that.

Senator RONALDSON: Can I now move on to the review and the recommendation of a more integrated approach to the provision of grants, where there is some encouragement for the department—I think Mr Campbell knows exactly where I am going—that would encourage the pooling of funds. On page 71 of the review it said:

The premise for longer term BEST grant funding should primarily be that funds will be granted where there is an integrated approach to providing services to veterans, their spouses and/or dependants, and in areas of high veteran numbers and/or service needs.

One of the examples used in the review was the 26 veterans support centres in Victoria. On the next page the DVA response to this was:

As acknowledged by the Review team, one size does not fit all. There will be numbers of ESOs established in remote areas where it would be impractical to co-locate with another ESO a significant distance away. However, there would be an opportunity for these ESOs to link with others in their "region" to enable all to share resources and expertise, both financial and human

and the review called for the 26 centres in Victoria to become 10. On the basis that the department has cut funding by around one-third to each of these centres, has the department already identified the 10 centres it sees as remaining viable or have there been 10 greenfield sites that are going to make up the bulk of those organisations in Victoria?

Mr Farrelly: It is certainly not the department's role to tell the centres how to go about their business and where they should be or where they should operate.

Ms Stevenson: If I recall rightly, in the review report there was regularly a distinction made between the comments expressed by the independent review team as a consequence of them talking to ESOs around the country and the comments provided by ex-service organisations in writing in response to the several discussion papers that were circulated and then the department's conclusions from all that material and its recommendations to the minister. I do not recall a reduction from 26 to 10 centres being the department's view of the department's recommendation to the minister. I can check, but I would not think I am wrong in that respect.

Senator RONALDSON: Thank you. I am mindful of the time and I will put some other questions on notice in relation to this. But I do ask a question. Mr Farrelly, it was claimed as part of the rationale for these cuts that there had been a 25 per cent decline in the VEA veteran client population.

Mr Farrelly: Around a quarter, yes.

Senator RONALDSON: But the statistics show the application for primary claims and reviews in the last three years has remained broadly consistent. Is that right?

Mr Farrelly: Primary claims have been reducing. Primary claims over the same period 2005-06 to 2010-11 reduced by around 30 per cent and that includes SRCA, MRCA and VEA primary claims.

Senator RONALDSON: I gather that in 2010 there was a nine per cent drop. I am looking at a graph on page 115 in the annual report 2009-12 which shows that the primary claim activity has remained fairly consistent and, indeed, that the assessment review numbers have also remained fairly consistent. The decline in the population that I assume you are talking about is the VEA population, isn't it, and it does not include the MRCA or SRCA population?

Mr Farrelly: No, it includes an allowance for SRCA and MRCA.

Senator RONALDSON: How did you ascertain the allowance?

Mr Farrelly: It is around 10,000 in addition to the VEA population.

Senator RONALDSON: So it was SRCA and MRCA as well.

Mr Farrelly: Yes. Obviously, it is a very small proportion of the population overall.

Senator RONALDSON: Was the basis for these cuts the decrease in the overall VEA veteran client population or that the number of claims had declined?

Mr Farrelly: A combination. Both are relevant.

Mr Campbell: Perhaps if I give one figure it might throw a bit of light on this. Nobody would argue that all claims are processed by people in receipt of BEST grants, but if we do a simple calculation of 2007 and if we divide the amount of BEST funding by the number of VEA claims, the average cost per claim with that funding was \$159. I am not saying that all claims are done by BEST advocates et cetera but just as an indicator. If we do the same calculation in 2011-12 after the budget reduction, the figure goes from \$159 per VEA claim to \$215. That is another way of indicating that the claim activity in the VEA is dropping quite significantly.

Senator RONALDSON: This is your interpretation and use of raw data. I put it to you that the use of workload statistics under the review model is quite inappropriate—and that is my comment. The ex-service community are totally and vehemently opposed to what has happened. Parliament Secretary, I want to read out some quotes—I have already read out the Vietnam veterans' comments—from APPVA. They state: 'The Australian Peacekeeper and Peacemaker Veteran's Association, the APPVA, has been forced to reduce the work hours of our practitioners. This will have a significant effect for our veterans and their families in terms of a significant reduction of availability to service their needs.'

Legacy National President Charles Wright said that 'Legacy cannot understand why DVA would want to cut a program that assists us and our dependents in dealing with what is now a complicated and lengthy pension application process. They use the reason for cutting on the basis of a smaller number of applications, conveniently forgetting the length of time that it now takes to process each application, particularly with different legislation like VEA and MRCA. They continue to make all applications hard and place a lot of our widows under added stress, which they hardly need. The additional reason for BEST funding is to try to encourage the merging of welfare operations. Some of our clubs have already done that and they still cut their funding.' Do you acknowledge that MRCA and SRCA claims and the new paradigm have quite dramatically increased the workload of these ESOs and that a declining population does not in any way reflect the workloads of these organisations?

Senator Feeney: I would say two things. First, I would point to the fact, as we have just heard, that there has been a decline in the veteran client population from around 460,000 in June 2006 to a present number of around 360,000. That is a significant decline. Second, while you are right to say that non-VEA claims can be more complex, they are not so complex as to offset that declining number of clients.

Senator RONALDSON: So are these ESOs making up that their workload has remained the same; that they are under enormous pressure?

Senator Feeney: In my experience of stakeholders, I do not imagine it was ever anticipated that they were going to welcome a constrained budget.

Mr Campbell: Senator, can I make two comments?

Senator RONALDSON: Sorry, Mr Campbell. What you mean by that?

Senator Feeney: I am expressing my view that I am not surprised they did not welcome constraints to their budget.

Senator RONALDSON: And my comment to you that they say their workloads have not diminished—what is your response to that?

Senator Feeney: I have given my response to that, and that is—

Senator RONALDSON: What? That you are not surprised that they are upset about it?

Senator Feeney: No. It is the government's view that, notwithstanding the complex nature of those tasks, there has been a decline in the client population that justifies the changed level of base funding.

Senator RONALDSON: Have you had any contact from organisations in our home state of Victoria—for example, in Swan Hill, Bendigo, Ballarat and other areas?

Senator Feeney: No, it is not my portfolio area, as you well know, and I have not.

Senator RONALDSON: Well I think you are just about to. You are not aware of the quite dramatic reduction in their funds and the impact in regional areas from these cuts?

Senator Feeney: I have had no personal engagement with those ESOs.

Senator RONALDSON: I will provide you with that information from organisations in our home state so that you can be aware what the impact of those cuts is and then you can make a judgment as to whether they are appropriate and whether there should have been phasing in of reductions, which, in my understanding, was discussed. In fact, it was in the 2013-14 round, wasn't it, Mr Farrelly, in which there was meant to be some phasing in, as opposed to this round? Was there meant to be some phasing in?

Mr Campbell: I need to make a comment about one of the letters you quoted from, but first, on the phasing in: phasing in is not the right terminology. Already built into the forward estimates was a reduction in the BEST funding, which was partly because after the 2007 election additional capital funding was given to organisations.

I need to make two observations. I accept quite openly that there has been an increase in the complexity of claims with the advent of MRCA. I do not believe it is MRCA per se that increased the complexity; it is the interplay between acts, where people have claims that cover more than one act. We do have a number of people who are in that situation and we will continue to have for the next 80 years. But I would argue that in the veterans processing area, as with disability compensation claims, over the last five to seven years there has been a decrease in workload. Given that I am the secretary of the department and before that, with a little break, the deputy, I think I am well placed to see what has happened to the workload in the last 11 years, and there has definitely been a drop in workload—an increase in complexity but a drop in workload. That was reflected in the fact that the department in the last four to five years has taken a cut of about 25 per cent.

The other comment I would make is about the letter you read out. You said that the letters say 'DVA cut'. I am not precious but I think DVA is not the government. I am not blaming the government, but I do sometimes say people should actually get their facts straight—and I am not saying you, Senator, because you read out a letter. DVA do not make decisions on cuts—point 1. The same letter, again, made the assertion that we make life increasingly difficult for widows. I reject that as well. I put that on the record because I know these hearings are listened to very closely by members of the veteran community. I cannot let go unchallenged those two assertions that you did not make but were in a letter that you read out.

Senator RONALDSON: I am sure that Legacy and all the other groups would be acutely aware that it was the government's reduction in this funding that has led to this situation and that DVA is only implementing a budget cut. This brings me to my next question to you, Parliamentary Secretary. When you read this letter is from Swan Hill, Bendigo, Geelong, Ballarat and other areas, I think you will understand the reason for what I am about to say. These organisations say to me that they pick up a newspaper and they see a failed pink batt program. They pick up the paper and they see a failed green loan program. They pick up the paper and they see a failed cash-for-clunkers program. They see money that was sent out in the mail to people—

ACTING CHAIR: I could add 12 years of examples to that. Senator Ronaldson, for the purposes of time, please get straight to the question.

Senator RONALDSON: They say, 'Is it fair for that to happen and then for the BEST funding to be reduced?'

Senator Feeney: I am happy to take that question. It is a line of questioning I have become accustomed to over these estimates.

Senator RONALDSON: So it has been raised by other people?

Senator Feeney: By you, consistently. You are obviously the shadow minister in this area, so I am interested to know whether you have given an undertaking on behalf of the opposition to restore this funding. When people are flicking through the papers and reminiscing, along the lines you describe, I wonder if they also contemplate the fact that the position has a \$70 billion black hole at the heart of its ludicrous economic proposition. As you set about the task of filling a black hole, I wonder how your commitments in DVA will hold up.

Senator RONALDSON: I am flattered that you think this government is so close to demise that you can ask me what our policies are and what our commitment will be. I think you need to work a bit harder and hang in there. I am mindful of the time and I am very anxious to ask the War Memorial some questions, and I want to leave some time for that so I will move on. During a veterans' forum in Cairns, a matter was raised with me that advocates seeking to access a client's DVA from Cairns have to travel to Townsville in order to view that file, because the transfer to DVA trained officers who operate in the Centrelink office in Cairns does not happen. I know that it potentially counterintuitive to the discussions I had earlier this evening about the security of information, but I gather they are DVA trained officers in the Centrelink office in Cairns. The turnaround time for someone to go from Cairns down to Townsville is eight or nine hours. Presumably for an advocate to do the job properly, they would need to look at the file. If there are appropriately trained DVA officers operating out of Centrelink in Cairns and if the security of those documents can be maintained, is there any reason that they cannot be sent to Cairns as opposed to being sent to Townsville?

Mr Campbell: Senator, I will have to be very careful here because I cannot recall the facts. There has been an issue about files in Queensland, which I understand has now been rectified. We are not wishing to avoid the debate but may I take that question on notice and come back to you. As I said, I know that about six weeks ago an issue was raised and I thought that it had been fixed. Rather than trying to half answer questions here and maybe getting my facts wrong I would rather take it on notice and get back to you. Is that okay?

Senator RONALDSON: Yes. I will just give you some background on it, and I think that Mr Humphrey might be here tonight. At a recent hearing the principal member commented that this 'disadvantages the applicant quite significantly. In one case, the medical file not available to the advocate contained information about the applicant's hearing that was pertinent to the case and resulted in a VRB adjournment'. So clearly it is an issue.

Mr Campbell: Yes. It was brought to my notice by a member of the VRB who was sitting on that panel. But I cannot recall the fine grain of detail so I will take it on notice and we will come back to you.

Senator RONALDSON: Thank you. I want to refer to the CVC program please. That was launched earlier this year; is that correct?

Mr Campbell: Yes, in May.

Senator RONALDSON: What steps did the department take to advise eligible veterans of the service?

Ms Daniel: Prior to, and with the commencement of, the program we undertook a range of communication activities. I will talk about general communication activities and then the process by which individual veterans receive information about the program. Our general communication activities and awareness-raising for veterans involved a number of articles in our Veterans' Affairs publication, which is widely circulated in the veterans community, and through our other online internet communications. We also went through a process of attending each of the DC consultative forums that are run in the states and territories to provide the ESO forums with a briefing on the program. We have also briefed both PMAC and the ESO roundtable about the program. That sort of general communication activity has taken place, some prior to and some immediately following commencement of the program.

Senator RONALDSON: Were some 2,000 letters sent out to eligible veterans in July and August in New South Wales?

Ms Daniel: I was just about to go on to that. This is a targeted program. It is intended to identify those veterans most at risk of preventable hospitalisation. Building very much on our experience with the very successful MATES program, we are using our data to identify those veterans most at risk. Again building on the MATES model, we write both to the veteran's doctor and to the veteran, indicating that they may benefit from the program.

Senator RONALDSON: What has been the take-up rate in New South Wales?

Ms Daniel: I do not have state-specific take-up rates, but I will ask Ms Hope to identify the latest number of participants we have in the program. It was about 1,600. Dr Killer has told me that the latest enrolment number is up to 2,000.

Dr Killer: This program is identifying patients with chronic conditions. One of the three big challenges in health now is that, as our community ages and we live longer we develop more chronic conditions. Because of this, these particular patients spend a lot of time in and out of hospital and are high users of services, and very often it is because the care is not properly coordinated within primary care, within general practice. If you get general practice right, you will reduce the need for hospitalisation. So that is what this program is all about.

Senator RONALDSON: So it is a very important program. I understand, Ms Daniel, that indeed, the take-up of this program has been so poor that your staff have been discussing as

recently as 14 September the need to make phone calls to these 2,000 people to whom letters were sent. The email traffic that I have indicates that there was a discussion about whether you start with 500 and then ring the others later on. This is a response to this discussion about the phone calls:

I like the suggestions, however the fundamental problem at this stage is that the veterans we sent the letter to overwhelmingly did not understand the letter and so did not do anything about the CVC program. In addition, in the letters to GPs, we did not tell the GP to do anything so the GPs waited to hear from the veterans. Hence, very few targeted veterans have actually got onto the program.

Is it correct—

Dr Killer: Maybe I can respond.

Senator RONALDSON: Can I just ask the question first? Is it correct that there is discussion within the department as to making phone calls to these targeted 2,000 people to try to get them into the program because of the appalling take-up?

Dr Killer: Let me say a couple of words about this. The program at this stage has about 2,000 veterans on the program. It was launched only very recently—in fact, a few weeks ago. The patients are identified in two ways: firstly, by their own doctor, because we write to the doctors and say, 'We would like you to target the veterans who have this particular profile: they are high users of services' and the doctors do that. In addition, we target the veterans from our database, which identifies the high users. We have found that the doctors have identified a considerable number of veterans. In fact, the substantial number of the 2,000 are patients identified by the doctors.

The initial letters that went to the doctor and the particular veteran were, in a sense, a trifle bureaucratic and I am forced to admit this. The doctors letter was too long and the veterans letter did not have simple messages. We have now corrected this. The next mail-out and the current mail-out have letters in a different format that reflects the issues that I have just described.

Senator RONALDSON: Doctor, can you supply on notice please the number of veterans who were on this program as at 14 September this year? I will again read through some of the email traffic:

Had a thought. Why not use all DVA contacting medical advisers to call the targeted group? This is more in line with—

X's

--suggestion of having a professional who understands all the medical issues having a discussion with the veteran. One option—

this is 13 September—

--is we only make calls to the first 500 veterans who were mailed out in early July. We then wait for the other 1,500 who were mailed out to in early August, so we spread the 2,000 calls over a longer time period, say two months rather than one month.

The bottom line with this is that you have not got to the veterans you were meant to be targeting. That is correct, is it not?

Dr Killer: These are very early mail-outs. They were only small mail-outs and I do recognise that the letters that went out to both the doctors and the veterans were not clear enough in the objectives of the program, and the response has not been as good as we had

hoped. We have now corrected that. The letters have been altered. In fact, this program has been strongly endorsed by the AMA and we have used the strong sentiments of the President of the AMA in our simplified letter to the doctor, and our letter to the individual veterans once again is simplified. It is too early at this stage to determine what the impact of these new approaches we are taking will be. But, upon reading both of those original letters, I could understand why the responses were not as strong as we expected. We have had dealing with veterans and doctors for a long time. On the MATES program, for instance, we have had enormous responses from both doctors and veterans. I think that, when we get the right formula for these letters, we will get an equally positive response on the CVC program. I really think the comments you are making on this program are far too early.

Senator RONALDSON: I am making my comments on the back of the fact that the minister is running around the country talking about the success of this program. A month ago, departmental staff were at such a desperate stage on this matter and the lack of take-up, they were talking about making 2,000 phone calls to the targeted group of 2,000. I think that might be a fair indication of what the take-up has been.

Dr Killer: That is not correct.

Senator RONALDSON: I am not going to show you the e-mails, but I can tell you that I have quoted them correctly and I can tell you that this e-mail traffic is from within the Department. Parliamentary Secretary, is the government going to support the motion moved by the member for Solomon to declare 19 February as 'Bombing of Darwin Day'?

Senator Feeney: I have a letter here from the minister, Warren Snowdon, to Senator Trish Crossin concerning the day of national recognition for the bombing of Darwin.

Senator RONALDSON: No, I asked you whether you are going to support the member for Solomon's motion in the House of Representatives.

Senator Feeney: That is obviously—

Senator RONALDSON: Senator Crossin does not have any motions to act upon. I am asking about the motion by the member for Solomon.

Senator Feeney: Essentially your question goes to the government's position concerning the proposition that there be a fifth day—that is, the bombing of Darwin—gazetted. To the extent that I have an answer, it is in this letter and I am happy to tender it.

Senator RONALDSON: What is the answer?

Senator Feeney: As I comprehend it, the matter is before government at the moment. The letter says that the government is committed to looking at options to further recognise the bombing raids that took place in Darwin and across Australia's north.

Senator RONALDSON: What date was that?

Senator Feeney: The letter is dated 21 September.

Senator RONALDSON: It is dated 21 September—the day after the member for Solomon tabled her motion.

Senator Feeney: No doubt that is what triggered the conversation.

Senator RONALDSON: So it was only after the member for Solomon had actually put the motion in that action was triggered from the minister—

Mr Campbell: No, Senator—

Senator RONALDSON: I am sorry, Mr Campbell, I am directing my question to Senator Feeney.

Mr Campbell: But I can throw some—

Senator Feeney: We may benefit from the fact that he knows something about the subject, Senator.

Mr Campbell: The first paragraph of the letter from the minister to Senator Crossin says, 'Thank you for your letter of 7 July.'

Senator RONALDSON: What was done after that? Mr Campbell, what are—

Mr Campbell: I am just putting the date on the table.

Senator RONALDSON: I would have thought that you are sort of straying between a couple of things, Mr Campbell, with the greatest respect. You do not have to defend this government all the time, you know.

Mr Campbell: I was not defending; I was putting the date on the table because I had it in front of me.

Senator RONALDSON: You are tabling that letter, Parliamentary Secretary?

Senator Feeney: Yes.

Senator RONALDSON: On 9 August this year you wrote to Ron Orwin from the BCOF Executive Council. In that letter you referred to a report into BCOF service by Brigadier David Webster. I think that is correct, isn't it?

Mr Campbell: Yes.

Senator RONALDSON: Would you provide the committee with a copy of that report?

Mr Campbell: That report was commissioned by the minister, so I would have to seek the minister's agreement.

Senator RONALDSON: Can you see any reason that it should not be—

Mr Campbell: I have referred that report on now to the Secretary of the Department of Defence and the CDF for comment. I cannot speak for the minister. It was a report commissioned by the minister, so I would have to seek the minister's view.

Senator RONALDSON: Where does it say in your letter to Mr Orwin that this was a ministerial investigation? In the second last paragraph of your letter it says, 'In fact, both Minister Snowden and the former minister and their officers have been provided Brigadier Webster's analysis and report on numerous occasions, and all documents relating to this analysis have been within the department's possession.'

Mr Campbell: The issue is slightly different here. You will recall that Mr Orwin wrote a letter to you on 14 June which you then sent on to the Minister for Veterans' Affairs.

Senator RONALDSON: Yes.

Mr Campbell: In that letter Mr Orwin makes very serious allegations about my behaviour and my integrity. I saw a copy of the letter and I felt duty-bound to respond to Mr Orwin and to refute the allegations he had made about me. Just for the record, Mr Orwin alleged that I did not give any of the reports to the minister. He says, 'We feel that Secretary Campbell has

exceeded his authority in not forwarding the favourable report by Brigadier David Webster on our service in Japan.' He made several other allegations, all of which are totally wrong.

I saw the letter. I responded to him. I copied the letter to you, I copied the letter to the minister and I copied the letter to the President of the BCOF Association. In that letter I was responding to the unfortunate allegations made by Mr Orwin and I was referring to what had happened in the past. I was not referring to what was happening prospectively with regard to the report that the minister had commissioned and which was being prepared by Mr Peter Sutherland. There was no reason. I was not hiding it. All I was doing was responding to the allegations about my behaviour by Mr Orwin.

Senator RONALDSON: Can you take notice as to whether you are going to provide a copy. What were the terms of reference, for want of a better phrase, of Brigadier Webster's report? What was it to consider?

Mr Campbell: The terms of reference of Brigadier Webster's report or of Mr Sutherland's report?

Senator RONALDSON: Brigadier Webster's report.

Mr Campbell: Brigadier Webster's report is a report that was done when he headed up the Nature of Service Review area in the Department of Defence. Brigadier Webster has now retired. Basically he was looking at the question of whether or not the government of the day back in 1945, 1946 and 1947 had committed to the provision of what we now call 'qualifying service' to those servicemen who served in the British occupying forces of Japan from the period of February 1946 to 30 June 1947.

Senator RONALDSON: I will ask for some of this on notice. Does DVA support retired Brigadier Webster's findings?

Mr Campbell: This is a case where it is probably more the Repatriation Commission than the department. The Repatriation Commission has spent a large period of time going through the historical papers of the time, and what they have pointed out is that we do not believe the conclusion that Brigadier Webster drew from papers is accurate. That conclusion, together with Brigadier Webster's papers, was with ministers, including given by me. As a result of that, Minister Snowdon asked for somebody outside the departments to do a review of all of the papers, including the historical papers. That was undertaken by Peter Sutherland. He gave a report to the portfolio. The minister saw it and asked for me to send it on to the Secretary of the Department of Defence and to CDF for their comments.

Senator RONALDSON: This was the Nature of Service Review?

Mr Campbell: No. Brigadier Webster's report—

Senator RONALDSON: I know it was not Brigadier Webster's—

Mr Campbell: No. Peter Sutherland was tasked by Minister Snowdon to look at all the papers—the reports by Brigadier Webster and the advice that the Repatriation Commission has given, and to go back through the historical papers, including the cabinet papers of the day.

Senator RONALDSON: When was that report finalised?

Mr Campbell: I do not have an exact date; one of my colleagues might. I do know that I sent it to the Secretary of the Department of Defence and the CDF, probably about 10 to 12 days ago.

Mr Luckhurst: Mr Sutherland provided his report to us on 21 August.

Senator RONALDSON: When was it provided to the minister?

Mr Luckhurst: I would have to take that on notice. I do not have that documentation with me.

Mr Bayles: I think I do. The report was provided to the minister on 28 August.

Senator RONALDSON: Mr Campbell, do you know when there is likely to be a government response in relation to this?

Mr Campbell: No, but I do know that the minister has said both orally and in writing that he would like to have this matter resolved sooner rather than later.

Senator RONALDSON: There is no time frame for that?

Mr Campbell: There is no time frame in that sense, but my letter to my colleagues in the Department of Defence and the ADF said, 'After you have read the report and considered it, can we meet to work through what advice goes to ministers.'

Senator RONALDSON: So we are not at cross-purposes, was the report by retired Brigadier Webster commissioned by a former minister or by the department?

Mr Campbell: In 2002, Brigadier Webster was getting near to the end of his career and, at that time, a number of claims were coming forward to ministers and the Department of Defence, and the Department of Veterans' Affairs. He was commissioned in 2002 to look at the future of how nature of service might be classified. In the context of that, a number of claims started coming forward to him and one of those was looking at the issue of the BCOF soldiers up to 30 June 1947.

Senator RONALDSON: He did a report?

Mr Campbell: He has done a number of reports on a number of issues, including on BCOF.

Senator RONALDSON: That was commissioned by the department not a specific minister, I assume?

Mr Campbell: I cannot answer that. You would have to ask the Department of Defence. That Nature of Service Review was in the Department of Defence. I was explaining the genesis of the Nature of Service Review.

Senator RONALDSON: Do you have a copy of his reports? You must have.

Mr Campbell: I do not have one here but the department does.

Senator RONALDSON: Would you provide a copy of that report?

Mr Campbell: I think it is on the public record.

Senator RONALDSON: Are they all on the public record?

Mr Campbell: I would have to take that on notice. I am being careful here because it is not my department's report to give, but we will take it on notice. So many people in the ex-

service community have a copy of Brigadier Webster's report, that it can easily be made available.

Senator RONALDSON: You said there were 'reports'. Will you take on notice to provide all his reports.

Mr Campbell: Yes, including Peter Sutherland's.

Senator RONALDSON: I now turn to the Anzac Centenary. On 6 October, the *Albany Advertiser's* front page said, 'Funding delay fear for Anzac'. It said that the bureaucratic processes were holding it up and there were some comments from Geoff Hand. Has that money being sent through? If so, to whom? Chair, I think you may have been involved in this but I will not ask you. Indeed, was that money processed before or after this matter was raised in the Albany press?

Major Gen. Cosson: Can I take you through the chronology for the payment of the Albany Alliance?

Senator RONALDSON: As long as they include my question.

Major Gen. Cosson: Yes.

Senator RONALDSON: And as long as it is not going to take up what is now becoming very valuable time.

Major Gen. Cosson: No. As you know, the minister announced on 26 July that the Albany Alliance funding was authorised by government and a letter was signed to the Alliance in relation to that grant. On 4 and 5 August, DVA contacted Geoff Hand of the Alliance. He advised that he had not received a copy of the letter. On 5 August, we sent another copy. On 9 September we had to seek additional information from the Alliance, noting that the Alliance is not an authorised body—we have the RSL of WA and the City of Albany and the Alliance was established for this purpose.

Senator RONALDSON: Ms Cosson, can I give you a serious hint. Unless you want to get ripped apart in Western Australia by the War Widows Guild and others, I implore you to refer to it as a Albany.

Major Gen. Cosson: My apologies.

Senator RONALDSON: Do not apologise to me. I made the mistake of calling it 'Orbany' once and I will never ever do it again. I am trying to protect you.

ACTING CHAIR: Well done, Senator Ronaldson. Senator Eggleston was going into a spin then.

Senator RONALDSON: Indeed. I am trying to protect your skin here, Ms Cosson, in relation to the pronunciation of the city's name.

Major Gen. Cosson: Thank you. If I can also make a correction, it was on 6 September that the Alliance sent to the department their bank account details and a few days later on 9 September we sought some additional information. On 16 September, we also sought further information in relation to the ABN and we advised the RSL that they would be receiving the funding of behalf of the Alliance. It was on 30 September that the agreement was finalised and it was dispatched on 4 October—noting that 3 October was a public holiday—to the president of the WA RSL with a copy email to the Alliance.

In 12 October, DVA confirmed with the Alliance and the RSL that neither had actually advised the City of Albany and they were waiting for the funds to be received before they notified the City of Albany. They have now been advised of the signed agreement and it has been sent and the grant agreement has been received, but it was without a tax invoice, so we had to go back and seek that. I can now confirm that the payment has been authorised and released and should be in the WA RSL bank account within two to three days.

Senator RONALDSON: Thank you. Does the minister given a guarantee that there would be funding certainty for the project beyond the scoping study?

Major Gen. Cosson: At the moment we are preparing some options in response to the commission's report for government consideration. Albany is one of the initiatives listed in the commission report.

Senator RONALDSON: So will you be making that decision outside the newly formed committee or will that form part of their deliberations?

Major Gen. Cosson: At the Anzac Centenary Advisory Board convened last Friday, 14 October, Albany initiatives were discussed. At the moment the chair is actually at Albany visiting with the Alliance, the RSL and City of Albany members to discuss the initiatives which have been put forward through the commission's report.

Senator RONALDSON: I thank the department and department officers.

Australian War Memorial

[22:41]

ACTING CHAIR: I would like to welcome Major General Gower and staff from the Australian War Memorial. We will go to questions from Senator Humphries.

Senator HUMPHRIES: I have a couple of questions about pay of staff at the Australian War Memorial. I understand that the pay rates of staff at the memorial are effectively determined by rates applying to people working in the Department of Veterans' Affairs, or it is linked in some way to those pay rates, but staff at other national institutions—the National Gallery, the National Library, the National Museum and so on—have their staff pay pegged to rates applicable to staff working in or for the Department of the Prime Minister and Cabinet. I have had this drawn to my attention as a concern because there can be very substantial differences in rates of pay between staff doing essentially equivalent jobs in the two sorts of institutions. Are you aware of whether there is a difference and is it a concern if there is?

Major Gen. Gower: We keep a close eye on relative pay conditions between the various Commonwealth cultural institutions, but we are not pegged, as your proposition suggested, to remuneration paid to similar equivalent positions, such as EL1, EL2 or ASO4 at DVA. Ours are set by the normal way of negotiating with staff and the unions and putting to a staff vote an enterprise agreement. The current one has expired. I think you are aware of the situation in Canberra. It is difficult to reach an agreement, but we are very hopeful. I think we have got a very attractive proposition on the table and we are hopeful that we can get it through. I do not think it would be proper, as I am sure you would appreciate, to talk further about it tonight.

Senator HUMPHRIES: I have no intention of asking you about it. In terms of the existing pay rates, are you aware of whether they are lower, higher or comparable with the sorts of rates paid to staff in comparable positions in other cultural institutions?

Major Gen. Gower: My recollection from some months ago, when we started to prepare a case for the collective agreement, is that we were lower, but that was refuted by the Public Service Commission. As I said, we keep a close eye on that and I have got no desire to not pay our staff appropriate rates. I do not know if our Acting Assistant Director for Corporate Services has got anything to add on that.

Ms Lock: When we reviewed the salary rates we were not the lowest but we certainly were not the highest.

Senator HUMPHRIES: Have the rates to staff been published on your website?

Ms Lock: Yes.

Senator HUMPHRIES: All right. We will have a look there. Just one more question, if I may. I asked you on the last occasion, General Gower, about suggestions that had been made to me that staff at the memorial—this was in a period before the government announced an increase in the funding for the memorial—had voluntarily forgone pay increments to which they were entitled in order to assist the memorial's position. I have had that assertion repeated to me after the last session of estimates. You said last time that you would never ask staff to do that, but can I confirm that you are not aware of any staff at the memorial who have in fact voluntarily forgone pay increments.

Major Gen. Gower: I expressed the view that I would not expect a member of staff to forgo rightful increments. I did talk to some people on return to the memorial. It was not drawn to my attention. You say that an informant has passed it on. Again, I could ask the Acting Assistant Director of Corporate Services, who is very close to this because she is part of the bargaining team, whether she is aware of that type of material that you have been given.

Senator HUMPHRIES: People voluntarily forgoing pay increments.

Ms Lock:

There has been no voluntary forgoing of any pay increments at the War Memorial.

Senator HUMPHRIES: I am very happy to hear that. Thank you very much.

Senator RONALDSON: General Gower, in March of this year there was an announcement of a one-off payment of \$1.7 million to begin the redevelopment of the First World War galleries. What work has been done on this so far?

Major Gen. Gower: Senator, good evening. A lot of work actually. That money provided for a project definition study, which resulted in a detailed business case being prepared as part of a new policy proposal. That work entailed putting together a project management team, a concept team to look at possible themes and stories and the collection items we might hold to amplify those themes and stories, engagement of a project management consultant to put it all together and to assist our internal project manager, a quantity surveyor, an architect and an exhibition designer. So it was a lot of hard work which culminated a few weeks ago with a submission to the DVA of the detailed business case and the NPP—new policy proposal.

Senator RONALDSON: You have submitted the NPP for the current budget cycle?

Major Gen. Gower: For the forthcoming one. Possibly it might be advanced, but that is not for me to speculate on.

Senator RONALDSON: Sorry, I missed that.

Major Gen. Gower: Possibly it might be advanced but that is not for me to speculate on.

Senator RONALDSON: I understand that.

Major Gen. Gower: However, there was a lot of work involved, as you would appreciate, in putting that project definition study together. But it has been completed.

Senator RONALDSON: You have worked with admirable speed. Do you expect the department to refer that NPP off to the centenary advisory board or to government itself with a stand-alone request for funding?

Major Gen. Gower: How it is handled is out of our hands. That would be a matter to ask the secretary if he is still here.

Senator RONALDSON: Doesn't Mr Campbell normally stay for this?

Major Gen. Gower: I could take that on notice if it is your wish to provide you that information as best I can find out.

Senator RONALDSON: I just thought it would be useful to have it now if Mr Campbell was still here. I am sure he normally stays, doesn't he?

Senator Feeney: He has previously.

Senator RONALDSON: Yes, that is right. Nothing turns on it.

Senator Feeney: No, indeed. He may just be farewellling his team in the foyer. We will find out in a moment.

Senator RONALDSON: Do you have any indication yet of the likely final cost? I presume you have if you have put in an NPP.

Major Gen. Gower: In accordance with the template that you have to meet from the Department of Finance and Deregulation, there is a low, medium and high option. That would be subject, I would imagine, to some sort of analysis in Finance and a figure may be arrived at. We think they are very robust.

Senator RONALDSON: You have not costed the project?

Major Gen. Gower: We have costed it very thoroughly. We have done it by components, plus we have checked that figure against well-known benchmark figures of cost per square metre for high-technology galleries and medium and low. There is some sort of correlation, which gives us some comfort, but the PDS was very thorough and it ties up with other methods by which you can estimate the cost of galleries.

Senator RONALDSON: So have you submitted three NPPs, or have you submitted one?

Mr Campbell: Just the one.

Senator RONALDSON: Was that for the low, medium or high?

Major Gen. Gower: The Department of Finance and Deregulation wished to have the low, medium and high costs as part of the submission.

Senator RONALDSON: So you are saying that it is not the project but the costing that is low, medium or high?

Major Gen. Gower: No. That is the costing for the project. Of course, if you go to high you may include more elaborate, for example, multimedia applications, and you would be

aware there are some very expensive ones developed recently overseas in contemporary museums.

Senator RONALDSON: So what were the costings for the low, medium and high ranges?

Major Gen. Gower: I would prefer at this stage not to start talking about costs. It has been submitted and it has no standing apart from that it is a document that has been forwarded from the Australian War Memorial to the appropriate portfolio department. I would not think there is any value in talking about figures at the present moment, with respect.

Senator RONALDSON: Can you tell me why there is no value in talking about figures at the moment?

Senator Feeney: Because the document has no standing, Senator; it is a proposition to government.

Senator RONALDSON: I understand that. There has been \$1.7 million put towards the redevelopment proposal and the working up of a case. I presume the outcome of that is probably a public document, isn't it?

Senator Feeney: I think at the moment it would be appropriate, wouldn't it, to say that this is advice to government and that it has not yet realised a decision from government?

Senator RONALDSON: I am sorry, Parliamentary Secretary, there is someone with insomnia out there so I did not hear that. Could you just repeat it.

Senator Feeney: I think I said something to the effect that at this time it is a proposition to government. It is not a program and it is not a policy.

Senator RONALDSON: Given that Mr Campbell is clearly not going to make a reappearance, will you take on notice for me, General Gower, whether this will be a proposal submitted to the Centenary Advisory Board. If it is not, clearly it will be going to government itself.

Senator Feeney: Done.

Major Gen. Gower: Yes, I am very happy to do that.

Senator RONALDSON: General Gower, there is another matter that you and I have had some correspondence about. I do not know whether this fellow has got up your nose or what but it is in relation to Mr Patterson and the remembrance book. For those listening and for my colleagues here, Mr Patterson asked whether there could be access to the Book of Remembrance. He was concerned about the fact that if you want to have a look at the remembrance book you have to access the orientation gallery, which requires you going down a flight of stairs, locate a guide and, if the place is packed, try to find someone who has the time to bring you back up. Have you looked at the cost of replicating this in plastic folders or pockets or something to give easy access? If it cannot be done, that is okay. But have you investigated whether there is a simple solution to this matter? As you know, the Roll of Honour is open and accessible, and because of the nature of the Roll of Honour it is open and accessible where no damage can be done to it. I fully understand that the remembrance book is a paper document, and I fully understand that there is a risk of damage, but surely it can be replicated and put in a plastic folder to avoid the requirement to go downstairs and up again to find someone? I cannot quite understand what the issue is. If it cannot be done, that is fine,

and I will understand on that basis. But if it can be done, or you have not investigated that, why not?

Major Gen. Gower: I think the expression you used, 'He has got up my nose', is totally incorrect. In all correspondence, including from me and the chairman, and in correspondence to other members of parliament who have been given his letters in shotgun fashion, we have behaved in total courtesy to Mr Patterson. He is a well-known correspondent, particularly arising from the failure, in his eyes, to place in the memorial the names of those unfortunate sailors who died in the sinking of one of Her Majesty's ships on the Great Barrier Reef after the cut-off period for the Second World War. He has been given explanations for that—they died outside the cut-off period.

Some years ago the council decided that cases like that, where people had died serving the country in non-warlike service, should be recognised in some way. In order to keep the integrity of the Roll of Honour it was not possible to do it there; therefore, the council came up with the concept of a book, which is a very elaborate, leather-bound book with high-quality paper and proper entries of the names. Regrettably, we have had incidences of damage in the past if the book or the case it is kept in—which is of very high quality—is left open. This is an artefact which we value highly. It is important. There is a sign there saying, 'If you wish to access a particular page we would be delighted to arrange that.' There are always one or two information assistants right in the entrance to the memorial. There are always two or three at the information counter immediately as you enter the orientation gallery. Mr Patterson—and I respect what he has to say—finds this difficult, and he has called it a 'book of shame' et cetera—

Senator RONALDSON: But putting all this—

Major Gen. Gower: If I may please, I was endeavouring to—

ACTING CHAIR: Please do finish, Major General, because we have not got much time left tonight, and I have to read my daughter a bedtime story before it is eight o'clock in the west.

Major Gen. Gower: We have a system which works, and if we wrapped it up in plastic and used copies it would destroy the dignity of it and the importance of it.

Senator RONALDSON: No-one, least of all me, wants to see any damage done to this. But I have seen where it is, and surely in front of it or beside it there can be some tasteful reproduction of those pages where it cannot be damaged and where someone can flick through it without having to go downstairs to get someone to come upstairs. I would have thought it would actually minimise the damage to this beautiful piece of work—artwork, I would call it, amongst other things—which, as you quite rightly say, should be protected. Would that not actually address both issues: ease of access and the fact that you are not going to have people opening up this book and potentially doing damage?

ACTING CHAIR: Major General, do you wish to answer Senator Ronaldson's question?

Major Gen. Gower: I think I have explained my view. I note the suggestion, which I value. Mr Patterson is the only person who has complained like that, and he has complained extensively. I have no other examples of complaints, and I watch this very closely.

Senator RONALDSON: But if you—

ACTING CHAIR: Senator Ronaldson, I have been more than fair and I have given you warning. It is now 11 o'clock. If you have further questions I would urge you to put them on notice. I would like to thank Major General Gower and his staff.

Committee adjourned at 22:59