



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

FOREIGN AFFAIRS, DEFENCE AND TRADE
LEGISLATION COMMITTEE

Estimates

TUESDAY, 31 MAY 2011

CANBERRA

BY AUTHORITY OF THE SENATE

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SENATE

FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION COMMITTEE

Tuesday, 31 May 2011

Senators in attendance: Senators Abetz, Bishop, Brandis, Ferguson, Forshaw, Humphries, Hutchins, Johnston, Kroger, MacDonald, Sterle, Trood and Xenophon

DEFENCE PORTFOLIO

In Attendance

Senator David Feeney, Parliamentary Secretary for Defence

Department of Defence

Dr Ian Watt, AO, Secretary of Defence,

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

Portfolio Overview and Budget Summary

Mr Philip Prior, Chief Finance Officer

Mr Michael Gibson, First Assistant Secretary Resources and Analysis

Mr Peter Jennings, Deputy Secretary Strategy

Mr Brendan Sargeant, Deputy Secretary Strategic Reform and Governance

Major General Paul Alexander, AO, Commander Joint Health

Air Commodore Bill Hayden, OAM, Acting Commander Joint Logistics

Mr Neil Orme, Principal Advisor Afghanistan and Pakistan

Mr Lachlan Colquhoun, Acting First Assistant Secretary, International Policy

Outcome 1—The protection and advancement of Australia's national interests through the provision of military capabilities and promotion of security and stability

1.1 Office of the Secretary and Chief of the Defence Force

Mr Geoff Earley, AM, Inspector General ADF

Mr Geoffrey Brown, Chief Audit Executive

Mr Ray Bromwich, Inspector General

1.9 Vice-Chief of the Defence Force

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

Air Vice Marshal Kevin Paule, Head Military Strategic Commitments

Major General Michael Crane, Chair, Defence Cultural Review Secretariat

1.10 Joint Operations Command

1.12 Chief Finance Officer

Outcome 2—The advancement of Australia's strategic interests through the conduct of military operations and other tasks directed by Government

2.1 Operations contributing to the security of the immediate neighbourhood

2.2 Operations supporting wider interests

Outcome 3—Support to the Australian community and civilian authorities as requested by Government

3.1 Defence Contribution to National Support Tasks in Australia

Defence Funding and Financial Statements

Outcome 1

1.11 Capability development—general topics

1.11 Capability development—specific topics

Air Marshal John Harvey, AM, Chief of Capability Development Group

Major General Steve Day, Head Joint Capability Coordination

Rear Admiral Rowan Moffitt, AO, RAN, Head Future Submarine Program

Air Vice Marshal Kym Osley, AM, CSC, Program Manager New Air Combat Capability

Defence Materiel Organisation**Outcome 1—Contributing to the preparedness of Australia Defence Organisation through acquisition and through-life support of military equipment and supplies**

Dr Stephen Gumley, AO, Chief Executive Officer, Defence Materiel Organisation

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

Mr Harry Dunstall, General Manager Commercial

Ms Jane Wolfe, General Manager Reform and Special Projects

Ms Shireane McKinnie PSM, General Manager Systems

Mr Phil Brown, Program Manager, Amphibious Deployment and Sustainment

Mr Andrew Cawley, Program Manager, Air Warfare Destroyer

Major General Paul Symon, Deputy Chief of Army

Air Vice Marshal Chris Deeble, AM, CSC, Program Manager Collins and Wedgetail

Mr Steve Wearn, Chief Finance Officer, Defence Materiel Organisation

Air Vice Marshal Colin Thorne, AM, Head Aerospace Systems

Mr Ian Donoghue, Acting Head Acquisition and Sustainment Reform Division

Ms Michelle Kelly, Acting Head Commercial Enabling Services

Mr Mark Reynolds, Head Commercial and Industry Programs

Mr Anthony Klenthis, Head Explosive Ordnance Division

Mr Michael Aylward, Head Electronic Systems Division

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

Major General Grant Cavenagh, AM, Head Land Systems Division

Rear Admiral Peter Marshall, AM, RAN, Head Maritime Systems Division

Ms Liesl O'Meara, Acting Special Counsel to Chief Executive Officer, Defence Materiel Organisation

Commodore Tony Dalton, Director General Navy Aviation Systems

Commodore Bronko Ogrizek, Director-General Submarines

Brigadier Andrew Mathewson, Director General Army Aviation Systems

Brigadier David Shields, Director General Land Manoeuvre Systems

Brigadier Greg Downing, Director General Land Vehicle Systems

Brigadier Mike Phelps, Director General Integrated Soldier Systems

1.1 Management of capability acquisition

1.2 Management of capability sustainment**1.3 Provision of policy advice and management services****Capital Facilities and Defence Support****Outcome 1****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 Defence Infrastructure Division

Ms Chris Bee, Acting Chief Operating Officer, Defence Support Group

1.14 Defence Force superannuation benefits**1.15 Defence Force superannuation nominal interest****Outcome 1****1.13 People strategies and policy-general topics****1.13 People strategies and policy-specific topics**

Mr Phil Minns, Deputy Secretary People Strategies and Policy Group

Mr Steve Grzeskowiak, Head People Policy

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

Mr Craig Pandy, Head Workforce and Shared Services

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

Rear Admiral James Goldrick, RAN, Commander Australian Defence College

Remaining Defence programs**1.2 Navy capabilities**

Vice Admiral Russel Crane, AO, CSM, RAN, Chief of Navy

1.3 Army capabilities

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

1.4 Air Force capabilities

Air Marshal Mark Binskin AO, Chief of Air Force

1.5 Intelligence capabilities

Mr Stephen Merchant, Deputy Secretary, Intelligence and Security

Mr Frank Roberts, Chief Security Officer, Defence Security Authority

1.7 Defence science and technology

Professor Robert Clark, Chief Defence Scientist

1.8 Chief Information Officer

Mr Greg Farr, Chief Information Officer

Mr Matt Yannopoulos, Chief Technology Officer

Mr Clive Lines, First Assistant Secretary ICT Reform
Major General Michael Milford, Head ICT Operations
Mrs Anne Brown, First Assistant Secretary ICT Development

1.16 Housing assistance

1.17 Other administered

Defence Housing Australia

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

Mr Peter Howman, Chief Operating Officer
Mr Jon Brocklehurst, Chief Financial Officer
Mr Brett Jorgensen, General Manager, Property and Tenancy Services

Department of Veterans' Affairs

Mr Ian Campbell PSM, Secretary

Department of Veterans' Affairs

Portfolio Overview

Corporate and general Matters

Mr Ian Campbell PSM, Secretary
Mr Shane Carmody, Deputy President
Dr Graeme Killer, AO, Principal Medical Adviser
Mr Wayne Penniall, National Manager, Veterans and Veterans Families Counselling Service
Mr John Sadeik, Acting Deputy Commissioner QLD
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
Mr Grant McCorry, Acting National Manager, Income Support 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 Shane McLeod, National Manager, Chief Information Officer
Mr Richard Magor, National Manager, Parliamentary and Communication Group
Major General Liz Cosson, AM, CSC (Rtd), 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 Doug Humphreys, Principal Member, Veterans' Review Board

Outcome 1–Maintain and enhance the financial wellbeing and self-sufficiency of eligible persons and their dependants through access to income support, compensation, and other support services, including advice and information about entitlements

1.1 Veterans' income support and allowances

1.2 Veterans' disability support

1.3 Assistance to Defence widow/ers and dependants

1.4 Assistance and other compensation for veterans and dependants

1.5 Veterans' Children Education Scheme

1.6 Military rehabilitation and compensation acts–income support and compensation

1.7 Adjustments to military rehabilitation and compensation acts liability provision–income support and compensation

Mr Ian Campbell PSM, Secretary

Mr Shane Carmody, Deputy President

Mr Sean Farrelly, Acting General Manager, Support

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

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

Mr Grant McCorry, Acting 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–Maintain and enhance the physical wellbeing and quality of life of eligible persons and their dependants through health and other care services that promote early intervention, prevention and treatment, including advice and information about health service entitlements

2.1 General medical consultations and services

2.2 Veterans' hospital services

2.3 Veterans' pharmaceutical benefits

2.4 Veterans' community care and support

2.5 Veterans' counselling and other health services

2.6 Military rehabilitation and compensation acts–health and other care services

2.7 Adjustments to military rehabilitation and compensation acts liability provision—health and other care services

Mr Ian Campbell PSM, Secretary

Mr Shane Carmody, Deputy President

Dr Graeme Killer, AO, Principal Medical Adviser

Mr Wayne Penniall, 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 Carolyn Spiers, National Manager/Principal Legal Advisor, Business Integrity and Legal Services Group

Outcome 3—Acknowledgement and commemoration of those who served Australia and its allies in wars, conflicts and peace operations through promoting recognition of service and sacrifice, preservation of Australia's wartime heritage, and official commemorations**3.1 War graves and commemorations****3.2 Gallipoli related activities**

Mr Ian Campbell PSM, Secretary

Mr Shane Carmody, Deputy President

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

Mr Tim Evans, National Manager Commemorations 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

Australian War Memorial**Outcome 1—Australians remembering, interpreting and understanding the Australian experience of war and its enduring impact through maintaining and developing the National Memorial, its collection and exhibition of historical material, commemorative ceremonies and research.****1.1 Commemorative ceremonies****1.2 National memorial and grounds****1.3 National collection****1.4 Exhibitions**

1.5 Interpretive services**1.6 Promotion and community services****1.7 Research and information dissemination****1.8 Visitor services**

Major General Steve Gower AO, AO(Mil) (Rtd), Director
Ms Nola Anderson, Assistant Director, National Collection
Ms Rhonda Adler, Assistant Director, Corporate Services
Ms Linda Ferguson, Assistant Director, Public Programs
Ms Leanne Patterson, Chief Finance Officer

Committee met at 09:09

CHAIR (Senator Mark Bishop): The committee will come to order and we will resume our discussions on budget estimates relating to the Department of Defence. CDF, I believe you have a few remarks you wish to address to the committee.

Air Chief Marshal Houston: Thank you very much. It is with immense sorrow that I am here this morning. I think everybody knows that we have lost another two Australian soldiers. Our hearts go out to the families in their time of grief, their time of loss. Rather than go through the issues that I covered at the press conference earlier on this morning, I thought that I would table the announcement I made this morning. If there are any questions members of committee want to pursue with me, I am very happy to take questions.

CHAIR: Thank you, CDF. Most members of the committee have seen the press conference this morning. On behalf of the committee, I wish to extend our joint condolences to members of the families of the two men who have been lost in Afghanistan and also to express our great sympathies to their friends and colleagues throughout the Australian defence forces. Minister Smith rang my office this morning as a courtesy and advised that Chief of Army and Chief of Air Force might have to be in and out of Senate estimates to attend matters associated with Afghanistan. Members of the committee well understand those demands and the committee will try to assist in their endeavours. At the outset we are going to change the program somewhat. The opposition wishes to lead off on Navy so there will be an extensive questioning session on Navy, which I am advised will go through most of the morning. At the lunch break I will have a meeting with the opposition senators and we will work out what are the priorities in terms of the remainder of the program. When we resume work at 2 o'clock, I will announce what the batting order will be for the remainder of the program leading to the end of the day.

CDF, yesterday you advised that, this being your last estimates, at around 1755 or 1800 hours you might make a few comments. The committee is more than happy to accommodate that request. On that basis, one opposition senator has requested that the Defence Housing Authority attend. I put on the record that the Defence Housing Authority should be ready to go at around 5.30 pm so we can handle them. Then we will look to bring on remarks around 6 pm.

Air Chief Marshal Houston: I am happy to go at the end of our session, whenever that might be, chair.

CHAIR: That is useful. We will probably play that by ear, as we get towards the end of the day. We want to go on Navy now?

Senator JOHNSTON: Please—on sustainment.

CHAIR: Chief of Navy, if you could come forward and DMO as well.

Defence Materiel Organisation

[09:12]

Senator JOHNSTON: Dr Gumley, at last estimates we discussed the cost of submarine sustainment and I indicated to you from the budget papers that from 2004-10 the sustainment had gone from \$203 million per annum to \$325 million per annum, a 60 per cent increase, with a corresponding reduction in unit ready days. You said, 'This was of concern to government.' This year's budget sets out sustainment at \$443 million, a \$90 million jump and a 25 per cent increase from last year's \$353 million. Since 2004, sustainment costs have gone from \$203 million to \$443 million, a 120 per cent increase. What do you have to tell me about that increase?

Dr Gumley: Yes, the Collins class is costing a lot more. The figures are very evident. What we are doing in the year we are about to start and in the year we have just finished is increasing the inventory levels. What we have noticed over the last couple of years with submarine availability is that one of the bottlenecks on occasions has been getting sufficient inventory of critical submarine parts.

Senator JOHNSTON: Spares.

Dr Gumley: Spares—parts for the engines, Trelleborg hoses for the connections out to the ocean, and so on. We are buying in safety stock, complete ship sets of spares, and of course they are quite expensive. The aim is to increase labour productivity because if the tradesmen have the spare immediately available, they can fit it. It is a bit of a blunt instrument—it is not the way we would prefer to do maintenance—to carry 'too much' inventory but it does enable you to handle emergent and latent defects much easier and quicker by having the spare on the shelf. We were spending a lot of money over last year and will be in the year to come on new spares.

Senator JOHNSTON: I want to come back to the spare issue, because I think that is a very significant and troubling issue with respect to this force element group. At what stage are we at with respect to the ISS contract with ASC?

Dr Gumley: We would hope to sign it in the fourth quarter of 2011. It is still under negotiation.

Senator JOHNSTON: What effect do you anticipate it will have upon the sustainment figure—as a percentage?

Dr Gumley: You mean in dollar terms?

Senator JOHNSTON: Yes.

Dr Gumley: We have not done the cost estimation of that. I need to emphasise we have been making progress on negotiating the new contract but we are not there yet.

Dr Watt: That is one reason why we are having the benchmarking study done to feed into the expected reduction in costs in Collins maintenance that will come from more ambitious targets. Mr King, I am sure, can tell you about that.

Senator JOHNSTON: I realise the benchmarking study is going to help us determine at what point these numbers become unsustainable.

Dr Watt: It will determine at what point we can get these numbers down.

Senator JOHNSTON: Right. You have said 'we can'. Well, let us just go through what you have told us so far. In 2005 and 2006 the budget told us, 'The management of logistic requirements to maintain the submarine remains a challenge.' In 2009 you said:

Several initiatives are under implementation to control and optimise the cost of ownership, including the stabilisation of Integrated Master Schedule, improvements in inventory levels, rationalisation of maintenance and measures within the prime integrator, ASC AWD ship builder, to streamline improved efficiency.

In 2010 you said:

The support objective is to maintain the submarine materiel capability, optimise the logistic cost of ownership of the submarines, and provide sustainable and cost effective design, engineering and logistics support under the through-life support agreement for platform systems with ASC Pty Limited, and through Raytheon Australia, Thales and BAE Systems for combat systems.

You go on to say 'seeking platform availability through increased efficiencies'. In 2011 you said:

The support objective is to maintain the Australian submarine materiel capability, optimise the logistic costs of ownership of the submarines, and provide sustainable and cost effective design, engineering and logistics support for platform systems and combat systems ... with industry partners including ASC Pty Limited, Raytheon Australia, Thales and BAE Systems.

You went on to say:

... reform initiatives underway to stabilise the Integrated Master Schedule built on a rationalised 11-year maintenance and operating cycle, supported by the implementation of performance-based in-service support contracts to drive increased industry efficiency and effectiveness.

We have heard this for a very long time. These costs are just running away with this particular force element group and what of the serviceability and capability of the vessels.

We are going to go through each one. I know you do not want to do that, but at some point somebody—and it is going to be the parliament—says, 'What on earth is happening with our premier defence force element group?' *Dechaineux's* performance up there at the five power thing is an absolute national embarrassment, and we will come to that in a minute. The committee has been told this pack of 'yes minister' jargon for more than six years now. You must think we are as green as cabbage water to just see it in the budget again and again. Not one of these vessels is seaworthy or task ready, and you well know that I am correct because we are going to go through each one of them.

Dr Watt: Senator, we are obviously happy to go through this with you. We might disagree on some of the language.

Senator JOHNSTON: Well, I have the facts at my fingertips, so we better be ready for a very interesting morning. The cost of sustainment over that period has gone up 120 per cent. We have gone from six submarines to about half a submarine—

Dr Gumley: Senator, we never had six submarines operational.

Senator JOHNSTON: No, we had the potential for six.

Dr Gumley: No, we never had the potential, because when you look at the maintenance cycle, you could never have had more than four.

Senator JOHNSTON: I appreciate, Dr Gumley, that you always have one, two, three or whatever in maintenance, but they had the potential to come out of maintenance. We are going to talk about the potential for these vessels to actually perform to the purpose for which they were intended.

Senator JOHNSTON: In answer to a question in February of this year you set out—and I will distribute the answer to the chair and other members of the committee; I am sure you know this question—the sustainment schedule through to 2021. In your answer the figure for 2011 is \$366.2 million and the figure for 2012 is \$349 million and we do not get to \$442.9 million until 2021. It has taken three months to blow these numbers that you answered to me in February completely out of the water. We are now at \$443 million, when in this answer \$443 is 2021. I am wondering why I bother to ask questions.

Dr Gumley: Senator, I replied to you about 10 minutes ago that in the last couple of months we have decided one of the ways to improve the availability of the Collins class submarines is to have significantly greater numbers of spare parts and we are committing extra funds to that to ensure that we can improve the availability.

Senator JOHNSTON: Just explain to me how on earth you give me an answer that is so ridiculously wrong as to insult all of our collective intelligence.

Dr Gumley: These were the figures that existed as at February 2011. Since then other decisions have been made.

Senator JOHNSTON: What decisions?

Dr Gumley: To increase the inventory of spare parts, as we have just talked about.

Senator JOHNSTON: So what is next year's figure?

Dr Gumley: I will have to look in the forward estimates. We can have a look at it. It will be the figure as reported in the book.

Senator JOHNSTON: Well, you have told me as of February the figure is \$349.2 million. That is obviously a fantasy.

Dr Gumley: And the number will have changed since February.

Senator JOHNSTON: So these numbers are pretty meaningless given the way policy affects the forward projection of costs; correct?

Dr Gumley: These numbers here are now out of date, yes.

Senator JOHNSTON: In three months?

Dr Gumley: Yes.

Senator JOHNSTON: Give me a figure now—obviously the budget figure is out of date. When was the budget figure written? It would have been around about February. It probably predates this—

Dr Gumley: No. The budget figure comes out on budget night.

Senator JOHNSTON: When did it go into the budget?

Dr Gumley: Probably two, three or four weeks before that, which is the normal budget process.

Senator JOHNSTON: So April?

Dr Gumley: Sometime in April, yes.

Senator JOHNSTON: How long is the life of the accuracy of this figure?

Mr King: Are you talking about the—

Senator JOHNSTON: The \$443 million.

Mr King: I think it is quite accurate against what we have learnt on the submarine project. Senator, if I could just back up a bit about the numbers, and we touched on this yesterday. The Collins program is a parent navy program, and of course in the early years of the construction the submarines are new and do not warrant or do not require the same amount of maintenance as they require when they get into service and as they age.

The other thing that happened during the early 2000 period, which I mentioned yesterday, was there was a de-focussing of ASC's work on the Collins program and I think too much emphasis on the sale process. But in addition to the numbers that were included in the budgetary numbers for Collins during those early years, there was also a number of supplementation packages done internally in defence to boost those numbers, so in fact the money spent in those years was higher than the original money allocated. The problem with all of that expenditure, and I have taken over responsibility for this program for about 18 months, is that it was effectively cost capped, not driven by the required maintenance to keep the boats safe—the first critical issue—capable and available. We have since the sale of ASC has been taken off the table and since the new management is in ASC, and in conjunction with the Chief of Navy, really focused on what the work is that is required to make the boats available. There is a degree of remediation work in that program, particularly as it relates to spares. In the early stages of the new contract there is a building phase where we build our knowledge bank, which we should have, about Collins submarines and then there is a performance phase where we expect to bring the costs of ownership of Collins down.

Senator JOHNSTON: Nothing that I seen in the 20 years since Collins went into the water indicates that there is the faintest possibility that costs of sustainment for this FEG are going to come down. It has never happened.

Mr King: That may well be the observation, but you will not turn the corner on these matters without doing the work that we are proposing to do.

Senator JOHNSTON: All right. What is the life expectancy of the accuracy of the \$443 million?

Mr King: We expect at this stage that around that level to only exist for two years. We then expect that we can drive better efficiency into the sustainment of the Collins and to start to control that. Now I am talking about in today's dollars, of course, not inflated dollars.

Dr Gumley: To do that we are going to need a new contracting structure and we frankly need some additional advice, which I hope this benchmarking study is going to give us. It is clear to me that the system we have now is not working to the satisfaction of anybody and it has to change. The worst thing we could do is not change.

Senator JOHNSTON: Where did these numbers come from?

Dr Gumley: Which numbers are you talking about, these numbers which you have just handed out or?

Senator JOHNSTON: The current 10-year budget allocation for the sustainment of Collins is—

Dr Gumley: They were the numbers that existed when you asked the question in February 2011 and we responded to you.

Senator JOHNSTON: So you are saying that in three months there has been a complete turnaround from the estimations all the way out to 2021, and at the very first next opportunity for you to revisit those numbers you have come up with a figure that is in excess of the 2021 figure?

Mr King: These numbers were the DFMP, the Defence Force Management Plan. They were generated before these were released to you but they were the current approved numbers at the time they were released to you. Work was under way to produce the forward estimates work. It is not that the numbers given to you were generated that day, they were generated some time previously.

Senator JOHNSTON: Have you generated a completely new set of numbers out to 2021?

Mr King: We have certainly generated it out through the forward estimates.

Dr Watt: Senator, it is important to understand what has happened with the estimates. Dr Gumley explained that there was a decision taken to buy some additional Collins spares in 2012 and that is one reason why the 2012 number has come up. But when you look at it, what has happened to these estimates is that in the first three years—2011, 2012 and 2013—we are increasing expenditure but in then the subsequent years we are reducing expenditure. So over the 10 years the estimated cost of Collins has gone up. I would need to get someone to confirm the numbers but it is by a number of tens of millions, but effectively it is up in the first three years and then the numbers are lower in the out years so it is partly the profile shifted forward.

Senator JOHNSTON: Dr Gumley, what is the 2014-15 figure, the last of the out years?

Mr King: The 2014-15 figure in the forward estimates is \$360 million.

Senator JOHNSTON: That is \$360 million for sustainment of Collins?

Dr Watt: It is \$367.7 million.

Senator JOHNSTON: You could not be serious. You are sitting there telling me that that figure has any legitimacy on the facts I have given you?

Mr King: Well, it is certainly on the basis of our estimating, yes, Senator.

Senator JOHNSTON: If I was a gambling man, I would bet the house that that figure is about half of what it is going to end up being, because you have gone through the roof on your numbers already and you are now telling us those figures are going to come down. They have never ever come down before; they have gone up at a rate which is far and beyond any other force element group in the ADF; and you are telling me they are coming down in the out years. I have to tell you the credibility of that statement is as low as I ever heard or witnessed at a Senate hearing, given the facts I have just given you.

I asked you at what point will the government will Defence advise the government that the cost of sustaining this particular FEG no longer represents value for money and you took the question on notice. In answer to it, you said: 'Defence will continue to work to deliver submarine based capability options to government until government directs that there is no longer a requirement to deliver this strategic outcome.' You seriously expect the minister to evaluate this force element group and come down from on high to tell you that it is unsustainable.

Dr Gumley: Value for money has two parts to it: one is what you get and the second is what you pay. The 'what you get' bit is very much a military capability that the country as a whole and the CDF and the Chief of Navy and others will determine if what we are getting is what they need to do the operational missions. That, of course, depends on what the strategic circumstances are externally. What you pay is very much what we have to try to do to achieve the availability that the CN wants.

Senator JOHNSTON: Do you have any figure on annual sustainment in mind where you will go to the minister and say, 'We cannot continue to fund this'?

Dr Gumley: I do not have a figure in mind because I am not aware of the other part of the equation.

Senator Feeney: Do you, Senator?

Senator JOHNSTON: Not my job—advice from the department who have all the figures at their fingertips who know all of the top secret black holes that this FEG has, minister. But if I were the minister sitting in my office listening to this now, I would be very nervous about this force element group having any capacity into the future.

We discussed the DMO's benchmarking review at the February estimates that there was a benchmarking, as was conceded, against US Los Angeles 688 and Swedish Gotland class submarines. Have we got that review and is it available to the committee? Where is Air Vice Marshall Deeble by the way?

Mr King: We are sorry but Air Vice Marshal Deeble has had to go into hospital for an operation.

Dr Gumley: I have just been informed we do not have official approval to release it from other foreign entities.

Senator JOHNSTON: I am sorry, could you repeat that?

Dr Gumley: We do not have approval to release it into the general domain from other foreign governments and entities.

Senator JOHNSTON: But we have done a benchmarking against the Los Angeles 688 and Swedish Gotland class submarine in terms of sustainment?

Mr King: Yes, that is true. What we also reported last time was that the data we could draw from that was inconclusive because of the very different classes of submarine, the very types of operating profiles and the way in which other navies account for their costs.

Dr Gumley: You cannot compare a conventional submarine to a nuclear-powered submarine. They are two different animals.

Senator JOHNSTON: Precisely. Why did we do it?

Mr King: We—like you, Senator—are very conscious of how important this capability is for Australia and the need to ensure that it is delivered in the most cost effective way. So we undertook that study to see if it would provide us some guidance on what we should be using as our benchmarks. It proved not to be the case. We have now embarked on an independent review, benchmarking study, based around a very eminent gentleman from the UK who can have access to data and who has done this type of work before.

Senator JOHNSTON: With this review you found that the full-cycle docking for the Los Angeles was at 56 weeks, correct?

Mr King: I think that was the planned docking. I am not sure—

Senator JOHNSTON: This is the answer you gave me to the question, I think it is W36: 'Our submarines are at 144 weeks.'

Mr King: That is correct.

Senator JOHNSTON: You also said to me that this difference is predominantly driven by maintenance philosophy, industry capacity and industry level loading considerations noting the much larger fleet size. Totally incomparable, aren't they?

Dr Gumley: The US, because they have many more submarines, have been able to set up an infrastructure to deal with them a lot better than we can. We are in a more of a stop-start situation. You could argue that six submarines is too small a fleet to ever be efficient.

Senator JOHNSTON: There are plenty of other submarines we could have compared the dockings with—the Gotland class is one. What was their cycle?

Mr King: I am not certain, Senator. The difficulty we ran into is that these are a strategic asset of every nation. Currently, for example, every submarine design sets out to minimise submarine maintenance. Almost invariably what you find is that the design targets are challenged and the reality of those dockings are longer than anticipated. The Collins class, from my memory, was set out to be a one-year design for a one-year full-cycle docking.

Senator JOHNSTON: Are you aware that Germany has four type 214s and that their maintenance cycle has gone from 18 months to seven months recently?

Mr King: No, I am not aware of that.

Senator JOHNSTON: Are you aware that recently the Malaysian parliament heard that the sustainment costs of their two Scorpenes is A\$16 million a year?

Mr King: No, I am not aware of that.

Dr Gumley: Senator, I would be very dubious about that figure. That does not make any sense at all.

Senator JOHNSTON: Let us talk about maintenance philosophy. What is the DMO's maintenance philosophy with respect to these submarines—as new or on condition?

Dr Gumley: We are moving from an as-new to an on-condition approach to it.

Senator JOHNSTON: Can you just explain the difference between the two, if you would, please.

Dr Gumley: 'As new' is you restore the submarine to its virtually new state every time that you undertake a maintenance period. 'On condition' means that you assess each item in turn to make sure it can do the job safely, with quality and so on.

Senator JOHNSTON: The on-condition philosophy requires a complete and thorough understanding of the design of the submarine, does it not?

Dr Gumley: Yes.

Mr King: And the componentry.

Senator JOHNSTON: And the componentry and the various subsystems in it. Do we have that?

Dr Gumley: We have gradually been gaining it. We have enough intellectual property from—

Senator JOHNSTON: That is the answer that really worries me: 'We have gradually been gaining it.' We are 20 years down the track and you are telling me that we do not have a full and detailed understanding of this particular scientific artefact.

Mr King: It is an engineering artefact.

Senator JOHNSTON: Yes.

Dr Gumley: And there are some parts of it where we do not have full knowledge. For example, we are still trying to do a study on what happened to the motor in *Dechaineux*, what is the cause of the problem—

Senator JOHNSTON: Obviously we are going to come to that.

Dr Gumley: And we have to go to root cause analysis for that. We don't have the knowledge of that at this stage.

Senator JOHNSTON: We are going to go to that. In one of the answers to my questions you said that you could not compare the maintenance periods for type 209, 212, 214, A26 and S80s with Collins because they have a more benign operating environment and shorter mission durations. Correct?

Mr King: Yes.

Senator JOHNSTON: Korea has deployed their 209s to RIMPAC on a regular basis. Indeed one has visited HMAS *Stirling*. The Germans have deployed their 212s to Lebanon, and so it goes on. They have all been all over the world. Our submarines very rarely leave the wharf these days. Why are we not benchmarking in great detail against the performance of these conventionally-powered submarines that are comparable to ours? Why haven't we done that?

Mr King: Senator, we have covered this before, but I will say it again. You would not be surprised that nations operating these strategic assets do not disclose fully and openly all the matters that surround the maintenance, availability and operational capabilities of their submarines. It is just not done.

Senator JOHNSTON: We have given each of these manufacturers \$300,000.

Mr King: Which manufacturers?

Senator JOHNSTON: In SEA1000 for a report. Did we not ask for the maintenance cycles?

Mr King: Most of the material that nations release about their submarine operations is based on the design goals or the advertised operational cycles that they have. The detailed

analysis of the problems that they may or may not face and the detailed costs that they may or may not incur just are not released.

Senator JOHNSTON: And yet you got the information on a Gotland class submarine?

Mr King: We did get some information on it.

Senator JOHNSTON: When will you tell us what that information said about maintenance cycles?

Mr King: Once again it proved inconclusive but, as the CEO said, we have not got authority to release that information.

Senator JOHNSTON: From?

Mr King: It would be from Sweden.

Senator JOHNSTON: Let us go on to the current state of these submarines. According to AusTender, on 31 March Defence issued a contract for \$495,000 to PricewaterhouseCoopers to conduct consulting services in support of a study into submarine capability improvement. I believe that report was delivered last week and that a presentation was made on Thursday.

Mr King: I would have to ask the Commodore to respond to that.

Senator JOHNSTON: Commodore, Price Waterhouse provided a submarine capability improvement study, you received the document last week and there was a presentation on Thursday. Are we to see the document, even in a redacted form?

Cdre Ogrizek: I am not aware of this report at this current time, Sir. I became aware that we have commissioned a report. I have not as yet seen the report. But as soon as we have reviewed the report, I would be happy to make it available.

Senator JOHNSTON: Very good. Who in Price Waterhouse knows about submarines?

Dr Gumley: Senator, I am not aware of this report either. If you would allow me to get some of my people to make some phone calls, we might be able to answer your questions.

Senator JOHNSTON: Okay, we will come back to it.

Let us go to Deep Blue Tech. On questions on notice you have indicated that you are not aware of the costs of running Deep Blue Tech, which is a daughter company of ASC, on the grounds that it is owned and operated by Finance. Deep Blue Tech has a firewall set up between themselves and ASC such that they do not have access to Kockums' intellectual property. Do you understand that?

Dr Gumley: Yes, but they still have people rotating between the Collins area and the Deep Blue Tech area, and that could be a source of IP leakage. That has always been a concern to us.

Senator JOHNSTON: So they have been discounted as providing any assistance to you in this problem?

Dr Gumley: No, they have not been discounted. But there are very strict IP regulations about using any Collins IP for a new submarine, so there is an issue there that has to be resolved.

Senator JOHNSTON: And how are you going to resolve it?

Dr Gumley: By talking with the Swedish government and Kockums, and also HDW, the German company who now owns Kockums. It is a complex ownership where we have to work through the intellectual property.

Senator JOHNSTON: So the Australian Submarine Corporation has an IP problem in dealing with and talking to us about our own submarines?

Dr Gumley: No, they have no problem about Collins. The issue is if they try to extend Collins technology into any design for a new submarine.

Senator JOHNSTON: If we were to do a son of Collins or a Collins derivative, we are bound by intellectual property issues going back to Sweden and Germany?

Dr Gumley: We certainly have to have discussions with them. There will be some question as to how much we are bound, how much property is generic and how much belongs solely to the Collins and so on.

Senator JOHNSTON: We only have one design authority in Australia and that is the Australian Submarine Corporation?

Dr Gumley: Yes.

Senator JOHNSTON: We have nowhere else to go?

Dr Gumley: No.

Senator JOHNSTON: We are in a very healthy state. Let us talk about HMAS *Farncomb*. What is the state of that submarine?

Cdre Ogrizek: HMAS *Farncomb* is currently at Henderson in dry dock undertaking an emergency propulsion unit replacement.

Senator JOHNSTON: Is it not the case that ASC pressurised the hydraulic systems, which damaged that EPU?

Cdre Ogrizek: A blank was left on the return line and the system was pressurised thereby damaging the system.

Senator JOHNSTON: Who is paying for this?

Cdre Ogrizek: A warranty claim will be forwarded to ASC.

Senator JOHNSTON: To the value of?

Cdre Ogrizek: The value of the cost of the repairs.

Senator JOHNSTON: Have a guess; what is it going to be? How many millions?

Senator FAULKNER: I do not think you should guess.

Dr Watt: We will take it on notice. We should not be guessing.

Senator JOHNSTON: Do we know?

Dr Gumley: I do have a list of estimated values, but it is a commercial arrangement that we are pursuing with ASC over those issues.

Senator JOHNSTON: How long will it take to repair this boat?

Cdre Ogrizek: We are expecting the submarine to be available to undock on or about 22 June 2011.

Senator JOHNSTON: It will be out of action for four weeks?

Cdre Ogrizek: That is correct.

Dr Gumley: In the interests of disclosure, it is about \$2 million but it is a commercial matter exactly how much it is. There is still some work to be done.

Senator JOHNSTON: Just explain what happened to cause the damage so we can all have a clear understanding how this happened.

Cdre Ogrizek: The EPU was replaced in dock. The submarine was alongside HMAS *Stirling*.

Senator JOHNSTON: Is 'EPU' the emergency propulsion unit?

Cdre Ogrizek: That is correct; 'EPU' is the emergency propulsion unit. It was being set to work alongside HMAS *Stirling*. A return line was blanked and the system was pressurised thereby resulting in the failure of a component within the hydraulic system.

Senator JOHNSTON: Explain how it was pressurised and what happened.

Cdre Ogrizek: It was pressurised using the system hydraulic pump.

Senator JOHNSTON: The hydraulic pressure built up so much that lines were blown and damage was caused?

Cdre Ogrizek: No lines were blown. A cap on a motor lifted and stressed the bolts.

Senator JOHNSTON: *Dechaineux* recently attended the Five Power exercises in Singapore. Tell us what happened with *Dechaineux*.

Vice Adm. Crane: *Dechaineux* has recently returned from a very successful three-month deployment. A part of that deployment included participation in the Five Power Defence Agreement exercise out of Singapore. As you know, that did not occur. The submarine had a number of defects at the time. It was some way through a very significant deployment and, as a result of those defects, it was unable to sail for that exercise. Those defects ranged from defects on freon units to defects on the emergency propulsion unit and on the motor.

Senator JOHNSTON: On the Jeumont Schneider motor. The emergency propulsion unit is not material. I understand we have deployed *Rankin* to New Zealand without an emergency propulsion unit fitted. An emergency propulsion unit is not fatal to the vessel attending or performing some functions, but the motor is fatal. How long have we known about the motor in this boat being a problem?

Vice Adm. Crane: The defect arose as a result of activity during a previous deployment. We had no previous knowledge of that.

Senator JOHNSTON: And what is the defect?

Vice Adm. Crane: As you might imagine, our submarine capability is a strategic capability and one that we guard very closely. The performance of our submarines and their covert capability is something that we need to guard. Whilst I am happy to inform the committee in this forum of a defect on the motor, if you want particular details of the defect then I would prefer to provide that in camera.

Senator JOHNSTON: How did it get back to Australia and where in Australia has it come back to?

Vice Adm. Crane: The defect was repaired and the submarine sailed. It came back to HMAS *Stirling* yesterday.

Senator JOHNSTON: And did we have to fly some parts to Singapore?

Vice Adm. Crane: I suspect we did.

Senator JOHNSTON: And some personnel?

Vice Adm. Crane: I suspect so, yes.

Senator JOHNSTON: These motors are notorious in this boat as being a problem.

Vice Adm. Crane: The defect that occurred—and the commodore may correct me if I am wrong—was a new defect. It was not something that we had seen before or in any of the other submarines.

Senator JOHNSTON: How long will this boat be out of action?

Vice Adm. Crane: The submarine is available at the moment; it is not out of action.

Senator JOHNSTON: I note we did not attend the RIMPAC last year with a submarine for the first time in 10 RIMPACs; that is correct, isn't it?

Vice Adm. Crane: I would have to check that 10 RIMPACs, but it is certainly for some time.

Senator JOHNSTON: *Waller* has significant main motor issues; is that correct?

Vice Adm. Crane: *Waller* is available for sea. In terms of any further detail, I would prefer to provide that in camera.

Senator JOHNSTON: *Sheean* and *Rankin* are both at the ASC on long-cycle maintenance.

Vice Adm. Crane: That is correct.

Senator JOHNSTON: And does *Collins* have a restriction on her diving capacity?

Senator Feeney: As I understand it, there has been something of a custom of us talking about the availability of submarines in previous periods, but I think going through the fleet boat by boat in the manner you are doing and looking at current availability is a new step. I am mindful of the fact that this is a covert capability. Chair, perhaps we should proceed in camera.

Senator JOHNSTON: There is no a capability at all. That is the problem.

CHAIR: You have raised an issue relating to capability and by definition national security. Are you requesting me to rule on whether this matter should go into camera or continue in public? I am advised by the secretary that we cannot go into camera in estimates.

Dr Watt: We have offered private briefings before on these subjects. That is what I think the parliamentary secretary has in mind.

Senator Feeney: Given that apparent fact, I plead with Senator Johnston that, in the context of a private briefing being available to him, he is mindful that we keep this as general as practicable.

Senator JOHNSTON: We have just been through them all. Blind Freddy knows what is going on here. I do not think there is any issue of national security. I am sitting up here and I know all about it. Everybody knows about it. We are even writing fiction about it. Have you read the *Navy News* lately?

Senator Feeney: Senator Johnston, I was not seeking to engage with you in a rhetorical or partisan exchange. I am really just making the point that questions that go to particular defects, the performance of particular components—

Senator JOHNSTON: I am concerned that there is no capability to speak of. What do I do? Do I just sit on my hands and pretend that there is?

Senator Feeney: A private briefing has been offered.

Senator JOHNSTON: I know what the private briefing is going to say. The public need to understand that we have a massive capability gap as of today. There is a lot of silence coming from that table.

Senator Feeney: I do not think that was a question. This is Senate estimates—

Senator JOHNSTON: Haggle with me. Tell me I am wrong. Please; I am begging you.

Senator Feeney: I am happy to debate with you our submarine capability in the appropriate forum, but mercifully this is not the one.

Senator JOHNSTON: No-one has taken issue with the fact that I have just said we have a capability gap with respect to our submarine force element group.

Vice Adm. Crane: I was anticipating a question. As you are aware, we aim with our submarine capability to have four of the six submarines available to us available in Western Australia. Of those four submarines that are available, at any one particular time we expect that two or three would be available for operations. I have four submarines in the west at the moment. I have two submarines that have recently returned from being at sea. *Waller* was at sea last week conducting exercise Black Carillon and got back alongside I think on Friday. *Dechaineux* has recently returned from a three-month deployment. The other two submarines are HMAS *Collins*, which is due to come out of an extension docking later this month, and *Farncomb*, which, as you have just heard, is undergoing emergency docking and is again due to come out later this month. When they come out HMAS *Waller* is due to go back into a maintenance period, so there will be a rotation. It is that rotation of between two and three submarines available in the west that we are looking to achieve.

Senator JOHNSTON: Have we informed the minister as to the current state of this force element group?

Vice Adm. Crane: The minister is informed regularly on the current state of the submarine group.

Senator JOHNSTON: In terms of manpower, you have indicated in the media and elsewhere that you are seeking to have four crews available by the end of 2012; is that correct?

Vice Adm. Crane: Four crews available by the end of 2011.

Senator JOHNSTON: The Submarine Workforce Sustainability Review's recommendation was to increase submarine crews from 46 to 58. I am told that this has occurred.

Vice Adm. Crane: That is correct.

Senator JOHNSTON: And it is working well.

Vice Adm. Crane: The feedback I get from the submarine community is that it is working very well.

Senator JOHNSTON: The crews that have been set out in the media are crews of 58.

Vice Adm. Crane: Yes, 58 plus a submarine support group.

Senator JOHNSTON: Is there not some intent to scale that 58 back?

Vice Adm. Crane: It is certainly not my intent.

Senator JOHNSTON: So when we are sitting here this time next year we should have four crews of 58 available.

Vice Adm. Crane: That will depend on who is in the chair. That is certainly—

Senator JOHNSTON: In the same report it was indicated that a study would be commissioned into a Sydney based submarine crew. Where is that going?

Vice Adm. Crane: That study is yet to begin. We are looking at how we might be able to align that study with the SEA1000 work that needs to happen. We are certainly interested in how we might be able to access a crew from the east coast for the Collins class submarine, but we have not progressed that at this stage. I might add that at this stage I am confident that by the end of this year we will be able to form the fourth crew. In the last 12 months in the submarine community we have been able to train more submariners than we have ever been able to do in the past and that community is growing very strongly. We have still got work to do and, whilst that is a broad statement, we do have some isolated areas where there are continuing shortages, but in the broad it is going very well.

Senator JOHNSTON: Four crews of 58?

Vice Adm. Crane: Four crews of 58, yes.

Senator JOHNSTON: I want to turn to equipment for these submarines. I have asked questions on notice relating to equipment capabilities procured but not installed in this force element group. I was advised in answer to my questions that the only equipment that has been procured and not installed is AN/BYG-1 combat system hardware sets procured for *Sheehan* and *Rankin*, as procured in 2007. Are you familiar with that?

Dr Gumley: Yes, and they will go into the boats, I understand, during their full-cycle dockings, which is the obvious time to do it.

Senator JOHNSTON: Are you aware of the question on notice with respect to the redundancy of combat systems being renewed every year as a part of TechFresh?

Dr Gumley: I will have to get that document.

Senator JOHNSTON: We acquired that system in 2007 for \$2.8 million and we are going to put it in *Sheehan* and *Rankin* but it is already redundant, according to our own policy.

Dr Gumley: I cannot help you on that one. I do not have the information here.

Senator JOHNSTON: Do you want to take that on notice?

Dr Gumley: Yes, please.

Mr King: Is your question, Senator, 'obsolete' rather than 'redundant'?

Senator JOHNSTON: 'Obsolete', sorry. Thank you for the correction. So we purchased in 2007 two AN/BYG-1 combat systems for *Rankin* and *Sheehan*. Under TechFresh hardware is replaced every four years, and we are putting it into those two boats. With respect to the SEA1439 phase 5B.1 masts that have been procured, did we procure a class-wide fit and, if so, at what cost? Has it been installed? I am told the installation costs are significant and were not budgeted for.

Mr King: We will have to get back to you with an answer on that.

Senator JOHNSTON: I am told these are very expensive masts.

Mr King: No doubt.

Senator JOHNSTON: I want to know how many have been installed and, if none have been installed, why not. Four underwater telephones have been purchased but not installed. This was significant expenditure. Can you tell me why they have not been installed? It is TEUM4.

Mr King: No, Senator. Once again I will have to get back to you with an answer on that.

Senator JOHNSTON: What is the installation cost and when will they be installed? I asked on notice what purchases have occurred and what has not been installed and I did not get an answer that dealt with those two items. What else has been purchased and not installed?

Dr Watt: Acknowledging that sometimes we buy spare parts not to install them—

Senator JOHNSTON: Yes. We will come to spare parts. I turn to SEA 1439 phase 5B.2. It was phase 5B.1 previously. External communications were dealt with by the *ASPI Defence budget brief 2011-2012*. We have signed on, I think, to an EHF system with these masts. At what cost?

Air Marshal Harvey: Phase 5B.2 of the Collins Communications and Electronic Warfare Improvement Program is through first pass approval and it is looking for a decision in fiscal years 2011-12 to 2013-14, so it is still in the market solicitation phase.

Senator JOHNSTON: Who else is in that program?

Air Marshal Harvey: I do not have a list of the companies involved, but we can answer that question for you.

Senator JOHNSTON: I am told that we have changed tack and have gone from an EHF system preference to a SHF solution; is that correct? Do you know anything about that?

Air Marshal Harvey: I do not have any information on that. I know it is in the market solicitation phase and, as I said, it is post first pass where options have been identified. That is what we do between first and second pass—we define the options.

Senator JOHNSTON: The problem is that two submarines have already been fitted with this mast for the EHF system and we are going somewhere else now, so I am told. Does anybody know anything about this?

Mr King: I know something about it. That is touching on a very sensitive issue. There is a change in direction but I think the explanation for that would be much better handled in a private briefing.

Senator JOHNSTON: Okay. How much?

Mr King: I cannot say. I will get that answer.

Senator JOHNSTON: Take that on notice.

Mr King: I will.

Senator JOHNSTON: I would like to know how much we have lost in the change, what we paid, what we are sacrificing—

Mr King: My understanding is that we will not have lost it. We operated it, so we have had utility. I will certainly get numbers for you.

Senator JOHNSTON: Let us go to the combat system. I have asked you a series of questions in relation to the combat system pursuant to the Armaments Cooperation Program. Are you familiar with that program?

Mr King: Yes, I am.

Senator JOHNSTON: On SEA1439 phase 4 we have spent \$427 million to date. That includes the installation of the AN/BYG-1 combat command and control system and some sonars by Thales and Sonartech Atlas. You have told me that we are paying, on average, \$21 million per annum to be a program participant, there has been an additional \$168 million since 2004 and we have spent about \$5 million more on running the joint program office, associated overseas travel costs et cetera. The total project has cost \$600 million so far. Do you accept that number?

Mr King: It is in that order.

Senator JOHNSTON: You are aware we discussed this at the last estimates. The AN/BYG-1 was selected in preference to the Atlas ISUS 90 combat system on the recommendation, I think, of the then Chief of Navy. The US combat system was put in. Have we not got unique requirements in our submarine that are separate to the US requirements for such a system?

Mr King: Yes, we do.

Senator JOHNSTON: Now at \$600 million to this point to be in that program, what opportunities have there been for Australian industry participants?

Mr King: The whole program is structured around opportunity for Australian industry participants. In addition to which we incorporated some Australian technology directly into that combat system without going through the Armaments Cooperation Program.

Senator JOHNSTON: Which one?

Mr King: Sonartech systems I believe. So we have incorporated Australian technology in the overall combat system solution. I believe we have installed that at what is called the FECC, the front-end condition cabinet, element of the sonar. Australian industry is able to participate in the ACP, as does DSTO. I think we have had 10 candidate starters in the program.

Senator JOHNSTON: One DSTO application has made it through step 3 of the four-step advanced process build program?

Mr King: That is correct.

Senator JOHNSTON: No Australian firms have made it through?

Mr King: That is correct.

Senator JOHNSTON: The rules for the APB program mean that all of the intellectual property of Australian participants has to be put on the table.

Mr King: If they get to a certain stage, that is correct.

Senator JOHNSTON: And none of the American providers have to put any intellectual property on the table.

Mr King: I am not sure that is entirely true.

Senator JOHNSTON: If you read the rules of it—and I can pull them out if you want to see them—you will see that that is the case. These codes are all secret.

Mr King: They are certainly very restricted access, yes.

Senator JOHNSTON: What Australian software manufacturer is ever going to participate in a program where they give up their intellectual property?

Mr King: It can be done with protection for that intellectual property. Let me just put this in context. We are participating in a program where seven USN submarine types also participate. That is the scale of this. We are actually benefitting by being a co-participant in the central US combat system submarine programs of which, of course, the best of breed solutions are looked for, as you would imagine, for the whole US Navy to be dependent on. If in this Armaments Cooperation Program an Australian solution is selected, it will be indeed critical that the US Navy gets access to that IP for which its whole submarine fleet has become dependent. That does not mean that that IP is given away or given to others; it means that the IP would need to be available to the US Navy to protect its national strategic interest. So both situations can be accommodated. The fact is at this point no Australian company has got to that stage.

Senator JOHNSTON: There are two companies that I am aware of that are highly respected in this area, both of which are very reluctant to participate in the program for fear of having their IP ripped off.

Mr King: Let me give you another example. That is all very well, and I have been in that position as an SME and as a member of a multinational providing IP into America. Let me give you another example. Austal, the shipbuilding company, has found a way to win huge American contracts by managing its IP and still getting all the business. SMEs can have that attitude if they like, but they are playing in the real world and the real world is: if you want to put IP into the heartland of America's strategic submarine fleet, you will have to deal with that IP issue. That is a fact.

Senator JOHNSTON: But they do not want to put anything into the American field—this is the point I am making—they want to put it into Australian Collins class submarines or other submarines in Australia.

Mr King: I was the architect of the Collins replacement combat system from industry. I was in Raytheon and that was my lead job. One of the first things we did was to introduce Sonartech technology to the combat system solution, and it is in there.

Senator JOHNSTON: There is no Australian software in the AN/BYG-1 system.

Mr King: There is no Australian software in that, but there are Australian solutions in the overall combat solution.

Senator JOHNSTON: Were they acquired through this program?

Mr King: It was part of the Collins replacement program.

Senator JOHNSTON: Yes, but they were not acquired through the—

Mr King: No. There are two ways that you can put technology in the submarine.

Senator JOHNSTON: The APB program.

Mr King: No, they were not. But that does not restrict us in the sense of adding Australian technology to the overall combat system where it is in our specific interest to do so. As the combat system program matures over time, it becomes more and more open architecture. That evolution will provide more and more opportunity for Australia to put its own unique solutions in place if it so chooses. But those solutions have to be meaningful and of value.

Senator JOHNSTON: At \$600 million we have the combat system on three submarines.

Mr King: We have it available to go in all six.

Senator JOHNSTON: But we have it on three submarines.

Mr King: Two have been done in FCD.

Senator JOHNSTON: The US Navy has recently indicated that it is not satisfied with the performance of this system.

Mr King: That is true. You brought that to our attention at the last hearing.

Senator JOHNSTON: I brought that to your attention. We are a second-class partner in this program.

Mr King: No, we are not a second-class partner. It is just not reasonable to say we are a second-class partner. The US Navy has been a totally supportive partner of Australia in assisting us in improving the Collins class submarine and its capability. Given that we represent six submarines out of their total fleet of seven submarine classes, I think we are a very respected and very active participant in their programs.

Senator JOHNSTON: But the problem is they are not happy with the system and we are paying one hell of a lot of money to be part of it.

Mr King: The operational test and evaluation program report that was published indicated certain shortcomings that had been determined by that group at that point in time. As one would anticipate a leading-edge nation to be—a dominant world military power—they look to have the absolute best in all capacity.

Senator JOHNSTON: Do we have the full classified version of that report?

Mr King: No, we do not because there are certain capability aspects of that full evaluation that we are not party to.

Senator JOHNSTON: You see, this is the problem I have with this. We are paying a lot of money and I say we are a second-class partner in this.

Mr King: No, Senator; there are certain capabilities that we as a nation do not aspire to have and that have not been released to us. We do not have them, so they are not relevant to us. They are capabilities that we as a nation just do not employ. We, of course, did our own separate evaluation of the capability and it was found to be satisfactory.

Senator JOHNSTON: Okay. Let's go to sonar—ARCI. What is the status of sole source with respect to that?

Mr King: There is no status of sole source—are you talking about phase 6?

Senator JOHNSTON: Phase 6. Are we still determined to get into that?

Mr King: I do not think we ever said we were determined.

Senator JOHNSTON: Good.

Mr King: I think what we spoke about at the last meeting was that that is a matter still being evaluated inside Defence. Our proposals are yet to go to the minister.

Senator JOHNSTON: What is the time frame?

Air Marshal Harvey: The project is still pre first pass. First-pass approval is planned in the fiscal year 2011-12, with a year of decision between 2011-12 and 2013-14.

Senator JOHNSTON: Let us just pause to deal with what we are confronting here. What is the band of cost of that system across the six boats?

Air Marshal Harvey: Acquisition cost of the project is between \$500 million and \$1 billion.

Senator JOHNSTON: Between \$500 million and \$1 billion. We are getting into a very similar situation as we were with within respect to the combat system. We will require to adapt ARCI to our boats, will we not?

Air Marshal Harvey: In this case the aim would not be to adapt the processor but we may need the software to be changed to adapt to our different arrays.

Senator JOHNSTON: We have a cylindrical array. The US uses a spherical array. Correct?

Air Marshal Harvey: Arrays are being considered as part of the project, as well. So it is a matter still with some way to go.

Senator JOHNSTON: It is a significant difference, is it not?

Air Marshal Harvey: Not necessarily in the processing itself, but how they are treated.

Senator JOHNSTON: The US have vastly more hydrophones on their boats. Correct?

Air Marshal Harvey: Correct.

Senator JOHNSTON: They have different spacings—completely different geometries, as you would expect with a boat that is twice the size of ours.

Air Marshal Harvey: I might defer to Admiral Moffitt.

Mr King: I can take some of that technical issue on. Yes, it is absolutely a fact that the sonars on American boats are different. And to choose the American system will require us to adapt the signalling processing to our sonar arrays, which are a unique combination.

Senator JOHNSTON: This would be a developmental program.

Mr King: In that sense, yes. Can I just go over combat system integration sonar processing and the array interface. The arrays on Collins have an analogue signal. They go through converters known as front-end conditioners and they are turned into a digital signal. The digital signal is then processed by some software—digital signal-processing software. That could be an American derived solution that is ARCI based or another solution—a European solution. Then you have to interface the output of that signal-processing into the combat system. So, somewhere along this chain you have to interface—

Senator JOHNSTON: Integrate.

Mr King: You have to integrate an American system with another part from the arrays, from the digital conversion of those arrays or from the digital signal-processing. Somewhere in this program there will be an integration effort.

Senator JOHNSTON: But we are looking into a system that is a developmental system for \$1 billion that, at some point, you intended to go sole source.

Mr King: I do not believe I ever made that statement.

Senator JOHNSTON: So we have always intended to have a contest.

Mr King: I think what we said was that the matter was still under consideration. And it remains exactly that. These are complex issues that will require a lot of decision-making and a lot of data. You keep making the statement that we are locked in to the American system. We are there voluntarily. We are there because, in my view, of all the nations on earth the US reliably invest in their submarine systems and keep them regularly state of the art. I think we are a very lucky nation, given how sensitive that technology is to the US, that we are allowed to participate in such an advanced and sophisticated program, and we get their assistance. It is a great thing for Australia.

Dr Watt: Could I just pick up on one further point? I thought I heard Air Marshal Harvey say that the band was \$500 million to \$1 billion—not locked into \$1 billion.

Senator JOHNSTON: With respect, I can look at at least 10 years of history. We have had the argument just now that \$443 million had a life of accuracy of three months. You can tack 40 per cent onto every number in Defence.

Dr Watt: With respect, Senator, the band is \$500 million to \$1 billion. By the way—

Senator JOHNSTON: If we get away with \$1 billion we will all be celebrating.

Dr Watt: If you look at that 10-year profile of funding for Collins sustainment—and, as I said to you, there has been a change in profile—the net effect over 10 years is relatively small. I think it is in the order of \$45 million, but Mr Prior can confirm it if you want him to.

Senator JOHNSTON: The reason I raised this subject was precisely to elicit the response you have given. We were never locked into sole source and we have not said we are going to have a competition, but I am hopeful the minister—or whoever makes the final decision—is watching what we are talking about here.

Mr King: When we balance all these issues, there will obviously be a range of quite complex issues: cost and reliability of supply. The unfortunate place you find yourself pre first pass is any number of suppliers and any number of nations offer you all sorts of promises about what they will deliver. But do you know what? I find myself here answering your questions, as a project of concern, four or five years later. That very same supplier has come to you telling you what a perfectly valid offer they have, but we find three years later that they cannot deliver at the price, at the capability or at the time they said. We do have to look at these issues quite seriously.

The one thing we are finding in the wake of the global financial crisis is that the American investment in military technology is very reliable and we are able to lock into that program. I say, on many occasions, that it is in our interest to do so, but I also stress that that discussion

has not been gone through in any complete or final way whatsoever inside the department and we have not formulated the advice that we would give the minister on this issue.

Senator JOHNSTON: I thank you for that and I agree with everything you say. The systems we are seeking to compare with are not the same as ours. The reason I raise all this is operation and sustainment for this FEG is running at more than \$800 million a year.

Mr King: I am not sure how you derive that figure.

Senator JOHNSTON: The figure comes from the operational costs of these vessels—putting them in, pulling them out—the sustainment costs, the upgrading and all the things you are doing.

Mr King: I agree with the sustainment costs for next year.

Senator JOHNSTON: At \$443 million?

Mr King: I also made the point that it is not a three-month old piece of data that changed. I said and I will say again that we changed it in three months but it was a change from an older piece of information. The second point, which I also made earlier, was that during the period of 2000 a lot of supplementary funding that went into different activities for Collins did not show in the core funding, so it has gone up. It is a matter of great attention to us to keep those costs under control and to put in place real and tangible programs that keep those costs under control.

Vice Adm. Crane: By way of clarification of that particular figure, in response to a Senate question on notice on 29 September last year where you had asked about costs we gave you some information. The response we gave you was that in financial year 2009-10 submarine sustainment expenditure was \$325 million and in financial year 2009-10 the total direct submarine capability costs were \$363 million. The second figure is inclusive of the first figure. I suspect that those two are being totalled, which is not a correct assumption.

Senator JOHNSTON: The total cost of operation and sustainment for this coming year is how much?

Vice Adm. Crane: For 2009-10—and I am going on the information that we gave you—it was \$363 million. Of that, \$325 million was sustainment. The additional is direct submarine capability.

Senator JOHNSTON: Is it \$443 million this year?

Vice Adm. Crane: It is \$443 million this year.

Senator JOHNSTON: It is \$90 million more.

Vice Adm. Crane: That is in the sustainment bucket, yes.

Proceedings suspended from 10:29 to 10:47

CHAIR: We are continuing examination of Defence budget estimates. Senator Johnston has the call.

Senator JOHNSTON: Before I go on to sonar spares, can I come back to an answer that was given by Admiral Crane. You said when you answered question 103 that the submarine financial year 2009-2010 expenditure was \$325 million and (d) financial year total direct costs for the submarine capability was \$363 million which includes the \$325 million.

Vice Adm. Crane: That is correct, yes.

Senator JOHNSTON: So the difference between the two is?

Senator Feeney: Cost of operations.

Vice Adm. Crane: That is the operational cost of the submarines which goes to fuel, rations, port costs, accommodation—

Senator JOHNSTON: Wages?

Vice Adm. Crane: Yes. I will just double-check that.

Senator JOHNSTON: I think you should. The \$800 million that I am talking about comprises the projects that we have got that are being put into the submarine, run and operated by DMO—the sustainment cost plus operations. I do not think that figure in (d) is correct—I think it is over and above, myself, but that is entirely for you to check and take on notice.

Vice Adm. Crane: I will.

Senator JOHNSTON: Now, where were we?

Vice Adm. Crane: Senator, if I may, in response to an earlier question this morning, you asked about the capability improvement project, and asked of the DMO what they knew about that. That contract is, in fact, a Navy contract. The one I believe you are referring to is the submarine capability improvement project done as part of Navy strategic reform into submarine smart sustainment. It is led out of Navy headquarters, conducted by PriceWaterhouse. The study is not due to complete before the end of next year—it is a long-term program and study—and obviously, out of that, we will make some decisions and recommendations on the way ahead.

Senator JOHNSTON: Nothing received last week?

Vice Adm. Crane: Not that I am aware of, there may have been a part report, certainly nothing delivered to me.

Senator JOHNSTON: Could you have a look at that part report and a presentation on Thursday of last week?

Vice Adm. Crane: Okay. It may well have been done, but it has not been exposed to me.

Senator JOHNSTON: Let us talk about sonar obsolescence. We have the report.

Mr King: I am not certain. I will have to find out.

Senator JOHNSTON: What do you mean you are not certain?

Mr King: I am not certain of the content of the report.

Senator JOHNSTON: I am not asking you about the content, but we have the report. We have received the report—

Mr King: I believe so.

Senator JOHNSTON: and it deals with the state of sonars on our Collins class submarines. What is the state of our spare parts with respect to that particular aspect of our Submarine Force Element Group?

Mr King: I will need a specialist to answer that. We are getting another member of the team over in Air Vice Marshal Deeble's absence.

Senator JOHNSTON: Let us go through the situation, as I understand it, as discreetly as we can. There is a shortfall in the inventory for spares for this particular FEG relevant to sonar, which is very difficult to remediate given OEMs et cetera are not around to provide the necessary hardware and remanufactured product.

Mr King: It is no doubt a challenge.

Senator JOHNSTON: So we accept that. How has it come to this?

Mr King: The obvious is that the project was started in 1986. Sonar was selected at that time. The sonar was built around technologies that existed at that time and, like many other of our assets, the electronic elements of a lot of our platforms age quicker than the platforms themselves.

Senator JOHNSTON: Are you aware of the sonar project in the DCP in 2004?

Mr King: In 2004? No.

Senator JOHNSTON: Is anybody aware of it?

Mr King: A project that was in 2004 or—

Senator JOHNSTON: It was in 2004. The replacement sonar project.

Mr King: That was around the time when, from memory, the replacement combat system decision was made. At that time there was, I think, a plan from Defence to possibly upgrade the combat system and the sonar but the upgrade was restricted to the combat system.

Senator JOHNSTON: So now we are in a situation where we cannot provide remediation for the sonars because we have run out of spares or lost them or something.

Mr King: I will need to check the accuracy of that statement. We do have Thales under contract in sustainment of the sonars.

Senator JOHNSTON: Yes, but these sonars are particular to this particular boat.

Mr King: Indeed, they are. As I said, we have a sustainment contract in place with Thales, the OEM of that sonar, to support them.

Dr Gumley: There was an obsolescence study started last year on it. I have had a top-level report on what needs to be done, whether we need to purchase some life-of-type spares and so on. Commodore, do you have some more information on that?

Cdre Ogrizek: We have conducted an obsolescence study into the Scylla sonar on the Collins class submarine. We received the report earlier this year. We have reviewed the report. We have now put a lot of spares back into Thales in an attempt to remediate some of the solutions. The OEM has also provided a feasibility study into remediating some of the obsolete components from that report.

Senator JOHNSTON: Have we got a cost?

Cdre Ogrizek: Yes.

Senator JOHNSTON: What is it?

Cdre Ogrizek: It is in the order of \$17 million.

Senator JOHNSTON: Seventeen million dollars for spare parts that have been misplaced or lost?

Dr Gumley: No, I do not think there is any evidence of that, Senator, that I am aware of. There are spare parts for where other parts have got old or failed in service; clearly you have to have spare parts to cover those situations. You have evidence that parts were stolen, do you?

Senator JOHNSTON: I have evidence that various processing cabinets, particularly with respect to *Rankin*, did not contain the material that they should have.

Dr Gumley: I am unaware of that. We will have to check that.

Senator JOHNSTON: It is clear that *Rankin* is being used to provide spares for the four other—

Dr Gumley: That is entirely possible and plausible. It does not mean that the parts have been stolen.

Senator JOHNSTON: I am not suggesting they have been stolen. They are missing. They have been put somewhere.

Mr King: I do not think they are missing, either. They may be unserviceable and they may not have been repaired, and that is part of the plan that we are looking at.

Senator JOHNSTON: To the tune of \$17 million?

Mr King: That might be correct. And, as I highlighted when I made my opening remarks, there were a number of years throughout the early 2000s into the latter part of the 2000s where, it is my belief, with the benefit of hindsight, we underinvested in Collins. The reason for that is that we were running Collins against a cost-cap budget and doing the maintenance that we could afford instead of looking at the maintenance that was necessary to keep them at the right level of preparedness. That is what is causing the cost increases. The second part of that, that Dr Gumley referred to, is: despite that, we still want that done in the most efficient way possible.

Dr Gumley: Let me take that a little further. There is no doubt that, since the early years of the previous decade, there was an underinvestment in maintenance. It has accumulated. We used spare parts off the shelf. We did not always buy enough. There were maintenance backlogs forming. The FCDs got longer and longer. Parts were being ratted off boats that were on the land for FCDs to service operational boats. So it is no wonder that, after you get a deficit like that, there is an increase in the cost now, as you recover your inventories and you also handle the obsolescence matters.

CHAIR: Was that short-term focus on investment in spares and maintenance driven by a lack of understanding of the complexity of the task, or was it driven in turn by budgetary pressures?

Dr Gumley: There were two things, in my view, that contributed to it. One was a lack of full understanding of all the technical issues. The second was—and we have discussed this many times—a pretty severe productivity problem that meant that the money that was available was not being spent as wisely as it could have been.

Senator JOHNSTON: With respect to this FEG, let us draw this together. We have not published unit or task ready days for some time. That is in stark contrast to what has gone on for more than a decade. For the last, I think, three budgets we have not put those numbers in. The committee has not taken issue greatly with that, save for me carrying on a bit. What we

have heard today indicates to me that the situation is pretty dire. We have vessels participating in exercises that do not leave the port. We have restrictions. We have motor problems and spare parts problems. We have extraordinarily high costs for the technical aspects of the operation of this particular FEG. Where is the detailed remediation plan? When are we going to see it in detail so that we can look at the costings, which are obviously already of limited credibility given what I have put to you this morning? Three months? Five months? Six months? Things blow out by \$90 million in terms of annual sustainment. We do not need to labour the point. Where is the detailed plan to fix this?

Mr King: The detail plan will emerge from a number of activities and has emerged in part already. The budgetary estimates put in the forward estimates is based on preliminary discussions with ASC and the cost to execute the program based on the required maintenance, not the cost cap maintenance, to get these submarines back to the availability that we need. Those numbers are based on that. I understand your frustration at the apparent growth of those numbers and your disbelief that we will ever control those. I understand that, but I believe we will control it and there are a number of factors that are necessary to control that. One is understanding the work we have to do. The second is understanding what is called the emergent work. What is happening in a lot of this work is when we go in to do a body of work and we return the submarine back to the water we actually find emergent problems that were not part of the work package—they were either existing submarine and were not highlighted or they developed while the submarine was in maintenance and they come out with it. We need to factor that in.

We are moving towards the ISSC, which is the new support contract, which will have a performance based element. The first two years of that contract will be a formative phase in which we understand the costs, the reasonable costs, the reasonable efficiencies that we should expect, and that work will be aided by this external review that we are going to have done to set benchmarks that are reasonable benchmarks against world standards.

Senator JOHNSTON: Is this the Price Waterhouse review?

Mr King: No, no.

Senator JOHNSTON: This is the man from England.

Mr King: It is not 'the man' from England; it will be headed by a man from England, but he will be—

Senator JOHNSTON: What is it called? Have we call the review anything? Has it got a name?

Dr Gumley: Not yet.

Senator JOHNSTON: So it is 'the benchmark review'. I am looking for some time lines.

Mr King: I have met with him about four weeks ago while I was in UK on the *Largs Bay* and we discussed the scope of work and the costings and the team that would be necessary. We are finalising that actually as we speak. Last night I was in contact with him finalising that work.

Dr Watt: Senator, I think we gave you time lines yesterday on that.

Senator JOHNSTON: All right, let's go through the time lines again, because we need to get these down in concrete terms, because nothing is ever fixed with this particular thing. When will we have the report from the benchmark study?

Mr King: The final report on this—

Senator JOHNSTON: The final report.

Mr King: will be the end of the year.

Senator JOHNSTON: The end of 2011.

Mr King: Correct.

Senator JOHNSTON: When will we have completed a contract with the finance department—ASC?

Mr King: It is with ASC, Senator—we have to be very clear on this.

Senator JOHNSTON: ASC.

Mr King: We expect to enter into that contract in the fourth quarter.

Senator JOHNSTON: At the same time?

Mr King: Probably a little earlier. The point I make—and this is how we set about the AEW&C support contract— apart from the benchmarking, with there are a lot of other activities that need to be done in the first two years so we truly understand the cost drivers, the scope of the work to meet the required availability as to the cost cap. At the end of that two years we will move into the performance based phase, which will be based in part from the work we do during those first two years with ASC and aided with material such as the benchmarking study. I also expect that we will need a revisit of that benchmarking work one or two or three years into the project to make sure that we have set goals that are driving the cost efficiencies that we anticipate.

CHAIR: You have made the point quite strongly that negotiations were going to be done with or by ASC. The two shareholders in ASC are the secretary of the department and the Secretary of the Department of Finance and Deregulation, are they not?

Dr Watt: That is incorrect.

Mr King: No, it is just the Secretary of Department of Finance and Deregulation.

Dr Watt: The shareholder is the Minister for Finance and Deregulation.

CHAIR: 100 per cent?

Dr Watt: The reason being that we are the customer. There would be a conflict of interest.

CHAIR: Yes, I was going to come to that point.

Senator JOHNSTON: What do you say is the annual cost of the sustainment, the operation and the projects that are upgrading and repairing the equipment within the submarine? What is it running at now?

Mr King: I do not have that figure as a composite figure. I can tell you what we are projecting in the forward estimates against those numbers, and we have already disclosed that: the 442 or 443. And already, projecting for that shows cost efficiencies.

The issue about the project expenditure is complicated by boat availability to fit the project. Although we have money to spend on completing those projects, many of those projects cannot be completed until a boat is available and, quite often, in an SCD.

Senator JOHNSTON: Are you saying that we do not know the actual annual cost to the Australian taxpayer to have submarines in our Royal Australian Navy?

Mr King: No, I am not saying that all. I do not have that; we have—

Senator JOHNSTON: Does anybody have that number?

Senator Feeney: Sorry, could you repeat that question?

Senator JOHNSTON: What is the cost of having submarines in the projects we undertake to repair, maintain, replace and improve the equipment on board—the annual sustainment and the operational cost per annum? I am putting to you that it is somewhere between \$800 and \$900 million a year at the moment. Does anyone take issue with that number?

Mr King: I cannot see that number, but we will have to get back to you.

Dr Watt: Presuming we can get a quick confirmation.

Senator Feeney: As I recall, the Chief of Navy said that in 2009-10 operational costs were \$38 million.

Senator JOHNSTON: Total costs were \$363 million—

Senator Feeney: That was including sustainment.

Senator JOHNSTON: Total costs, including sustainment of \$325 million.

Vice Adm. Crane: No, sustainment expenditure in 2009-10 was \$325 million.

Senator JOHNSTON: Right, I just said that.

Vice Adm. Crane: The total direct submarine capability costs were \$363 million, the difference being the operating costs. On historical data from the past four to five years, the minimum expected average cost to Navy of operating these six Collins class submarines per year was in the order of \$50 million. That is operating the submarines. That figure will fluctuate according to the availability of the platforms and crews. Hence, in 2010, it was \$31.2 million.

Senator Feeney: Senator Johnson, I think you have lifted the number from that point to \$800 million—or whatever you said—because you are atomising enhancement and—

Senator JOHNSTON: This year is \$443 million, for sustainment only. Then to add \$50 million—from what was just said—is \$493 million. Then we have obsolescence issues, mast issues, upgrade issues and submarine recovery issues; we have all of those things. I am saying that the costs are running well and truly above the \$500 million mark.

Dr Watt: We will get you some numbers.

Mr King: It might be around that figure, but the \$800 million is—

Senator JOHNSTON: \$800 million is too much?

Mr King: Yes, I think so. But we will need to confirm it.

Senator JOHNSTON: Okay. Before we go on to SEA1000, let us turn to what happened with *Dechaineux*. I have read the *Navy News*. Could I quote the article by Michael Brooke:

Like a scene from the film *The Hunt for Red October*, HMA Ships Ballarat and Parramatta have been gliding through the waters of the South China Sea in search of an 'enemy' submarine.

Ballarat and Parramatta are the ears and eyes of a coalition maritime task group that has been stalked by HMAS *Dechaineux* and frequently 'attacked' by Australian F/A-18F Super Hornets, Russian-made MiG-29s and US-manufactured F-16 fighters during Exercise Bersama Shield.

We also did a couple of press releases, I think—correct me if I am wrong—indicating that *Dechaineux* had participated successfully in this exercise when the fact is that it had mechanical problems and never left the wharf. How does this all occur?

Vice Adm. Crane: I understand that the press releases would have been referring to the intent for *Dechaineux* to participate. I am certainly not aware of any press releases that went out indicating that *Dechaineux* participated. There may have been press releases indicating that she was programmed to participate. With regard to the *Navy News* article, I need to, on behalf the *Navy News* team, take that on the chin. They got ahead of themselves. They put an article in a paper that was due to be distributed at a time when the exercise was running and it was not withdrawn when it should have been.

Senator JOHNSTON: How many more articles of this nature does *Navy News* write that are not factually correct or, indeed, may I say, are concocted? That is the question, I think, that it is on everybody's lips.

Vice Adm. Crane: I am certainly not aware of any. This is a very public demonstration of a process where they got ahead of themselves. They certainly should not have and it was not corrected.

Senator JOHNSTON: What did our firepower associates do with respect to antisubmarine exercises? Was there only one submarine deployed to Exercise Bersama Shield?

Vice Adm. Crane: There was only one submarine programmed for that exercise.

Senator JOHNSTON: Ours.

Vice Adm. Crane: Ours.

Senator JOHNSTON: The end result is that Malaysia, Singapore, New Zealand and Britain all expected to do antisubmarine warfare exercises and our boat was mechanically—

Vice Adm. Crane: There was an element in the exercise which involved the exercise of antisubmarine warfare and that did not occur in with a live submarine. There are other ways in which we can do it, with simulators, emulations, but it did not occur with the live submarine.

Senator JOHNSTON: Have we apologised to our friends and neighbours up there?

Vice Adm. Crane: Yes.

Senator JOHNSTON: How did we do that?

Vice Adm. Crane: Through the fleet commander, through the command teams that were in place as part of the exercise. Indeed, I was in Singapore last week and met with the chief of navy from Singapore and expressed my regret that the submarine was not available.

Senator JOHNSTON: So we have gone from having been concerned domestically about our capacity to embarrassing ourselves internationally?

Vice Adm. Crane: You perhaps need to understand that, on occasions, ships do have defects which prevent their participation in exercise activity. It does happen. In this particular case, as I mentioned to you before, HMAS *Dechaineux* was in the latter part of a very, very successful deployment. This was an activity that was certainly disappointing. I would not use the term 'embarrassing'. I think people in naval circles understand that these things do happen. It is certainly disappointing that the submarine was not available for the sea component of Exercise Bersama Shield.

Senator JOHNSTON: I put it in the context of *Sirius*, a couple of minehunters that are laid up, I think, and a couple of Anzacs that are not going so well, and the amphibious ships are a problem. Whilst they are all relatively domestic issues, this is one issue which is underlined by the article: a fictitious, Walt Disney story of us participating in an exercise when we are tied up unable to do so and our neighbours have all turned out expecting to spend their valuable time, effort and money exercising with us. We have had to apologise to them. The message I am getting with respect to this FEG is we are in such a lot of trouble with it.

Vice Adm. Crane: What you are seeing is well-publicised, unclassified activities. I would just ask you to understand that in this FEG in particular there are many, many positive outcomes which, regrettably but in the interests of preservation of the capability, we do not talk about.

Senator JOHNSTON: Well, we are happy to invent them—we are happy to tell people that we are like a vessel out of *The Hunt for Red October*. Yet when you come before the committee all I have is bad news. All I have is exorbitant amounts of money being spent on six boats that we cannot even afford to talk about unit- and task-ready days.

Air Chief Marshal Houston: Perhaps I could just come in here. We have offered you a classified briefing. We would be very happy to do that. I think that would give you a more complete picture of what is happening in the submarine FEG. I think just to form your views on the basis of what is publicly available does not give you the complete context, nor the complete picture, and we would be delighted to do that again.

Senator JOHNSTON: CDF, I appreciate that, I really do. It is just that for the nine years I have been a senator we have not needed a classified briefing on submarines. It has all been in this document. Everything I have wanted to know has been here: how ready and how able the capability has been.

Air Chief Marshal Houston: I am sorry, there is a lot more. You have missed a lot if that is all you are relying on. We are very happy to brief you at any stage on the rest of the relevant information.

Senator JOHNSTON: Given the circumstances of this morning's discussion, let us talk about SEA1000. How much money was in the 2011-12 budget for SEA1000?

Rear Adm. Moffitt: There was no specific funding provided in this year's budget for SEA1000. I have funds, as I have explained previously to you—

Senator JOHNSTON: \$15 million?

Rear Adm. Moffitt: It is closer to 20—which we are managing to progress the studies and the development of the needs phase of SEA1000, which is where we are at the moment.

Senator JOHNSTON: Do we have an expenditure plan? Given there is zero in this year's budget, what am I likely to see in next year's budget?

Rear Adm. Moffitt: We certainly have an expenditure plan. We have a work plan, against which we have estimates of the costs of some of the things that we intend to do. The simple reality is that the source of funding for SEA1000 at the moment is the Defence Capability Plan. The approaches to that source of funding are two: either by an appropriation agreed through a visit to the National Security Committee of cabinet where they agree to allow me some funding to continue with further work; or alternatively, failing that activity occurring, there is additional funding available to me were we to make an approach through two-minister approval.

Senator JOHNSTON: Internal funding.

Rear Adm. Moffitt: DCP funding.

Dr Watt: We always have DCP funding for early stages of projects before they go to first pass.

Senator JOHNSTON: I am looking for some formality about the DCP funding. Am I to find it anywhere in any document?

Rear Adm. Moffitt: I am not clear what you mean by 'formality'. The formality is the process. When the funding is agreed by a two-minister approach which would be our next approach, failing a visit to cabinet where cabinet would approve the funding, it will be completely visible.

Senator JOHNSTON: What is the plan?

Rear Adm. Moffitt: We have a range of activities in process at the moment all of which are about gathering information. We have a substantial range of activities planned to undertake when I have the capacity and the funding to actually get on with those, recognising too that this is a process in terms of unfolding SEA1000 that will take place in close collaboration with government. We are in discussion with the right parts of government for that to happen. It is a moving activity.

Senator JOHNSTON: What activities are we undertaking now? How long will they go on for? What is the next step and the several steps thereafter and the time frames as we move towards our indigenous design for 12 specified submarines as set out in the 2009 white paper?

Rear Adm. Moffitt: If I could correct what sounds like a misapprehension on your part, the government has not been asked to agree to any particular design process as yet. As I say, we are in the needs phase of SEA1000. We have a very broad statement in the white paper of the sorts of capability that the government aspires to. What I am doing at the moment is acquiring information to add far greater granularity of the cost and capability trade-offs that are associated with that and how each of the potential option sets that exist might be executed were the government to choose to go down one or any other of them. There is no agreed notion that this will be an Australian design, a domestic design or any other sort of design because we have not got to that stage of the process yet. That is still some way off.

Senator JOHNSTON: How long will the granular process go on for?

Rear Adm. Moffitt: Probably right until the very end of the project. A project of this nature which is likely to spread itself over a 25- to 30-year period is going to have things

occurring to it from beginning to end. We will want to be changing technology as technologies mature. It is going to have a continually evolving nature associated with it from the beginning to the very end.

Senator JOHNSTON: When do you want to have the boats in the water?

Rear Adm. Moffitt: The notional design life of the Collins class submarines is 30 years. The first of those HMAS *Collins* notionally—and I do stress notionally because these are tools and the design life of the tool is impacted significantly by use during its life—has a design life of 30 years. The first HMAS *Collins* reaches the end of its notional design life in about 2025 and the subsequent submarines through until about 2031. In terms of replacement that is what we need to be looking at, but there is another critical issue as well and that is how quickly the government seeks to grow the submarine capability to a total force of 12. That is critical because if we simply replace one Collins class submarine with one future submarine it will take us far longer to get to a fleet of 12 submarines depending on the rate of delivery of those submarines than it might do were we to add new submarines onto the Collins class capability, if you see what I mean.

Senator JOHNSTON: Do you have a critical path step-by-step analysis of where we need to go against the timeline you have just described.

Rear Adm. Moffitt: Until such time as I have agreement from government about some of those critical issues that are not covered in the white paper, such as when do you actually want to have 12, clarification around the specific roles that the government foresees the submarine being used for and therefore what type of submarine with what capacity of capabilities is required it is impossible to answer that question without going beyond the very broad conceptual statements that I gave you at the beginning about a 25-year or so construction program, roughly speaking, almost regardless of submarine. Further questions to be answered include what we intend to do with the Collins class in terms of replacing them with a future submarine and whether that is to be future on top of Collins or future one-for-one with Collins to reach 12 eventually. Those questions need to be decided by government. We have not placed those questions before government as yet.

Senator JOHNSTON: When will you be doing that?

Rear Adm. Moffitt: You would understand that I am preparing and have been ready to a take a submission to government on those questions, I have to fit in with a whole lot of Defence business going to government and Defence has to fit in with a whole lot of other departmental business going to government. I will be ready to go when I am called in.

Senator JOHNSTON: Are you ready to go now?

Rear Adm. Moffitt: I believe I am pretty ready to go on some of these questions, but the important point is that, from the point of view of the committee and the public, I have structured the program and its activities such that a visit to government is not crucial to me continuing productive work on this program. It is a moment in time, a very important moment in time absolutely, and a visit to government will clarify the steps that need to be taken, but in the meantime there is lots of productive work going on getting to understand the sorts of technologies that are going to be of great interest to us and when they might be likely to need to be factored into our future plans for a program of this type, which fundamentally differs from every other defence acquisition in modern history. It is not one which will necessarily

begin and end in any government's lifetime. It certainly will not, it will be running to deliver 12 submarines for a very long time, longer than is in our normal consideration.

Senator JOHNSTON: So the life expectancy of HMAS *Collins* is not of itself a determinant of the time frames confronting your project.

Rear Adm. Moffitt: It is an important issue in respect of the total mosaic of the submarine capability. It is inseparable as an issue from all of the other issues associated with the total, especially the future, submarine capability.

Senator JOHNSTON: But you can keep pedalling until government says, 'We are ready for you to stop and give us what you have done'.

Rear Adm. Moffitt: Absolutely, and because of the fact that I have structured the activities around the funding and the staff capabilities that I have, I will seek to do that right throughout my time running the program so that whatever happens in terms of our scheduled visits to government, which as I have mentioned are impacted by many factors over which I have no control, productive work can continue.

Senator JOHNSTON: That productive work is costing how much per annum?

Rear Adm. Moffitt: Well, a per annum figure may be difficult in terms of getting the picture.

Senator JOHNSTON: We pedal slow, we pedal fast.

Rear Adm. Moffitt: We are spending the money as quickly as we can at the moment to develop the knowledge that we need to inform government in a multitude of steps well beyond the simple Kinnaird first and second pass process. I think we will, as the air warfare destroyer project did, make many visits to government because the complexity of this program suggests it is sensible that the government be informed whenever there is a significant step to be taken and there will be many. There will be many around the very broad issues and many around some of the highly technical and capability based issues.

Senator JOHNSTON: Has there been any indication whatsoever as to when a first step from government will be taken?

Rear Adm. Moffitt: My understanding is that a visit to government for SEA1000 is relatively imminent. By that I understand that the likelihood is this year sometime, it might be early next year. From my point of view it is not particularly relevant until it goes into the calendar and become firm, because that drives the steps through which I have to get the cabinet submission. I am ready to start that process whenever we find ourselves on the schedule.

Senator JOHNSTON: So relatively imminent for you means sometime this year or early next year?

Rear Adm. Moffitt: That is my understanding of how things lie at the moment but this is really something dependant on the minister, as you would understand, and I am not inside his head on that issue.

Senator JOHNSTON: No, but when you are called in, you will be ready to take to government a set of options for going forward, if the government so chooses, on the new subs program?

Rear Adm. Moffitt: The context is that whatever is in the submission is what the minister will be wishing to take forward to government. That is what I will be providing him. I have some ideas about what that should be, which we will determine in consultation with the minister in the broader context of the program. He will decide what goes to government—that is his role. My role is to support him in doing that and I will be able to do that.

CHAIR: Let me be more specific. You anticipate that sometime later this year the minister on behalf of the government will call you in for a serious discussion. At that time, you will have a set of options ready for his consideration in terms of how he would recommend to the government to go forward, if the government should so choose, with the new subs program. Is that what you are saying?

Rear Adm. Moffitt: That is about right, yes. I think that is probably a fair summation.

Air Marshal Harvey: To clarify what you mean by options, I think these are options to progress the project as opposed to a solution as such. It is still quite early in the process.

CHAIR: Yes.

Air Marshal Harvey: We are not talking about specific options to deliver but options to progress.

CHAIR: What do you mean by options to progress?

Air Marshal Harvey: What further studies we should do, what guidance government wants to give in terms of detailed specific requirements—

CHAIR: What deficiencies and shortages might be around.

Air Marshal Harvey: That sort of thing, as opposed to delivering A, B or C.

CHAIR: For want of a better description, when Rear Admiral Moffitt meets with the minister later this year he will have concluded that preparatory phase of work to go forward to the minister.

Rear Adm. Moffitt: The work that we have been doing can, I guess, be characterised like this. Australia has been absent from the marketplace for submarines for some 20-odd years. We have been back out into the market to understand what is going on. We have attracted quite a massive array of information about what nations who might be submarine vendors, designers or manufacturers have available to us today that they would be willing to sell to us. We have also had a significantly changing set of strategic circumstances since we last did that. We have been analysing that and determining from that analysis what sorts of needs we have from a strategic and military point of view to service the government's needs as outlined in the defence white paper.

This will translate in due course to a number of submarine platform option sets, within which there will be some other options, including things like combat systems, sonar systems, weapons and all that sort of stuff. We are not at that phase yet. We are at the stage of scoping the need, understanding the market, understanding the technology and, from that, formulating the options for taking the program forward, whilst also, I think, critically importantly, seeking to not take decisions any earlier than necessary that close off option sets prematurely.

CHAIR: I've got that.

Rear Adm. Moffitt: So we would seek to have the broadest array of options available for government consideration right until the point that they say, 'That's the one we want to build; get on with that one.'

CHAIR: Thank you.

Senator JOHNSTON: Admiral Moffitt, you have been involved with SEA1000 for how long now?

Rear Adm. Moffitt: Two and a quarter years or two and a third years.

Senator JOHNSTON: Since it was announced?

Rear Adm. Moffitt: The program office stood up in 2008. I assumed this position in February 2009.

Senator JOHNSTON: Is there anybody in Navy with the corporate knowledge that you have with respect to this project?

Rear Adm. Moffitt: I guess I would probably say in respect of SEA1000 that because it is the one thing I spend all my time doing I probably know more about it than others, but I seek to share everything I know pretty much with my chiefs, certainly.

Senator JOHNSTON: You are very modest. This is the biggest defence project Australia is probably ever likely to undertake. Is that accurate?

Rear Adm. Moffitt: It depends on your point of reference. As I understand it, it is the biggest defence project—certainly post Second World War—from a potential capital expenditure point of view that defence has undertaken. As to what the future might hold, your guess is probably better than mine.

Senator JOHNSTON: It is also the most technical, is it not?

Rear Adm. Moffitt: It is a very technical program; there is no question about that. It is a very highly complex technical undertaking. Submarines are difficult from a number of perspectives. One is technical; one is environmental. They are difficult. They are expensive and they are troublesome.

Senator JOHNSTON: I do not mean to be personal, but in terms of the national interest your corporate knowledge is very important to this project. What are your future prospects? Where are you going to go? Are you in the mix with respect to the changeover that is coming?

Senator Feeney: Chair, I think that is above and beyond. Senator Johnston might care to rephrase that.

Air Chief Marshal Houston: As somebody who is intimately involved in the career management of all the senior officers I do not think that is something we should discuss at this committee. All I will say is Admiral Moffitt is doing a superb job and we will see where things go in the future. Many decisions will need to be made about numerous careers. I do not think we should talk about them in this committee.

Senator JOHNSTON: Okay. How big is your team, Admiral?

Rear Adm. Moffitt: We have about 27 or 28 full-time fully employed people at the moment. By that I mean I also employ a small bunch of university graduates who are part of the graduate scheme within Defence. I am putting a lot of effort into attracting those, particularly engineers—as many as I can get.

Senator JOHNSTON: Where are they based?

Rear Adm. Moffitt: We are based in building R2 at Russell. I also have one outposted member we specifically recruited for Adelaide because the government's statement that the submarines will be assembled in Adelaide clearly gives me a focus that at some stage I will need to have a team based in Adelaide. The sooner we start doing that the easier it will be, so one of my team was recruited to a position in Adelaide.

Senator JOHNSTON: Can you tell me some more about the capability of your team? Who do you have in the way of officers and men?

Rear Adm. Moffitt: There are four main chunks of people functionally speaking. There is the executive team, if you like. This consists of me, my commodore deputy and executive assistant. I call this team the executive, and it is three or four people. There is a management life support team which is my finance staff, costing staff, contracting and legal staff, administrative knowledge management staff and security—the life support part of the organisation. That has in the vicinity of 10 or 11. I have a suite of uniformed people who are the capability development staff going through the capability development process and producing the detailed extensive suite of capability development documents which are taken from the broad, high-level guidance of the white paper statements.

These statements are nowhere near sufficiently granular for us to take to market to get costed options. We need far greater detail of performance measures we will be looking for. Their job is to take that high-level white paper statement and turn it into a suite of capability development documents. These include a statement of top-level requirement which is evolved in parallel with an operating concept document. The operating concept document will cover what we seek to do with the submarine and measures of performance. That tells us the sorts of requirements for performance the submarine needs to have. The third is a test concept document which tells the manufacturers, the vendors or whomever how we are going to test that their claims of performance for their submarine meet our requirements. They need to factor in to the way they tell us the submarine performs that this is how we are going to test it, that these are the measures of performance and circumstance—operating profiles, water temperatures and all that stuff—against which their claims of performance will be assessed.

That will bring us to a suite of documents of some complexity. These will be iterative over a period of time until we get to the notional second pass where government says: 'We agree with this. That's what we want you to go and do.' That is a team which varies a bit. From memory, they are all uniformed, headed by a Navy submarine captain, a level 6 submarine commanding officer with operational experience. His team are technical and operational sailors and officers. So that is three of the four. I also have a senior logistician in there doing work on concepts of logistic support. Eventually we will be doing concepts of training for the crews, basing considerations, we are not into options, we are into what are the considerations for the basing of a fleet twice the size of the one we have.

The last bit is an engineering team of people which at the moment is five strong, four in Canberra with me and one in Adelaide working under the umbrella of the director of submarine engineering who belongs to Commodore Ogrizek.

Senator JOHNSTON: How many of those uniform personnel are submariners?

Rear Adm. Moffitt: With the exception of me and the logistician, all of them, including the sailors.

Senator JOHNSTON: So the next thing we are waiting on with this project is for government to call you forward?

Rear Adm. Moffitt: That will be a key moment in time. I am not waiting on that. Yes, I am interested in when that is going to happen but I have plenty of work to be getting on with.

Senator JOHNSTON: Thank you, Admiral. Can I go to amphibious ships, please? What is the fate of *Kanimbla*?

Vice Adm. Crane: *Kanimbla* is proceeding with work at the moment. It is currently in the dock at Garden Island, in Sydney, and is progressing with its further work to get it ready, if you like, for returning to service next year.

Senator JOHNSTON: When?

Vice Adm. Crane: At this stage it is still as we have publically indicated, the middle of 2012 when it will be back to operational service.

Senator JOHNSTON: And its expected life thereafter is?

Vice Adm. Crane: The life of *Kanimbla* after that is very much dependent on the outcome of the amphibious capability transition plan which we are currently developing for presentation to the minister. The final outcome of that is dependent upon some work we are doing on *Tobruk* at the moment, so that we can have a clear understanding of, if you like, the way ahead for both *Tobruk* and *Kanimbla* as part of that amphibious capability transition plan. We want to have clear understanding of that before we can go forward to the minister with a recommendation on what that transition plan might look like.

Senator JOHNSTON: The gearbox in *Kanimbla* is a fundamental problem, is it not?

Vice Adm. Crane: The gearbox is a problem. Yes, it is.

Senator JOHNSTON: And is it manageable?

Vice Adm. Crane: I might ask Admiral Marshall to comment in a minute but my understanding is that, yes, it is. We have some advice that it is a challenge. The original equipment manufacturer, as I understand it, is no longer available. So we are going to have to do some remanufacturing of some of the parts, although recently I understand that there may be a shorter term solution available here in Australia. But I might ask Admiral Marshall to comment.

Senator JOHNSTON: Could you tell me the cost of the work we are doing on *Kanimbla*, please? And the gearbox?

Rear Adm. Marshall: Over recent months we have had approval from the minister to fund work on *Kanimbla* in two tranches of work. The first was valued at \$3.4 million. The second at \$5.4 million. And we have almost expended both or committed both amounts of money. In relation to the gearbox we have estimated that the repair on *Kanimbla*'s gearbox would be approximately \$7 million and in our budgeting figures we have allowed a 30 per cent contingency on that amount.

Senator JOHNSTON: Ten million?

Rear Adm. Marshall: That is our estimate, yes. In the work we have recently done we have done some assessments to better scope the nature of the work to replace one of the gearboxes and the major work on the other and all of that work has indicated that those figures, those costings estimates are still valid.

Senator JOHNSTON: Okay. And we are saying the middle of next year?

Rear Adm. Marshall: The long pole in the tent is the gearbox work for *Kanimbla* and we originally estimated that would be about 40 weeks of lead time.

Senator JOHNSTON: That is reasonable. What have we done in the meantime? We have purchased *Largs Bay*, when is that going to be operational?

Vice Adm. Crane: *Largs Bay* is scheduled to arrive here at the end of the year and we will have an operational capability at that time. It will go through another period of activity in the early part of next year to get it to full operational capability. What it will have when it arrives, is an ability to be able to participate in humanitarian assistance and disaster relief type operations. We will need to do some more work after that to get it to full operational capability.

Senator JOHNSTON: Did we discuss *Aurora Australis* last night?

Vice Adm. Crane: No.

Senator JOHNSTON: Is *Aurora Australis* on the charter?

Vice Adm. Crane: Yes, that is correct. We have chartered a wet charter with *Aurora Australis*.

Senator JOHNSTON: With P&O?

Vice Adm. Crane: With P&O—that is correct.

Senator JOHNSTON: What is the cost of that?

Vice Adm. Crane: I think it is \$3.375 million.

Senator JOHNSTON: What is the period?

Vice Adm. Crane: The period is from 8 May to 30 June this year.

Senator JOHNSTON: Are we gap filling there?

Vice Adm. Crane: The charter was put in place to mitigate the risk that we had to put *Tobruk* in for maintenance activity and we needed to be able to offer a government potential solution for developing humanitarian assistance of disaster relief type operations. The *Aurora Australis* offers some capability. We would likely augment it with perhaps an FFG with air support. It mitigates the risk of having *Tobruk* in the dock at the same time that *Kanimbla* is not available.

Senator JOHNSTON: Will *Tobruk* be available at the end of that charter?

Vice Adm. Crane: That is correct. The plan is that *Tobruk* comes out of her docking period towards the end of June—I do not have the exact date in my head. But we do have options on *Aurora Australis*—three 10-day options into July—if indeed there is growth in the package that we are currently undertaking in *Tobruk*.

Senator JOHNSTON: How long will *Tobruk* have been under repair?

Vice Adm. Crane: *Tobruk* went into the dock on about the 11th.

Senator JOHNSTON: Eleventh of May?

Vice Adm. Crane: It will be about six to seven weeks if it comes out on time.

Senator JOHNSTON: Is this the vessel that was on 48 hours notice in January?

Vice Adm. Crane: That is correct—at 48 hours notice.

Senator JOHNSTON: Six weeks repair. What is being repaired on *Tobruk*?

Vice Adm. Crane: I will pass to Admiral Marshall for that detail.

Rear Adm. Marshall: The main items of work that we are undertaking on *Tobruk* during this current docking are planned maintenance on the port main engine, port and starboard propulsion shafts and propellers, removing them and refurbishing them as well as repairing the A-bracket bearing which you will recall from the last Senate estimates had a problem prior to that. When we docked on 2 to 4 February we found that we had more scope and leeway to repair that problem. There will be some repairs to upper deck guard rails, flight deck nets, general safety items around the ship, helicopter tie-down points. We are replacing some shell plating, that is a part of the ship's hull in the main machinery room and there will be routine planned maintenance that we undertake.

Senator JOHNSTON: My colleague has some questions with respect to *Aurora Australis*.

Senator IAN MACDONALD: Did I hear right—\$3.375 million for seven weeks, is that right?

Vice Adm. Crane: That is correct. From 8 May to 30 June, it is a charter rate of \$62,500 per day.

Senator IAN MACDONALD: Is that current? It used to be our Antarctic supply vessel. I am quite sure we were not paying that for it 10 years ago when I was involved with the *Aurora*. Is it still the Antarctic supply ship?

Vice Adm. Crane: It is contracted for Antarctic supply during the summer months, yes, from P&O.

Senator IAN MACDONALD: Is the rate you are paying comparable to what the Antarctic Division pays?

Vice Adm. Crane: I am not personally aware of what the rate is.

Senator IAN MACDONALD: That is one-thirtieth of the capital cost of the *Largs Bay* for seven weeks. Does the 3.75 include fuel and all staffing?

Vice Adm. Crane: It includes staffing. It includes crew costs for crew that come with the vessel. But fuel costs and meals for any people that we have on board—naval people—are in addition to that cost.

Senator IAN MACDONALD: There would be a Navy captain in charge—is that right?

Vice Adm. Crane: No. There is the normal P&O commercial crew crewing the vessel.

Senator IAN MACDONALD: How do you get your 'way' with the vessel? Who gives it directions?

Vice Adm. Crane: In the period that it is under charter, we are using it for training activities up and down the east coast of Australia. It currently has about 90 of our trainees on

board and they are working and doing their normal training activity. If we needed to deploy it for humanitarian assistance or disaster relief type operations, then we would insert a capability team into the ship.

Senator IAN MACDONALD: So it is a bit like a royal fleet auxiliary vessel?

Vice Adm. Crane: Not unlike that.

Senator IAN MACDONALD: I am surprised that it would be seen to be comparable to the ships it is supposed to be replacing. It is a big, awkward vessel. It is good as an icebreaker or to ice-strengthen. It is good for that sort of work, isn't it?

Vice Adm. Crane: Perhaps, just to give you an idea of its capability: it is a 94-metre vessel, it can carry 700 tonnes of cargo, it can transport 116 passengers and it is capable of supporting helicopter operations. We would not use our helicopters in a land-on capacity—

Senator IAN MACDONALD: No, I would not think so.

Vice Adm. Crane: but we could do what we call a vertical replenishment from those deck spaces. She has a very small theatre on board. She was well designed for support in remote areas. That gives her some capability in humanitarian assistance and disaster—

Senator IAN MACDONALD: Does she still have the machine guns on board?

Vice Adm. Crane: Not that I know of—no. I doubt it.

Senator IAN MACDONALD: Thanks, Mr Chairman.

Senator JOHNSTON: Admiral Marshall, could we come to *Sirius* issues; I want you to be 'serious'. What is wrong with that vessel? I see it tied up at *Stirling*.

Rear Adm. Marshall: *Sirius* at the moment is in a routine maintenance period—a planned maintenance activity. She is tied up alongside *Stirling*. The type of work that she is having undertaken is an intermediate-cycle survey and an annual circuit survey by Lloyds Register to keep the ship in class, which we do with *Sirius*—the major jobs. There is a 60-month inspection of the lifeboat davits, improvements to the galley fire fighting systems, certification of mandatory planned maintenance items and routine planned maintenance across the ship. This is a planned activity.

Senator JOHNSTON: Why did she have to come back from RIMPAC?

Rear Adm. Marshall: I am not aware that she came home under unusual circumstances.

Senator JOHNSTON: I think she got halfway across to RIMPAC and had to turn around and come home again.

Vice Adm. Crane: That is not quite right. She was withdrawn before she sailed.

Senator JOHNSTON: Why was that?

Vice Adm. Crane: She had an engine defect. Saltwater contamination in her lube oil. I will check that. It was a lube-oil problem. I think it was saltwater, but let me check.

Senator JOHNSTON: I would like to know how that occurred and what damage was done to the engines as a result of that and whether or not the repairs have been properly and fully effected. Could you find that out for me?

Rear Adm. Marshall: My recollection is that it was fresh water—I do not think it was salt water—and that it occurred through condensation on the main engine. The main engine's

salt naturally vents to the atmosphere, as routinely occurs. From recollection, there was condensation that had been occurring over a period of time which led to a build-up of water in the lube oil.

Senator JOHNSTON: Sorry, in the what?

Rear Adm. Marshall: In the lubricating oil—

Senator JOHNSTON: Of the motor of the engine?

Rear Adm. Marshall: Yes.

Senator JOHNSTON: I see.

Rear Adm. Marshall: Your last question was whether it has been properly rectified. My understanding is that it certainly has, and the ship has been to sea since then.

Senator JOHNSTON: What did we have to do to repair it? We had to pump the sump oil out, strip it down and—

Rear Adm. Marshall: We would have pumped and cleaned the sump. In fact, I think I recall that we replaced some of the cylinder liners—the sleeves in which the pistons move up and down—and possibly some of the other running gear in the engine and possibly the main engine bearings.

Senator JOHNSTON: What was the cause of that condensation and is it going to occur again?

Rear Adm. Marshall: The cause of the condensation is broadly attributed to the fact that we start and stop the engine reasonably frequently, whereas a merchant operator would run the ship fairly consistently. We were looking at a configuration change for a system that would prevent the build-up of condensation in the sump. I am not sure whether that has been installed as yet.

Senator JOHNSTON: At what risk was the vessel when this occurred?

Rear Adm. Marshall: I am not aware.

Senator JOHNSTON: It was the main engine, wasn't it?

Rear Adm. Marshall: Yes.

Senator JOHNSTON: It had water in it?

Rear Adm. Marshall: The level of condensation, from memory, was above the threshold specified by the original engine manufacturer. That does not mean that the engine cannot be operated; you just put at risk the operation of the engine.

Senator JOHNSTON: So it slinked home, in other words, with this problem?

Rear Adm. Marshall: I think it steamed home, under its own steam.

Senator JOHNSTON: That is what I mean. But it had reduced operational capacity.

Vice Adm. Crane: From memory, the issue became evident whilst the ship was in Melbourne. They sailed from Melbourne and on taking additional readings realised that the contamination was such that they needed to defer their investigation. They went back alongside and then spent another significant period of time—in the order of two to three weeks, as I recall—rectifying the problem.

Senator JOHNSTON: Good. Is that vessel operational after its maintenance period?

Rear Adm. Marshall: That is correct.

Senator JOHNSTON: Which is going to be what date?

Rear Adm. Marshall: The ship will return to 24 hours notice to sea on completion of a trial on 8 June.

Senator JOHNSTON: Good. Let us go to *Success*. Where is *Success* as of today?

Vice Adm. Crane: I think it sailed—I would have to check—

Senator JOHNSTON: But you are expecting it to sail?

Vice Adm. Crane: It has sailed from Singapore, but it was due to visit Cairns yesterday and today and due to sail and arrive in Sydney on Friday.

Senator JOHNSTON: So the second skinning configuration of this particular project has been completed?

Vice Adm. Crane: That is correct, yes.

Senator JOHNSTON: And where is it destined for? Garden Island?

Vice Adm. Crane: The ship?

Senator JOHNSTON: Yes.

Vice Adm. Crane: Yes, Garden Island in Sydney, which is its home port.

Senator JOHNSTON: Did everything go according to Hoyle in Singapore? In other words, did everything go as expected or were there irregularities in the processing of the project?

Vice Adm. Crane: There were, to my knowledge, no irregularities in the progressing of the project to double skinning, to use your term, of the vessel. However, as you may be aware, regrettably there was a tragic incident after the ship returned alongside in Sembawang, in Singapore, involving the death of a local national. He was a third-party contractor of Defence Maritime Services who died whilst he was conducting maintenance on board one of the boats.

Senator JOHNSTON: Are we required to participate in a coronial inquest?

Vice Adm. Crane: At this stage, we are cooperating with the Singapore authorities who are investigating this incident. I am told they were very pleased with the support that they had from HMAS *Success* and the team, who continue to support the Singapore authorities. At the same time, we have commissioned, within Navy, an inquiry to have a look at the procedures that were in place on board the ship in regard to occupational health and safety responsibilities and accountabilities for contractors working on board.

Senator JOHNSTON: Are the Singapore authorities occupational health and safety or worksafe condition type authorities?

Vice Adm. Crane: The Singaporean authorities conducting that investigation are the Ministry of Manpower and the Police Coast Guard.

Senator JOHNSTON: Did the deceased fall off the Royal Australian Navy ship?

Vice Adm. Crane: Yes. The contractor—the local national—fell over the side. I understand he impacted the wharf and then went into the water. Three sailors from the ship then entered the water to keep him out of the water. He was subsequently recovered and later taken to hospital. Tragically, he died that evening.

Senator JOHNSTON: Was he on a scaffold or was he just on the deck?

Vice Adm. Crane: There is an investigation running. I do not want to get involved in the outcome. I have my own view about where he was, but I would prefer that the investigation establish that.

Senator JOHNSTON: When do you expect the investigation to be complete?

Vice Adm. Crane: I do not have a date on that at the moment, and regret that I cannot give it to you, but I would not expect it to be a long period of time.

Senator JOHNSTON: Are you aware of the explosion in the premises next door?

Vice Adm. Crane: No, I am not.

Senator JOHNSTON: I am told that a large gas container that was being welded blew up and virtually levelled the site next door to this.

Rear Adm. Marshall: I am aware of that incident from some recent research. The incident occurred at the Haosen Marine shipyard, which is approximately 3½ kilometres from ST Marine. It occurred on 12 May. Some workers were working on a barge in that shipyard, and there was an explosion in which two workmen were killed.

Senator JOHNSTON: That is 3½ kilometres away?

Rear Adm. Marshall: Yes, it is.

Senator JOHNSTON: But it is the adjoining property?

Rear Adm. Marshall: No, I think it is actually on a different spit of land.

Senator JOHNSTON: My advice is that it was a very severe and large explosion, and that there was a lot of debris and a lot of damage in addition to the two deceased.

Rear Adm. Marshall: I understand that there was some further damage in surrounding areas. The report I have says that some workers at the shipyard suffered minor injuries but no-one was hospitalised apart from the two deceased.

Senator JOHNSTON: That is the shipyard where the explosion took place?

Rear Adm. Marshall: In which the explosion took place.

Senator JOHNSTON: So it did not impact the project in Singapore at all?

Rear Adm. Marshall: This incident occurred on 12 May. The conversion work on *Success* completed on 16 April and the ship sailed from Tuas around to Singapore on or about 16 April.

Senator JOHNSTON: So it had gone?

Rear Adm. Marshall: Yes. The incident was about three or four weeks afterward.

Senator JOHNSTON: Good. How did the costs pan out in Singapore?

Rear Adm. Marshall: The production contract cost started at A\$12.2 million—I will give you all the numbers in Australian dollars. It started out at \$12.2 million. The final production cost was \$13.3 million, with \$1 million growth from some of the changes that we discussed last time with the running of some of the pipework. In addition to that cost, there was approximately \$9.3 million involved in project management, in the development of the design—which was done here in Australia—in certification of the design by Bureau Veritas, the classification society for success, and in the procurement of equipment and parts. We

spoke about an additional \$100 million of insurance that we procured for this task and for the contract to develop the ILS products supporting this configuration change. So that comes out that \$22.6 million for the conversion work itself.

Senator JOHNSTON: What was the budget?

Rear Adm. Marshall: It was \$26.38 million.

Senator JOHNSTON: So we are under budget.

Rear Adm. Marshall: We were under budget.

Senator JOHNSTON: And the next phase is the detailed integration of the pipework and all the other stuff on this vessel, is it not?

Rear Adm. Marshall: That has all been done and the system has been tested.

Senator JOHNSTON: What is being done at Garden Island?

Rear Adm. Marshall: When the ship returns to Sydney?

Senator JOHNSTON: Yes.

Rear Adm. Marshall: When the ship returns to Sydney, the ship will enter an approximately 10-week maintenance availability. During that time we will conduct routine maintenance. We will conduct some repairs and routine maintenance on the replenishment at sea rigs—

Senator JOHNSTON: The RAS, yes.

Rear Adm. Marshall: The RAS rigs, which allow the ship to pass fuels and stores to other ships operating alongside. We will be making some upgrades and repairs to the ship's firefighting systems—just routine systems across the ship.

Senator JOHNSTON: What is the cost of that work?

Rear Adm. Marshall: The current estimate is about \$11 million.

Senator JOHNSTON: A total of \$40 million, approximately—or \$35 million?

Rear Adm. Marshall: A bit under that, but for two completely different bodies of work.

Senator JOHNSTON: Okay. Can I go to the minehunters. What is the state of our minehunting force element group?

Vice Adm. Crane: We currently have four of the minehunters available and broadly operational.

Senator JOHNSTON: What is wrong with the other two?

Vice Adm. Crane: The other two minehunters have been put into extended readiness. I need to take you through some of the history here. A number of years ago—six to seven years ago, I think, maybe a little less—as a result of an efficiency drive the minehunter fleet of six Huon class minehunters was reduced to four. That was an efficiency saving. Two were put into extended readiness, or lay-up. One nearly got there and the other one did not quite when they were recalled from that particular lay-up activity to supplement our Fremantle class patrol boats in the north of Australia whilst they were conducting the pre-op Resolute function. Those two minehunters were then employed in the border security task for a relatively short period of time until the Armidale class patrol boats were able to take on the

operational role. Those two minehunters then returned to Sydney and re-entered extended readiness. So they are at extended readiness now.

Senator JOHNSTON: Extended readiness—how long to get them going if we need to?

Vice Adm. Crane: I am just thinking about the implications of readiness notice, Senator, but it is a significant period of time.

Senator JOHNSTON: Months?

Vice Adm. Crane: Years.

Senator JOHNSTON: Are there crews available for those two were they to be required?

Vice Adm. Crane: We have as a result of putting them into extended readiness maintained a crewing regime which keeps the principal positions available within the minehunting community, but they are not all there today.

Senator JOHNSTON: So we do not have six crews?

Vice Adm. Crane: No.

Senator JOHNSTON: We have four crews, do we?

Vice Adm. Crane: Correct. But within the community we have the key positions for the fifth and six crew available should we need them, and then we will build around them.

Senator JOHNSTON: With respect to the four minehunter coastal vessels that we have got operational—and I think that is the correct term—how many of them are fully capable in terms of diving equipment, mine disposal vehicles, sonars and minesweeping wires and cutters?

Vice Adm. Crane: To my knowledge they are all at a level of capability. If you are asking me whether they have mine disposal vehicles fitted today, sometimes they rotate and I would have to take that on notice to give you the absolute detail. But generally they are expected to have all of those capabilities available.

If your question is in relation to some activity that we are currently conducting as part of our Strategic Reform Program Initiative, our Capability Improvement Program, we have a plan to take one of these vessels into a different configuration, which would be for offboard remotely operated vehicles. This is a forerunner of where we want to go with the new capability into the future. We have a plan to turn one of those four into a ROV carrier, essentially.

Senator JOHNSTON: Capability was once a stand-alone capability that had its own command, as I understand it. It has recently been changed; it is now under the command of Border Protection, if I am not mistaken.

Vice Adm. Crane: No, that is not quite correct.

Senator JOHNSTON: Tell me what the problem is.

Vice Adm. Crane: The capability used to sit in its own command line where we had a commander of the Mine Countermeasures Force. Two years ago, when we implemented the New Generation Navy structural program, we brought the Mine Countermeasures Force, the Hydrographic Force and the patrol force together under one force commander. That force commander has operational command responsibilities for each of those capabilities.

We did that because I have a view that the hydrographic capability into the future and the mine countermeasures capability into the future will be coming together in a technological sense quite significantly. As we move to concepts of not putting minehunters in minefields, where we will actually use remotely operated vehicles, unmanned, autonomous vehicles, we believe that the technology that is available in the mine countermeasures world and in the hydrographic world will come together. This is an attempt to drive us in that direction and gain those sorts of efficiencies.

Similarly, in the patrol boat force we see advantages there of moving to perhaps a modular approach to the future where you might have a single-hull form and then use modules in a single-hull form for either patrol work, for mine countermeasures work, or for hydrographic work.

Senator JOHNSTON: There is a problem, though, with respect to the metal in the patrol boats, isn't there?

Vice Adm. Crane: If you take the minehunter out of the minefield you may well be able to use metal in a minehunter—minimum-magnetic type metal. There have been minehunters around in the past that are metal, with very low magnetic signatures.

Senator JOHNSTON: Where is the force commander based?

Vice Adm. Crane: He is based in Sydney.

Senator JOHNSTON: Where are the minehunters?

Vice Adm. Crane: The minehunters are based in Sydney.

Senator JOHNSTON: Where are the hydrographic ships?

Vice Adm. Crane: The hydrographic ships are based in Cairns, in HMAS *Cairns*.

Senator JOHNSTON: Where are the patrol boats?

Vice Adm. Crane: They are based in HMAS *Cairns* and in HMAS *Coonawarra* in Darwin.

Senator JOHNSTON: Do you have an appraisal of the current status of the capability with respect to mine countermeasures and minesweeping? Have we done much work recently on that front?

Vice Adm. Crane: Yes, we have. I happen to be a mine warfare and clearance diving officer myself and one of the areas that I have taken a great interest in has been the reinvigoration of our minesweeping capability. We have done a lot of work recently in making sure that our influence minesweeping capability—that is, against magnetic mines, against acoustic mines—is well-practised, both in smaller minesweeping capability and in larger minesweeping capability. And we have had appreciations done over the last two years to ensure that we are maintaining that capability.

Senator JOHNSTON: When was the last time we actually did a sweeping operation exercise?

Vice Adm. Crane: I would have to check but it is certainly within the last 12 months.

Senator JOHNSTON: Can you also tell me how many times in the last four years you have done such an exercise and what configuration of vessel has been used to do the sweeping?

Vice Adm. Crane: I can certainly do that. There are various types of sweeping equipment, however. For the smaller magnetic sweeps we have been able to use the Huon class minehunters. For the larger sweeps—and these are sweeps that emulate iron ore carriers, the big ships that we would see operating out of north-west Australia—craft of opportunity have to be used because we do not necessarily have the towing strength in our minehunter coastal. We can get you that data.

Senator JOHNSTON: You have recently acquired an acoustic generator.

Vice Adm. Crane: That is correct, but I think we have had it for some time.

Senator JOHNSTON: How do you propose to use that?

Vice Adm. Crane: The acoustic generator is part of the influence sweep. It is, if you like, connected to a range of magnets and whilst the magnets generate the magnetic signature of the ship that you are emulating, the acoustic generator generates the acoustic signature. Mines are now smart enough—have been for a long time—to be able to determine and switch off if they do not get all of the influences that they are expecting. So the acoustic generator is connected to the magnetic sweep so that we are able to emulate both the acoustic and magnetic signatures of the ship.

Senator JOHNSTON: Has it been used yet?

Vice Adm. Crane: Yes, it has—well, I am not sure to which acoustic generator you are referring, so I want to be careful I do not mislead—

Senator JOHNSTON: The one acquired under the capability development program.

Vice Adm. Crane: We have had a number of acoustic generators over time, but we have certainly used acoustic generators.

Senator JOHNSTON: This is the new, advanced CTD acoustic generator.

Vice Adm. Crane: If it is a CTD it is a capability technology demonstrator. I would have to check whether that one has actually been used. I suspect it is certainly not been used operationally because it is a CTD.

Senator JOHNSTON: Okay. Can I go to clearance diving, which is an area of your expertise. I am told that currently our clearance divers are only doing 45 metres.

Vice Adm. Crane: We have some equipment issues at the moment that we are managing. We have the ability operationally to dive to the depths that we need to, but we are replacing some current equipment. We have had some failures on a piece of equipment called the A5800.

Senator JOHNSTON: The A5800 was what I was just about to talk about. Tell me about that. Is it an old piece of equipment?

Vice Adm. Crane: It is an older piece of equipment. We had some surprises with the failure rates of that particular set of equipment. I might add that we were not the only nation to be surprised by that.

Senator JOHNSTON: Just explain exactly what happened.

Vice Adm. Crane: It was the reliability of the equipment fit. It is a mixed gas system, and reliability of some of the equipments within the set did not meet what we anticipated.

Senator JOHNSTON: How long until we replace it?

Vice Adm. Crane: I will just check with Admiral Marshall but I think it is the middle of next year.

Rear Adm. Marshall: We have funding allocated in next year's budget and the following year's budget to replace the A5800.

Senator JOHNSTON: What are we replacing it with?

Rear Adm. Marshall: That will be open tendered. It will be a competitive process.

Senator JOHNSTON: When is the tender going to be announced?

Rear Adm. Marshall: I am not sure, but I know that my team in the MCDSPO, along with the staff in the group at *Waterhen* in Sydney, are working on that. We have had a number of meetings down here in Canberra to discuss how we progress that work and that is underway.

Senator JOHNSTON: We have 200 mine clearance divers approximately, haven't we?

Vice Adm. Crane: In that order. In fact I have a lot more than that if I count those that are under training.

Senator JOHNSTON: This is a pretty vital piece of equipment to them.

Vice Adm. Crane: Yes, it is. It is an important operational piece of equipment but, if I understand where you are heading, we do have an ability in shallower water to maintain that capability and I have preserved the A5800, albeit it would be at a higher risk for operational diving if we need it ahead of the arrival of this new equipment.

Senator JOHNSTON: What about the surface supply breathing apparatus? I am told that that is problematic.

Vice Adm. Crane: That is one that I am not familiar with. I would have to explore that.

Rear Adm. Marshall: We have funding in next year's budget to replace the SSBA, the surface supply breathing apparatus.

Senator JOHNSTON: Going to tender?

Rear Adm. Marshall: I think so, yes.

Senator JOHNSTON: How many sets will you be seeking, do you know?

Rear Adm. Marshall: I do not know the number of sets.

Senator JOHNSTON: I am also hearing some stories about the MCM underwater computer system. What is the status of that? I am told it is a very large piece of equipment.

Vice Adm. Crane: It is a very large, awkward, cumbersome piece of equipment that, frankly, has been overtaken by technology. There is a much better set of equipment available and we are exploring replacement of that in the near term, but I do not have a date at the moment.

Senator JOHNSTON: No, but the replacement is a very simple, almost totally off-the-shelf piece of kit which is not even expensive. Am I right in saying that?

Vice Adm. Crane: That is correct, yes.

Senator JOHNSTON: Why have we got our fellows wandering around with this great big box under the water trying to battle their way? They tell me some horrendous stories.

Vice Adm. Crane: I have seen it, I have used it.

Senator JOHNSTON: Then you know what I am talking about.

Vice Adm. Crane: It is not a comfortable piece of kit and we are trying to replace it as quickly as we can.

Senator JOHNSTON: The way it has been described to me it is like buying a Garmin GPS.

Vice Adm. Crane: Sorry?

Senator JOHNSTON: It is like buying a little GPS machine to replace it.

Vice Adm. Crane: There are systems available that are exactly like that—much smaller, much more compatible and we are pushing as hard as we can to get that equipment as soon as possible.

Senator JOHNSTON: I do not think we are talking about millions of dollars here.

Vice Adm. Crane: No, we are not. Well, I will not be quoted on the figure, but is not a large figure.

Senator JOHNSTON: But this is an important group of people inside the operation and they are telling me stories that morale is being undermined here for no real good reason. What about handheld two-way sonars. How serviceable are they?

Vice Adm. Crane: The two Alpha sonars have been around for a little while. I cannot give you the exact figures on serviceability of them.

Senator JOHNSTON: I am told it is appalling.

Vice Adm. Crane: That would not surprise me.

Senator JOHNSTON: I repeat my previous comments. What about insertion boats? Beach survey tasks are conducted using tinnies and other things that I am told are not fit for the purpose of carting gear and doing all the other things they need to do.

Vice Adm. Crane: I would argue that they are fit for the purpose of what the capability requirement is.

Senator JOHNSTON: So you think that is okay?

Vice Adm. Crane: Yes, but I think on occasions people in my community seek to push the envelope in the sorts of things that they wish to be able to do, and at the moment the vessels that we have available for the mission that exists, is satisfactory.

Senator JOHNSTON: You think we have got a bit of front on that one?

Vice Adm. Crane: I think we have got what we need to be able to do the mission that we have.

Senator JOHNSTON: I think I have scored a few points on the other items.

Vice Adm. Crane: You have.

CHAIR: When we return we will go to DMO.

Vice Adm. Crane: May I just answer a question that I was asked earlier about the comparison of costs that we are paying for *Aurora Australis* versus what is paid by the Antarctic division, I am informed that our charter costs are less than those paid for the Australian Antarctic division on the basis that we are discounted given there is no requirement

for the conduct of icebreaking operations so we are paying a lesser cost than what the Australian Antarctic division is paying.

Senator IAN MACDONALD: Perhaps on notice, if you do not have it there, you might just indicate what the arrangement with the Antarctic division is? I know it is not your estimates but you have obviously got the information, so if you could perhaps give it to me on notice?

Vice Adm. Crane: Okay.

Proceedings suspended from 12:29 to 13:34

Senator JOHNSTON: Before lunch we were discussing the total annual cost of submarines to the Commonwealth. It was put to me that the total cost in 2009-10 for submarine capability was \$363 million. That was in answer to question No. 103. I have some documents here that I will give to you. The first page is Defence outcomes and outputs 2005-06. You will see at 2.4 a photocopy of a fluorescently marked document on page 90 of the budget papers of that year with the figures of \$779,765,000. In 2006-07 the figure for submarines is \$724,138,000. In 2007-08 the figure for the estimates was \$815,756,000. Over the page is the first time—that is, 2008-09—we broke it up. You can see table 1.6.5, output 1.2.6, capability for submarine operations, \$477,655,000. On table 2.5.8 there is sustainment, \$296—a total of \$773. I maintain that the cost of submarines to the Commonwealth is somewhere between \$800 and \$900 million. Is anyone going to take me on about that?

Dr Gumley: Both sets of numbers are right; it depends upon the method of calculating them. It is the difference between cost and accrual accounting and whether we are including the cost of overheads in the cost of running submarines. When we look at the data that appears to be in 2006-07, in those days we measured the capability for submarine operations. That will have a number of components. It will include the maintenance and the operators, but it also includes depreciation, which is a very large amount, and bases, and it includes, I understand—and I will have to get this checked—an attribution for the overheads of the department. We have changed the basis of reporting in the last year or two. Now we report just the cost of running the submarines and we do not have those attributions or the depreciation. So depending on how we calculate it I think both numbers can be correct.

Senator JOHNSTON: All right. You tell me which number you think is correct.

Dr Gumley: I am saying that both numbers are probably correct.

Senator JOHNSTON: Give me the calculation, as best you can, as to what it is costing us with the overhead from the department and depreciation, and without.

Dr Gumley: I think that reconciliation will be an important thing to do. We could take it on notice and do that for you.

Senator JOHNSTON: You think that without depreciation and without the overheads \$363 million is correct.

Dr Gumley: No, I think—

Mr King: We have to thank Senator Johnson for looking ahead. I will ask the Chief of Navy to put in the operational costs. In 2011-12 we are projecting—without the depreciation and overhead figures—approximately \$443 million in sustainment. That covers the platform sustainment, which is the submarine itself, at about \$294 million; spares procurement of about

\$56 million; and combat system support of about \$85 million. So that is the \$443 million in sustainment. We see that as a peak year because there is work, as I mentioned earlier, going on into the ISSC. We see that tapering—I know that you have some doubt about that—into \$408,365,000. In addition to that—but it should not be confused with annual operating costs—next year we are anticipating \$66.8 million of project work to be installed in the boat. Every platform we have has a number of approved projects that we install and we have our own internal workforce and operating costs of approximately \$25 million.

Senator JOHNSTON: Plus the \$50 million for operating.

Mr King: I will ask the Chief of Navy to answer the question about operating costs.

Vice Adm. Crane: In relation to the breakdown of the costs that I spoke about, you asked whether personal costs were included. The actuals for 2009-10 are \$25.6 million for personnel—the crew. For the fleet support unit—that is the submarine support group; they are not part of the crew but they sustain the capability—it will be just over \$5 million. Rations will cost \$458,000; fuel, \$1.1 million; weapons, \$177,000 and suppliers \$822,000. So it will be \$33.6 million for operating costs for that year. That fluctuates up and down but that is the broad number.

Senator JOHNSTON: So, by my calculation we are, on this analysis, somewhere between \$500 million and \$600 million.

Mr King: Including DMO costs to run the SPO it looks to be in the order of \$520 million.

Senator JOHNSTON: That excludes the mark-up for the department.

Dr Gumley: It excludes the overhead and mark-up of the department and it excludes overheads and depreciation. Senator, could I draw your attention to the number on page 124, table 5(b) of the estimates of 2007-08 on the page you just handed out to us.

Senator JOHNSTON: Yes.

Dr Gumley: You had the number 815,756 highlighted.

Senator JOHNSTON: Yes.

Dr Gumley: If you go three numbers above that you will see, on a similar attribution basis, the capability of major surface combatants.

Senator JOHNSTON: 1902.

Dr Gumley: \$1.9 billion. If you look at the next one down it has 'naval helicopters, \$641 million'.

Senator JOHNSTON: Yes.

Dr Gumley: Each and every one of these numbers is treated the same. If you look at the cash amount without depreciation and overhead for each of these other capabilities this year again you will find some sort of ratio down, compared with the way it was being reported in 2007-08.

Senator JOHNSTON: Do we have a standard method of calculating the actual cost of submarines per annum—sustainment, operations, projects. Do we do that number?

Dr Gumley: We can see here that there are several standard methods. It is a matter of the question you ask. If you want a full attribution basis you get one number; if you want a cash basis you get another.

Senator JOHNSTON: Where is that explained in the papers? These numbers are meaningless without such an explanation, surely.

Mr Prior: The department used to present its numbers in both in an accrual form, hence it would encapsulate depreciation and would also include an attribution of all overheads. For the CFO group costs would be applied. What we did a few years ago—and I recall we used to have discussions with senators before we had the meeting—we talked about how we were trying to remediate the budget. What we were trying to do was get a clearer line on what the department actually spent and what industry received, a connection, because a lot of your questions are often about where does industry see this expenditure and so on, for instance.

In the budget papers now we no longer attribute the cost. You will see in the various outputs throughout the budget papers that the cost for CFO group is separate from the other costs. What we tried to do is have a more direct allocation of costs to these particular things so that, when you see a number about the cost of something, it is more akin to the actual amount of money that goes to a provider or supplier. You could always have another set of numbers which would attribute the overheads, but things like depreciation, frankly, do not have a lot of information value when you put them in amongst all the costs. Industry does not receive money from us for a cost called depreciation.

Senator JOHNSTON: You are saying the 2005-06 figures, more importantly, the \$800 million in 2007-08 has a big depreciation.

Mr Prior: It would include depreciation, accrual costs and would include overheads, as Dr Gumley said. It includes those sorts of attributed overheads. That number is not, in my view, as meaningful as the other sort of number.

Senator JOHNSTON: Okay. The \$443 million in this year's estimate, plus, plus, plus the actual cash to be expended.

Mr Prior: Cash going out the door for someone to receive and I think that is a more meaningful number for the senators.

Senator JOHNSTON: Could you take on notice what that number is and its composition?

Mr Prior: The 443?

Senator JOHNSTON: The 443 plus operations, plus projects.

Mr Prior: Which we have just read out.

Senator JOHNSTON: I would like to know that and make sure that you have that as correct, totalling whatever. Then do it in the old method of the 2005-06.

Mr Prior: And add the overheads and the depreciation.

Senator JOHNSTON: Add the overheads and depreciation. If I could have both of those on notice I would be very obliged.

Mr Prior: That will take some time because of the machinery of attributing all the costs. I am not saying we cannot do it, but it will take some time to do the attribution of all of that.

Senator JOHNSTON: Has no one ever asked if that number?

Mr Prior: Which number, the overheads?

Senator JOHNSTON: What it is costing.

Mr Prior: I have been coming here six years and no, Senator, you have not.

Senator JOHNSTON: No, I have not. Does anybody on your side of the table ever ask for it?

Mr Prior: We do talk about it within the organisation, but no-one from here has asked me about a cost structure that way.

Senator JOHNSTON: I think it is obvious, given where we are with this particular thing. The costs are running away on any calculation. I am just surprised that we do not have the actual figure at our fingertips. We have a composition of various ingredients but nobody appears to know the actual number. Yes, we can work it out. The actual number in the PBS for any lay person to pick up and say 'submarines are costing us this much'.

Mr Prior: No.

Senator JOHNSTON: No.

Mr Prior: But you can see the cost of sustaining it. Can you see that?

Senator JOHNSTON: Yes.

Mr Prior: But do we break it apart? There comes a point also of how big you want the PBS to be, but we do not break our labour costs and show them all separately to all the various elements they are enrolled in. We will take that on notice and construct it for you.

Senator JOHNSTON: Thank you. Chair, that is all I wanted to talk about on the subject.

Senator HUMPHRIES: I wanted to run through the projects of concern please.

Mr King: Senator, Warren King, I am responsible for managing the projects of concern process. Would you like me to open up with a summary statement or would you like to go directly into the projects?

Senator HUMPHRIES: It might be useful to go to each of the projects in turn. I was going to suggest, for future reference, Chair, that we might consider a different process for projects of concern, since it is a published list—not for this estimates but for future estimates. I understand that Mr King is going to give us an update now on what is happening with each of these projects.

CHAIR: Do you mean having a separate topic on the agenda?

Senator HUMPHRIES: No. Perhaps we could have a statement of what those issues were, say, the day before DMO were to appear and then we only need to ask questions on the areas about which we had a concern. Much of what Mr King will say today, I assume, will not be issues that we need to talk much about, but, until we hear what he has to say, we do not know whether that is the case or not. I think it would save time in future estimates if we had that statement beforehand and then we could focus on only the issues that were of interest.

CHAIR: We might have a more formal discussion of that with the committee and, arising out of that discussion, write to the department to advise them of our request. I am happy to do that.

Senator HUMPHRIES: Thank you, Chair. Could you run through the issues, please, Mr King. I assume that the list has not changed from the last estimates hearing.

Mr King: No, it has not, but I can update you on the broader issues, obviously, and what progress has been made. I am still very much of the opinion that the projects-of-concern process is very beneficial to the country and to Defence and to our management of projects.

As I advised you last time, there have in total been 18 projects over time that have been on the list. Seven of those have been removed from the list; two were cancellations—that was the Seasprite and the LCM2000s. Five were remediated. The approximate value of the remediated projects is nearly \$5 billion. I think that shows that, by taking these projects under close management, we are delivering capability to Defence and capitalising on the investment.

I will go down the current projects. Of course we spent a lot of time this morning saying 'It's not a project; it's a sustainment activity.' There is only one on the projects of concern. It is a Collins class, and it remains a very high focus for Defence and for ASC to improve our performance on this project. We have covered a number of matters there. I would say that we are seeing some signs of improvement in ASC. For example, there is a 20 per cent reduction in the shorter availabilities. These are called Imavs. ASC are reporting a 56 per cent increase in labour utilisation, which is a big improvement, and a 12 per cent increase in the buy, as opposed to make-internally. We are getting some metrics and we are seeing some improvement.

I make no bones about it—and maybe we were not clear enough on that this morning: we still know that we have got to drive significant change into the way we do business and into the way ASC do business in order to get the best value for money for Defence. I do not think there is any value in going into the submarine issues any more, unless you want to.

Senator HUMPHRIES: No, thanks.

Mr King: I will run down the list as I have it assembled here. JP129, phase 2, is a tactical unmanned aerial vehicle. These are vehicles anticipated for use in Afghanistan. We started this project originally. It was an early application, I suppose, of early indicators and warnings, which have been announced by the minister as a formal process in Defence. The original contract was seen to be not delivering. We had been into the project for about 12 months and it was falling behind. We cancelled it. It was a Boeing-led contract. We have now gone into an FMS case procurement from the US of the Shadow 200 system. We are buying two systems. We went to government aiming for an initial capability to be fielded in 2013, but there was a government direction to accelerate that if we could in order to get it into theatre.

I am pleased to say, on work that we have done and work that the Chief of Army has done with his counterpart in the US and US support—they are a great support to us in a variety of projects we operate—that they have freed up one of their systems for us that was destined for the US Army. Our current planning is that we will be about two years ahead of our originally projected date. We now expect that we will have the first system in Australia in the third quarter of this year. We will be able to train with the Army—the army operators will be able to train—and we will be able to have it in theatre at the end of this year or very early next year. My statement about this is that it is going in the right direction. It is on budget. We are ahead of the schedule that was approved by government, and I believe we will have this in theatre and available for Army use, as I said, either very late this year or early next year. It is a good story.

Senator HUMPHRIES: On the last occasion we talked about testing of the UAVs in Australia. Has that proceeded?

Mr King: We do not have them there, but resolving how to test and is proceeding and we are confident will that we can proceed on that.

Senator HUMPHRIES: So that will happen before they arrive and come into full use or will the testing happen when they get here?

Mr King: They will do some testing here. We have got to get permissions to do that. We will do that with Australian Army folk and with trainers; then it will be packaged up and go into theatre.

Senator HUMPHRIES: Do you know where that testing will be?

Mr King: No.

Senator HUMPHRIES: Okay. Thank you.

Mr King: With HF modification project JP 2043 phase 3A, the high frequency project, as I reported on last time, this project went on projects of concern for what is called the fixed network. This is the large-scale sites that do the transmitting and receiving in Australia. There are five sites. It went onto the projects of concern list because of poor Boeing performance. Boeing have now delivered that system and we are very appreciative of the way Boeing turned around its attitude to this project and solved issues for us. The fixed network is now operational and is supporting assets across the ADF.

HF is a high-frequency system. It is not used as much as it used to be, because we tend to use satellite communications now, but it is very important if, for example, in the future—we do use it operationally—we were denied or had unavailable satellite communications, which is very important to operations. The hold-up—I want to be very clear about this—is no longer Boeing's work on this project. What we need to complete the project is what we call the mobile elements. The fixed networks communicate to ADF assets that are mobile. These can be ships, aeroplanes, trucks, headquarters, mobile headquarters and so on.

One of the features that the new high-frequency communication offers is automatic link establishment—ALE—capability. High-frequency communication relies on ionosphere bounce, so the right frequency to use for communications can be variable depending on the ionospheric conditions. The way that is done in the older systems is you manually go through different frequencies until you find the best one available to communicate on. This system has an automatic link establishment—ALE—capability. What we are looking at now is the balance of the mobile platforms that need to have an ALE capability added to them so we can use the maximum capability of the fixed network. A number of our platforms already have that ALE capability. What we need to do in Defence is go back to government to finalise the scope of the mobile issues. But I would make a point of that the HF fixed network for which this project went on the projects of concern is now remediated.

Senator HUMPHRIES: When is it expected to be fully operational?

Mr King: The fixed network is fully operational.

Senator HUMPHRIES: So you have got that glitch to work out with respect to that further modification?

Mr King: The mobile elements. It is a Defence issue.

Senator HUMPHRIES: So it is not a concern of DMO, then?

Mr King: No, we are part of the process, of course, but the operational community, the capability development group and the service chiefs are finalising which platforms they wish to go back to the minister and government on to finalise this project.

Senator HUMPHRIES: So it really should come off the projects of concern list very soon?

Mr King: As soon as we solve that, because we have to treat it as a holistic project. For the record I want to make it very clear that Boeing has completed their fixed network work.

Senator HUMPHRIES: Yes, okay.

Dr Gumley: Can I just make a point there. The whole purpose of the projects of concern list is not just to have a list where you just put names; it is actually to reform and do things. Part of it is to get a closer interaction between DMO and the respective private companies who are doing the work. In this particular case, just having the list and the approach it has been given has been highly successful. I back what Warren has just said: Boeing have done a very good job after a difficult period in getting this fixed with and it would be quite appropriate for it to be removed from the list in the near future.

Senator HUMPHRIES: Has the cost of this project increased significantly since we were last advised of it?

Mr King: No, it has not.

Senator HUMPHRIES: Good.

Mr King: In fact, it is likely to come in under budget.

Senator HUMPHRIES: Yes, okay.

Mr King: The next project is a disappointment: JP2070, phase 2 and phase 3. This is the lightweight torpedo project. I reported last year that we were completing the final acceptance test and evaluation firings in November. They were not a success. What we have determined since through very thorough analysis is a number of failures of the whole system, not the torpedo, that we have to address. These appear to be minor in a technical sense but major in impact in the deployment of the weapon. They relate to the construction of the torpedo tubes, which need to have a modification carried out. What we found when we did the final acceptance testing—I think I covered this briefly in the last committee meeting—was that the shroud that holds in the balloon that expands once a test torpedo is fired was breaking off early and that was causing torpedo run failures. What we have determined is that it is because of a particular element in the torpedo tubes which was protruding a small amount. It is an element that is required for firing the other torpedo we use, which is the Mark 46, but we have come up with a fix that means we can use that tube both for the Mark 46 and for these MU90 torpedoes.

There were two other matters that contributed to the failures. One was to do with the handling trolleys. It is a very heavy torpedo and the handling trolley is necessary to make it align accurately to the torpedo tube when you insert it into the tube so that you do not do any damage to the torpedo. The third element, which I think I touched on last time, was the connector cable. It is one connector cable but there are actually three different variants of it made. What we have found is only one variant of that cable works 100 per cent reliably on the MU90 torpedo, so we are ordering in that particular cable.

In conjunction with Thales—and this was their idea and it was one raised in a meeting with Minister Clare, me and the company when we were going over projects of concern—what we are doing is some pierside testing before we put this back on the ships in Sydney. DSTO have

supported that. We have designed a net to catch the practice torpedoes. These are not torpedoes that run; they are fired inert, but they need to be caught. We have modified the torpedo tubes with these fixes, the new cables, a firing system, and we are going to do a number of firings in Sydney and catch the torpedo—it is very cheap to refurbish and fire again.

Once we are absolutely convinced that everything we have done to test that has solved all those matters, we will then go back to do the final acceptance testing on a ship, which we now estimate to be a six-month delay to what we had projected for the final acceptance testing. Then the Navy will enter into a period of operational test and evaluation. I think I pointed out last time that we have now had a very close cooperation with European countries that use this torpedo and we have about 200 test firings from Europe that we have evaluated and seen. So it is a disappointing project; it has not made the progress we had anticipated. I think the new program is a very good program and I would hope that next time we visit you we can have some positive news.

Senator HUMPHRIES: The torpedoes that are being replaced with this project: is there a question about their capacity to continue to deliver while this replacement program is proceeding?

Mr King: It would probably be better for Chief of Navy to comment, but those torpedoes are still functional. Clearly we are buying the new torpedoes, the MU90s, because they have greatly enhanced capabilities. We need to get these torpedoes to sea in ships, there is no doubt about that. But the Mark 46, the older torpedo, is still in inventory and does still operate.

Senator HUMPHRIES: All right. I just want to make sure there is no imminent obsolescence issue we are dealing with here.

Vice Adm. Crane: There is certainly no cliff that we are about to lose in terms of capability because of the Mark 46, but I remain vitally interested in getting the MU90 into an operational status as soon as possible.

Senator HUMPHRIES: Okay.

Mr King: Air5077 phase 3, which is the Wedgetail project—we have provided in the past private briefings to members on certain classified aspects of this project. This project is now well on the path to remediation. You might remember that we had a commercial settlement which took into account certain performance shortfalls in aspects of the Wedgetail radar. I am very pleased to report that we gave ourselves about seven years to remediate that radar. Work that we have done to date looks like we will accelerate that and have the clear air performance of that radar back up to the anticipated spec much earlier than the seven years. We are also very hopeful now that there are fixes in place for the performance in clutter. That is against background noise and so on. Things on this project are also going very well. We have aircraft back in initial acceptance in Australia, and the air force are operating them successfully.

Two areas of concern in the project still include the completion of the integration of the electronic support measure, the ESM system. We had a setback on that last year which I reported to the previous committee meeting on reliability issues. They are now being addressed. The other is the final complete integration of the whole system which we were planning for December of this year—that would be the whole thing functioning. That is, in my opinion, challenging. But we are talking about months—one, two or three months—and

no longer years. This ability to link to other assets, to the Vigilare system and to other ships is really nearly there as a mature capability.

Senator HUMPHRIES: We discussed on the last occasion the slippage in the project which had resulted in a \$162 million reduction in the 2010-11 expenditure on the project. If it is coming good—and I think that is what you are saying—I assume that the figure we are looking at for this project will revert to what it was originally supposed to be.

Mr King: We make no bones about it. Because we want leverage over companies to complete the job, there is a substantial amount of money to be paid on this project at completion. I think the secretary touched on this yesterday. One of the contributors to the underspend this year was a milestone moved from this year into the next fiscal year. We do not pay money until contractual obligations are met.

Senator HUMPHRIES: Can I just clarify something. Are any of the projects of concern ones that have been deferred by the government as part of its realignment of the defence program?

Rear Adm. Marshall: No. If you look at the spend spread of a project, it follows an S-curve, looking at it from my direction. So when governments approve a project there is quite a period to ramp into where you really assemble the team. That is the bottom of the S-curve. You then run through a period of quite strong expenditure, and then you taper off. It is a bit like finishing a house. That final fit-out takes a while and you do not necessarily spend a lot of money.

Where we get into trouble is that projects—and I sort of touched on this yesterday—do not run to fiscal years. So we could have a milestone that is worth \$50 million, \$60 million or more due to be paid, say, in June. If the company is four or five weeks late meeting that milestone then that will have a \$50 million, \$60 million or whatever million dollar impact on what we achieve in that fiscal year. But it is not government approval. These are projects that were approved sometimes many, many years ago by government. They are well and truly underway, and it is really the performance of industry and us to deliver that is causing the failure to meet our financial goals.

Dr Gumley: What Warren has just explained is the cause of some of the variability that I read into the record yesterday on the slippage rates where some years we were negative and other years we were positive. Again, we do not spend money just to meet a financial-year boundary. We do it when the milestones are met in the project.

Senator HUMPHRIES: So these standing distinctions are those other projects that are not as far down the track as these ones are where the government decided to defer the first stages of them—

Dr Gumley: Virtually all of these are well-advanced projects.

Senator HUMPHRIES: So these stand in distinction to those other projects that are not yet as far down the track as these ones are where the government decided to defer the first stages of them for other reasons?

Dr Gumley: No, virtually all of these are well-advanced projects.

Senator HUMPHRIES: Okay.

Mr King: AIR5333 project Vigilare is now successfully remediated. We have two operating centres: North ROC and East ROC. I think we reported last time that North ROC had been accepted. East ROC—Eastern Regional Operational Centre—has now been accepted, and the ability to hand control between both centres has been demonstrated. There are a small number of minor software defects that have to be corrected, but the system has been accepted and I do believe that the CEO very, very recently signed out a submission to ministers suggesting that this is now a clear candidate for removal from the projects.

Senator HUMPHRIES: Good, okay. Next one?

Mr King: Project Overlander was because of a failed tender process originally to select the medium-heavy element of the Land 121 phase 3. The light-lightweight element is the G-wagons and they are progressing satisfactorily. This was a tender where the company had made claims about the vehicle which had not been substantiated when we tested it, so we went back to the marketplace. That tendering process is now complete and Defence is formulating its recommendations to government about the preferred selection.

Senator HUMPHRIES: Is either the cost or the number of vehicles or units to be purchased changing as a result of this work?

Dr Gumley: Senator Humphries, it is a cost capped project, so basically we will spend the amount of money on the project and the number of vehicles will be adjusted according to the amount of money.

Senator HUMPHRIES: Okay, so what is the cost cap and has that led to a reduction in the original projected number of units to be purchased?

Dr Gumley: This project is characterised by a change to scope about three or four years ago where a lot of the vehicles were requested by Army to become protected vehicles. As a rule of thumb, a protected vehicle is about twice the price of an unprotected vehicle, and so the number of vehicles we are able to buy is less than what was anticipated back in about 2004 or 2005.

Senator HUMPHRIES: By how much?

Dr Gumley: I do not have that figure at the moment.

Senator HUMPHRIES: Okay. Could I now have what the adjustment was, you said three years ago?

Dr Gumley: Three or four years ago there was an adjustment to the scope of the project.

Senator HUMPHRIES: So can I find out what the change in expected number of units was at that point and I want to know whether, since that point, there has been a further reduction in the number of units being purchased.

Dr Gumley: It is not an easy question to answer because at the same time this is going on the Chief of Army is looking at the structure of the Army and that determines which vehicles are required where, which affects the mix of vehicles between light vehicles, medium vehicles, heavy vehicles, and so that whole analysis is undergoing now. What the tender process has given us is the unit prices of each different type of vehicle, and now the analysis is going on how many of each vehicle are required. So I do not think it is an easy question to answer because the very basis of provisioning has changed since the project started.

Senator HUMPHRIES: So you are saying that the configuration of the purchase between light and heavy vehicles may change according to Army's requirements.

Dr Gumley: Yes, that may change according to Army's requirements. So two things have changed: first is the need for protected vehicles, which increases the unit price of them—whether they be light vehicles or medium vehicles or whatever, the protected vehicle is more expensive; secondly, the basis of provisioning is changing based on the Chief of Army's organisational design for Army.

Senator HUMPHRIES: But it are still cost capped, so even if Army determines it needs a lot more heavy vehicles, it has to purchase them within this cost cap?

Dr Gumley: Yes, they have got to work out the mix between light, medium and heavy, which obviously have different price points.

Senator HUMPHRIES: Okay. We expect these vehicles to be used in theatres like Afghanistan?

Dr Gumley: These are logistics vehicles. They are not armoured fighting vehicles. So although they might go overseas, they would very much be in a backup role; they are not expected to be taken into direct harm's way. They are not a fighting vehicle for the infantry or whatever.

Senator HUMPHRIES: Can you just clarify this. You say some of them need heavier protection. What does that involve? Does that mean armour plating on all surfaces of the vehicles, including underneath?

Dr Gumley: Typically they protect the cabs where the drivers are and they protect underneath from some sort of blast. Some versions of vehicles also protect the payload, but that is not normal in the heavy vehicles.

Senator HUMPHRIES: Okay.

Mr King: I think the thing that caught out most of the Western world was that in operational experience from Afghanistan, for example, the cost of creating effectively protected vehicles was a lot greater than originally estimated. In the initial look at this various manufacturers thought you could just add things and that would be enough. What we have found is to have integrated protection systems is quite expensive and that is the reason why we had to go through this process.

Senator HUMPHRIES: Next project?

Mr King: The next one is SEA1448 phase 2B Anzac ship ASMD. I am personally really delighted to be able to report on this project. This was a project that we had put in the category that it might more likely fail than succeed. This is for eight Anzac ships. It is an Australian developed phased array radar. We asked government to consider what we called a 'one plus seven' strategy, which was to do it one ship, prove that it worked and, if it worked, come back to government for what the cost and schedule were to install in the remaining seven ships. Earlier this month, the trial, contrary to my extreme pessimism, executed flawlessly and on schedule, and in the earlier part of this month we did a successful ESSM firing from an Anzac ship, the *Perth*.

The level of support and cooperation from industry, from Navy, from the commanding office of the ship was just outstanding. This will be a world-beating technology the likes of

which this country has not put together for 20 or 30 years. It is a small Australian company. I think they are to be commended for the work they have done. We have an issue now to go back to government and outline the cost and schedule to install on all the ships. It is not for me to say, I guess, but the enhancement in capabilities that this brings to Anzac ships is quite phenomenal, at a reasonable cost. I have no doubt that many countries of the world will be coming to look at this company and acquire this technology. The basic technology has uses in Australia beyond just shipborne use. The company was able to demonstrate for example, tracking mortar rounds accurately and predicting where they came from so that you could launch a counterattack—that sort of level.

Senator IAN MACDONALD: I think Senator Humphries commented, sotto voce, this it is a Canberra company.

Mr King: It is a Canberra company.

Senator IAN MACDONALD: I am not quite sure what that has to do with anything, Senator Humphries.

Senator HUMPHRIES: I am not sure either but I am glad you got it on record, thank you.

Mr King: You have got to make it clear to your friends that you are visiting this company and not other businesses in Fyshwick when you go there!

Senator IAN MACDONALD: I always go to Harvey Norman!

Mr King: The location in Fyshwick is actually excellent because what they do to tune their systems is to track the aircraft coming and going to the airport. This was an incredibly troubled project and it is illuminating that, if you step back a bit and give the companies time to develop the technology, to bring it to bear in an operational framework—and it has taken longer than we anticipated—there are benefits here for this country for 20, 30, 40, 50 years from this technology. I just think it is really successful now. What we do have to do, though, is come back to government with what the costs are and the schedule to install in the remaining vessels.

Dr Gumley: On that, there will be real cost increase to the project but it is one that in my view is very justified, given the capabilities being demonstrated.

Senator HUMPHRIES: Of approximately what order?

Dr Gumley: We are still calculating that, and this is not about the cost of the radars themselves; it is about the cost of the ship installation: the big cupola that is put on, the metal work on the ship, the new mast and so on—this is all part of the cost structure that has got to be built into the project.

Mr King: I should just comment, though we have done this firing, the Chief of Navy is anxious to take this to Hawaii and put it on a complex test range over there in a complex environment and finalise that complete system testing in a complex environment.

Senator HUMPHRIES: So this will be transferrable technology to our AWDs and LHDs in due course?

Mr King: No, I do not think it will be used in AWDs and LHDs. As I say, it has land applications; it has certainly maritime applications, probably more like corvette size, frigate size etcetera. I think also that many nations because of budgetary constraints are extending the

operation of existing ships and I would be very surprised if we do not see a lot of interest even from the US and from European friendly nations.

CHAIR: Does the system identify and track incoming missiles much further out than was previously the case?

Mr King: It is not so much further out. I do not want to discuss those ranges, but it is far enough to be able to mount appropriate defence mechanisms. What it allows us to do is to track many, many more of them, as well and with a very high of degree of certainty—

CHAIR: So platforms subject to multiple attack?

Mr King: and very small, high-moving missiles.

CHAIR: Why would it not be suitable for larger platforms like the AWD or the LHD?

Mr King: The main issue there is integrating it with the missiles. This system not only tracks the incoming or the attacking missiles, it also controls the missile that we are counterfiring with. It is what is called illuminating the missiles. Each missile type has a different qualification testing for its range. We have a range of missiles. ESSM is a shorter range missile, SM2 is a longer range missile and there are other missiles. So the whole issue of ramping up the power, ramping up and getting it qualified is many, many steps of work to be done.

CHAIR: Right, okay.

Mr King: It is not that it could not be there in the future, but it is not at that point today.

CHAIR: It is not readily and easily adaptable.

Mr King: I think it is, but each step has to be done logically and with the right investment and the right time. It is not one that you would take just today.

CHAIR: That is good news. We have followed this discussion for about eight years now, I think.

Mr King: It is good news and I am just delighted to report on the way the company has gone about this business, I really am.

CHAIR: Very good. Senator Humphries?

Senator HUMPHRIES: That is very good news indeed. Well done for that. Can we go to the next project?

Mr King: The next one is also one that is making progress, but not at the speed that we would like, so I have put this in the disappointing category; probably not quite as disappointing as the lightweight torpedo. This is AIR5402, air-to-air refuelling capability. This, as you know, has been a long and protracted problem project for us. The good news—and I will probably need an update from either the Chief of Air Force or the project manager—is that our first aircraft for initial acceptance was ferried to Australia this week. We are down to hourly updates at the moment but we anticipate initial acceptance of this aircraft sometime this week.

Air Marshal Binskin: I can confirm that. We are looking at initial acceptance of the aircraft tomorrow at Amberley. The first aircraft landed at Amberley at 2:45 on Monday afternoon. The DMO have completed commercial negotiations with Airbus Military and we will take initial or interim acceptance tomorrow. That allows us to go through the

airworthiness process and we will be flying the aircraft within about six weeks, and working up then to an initial operational capability.

Senator HUMPHRIES: That incident off Portugal last year was instructive in terms of ironing out any flaws or problems with the operation of this aircraft?

Air Marshal Binskin: The issue off of the coast of Portugal was with the boom refuelling system. At its interim or initial acceptance tomorrow, we will be taking it without the boom capability being operational and that will give time to remediate issues that still need to be addressed in that. That is not a big issue for us because predominantly the air-to-air refuelling we need is for the Hornets and they are probe and drogue, and that system is working well.

Senator HUMPHRIES: Okay, but without the boom it does not perform the principle function, does it?

Air Marshal Binskin: Yes, it does. It has got two types of air-to-air refuelling. There is probe and drogue, which requires two pods on the wingtips: you will see the hose come out and there is a basket like a shuttlecock basket. Classic Hornets and Super Hornets refuel with the probe that comes out of the nose and they plug into that, so it is capable for that. You need the boom if you want it to be operational with JSF, which is a fair way down track, or if you want to extend the range of Wedgetail or C17s, which is not an issue right now. So, from an air combat sense, this will give us a vastly increased capability when this comes into service, just with the probe and drogue, while we continue to work the boom.

Senator HUMPHRIES: How many of these aircraft are we buying?

Air Marshal Binskin: Five.

Senator HUMPHRIES: When is the fifth one due to be delivered?

Air Marshal Binskin: I would have to look to the project for that.

Mr King: I will get that to you, Senator, but the fifth aircraft has just been inducted into the Boeing facility for conversion in Brisbane. I might add that there is still work to do. I do not want to paint the picture that we have jumped all the hurdles on this one. As the Chief of Air Force pointed out, the finalisation of the boom capability is work yet to be completed to bring that whole capability into operation. We are currently working quite effectively and cooperatively with Airbus Military to resolve commercial issues around that matter.

Senator HUMPHRIES: There is no cost blow-out in that project?

Air Marshal Binskin: Again, I will go to the project for that. The fifth aircraft is due in September 2012.

Senator HUMPHRIES: And no cost blow-out to previous estimates?

Mr King: No.

Senator HUMPHRIES: Excellent. I think we have got to AIR5276—no, we have done that.

Mr King: Yes, we have got that and JASSM—AIR5418 phase 1—and I can update you on a review I undertook at the direction of the minister on MRH, if you are interested.

Senator HUMPHRIES: Yes.

Mr King: On AIR5276, phase 8B—this is the P3 ESM upgrade, as you would be aware—we briefed that we were late with the delivery of that project, the main reason being that BAE,

who were the ESM suppliers on Wedgetail and the ESM suppliers for the P3, responsibly put its effort into making sure the Wedgetail capability was focused on. That caused negative effects on this P3. We have not seen any deterioration of the project since it has come onto the projects of concern list. BAE is working effectively now to deliver this capability to the revised schedule. So there are no cost blow-outs and no deterioration of the schedule since it became a project of concern.

Senator HUMPHRIES: At this point what is the estimated time at which the first upgrade will take place to an Orion?

Mr King: The inservice date for this is December 2013.

Senator HUMPHRIES: To be completed when?

Mr King: The final, I think, is December 2015. One of the problems we often face in upgrading any of our platforms is that the platforms are obviously highly utilised by the services and we need to free up those assets to do the installation and give them back to the services to meet their operational commitments.

Senator HUMPHRIES: The helicopters?

Mr King: We were concerned, and remain concerned, about the performance of the MRH helicopter, the ones acquired under phases 2, 4 and 6. The minister directed that we undertake a gate review, which I did and gave my findings to the secretary, CDF and the minister. We met with project office, the services and industry. It was the first time that we engaged industry in a gate review. Although this project is not achieving the rate of effort and the delivery of the dates that we initially set out to achieve, and it is very challenging for Navy to keep its helicopter capability at sea, my recommendation was that a number of issues needed to be addressed and they might well be better addressed outside the project of concern framework as it had not triggered the key thresholds. These included contract structures for both the supply and maintenance, resuming delivery of the aircraft which is currently halted with acceptance of 13 at our new baseline and a concentration on getting the flying rate up and the Navy capability in particular, although Army is no lesser, into service as soon as possible.

I am delighted to say that the company has engaged actively with us in restructuring those contracts to be a better contract, particularly for Defence and the company. We are looking at a program of resuming acceptance of aircraft at a new, more advanced baseline which is called production baseline 3. I am also delighted to report that the last two months have had the highest rate of effort from these helicopters that we have ever had. There is a long way to go. I also recommended to the minister that we review it again later this year and see if the objectives we have set our team, the services who are the user community and the company are being met and achieved. If that is the case, clearly we would recommend keeping going with that. If they are not being achieved then we would recommend a project of concern.

Senator HUMPHRIES: If we go down the better fork in that road we will get more of these choppers delivered?

Mr King: Yes, we are currently looking at acceptance of the next six helicopters.

Senator HUMPHRIES: Do you have any idea of when that might be, assuming that it works out to be satisfactory?

Mr King: Some time after mid-year we will start that process.

Senator HUMPHRIES: Are they all for Navy?

Mr King: I do not know that all are for Navy.

Senator HUMPHRIES: Please take that on notice. None of those 13 have been signed off for full active service at this point in time?

Mr King: No.

Senator HUMPHRIES: I will follow that with interest in the future. Is that the full list of the projects?

Mr King: I mentioned JASSM. I do not know if you want to briefly discuss it.

Senator HUMPHRIES: Yes, please.

CHAIR: Before you go there, what is our total order list for the MRHs?

Mr King: The total number of aircraft?

CHAIR: We have accepted 13 with another six in June or July bringing it to 19.

Mr King: It is 46.

CHAIR: Nineteen out of 46 is around 40 per cent of the total order. Have they been coming in over about two years now for ongoing testing and trialling?

Mr King: Yes.

CHAIR: None of them has got to the stage where we are close to signing off for final operational service.

Mr King: It is not just the helicopter, of course; it is also getting its use, getting the pilots trained, getting it certified for use on ships. The rate of effort has been low. Between industry and ourselves we are undertaking a total review—what we call a non-advocate review—of what the contributors are to that low rate of effort. We have pretty good data that shows us spares availability, reliability issues and whether we have all our people available to do our part of the job. We have analysed that root cause issue and we are starting to address that.

CHAIR: Is final operational capability of the platform related to our decision to make available sufficient trained pilots?

Mr King: Final operational capability is all of the material aspects fielded and all of the operational inputs to that—such as pilots and maintenance—being up and running as intended for the complete project.

CHAIR: When we first bought into this project, when did we anticipate the FOC being?

Mr King: I do not have that date with me. Commodore Dalton might be able to get the original FOC date for you. It is late.

CHAIR: From memory it is something like two or 2½ years.

Mr King: It is of that order. I do not want to underplay it—it is a serious issue for Navy in terms of maintaining its maritime capability.

CHAIR: The outstanding 25 or 26: what time frame do you anticipate them being sent to Brisbane?

Mr King: What the commodore is saying is that that depends really on this finalisation of the negotiation package underway. This new baseline, this production baseline 3, for example,

addresses a number of matters that both Army and Navy are unhappy about the performance of the earlier deliveries. They relate to engine issues, and you might remember we had some engine issues, and they relate to the windscreen, the inertial reference system and what I sometimes dismissively call the 'mats in the back' but is a protective flooring which is an integral part of the aircraft. So this production baseline 3 ought to be—depending on the negotiations that we finalise and we are in the throes of doing—the production baseline that we anticipate getting.

CHAIR: We get the final baseline 3 and we get the new contract delivery dates, and that will be over the next two or three years, so the possible blow-out in timing could be anywhere between two and four or five years, depending on the variables, but we still have to do the FOC, don't we?

Mr King: Yes, like every project. And it is not just the delivery of the aircraft, it is a logistical support package, the maintenance capabilities. It is going to be fielded at three locations. It is establishing all of that.

Dr Gumley: Senator, there is a significant amount of work to do in remediating the sustainment supply chain. Parts and the repairable items are too slow in turning up and so we are in negotiation with the company at the moment on how we are going to improve that.

CHAIR: Those two matters you identify: you regard them as integral to the final operational capability for each and every platform?

Dr Gumley: Yes. It is improving the product, which is the PBL03 that Mr King has just talked about, and it is having a good sustainment system to make sure we can keep flying them.

Mr King: We have got four key dates that we now use for project achievement. Initial materiel release, which is the first time we deliver the physical asset, at some level. It is predefined; it might be one asset, it might be five assets. Final materiel release, which is we have delivered all of the materiel assets—the spares, the aircraft or whatever. Initial operating capability, which is defined at the project start-up and, once again, it can vary about what is defined as initial operating capability but that includes all of the services inputs, being trained, being ready to use it. And then final operational capability, which is all of the materiel fielded and all of the capability stood up and operating.

CHAIR: And that is the subject of a current discussion at another committee.

Mr King: Yes, because that final operational capability achievement depends in many respects on a lot of things: can the services free up platforms and so on.

CHAIR: That is a discussion going on in the public accounts committee. Thank you, Mr King. Senator Humphries.

Senator HUMPHRIES: The missiles?

Mr King: There is two bits of business going on here. I want to make clear that I am addressing the materiel aspects of this. The minister has asked the department to look at certain aspects relating to reporting the project because an element of the capability will not come because it is not developed in the US. My role in this was looking at the delivery of the capability that we anticipated and this was integrating the JASSM missile on an Australian F18 Hornet. Why is that an issue? Because the F18 aircraft is a USN aircraft and the USN do

not use the JASSM missile. The JASSM missile is a US Air Force missile and they do not use the F18. We do use the F18 as our Air Force fighter asset and so we had to take responsibility, done by the USN, for us to integrate the missile onto the aircraft. The report that we have from the firing that was undertaken earlier this year in China Lake was that it a success. We now have that report. We now have to finalise this project. The missile has been integrated into a software baseline for the F18 called 21X. The latest version of that software is 23X. We now need to do some final testing to make sure that it is working on 23X and the Air Force, as part of their complete operational test and evaluation, need to conduct some operation tests, which will test the end-to-end use of this missile. It is a very long-range missile. It relies on a targeting capability, that capability being loaded into the aircraft and the aircraft being able to go out, successfully launch a missile and reach its target. As part of the material testing we will have tested every element of that. The Air Force—the Chief of Air Force might want to add more—will want to see the complete end-to-end testing.

Air Marshal Binskin: The complete end-to-end testing is testing our processes right through to the targeting process. We load the aircraft with the targeting coordinates and the missions profiles, plus we have the weapons people preparing the weapon and loading the aircraft, getting it airborne, flying an operational profile and releasing the weapons, making it sure it guides perfectly and impacts the target. That is the end-to-end testing that we are looking at. We are looking at conducting that in August this year with the ability to declare operational capability in December.

Senator HUMPHRIES: Typically how many test firings would you need to accomplish before you could bring this into operational use?

Air Marshal Binskin: We have the successful original test in China Lake. We are looking at two releases at the moment at Woomera in August.

Senator HUMPHRIES: What was the capability that you said, Mr King, was not being transferred with this technology?

Mr King: Broadly, a maritime mobile moving strike capability.

Senator HUMPHRIES: How many of these missiles would we expect to have at the end of the day—

Air Marshal Binskin: The war stock would be classified. We would be able to give you that at a private briefing.

Senator HUMPHRIES: All right. Briefly could you explain, if these missiles have been designed for use in a different aircraft in the United States why did we decide to put them on our FA18s?

Air Marshal Binskin: There was no other weapon out there that had this level of capability. The US navy are predominantly looking at weapons that would have the medium-range but are predominantly ship targets. The SLAM ER, which is another variant of the Harpoon, while it has an over-land capability, has a smaller warhead. This weapon was by far superior in range and penetration capability. We elected to go with this weapon a number of years ago because it had the better capability with the potential to develop a maritime strike variant of it, simply because of its range and its penetration capability, and we decided that we would integrate it into the Hornet.

Senator HUMPHRIES: I am happy with that. Can I just go back to one project we discussed yesterday as not being on the projects-of-concern list, but we discussed whether it should be—the air warfare destroyer. Has that project been through the other process of assessment for—

Mr King: Gate review?

Senator HUMPHRIES: Yes, gate review.

Mr King: Yes it was. While I normally chair gate reviews, because that project was close to me, Ms McKinnie, a band 3 general manager of systems, conducted that gate review. It highlighted a number of the matters that we have advised government of. It was a very effective gate review in identifying issues that the project needed to address.

Senator HUMPHRIES: When was that gate review conducted?

Mr King: I think it was around the February time frame, but I will need to get advice.

Senator HUMPHRIES: You can take that on notice.

CHAIR: I just have one question on the phased radar. Does that also apply to underwater missiles fired at the frigates?

Mr King: I am sorry?

CHAIR: We were having a discussion on the radar. Does that also apply to missiles launched by submarines or other platforms at sea?

Mr King: So long as a missile enters air, it will detect any of those, yes.

Dr Gumley: But it will not detect torpedoes.

Mr King: Senator Humphries, could I correct that? The gate review was conducted around the August or September time frame last year.

Senator HUMPHRIES: Thank you.

Lt Gen. Gillespie: Chair, could I read a response to Senator Johnston's question from yesterday on issues of equipment and also, if I might, because of the position we are in with DMO at the present time, read and table a letter from the commander of the 2nd Battalion and the 3rd MTF on issues to do with DMO performance?

CHAIR: Yes, you may.

Lt Gen. Gillespie: First I will answer a question from Senator Johnston, which was: how many sets of the TBAS body armour that we have are currently in theatre? The simple answer to that is 12 sets, and that is because the current members of MTF2 and a special operations task group that are there are using the Eagle marine body armour that we have provided over the last couple of years. There was a decision deliberately taken by us that MTF3 would be the group that we worked with, that we got the equipment properly tuned and who took it in. So the 12 sets that are in there are actually an advance party for MTF3, and as that group rotates into country and the previous group comes out the change from Eagle marine to TBAS will take place. It is similar for the special operations task group. At the next rotation that we have with that group, the special operations group going in will go with TBAS and those who are coming out will come up with their Eagle marines. So that is the answer there.

Chair, if you recall, we have had many questions here where the responsiveness of Army and DMO to the needs of soldiers in theatre has been questioned. I would just like, if I could,

to read and then table this letter. The letter was addressed to General Caligari, who is my head of modernisation and strategic planning in Army headquarters. It is from Lieutenant Colonel Smith, who is the commanding officer of the 2nd Battalion and will shortly become the commanding officer of MTF3.

It says: 'Dear General Caligari, since the middle of 2010 key personnel from your office, the Defence Materiel Organisation and, more recently, Diggerworks have provided exemplary support to the equipping of both the 2nd Battalion and the Mentoring Task Force 3 with leading equipment. Major Nathan Jurkowitz is an outstanding officer and has worked closely with my staff to ensure that 2RAR and MTF3 have been equipped with leading body armour, webbing and weaponry. Not only has the equipment being delivered in a timely manner but the design of the equipment has been world-class. The overwhelmingly positive response to the issue of this equipment by 2RAR and MTF3 personnel underscores the superb professionalism, responsiveness, foresight and agility of Nathan and his team. In a similar fashion, Lieutenant Colonel Alan Mellier and his team from the Defence Materiel Organisation have provided both sage advice and exceptional support to 2RAR and MTF3 in facilitating the delivery of the key tiered body armour system and associated soldier combat equipment. The professionalism, responsiveness and agility evidenced by Lieutenant Colonel Mellier and his team is commendable. Colonel Blain and his team from Diggerworks have been intimately involved in gauging the response from 2RAR and MTF3 soldiers to the equipment suites delivered by Major Jurkowitz and Lieutenant Colonel Mellier. They have also actively sought to facilitate the validation of other equipment not linked to existing Army minors or majors projects that would enhance the capacity in close combat to operate and fight in both war and, more broadly, a war—the war that we have and a war into the future. I request that you forward a copy of this letter to Nathan, Alan and Colonel Blain as a token of my appreciation for the exceptional support that they have provided to 2RAR and MTF3 over the last 12 months. The superlatives accorded in describing the efforts of these officers and their staff are well due. Find enclosed three 2RAR MTF coins. I request that these be presented to Nathan, Alan and Colonel Blain as a memento of their contribution to battle procedure that 2RAR MTF is currently undertaking for its upcoming deployment. They should know that the legacy of their dedication and professionalism will be an MTF that is optimised to achieve its mission in Oruzgan province from June 2011. My team and I look forward to maintaining communications with Nathan, Alan and Colonel Blain throughout the deployment.'

I would like to table that, if I could.

CHAIR: The letter is tabled and thank you for drawing it to our attention, General.

Lt Gen. Hurley: I have two answers to questions on notice. Question 19 was from Senator Trood yesterday with regard to the response to additional estimates question on notice W54, troops in Afghanistan, regarding the average of 1,550—what is the highest number that contributed to that average. The response is: the highest number of Afghanistan which contributed to the 1,550 ADF average was 1,771 which occurred in what is commonly referred to as the 'fighting season'. Question 18, Senator Kroger asked for an update on progress in building the road from Tarin Kowt into the Chora Valley. The last advice provided to Defence by AusAID on 20 April in relation to the status of the road is as follows: the Tarin Kowt to Chora road project is a 42-kilometre all weather sealed road through the

Baluchi Valley. It is funded by the Dutch and the German aid agency GIZ is the implementing partner. The road is not yet complete and is due for completion in mid-2011 at a cost of \$20 million. Australia will fund a bridge near Sajawal in the Baluchi Valley at an estimated cost of \$4 million. This bridge was inadvertently left out of the Dutch contract with GIZ. Security is provided by local leaders and a model similar to the Afghan local police. Anecdotal evidence indicates that the road has already resulted in reduced prices in the local bazaar.

CHAIR: Thank you, General Hurley. We now turn to program 2.1, East Timor.

Senator TROOD: I notice in the budget the defence measures has \$140.7 million appropriated over three years for additional costs of continuing Operation Astute and that this appropriation is in the context of what seems to be an increasing degree of criticism on the part of the Timor-Leste government about the presence of foreign forces there. Just to get the flavour of this—there are other examples—I quote from a report from the *Age* of 20 May:

East Timor's Prime Minister Xanana Gusmao has told staff of the \$200 million-a-year United Nations mission in his country they should pack up and offer their services to nations such as Iraq, Afghanistan or Pakistan.

Mr Gusmao also lashed out at donor countries such as Australia, saying the international community had spent almost \$US8 billion (\$A7.5 billion) in East Timor over eight years to 2008 'and we do not see any physical development, and even more poverty ... in our country'.

What is the current assessment of the situation in Timor-Leste and what implications does it have for the continuing Australian presence there?

Mr Jennings: That is a big question. I guess the place where I would start in answering that is to say that we have had three years of continued stability in East Timor and in Dili which has for example enabled the handover of policing responsibilities from the UN force UNMIT to the PNTL, the Timor-Leste police, with the last of the 13 provinces—the 13th province being Dili itself—handed over just in the last few days. In one sense what we have seen has been an emergence and a consolidation of stability in the country. That has probably allowed, if I can put it this way, an outbreak of politics partly along the lines that is reflected in some of the material that you have quoted. East Timor is a country which is feeling, I think, increasingly confident of his own position, increasingly optimistic about its economic position, because of its long-term natural resource situation, and therefore increasingly of the view that they want to be able to look after their own security and do that without the long-term assistance of the UMIT presence or the International Stabilisation Force. East Timorese political leaders are very firm in making the assessment that, after the presidential and parliamentary elections, which will take place around mid-2012, they would look to have a handover of security responsibility in that country from the UN and the International Stabilisation Force to their own resources. That is a position which our government very much accepts. Our position is that we will not draw down the Australian representation on the ISF until such time as the East Timorese government is comfortable with that drawdown to take place. The time frame is now largely set and that is towards the second half of 2012.

Senator TROOD: That is pretty tough language, Mr Jennings. We do not see any physical development and even more poverty in the country, and that situation is attributed in part to Australia. Is that the politics you are referring to?

Mr Jennings: It could well be, Senator.

Senator TROOD: Is your view reflective of a widespread opinion in East Timor?

Mr Jennings: I think there is a degree of what I would describe as growing nationalism and a degree of confidence, in fact, which is engendered by a view that long-term economic resources will flow to the country. That is a big change of mood, certainly in my observation of Timor over the last few years. One can see, notwithstanding the quote, a certain amount of wealth being much more clearly evident around Dili these days. Yes, I think we are seeing an expression of a certain amount of national sentiment, but I would also say that I think East Timor is a country which very carefully and sensibly calibrates its relations with its two nearest neighbours, Australia and Indonesia. We have a good relationship with the government of East Timor. They are in fact, I would suggest, happy with the Australian presence and are grateful for it and believe it delivers good things to them. Likewise, with the Defence Cooperation Program. So, in a sense, some of that language reflects an attitude which is there for domestic consumption.

Dr Watt: The other point to make is that defence ministers and others visited recently. The general timing of Australia reconsidering its commitment to East Timor is after the elections. Do not think that is disputed by the East Timorese government. That is the natural watershed to reconsider our commitment, not earlier.

Senator TROOD: Secretary and Mr Jennings, you do not take these remarks, which are of recent origin—and there are other examples, I understand—as indicating that there is pressure building for us to withdraw prior to the elections of the middle of next year, and we do not intend to do that. Is that the situation?

Dr Watt: The government's policy is to reconsider its commitment after the elections. That is the natural watershed.

Senator TROOD: In light of that determination, have we made any contingency arrangements? Have we begun to prepare plans for a withdrawal of Australian forces?

Lt Gen. Hurley: There is a campaign plan in play for our operation in East Timor, and, obviously with the elections in mind for next year, the way we would sequence a drawdown, after consultation with the East Timorese government, the UN and other governments involved, has been considered.

Senator TROOD: I see.

Senator Feeney: In fact a new rotation of Army Reserve, a rifle company, paraded at Victoria Barracks in Sydney prior to departure only week ago. A new rotation is about to arrive imminently.

Senator TROOD: After the elections is it the intention that we will be withdrawing all Australian military presence?

Mr Jennings: No. We anticipate that after the ISF withdraws we will have a very substantial defence cooperation relationship with East Timor. Specific to that relationship right now we have 25 Australian defence organisation advisers in country—23 of those are ADF and two are civilians. I anticipate that we will continue a program of at least that size and commitment in a defence cooperation relationship, which is similar, if you like, to the defence cooperation relationship that we have with PNG.

Senator TROOD: What are those 23 doing?

Mr Jennings: A variety of tasks. There are primarily four principal areas we are focused on at the moment in terms of the defence cooperation relationship. The first is in expanding training in English language use both within the East Timorese military, the FFDTL as it is known, and the secretariat of defence, which is the defence department equivalent. In fact, we have doubled the number of East Timorese individuals from those two organisations undertaking English language training in this financial year from 100 to 200 students. We see that as a very significant long-term investment in the relationship between the two countries. That is an area where we propose to continue a strong focus of cooperation.

The second thing we are doing is further strengthening our assistance in the area of maritime security, which ranges from helping the East Timorese maritime element in developing infrastructure at their Port Hera facility and with navy doctrine development. We are also engaged in the business of fostering the FFDTL's engineering and nation-building capabilities—in other words, increasing the capacity of the FFDTL to undertake a range of tasks within the country that would be of a capacity-building nature. Just recently, in April, we concluded a peacekeeping training workshop in East Timor for the FFDTL, demonstrating peacekeeping doctrine and providing them with training in that area. The view there is that ultimately this will grow the capacity of the FFDTL to participate in international peacekeeping operations.

[15:03]

CHAIR: We now turn to program 1.5, Intelligence capabilities.

Senator HUMPHRIES: I have an issue which arguably is not related to defence at all but is an issue I understand that is determined by the Defence Signals Directorate. I was told by the department of finance that I should direct these questions to you. You may be aware that there is a requirement for mobile phones issued to members and senators in this place to be set so that they need to have their passwords renewed every 15 minutes. Could you explain why DSD has set this requirement?

Mr Merchant: I think that whatever that requirement is is more an issue for the Department of Parliamentary Services.

Senator HUMPHRIES: No, it is not. Mr Merchant, I have raised this issue in those places and they have all firmly said that they have been given a directive for the use of these phones by DSD and it is to DSD that this question should be directed.

Dr Watt: Why don't we take this on notice and get you an answer. As someone who used to have something to do with the department of finance I know that, when it comes to IT issues, DSD does set the broad architecture and the broad framework, in consultation with GMO, and they are the experts for computers. I have never heard them cited on mobile phones before, but I do remember that DSD agreement was required before we could give BlackBerries, for example, to Australian public servants, including ministers. I am not aware that there was ever that level of prescription applied, and I think it is also fair to say that DSD's ability to prescribe that to the Department of Parliamentary Services is decidedly limited.

Senator HUMPHRIES: But DSD has prescribed this.

Dr Watt: As I said, we will get you an answer. But in these matters I am often a touch sceptical until I see it written down.

Senator HUMPHRIES: To be frank, I am not very satisfied with a question taken notice. I would prefer to have a briefing.

Dr Watt: We would be happy to give you a briefing but, as I said, that will take a little bit of time because we are not aware of the requirements. We will organise a briefing for you.

Lt Gen. Hurley: Senator, could you just clarify something. Do you have to change your password every 15 minutes, or re-enter it?

Senator HUMPHRIES: You have to re-enter the password. If I have been on a phone call that has gone for 15 minutes I have to re-enter the password, despite having used the phone for 15 minutes, before I can make another phone call.

Lt Gen. Hurley: I think we are all in the same boat; we re-enter ours every two or three minutes.

Dr Watt: Mine is every five minutes, but that is the phone, not DSD.

Mr Merchant: Sorry, Senator, I thought you said change your password. We will check the Information Security Manual—

Dr Watt: And give you a briefing.

Senator JOHNSTON: Can we just get this clear. It is a six-digit number. When you are in the dark and you have forgotten your glasses and you are pumping this thing, you might as well not have it. Seriously, it is absolutely torturous and I have just given mine back.

Senator KROGER: Upper case, lower case and numbers!

Senator JOHNSTON: It is bizarre.

Senator IAN MACDONALD: Chair, can I call a point of order. We would not want any hackers to learn how to get into our phones, because they would be bored senseless!

Senator JOHNSTON: Absolutely. Good point.

CHAIR: Members of parliament do not like having to enter their password every 10 or 15 minutes—that is the complaint. They have been to every person in authority to try and get the rule changed

Senator Feeney: We need to get Parliamentary Services in front of Defence estimates!

Senator IAN MACDONALD: Minister, do you have a BlackBerry provided by the Defence Department?

Senator Feeney: I do.

Senator IAN MACDONALD: Are you on the 15 minute blackout?

Senator Feeney: It is essentially the same process. I cannot attest to the time, because I have not timed it, but it has the same irritating characteristic.

Senator IAN MACDONALD: I can understand why Defence might have that, but I really cannot understand why anyone would want to listen to our conversations.

CHAIR: All right, we have made the point. We will now move to—

Dr Watt: While Mr merchant is here, would it be useful to deal with the vetting issue again? Senator Trood, I think you had some questions.

Senator TROOD: I do. If that suits the chair, I am happy to do that now.

CHAIR: Okay.

Senator TROOD: The note that circulated said 'vesting', which is in fact an error. Mr Merchant, we have spoken about this before. This is the Australian government single security vetting agency. I think you told me at October estimates that you are expecting the agency to have something in the vicinity of 50,000 vetting activities. Can you tell us where you with that expectation in relation to numbers?

Mr Merchant: As at the end of April, the Australian Government Security Vetting Agency had processed, in round figures, 20,000 security clearances.

Senator TROOD: That is an annual figure, isn't it?

Mr Merchant: Yes—48,000. When we went to government with the business case to inform the decision that ministers would make about whether to centralise vetting, the assessment that we did with the input from all of the agencies that would participate in the security clearance centralised vetting process showed that we expected to do 48,000 security clearance processes in a year. As I said, the demand has been quite heavy. In the first seven months we have done, in round figures, 20,000 security clearances and, again in round figures, we have about 8,000 clearances currently in process.

Senator TROOD: On those numbers for this period of time you are going to fall short of your expectation of 48,000, aren't you? That is an annual figure?

Mr Merchant: The 48,000 is a mature full-year operation. The AGSVA started operation on 1 October, and then all participating agencies were phased in and it became fully operational as at the end of the year. So this year is a bit of a start-up phase, and then the following 12 months will be a better indication as to what the mature demand is. We still expect that it will be in that order of 50,000, possibly even a little higher.

Senator TROOD: And what are the savings that you anticipated from this venture? Are you on track to achieve those, do you think?

Mr Merchant: It is early days yet, but again—

Senator TROOD: I acknowledge that, but—

Mr Merchant: the business case suggested that under the previous decentralised model the total cost to government was, again, in the order of \$44 million. We think that under the centralised model it will be \$39 million, so a saving of about \$5 million. I think that that is still a reasonable estimate but that will become clearer as we proceed through the next financial year, which will be the first financial year of a full mature operation of the vetting agency.

Senator TROOD: Are you up to the mature numbers for the agency yet? The staff numbers, I mean.

Mr Merchant: Yes, we are fully staffed at 228.

Senator TROOD: Two hundred and twenty-eight, okay. I think you told me that under this arrangement there were—this is, after all, called the Australian government single security vetting agency—

Mr Merchant: No, the Australian Government Security Vetting Agency.

Senator TROOD: I beg your pardon. You told me that there were a couple of agencies which were exempt or not participating—is that right? I think you mentioned ASIO, ASIS and ONA—is that correct?

Mr Merchant: And the Australian Federal Police, and also the vast majority of the Department of Foreign Affairs and Trade.

Senator TROOD: You have mentioned the national security agencies, essentially, in that cluster. I must say that I am struggling, therefore, to understand why other agencies seem to have removed themselves, or are not participating to the same degree or are using alternative vetting arrangements. For example, my understanding is that the Department of Families, Housing, Community Services and Indigenous Affairs, the ATO and the Department of Climate Change and Energy Efficiency put AusTenders out for part of their vetting activities. Should they be included in this activity?

Mr Merchant: We are doing their clearances under the Australian Government Security Vetting Agency.

Senator TROOD: Where those three agencies which I have mentioned have security vetting needs, you should be doing it—is that right?

Mr Merchant: Yes.

Senator TROOD: And is that the case?

Dr Watt: As far as we are aware. We are not aware that they have done anything different. That was a whole-of-government cabinet decision which, as far as I am aware, allowed no exemptions without government agreement, and I am not aware of any government agreements.

Senator TROOD: I see, well—

Dr Watt: But we will follow up on that. It is—

Senator TROOD: You are only doing personnel vetting—is that right?

Mr Merchant: That is right—personnel security clearances.

Dr Watt: For example, if there are other security matters—security of premises and so forth—that is not the security vetting agency's issue, nor Defence's.

Senator TROOD: Maybe if you could just look into that for me?

Dr Watt: We will look into it. We would be surprised, as you obviously were, if that were the case.

Mr Merchant: Senator, would you mind providing the details of what you have there?

Senator TROOD: I am happy to pass them on to you. It may be that they are not for the particular personnel services. They may be for other security arrangements that these agencies have and—

Mr Merchant: Guards et cetera.

Senator TROOD: I may have misunderstood what is here. But I just want to clarify: you outsource some of this work, do you not? It is not all conducted by the 228 staff?

Mr Merchant: No, we draw on a range of members of what we call our 'industry vetting panel' to assist us with the processing.

Senator TROOD: And how many companies or enterprises are on that vetting panel?

Mr Merchant: Currently, 23.

Senator TROOD: I assume they have all been vetted, have they?

Mr Merchant: Yes, and where they are involved in the assessment, the individuals associated with those companies all have the appropriate qualifications.

Senator TROOD: So have you done the vetting for those contractees?

Mr Merchant: Yes.

Senator TROOD: So that is a Defence vetting activity, is it?

Mr Merchant: Yes.

Senator TROOD: What level are they vetted to?

Mr Merchant: It is a range. For the top-level security clearances they need to hold a top-level security clearance—a top secret positive vet—or a negative vetting 2 clearance.

Senator TROOD: I see. So all of the individuals from all of these companies that are doing your outsourced material have been vetted.

Mr Merchant: Yes.

Senator TROOD: And they have all received these top-level security clearances or the security clearances they need.

Mr Merchant: They do, where they are helping us with those higher-level security clearances. If they are doing negative vetting 1, they hold a negative vetting 1 clearance.

Senator TROOD: And how often do you establish their credentials? Are the companies to whom you are outsourcing required to provide you frequent lists of those who are undertaking the work? I am concerned to know that you are monitoring the security of these individuals in the private area.

Mr Merchant: Yes, we maintain a current list of the companies and the people that they are employing to do the vetting processing assistance. We also have a regular program of inspection of the premises to ensure that they are appropriately securing the details that they hold in the security clearance process. As we have said, the individual contractors need to have a security clearance. Individuals working for the firms need to have security clearances, and we also do a quality assurance check over a sample of the security clearances that these companies help us with. That has been set at 15 per cent for the top secret positive vet, 10 per cent for top secret negative vet and five per cent for the secret or negative vetting 1 clearances.

Senator TROOD: Now, Mr Merchant, when you are outsourcing this work, do these companies do a whole security vet? That is to say, do they complete an individual's case or do they only do, in most cases, partial vetting?

Mr Merchant: It is a substantial part of the process but, importantly, the companies do not make a decision on whether to grant or withhold a clearance. That decision is obviously reserved for permanent staff of the Defence Security Authority who hold the appropriate delegation. So they will be reviewing the information and the assessment and the recommendation made by the companies. But typically they would organise interviews with the applicants and referees and conduct those themselves and then provide a report for—

Senator TROOD: I see. And what is the value of those contracts for that vetting activity? Can you tell me?

Mr Merchant: I think, for this financial year, to date we have spent \$8 million on the outsourcing of the security clearance processing.

Senator TROOD: And I assume those costs are calculated into your assessment of the savings.

Mr Merchant: Yes.

CHAIR: We now turn to Navy celebrations.

Senator JOHNSTON: What do we have on the agenda for Navy's 100-year celebrations? How much money do we have budgeted and how is it all coming along?

Vice Adm. Crane: It is coming along very, very well. We have a project in place called Project 100, which is the Navy component of a range of centenary events that will occur, frankly, over the next five or six years. The first of those events will kick off next month, in June. We will launch a book on Navy at the National Maritime Museum in Sydney. The flagship event, however, for the Project 100 event is an international fleet review, which is currently being planned for October 2013. This is the centenary of the arrival of our first Australian fleet into Sydney Harbour in 1913 led by HMAS *Australia*. That is the flagship event, if you like, of the program. Around that there are the centenaries of the *Sydney-Emden* battle and, in July, of the granting of the title 'Royal' by King George V. We will commemorate that event as well in Sydney and in Melbourne and, indeed, in the west.

Senator JOHNSTON: Do we have a budget?

Vice Adm. Crane: It is being funded from within the Navy budget at the moment. I do not have the figure in front of me but I can talk to that. It is moving, we are looking to reduce that as much as we can, but it is a modest amount.

Senator JOHNSTON: Thank you. That is good.

CHAIR: We now turn to Defence recruitment.

Senator JOHNSTON: Yesterday in the *Australian* Sean Parnell wrote an editorial with respect to defence recruitment. Are you familiar with that article?

Mr Minns: Yes, I am.

Senator JOHNSTON: That is good. Firstly, with respect to question No. 460, you advised me that the simple average cost per recruit for 1 July to 31 December 2010 was \$14,103 across each of Navy, Army and Air Force. Secondly, you said in answer to question No. 2521—I think this was a question on notice—that the average cost per recruit for the period 1 July to 31 December 2009 was \$12,999 per recruit. Thirdly, the answer to question No. 87, 24 November 2010, was that the total direct expenditure for Defence Force recruiting on recruitment into the Australian Defence Force in the period 1 January to 30 June was \$90.814 million. Let us go to that article in the context of those three numbers. Firstly, do you take issue with the broad thrust of the factual material in the article?

Mr Minns: I certainly read the article at the time and again this morning, but I would need to dig it out.

Senator JOHNSTON: Okay, that is fair enough. I will not give you that global question. Let us go through it. It says:

THE first major review of the \$3 billion, 10-year Defence recruitment and retention program has been unable to determine if it is actually working, adding to fears the military will struggle to meet its long-term targets.

It goes on to say:

Three years into the R2 program, the overall number of Defence personnel has increased but only because separation rates have decreased, compensating for the department's failure to reach rising recruitment targets.

I think that there is a—

Mr Minns: So there is some thrust there—

Dr Watt: That is the heart of the program: separation numbers have been reduced.

Senator JOHNSTON: I am talking recruitment.

Mr Minns: There are several points in there that I would not agree with.

Senator JOHNSTON: Let us just deal with recruitment.

Mr Minns: Year to date we are running at 93 per cent achievement on targets. In the previous 12 months it was 94 per cent. If you go back a few years again, we were only in the eighties.

Senator JOHNSTON: Are those targets including retention?

Mr Minns: No, they are just recruiting targets. In raw terms, we are seeking to recruit fewer people because we are currently over our ADF approved size, so-called AFS, average funded strength. You could make the point that you appear to be succeeding in recruitment but you are not because you are recruiting a lesser raw number, but we would not agree with that, because we have actually curtailed our spend on branding and advertising and that expenditure has come down in the last few years.

One of the reasons why you will see a blip of extra cost in the questions on notice you have asked goes to the fact of transition costs when we had Manpower transitioning to Chandler and Chandler transitioning back to Manpower and there were periods in there where we had to pay both contractors. So we have a fairly significant impact from that contract change occurring twice.

As to where we stand right now, we are seeking to recruit a lesser number than last year of permanent members of the ADF and we have spent considerably less money in that effort, deliberately so, and that in part is because we do not want to fill our recruiting pipeline with a lot of people who get disappointed by the fact that they cannot pursue an opportunity of a career in the ADF at this time. We would rather gradually lower our pipeline of inquiries to match the fact that we do not need to recruit as many people.

Senator JOHNSTON: Obviously, the particular journalist has obtained this report on FOI. The article said:

The consultancy firm Noetic Solutions, which did the review with Defence, argued that it would be misleading to regard high personnel figures as a sign that R2 initiatives were working.

Dr Watt: I do not know what else you would regard them as. I do not quite understand that.

Senator JOHNSTON: We will go on, because they seek to explain the problem.

Mr Minns: I do not think that is what the report says in full, Senator. We have the view that there are some observations in the Noetic work which, taken on their own and out of context, can lead to the sort of thing that has been published in that article. They broadly concluded that we were doing well, that we were on track. What they pointed out—and we share this view in our own research community—is that it is very hard to isolate the causal factors independently that are driving outcomes in recruitment and retention in the ADF at any one time. We had an underlying trend of declining separation rates before the GFC hit. They were over 11 per cent and they were coming down to 9 per cent. The GFC hit and they moved down into the sevens and they stayed at about seven through May, June, July 2010 and they held that figure for two or three months on end. They have just started to drift up again now. The most recent figure is 7.7 per cent.

Senator JOHNSTON: What I am looking at is whether this particular report that we have obviously spent some money on said what it is alleged to have said. I think we can deal with the answers to those issues and you can clarify what you perceive as being a misunderstanding or whatever. But let us just ascertain what they said. They did argue it would be misleading to regard high personnel figures as a sign the R2 initiatives are working. Is that accurate?

Mr Minns: No. I would have to go and check to full executive summary, but, in totality, no.

Senator IAN MACDONALD: It could be seen as a sort of failure—

Senator JOHNSTON: Well, depending on what strategies were employed and where the rises came from. I mean, this is a report that the department has spent good money getting. We are killing the messenger here, but—

Mr Minns: What I would say, Senator, is that the report makes the observation that you cannot find this definitive causal link between one or two events and then a discrete outcome down the track. And it points out that better performance measures and more of what we call workforce intelligence work that we are doing: the attempt to try and develop strong econometric assessments of causality needs to take place. So, in that context, they made that observation and they said you cannot be absolutely crystal clear, but I do not think they at all said that two could be construed and, therefore, it as a failure. That is not an accurate reading.

Senator JOHNSTON: That is true. I do not think that they are saying that. There is then a quotation—and I apologise to you for not having the article that you can read, because I—

Mr Minns: I will grab it in the break.

Senator JOHNSTON: It says:

'Noting that the ADF is required to grow during this period, the achievement of ab initio fulltime recruitment targets are the lowest they have been over a 10-year period,' the report says.

Mr Minns: I would dispute that, and I am not sure that the report does, again, say that. It could be a reference to this issue about raw numbers versus percentages, but, if it is, it is a bit of a red herring, because as our numbers come down what we are confronted with is the need to get more of the specialised recruiting workforce.

Senator JOHNSTON: The article goes on to say:

It found the R2 evaluation team was 'unable to determine the cost-effectiveness of the initiatives' and criticised Defence for not having an 'agreed cost-of-turnover model'.

Are you aware of all of that—the criticism—

Mr Minns: I would make the point that when I arrived in Defence I asked to see what the cost of ADF turnover was and I did confront the fact that we have a difficulty getting to a single model. It is in part because calculating the input costs of producing a rifleman in the Army compared to a pilot in the Air Force is a pretty dramatic range.

Senator JOHNSTON: Diverse comparison—yes.

Mr Minns: So what we now have on our online HR metric system, Hermes, is a rule of thumb, 80 per cent estimate of what we think the cost of ADF turnover is and we track that every month.

Senator JOHNSTON: I accept all of that and I can see that there is a basis for you to argue that the peculiar extent and spectrum of Defence employment and tasks and skills is difficult to reconcile with the day-to-day civilian workforce. This is the last thing and I will not bother you further. The article goes on to say:

Defence has refused to specify the 20 employment categories identified as 'critical' or 'perilous' in its workforce shortage assessments, but most are in the Navy. Some shortages have threatened 'mission failure'.

Is that true?

Mr Minns: We have talked in the past here, Senator, about critical categories, so I do not know about the reference that we have refused to disclose them. I guess we do not put them in bus stops, but we do monitor them regularly. They have come down from 34 to their current number of 20. There is one in Air Force, there are about two in Army and the remainder are in Navy.

Senator JOHNSTON: I take it you would argue that those critical categories are classified?

Mr Minns: Yes, but I am happy to give you a private briefing on them. I would also just point out that there has been improvement even in the remaining categories within Navy. When we talk about 34 to 20, a large number of those moving out of the critical territory were Army and the rest Navy. We track every six months the level of improvement in a category. We saw in the last report from the Chiefs of Service Committee 10 days ago that there is still this trend towards improvement in some of these traditionally difficult technical trades in Navy.

Dr Watt: I read that article yesterday and the only thing I would agree with, as far as I can remember, is the idea that it is a complex world. There are always a number of variables interacting on anything—in this case, recruitment and retention. So you can never say with absolute certainty what is driving outcomes. We all agree with that. We are well over our target for AFS. In fact, we have an embarrassment of riches and are trying to manage that down because we cannot afford with a capped budget the cost of being over AFS targets. We have reduced our critical capability problems. We still have some ways to go. Again, that is good recruitment. We are recruiting relatively few people because we do not need them. Finally, we have retention targets that have been coming down for a very long period of time—well before the global financial crisis. While they have ticked up a little bit in recent months, they are at historic lows. The article does kind of miss the point.

Mr Minns: I will just make one correction. That report that went to cost recently actually moved the figure of 20 critical categories down to 15, which is indicative of that progress I am talking about.

Senator JOHNSTON: I talked about \$14,103 per recruit to 31 December from 1 July 2010. Your answer went on to say that this is a simple average based on the total expenditure by Defence Force recruiting in the period as set out, with \$55.256 million divided by the total number of uniformed personnel recruited to the Australian Defence Force through Defence Force recruiting in this period of 3,918 means. We are spending over \$100 million a year, given that it is 1 July to 31 December, on recruitment.

Mr Minns: That is again one of those years that is affected by transition. If I talk to you about the total spend for the contract 2010 to 2011, it was \$71 million and advertising and marketing was \$32 million. You add the two figures together.

Senator JOHNSTON: So that is for one 12-month period. Is that higher than normal?

Mr Minns: That is coming down.

Senator JOHNSTON: The year before was higher?

Mr Minns: Yes—it was \$79 million and \$38.6 million.

Senator JOHNSTON: Do you think that we are—I note that you have said that you have gone from 34 to 20 to 15 in terms of the critical and perilous employment categories— attracting the right people for that investment, the \$100 dollars or thereabouts?

Mr Minns: The challenge in Defence Force recruiting is this issue of volume and mix. When you are trying to grow infantry battalions, you are very seriously interested in a high number of inquiries and a wide reach of respondents to get them into the system. In the past we have had conversion rates that were 20 inquiries to five or six applications to one enlistment. We are trying to run at a 10 to three to one ratio. That is the level of performance we have achieved over the last two years. When you get into the situation we are in now where we have reduced our targets by about 1,500, the focus is very much on the demand the three services have for a specialised technical workforce. They are harder to get, traditionally. When the number is higher, our partner in the activity—be it Chandler or Manpower—can get distracted by the volume target rather than focusing on the technical or, if you like, quality target. Manpower have been working with our team in partnership in the last quarter to focus very heavily on how they reshape the operation of Defence Force recruiting to make sure in 2011-12 that they lift performance on the quality of the technical candidates.

We have already seen results there. In the last six or 12 months, Navy has managed to fill 90 per cent of its technical trade targets. That figure is well up on previous numbers. So it is definitely a focus now of the contract and of the partnership in recruiting.

The last point to make about it is that we are in this perpetual competition for attracting talent along with the rest of Australian industry. When we talk to the personnel functions in Canada, the US, the UK and New Zealand, they all report the same issue around technical trades. There is a sense in which our national education systems are not producing the same proportion of people with these sorts of orientations. That is why we do some of the things we do around the technical scholarships in high school, to try to encourage people to study the sorts of things that will prepare them for technical careers in the ADF. Once we lift that base up we are in a competition with the mines, industry, construction and so on.

Senator JOHNSTON: What is the basis for payment of these two contractors—per recruit per annum?

Mr Minns: It is quite a technical contract. When we tendered in 2007-08, we wanted to make sure we managed to create some skin in the game for our partner such that it was important for them to achieve targets. I think the balance was that they had to have 50 per cent or less as a fixed fee in the contract. They do have a certain level of funding that is associated with the contract and their ongoing expenses, but then there is a fair portion at risk according to our joint performance. What we have had to do in that context is be creative about how we keep that contract alive and operating because of the reductions in targets that we have been seeing.

Senator JOHNSTON: That is interesting. When are these contracts up for renewal?

Mr Minns: This is an interim contract which was struck as a result of the agreement to end the contract with the Chandler Macleod group. We are currently getting ready to retender it as a standard contract. I think the date we have to do that by is March 2012.

Senator JOHNSTON: Thank you very much. I appreciate the answers.

Senator IAN MACDONALD: I have a question on recruitment. You have been talking about Navy. I am interested about what I understand to be, if not a shortage, a careful allocation of crews for the Armidale patrol boats and a non-increase of reserves available there. With all these new ships coming on stream for the Navy, with the Tiger helicopters being almost a prototype flying machine and with, I understand, the increase in numbers of Tigers coming in being more related to crews to man them than to the ability to construct the aircraft, are you confident you will have enough of the right people to do those quite specialised jobs, I assume, in both Navy and the Army Tiger helicopter activities into the future?

Mr Minns: I will make a couple of brief remarks and then pass to the Chief of Navy. Specifying the labour requirement to deliver the capability of the Force 2030 is really the job of the service chiefs. I guess our job is to go off and bring that talent into the organisation once they specify it. We will constantly be challenged as we go forward. We are in this current period of largess, where we have a higher level of AFS than we are budgeted for, but we will continuously face the rate of development in resources and construction and the way that that sucks on the technical workforce of the Australian labour market, and we will face the issues of demographics going forward. It is simply the case that the new entrants to the labour market start to go into decline from about 2023. So we are always going to be up against the task of getting our share of the critical talent we need. We just have to be constantly vigilant and innovative about how we approach that task. The actual specification of need is something I would have to pass to the Chief of Navy.

Vice Adm. Crane: Perhaps I could couch it in these terms. The challenge that we have in Navy is predominantly in our technical space—that reflects, frankly, what we see happening nationally—but it is more at the experienced level. As Mr Minns mentioned, we have been doing particularly well recently with recruiting. In our trainee areas, in my training force, we are well provisioned. Where we have the difficulty is in the trained force people. I have every confidence that in the next two to three years, if those people who are currently in the training force are pulled through and gain their qualifications, and if retention remains high, we will

be in a good position. That is our challenge at the moment and that is reflected in some of the challenges in the Armadale class patrol boat crews that you mentioned and also in the aircrew environment. Broadly, my training schools are full. I need to keep working in those training schools and that those people to get their experience levels up so that they can start fulfilling some of the shortages we have in the supervisory levels.

CHAIR: I think we are done. If not, we will come back after the tea break.

Proceedings suspended from 15:47 to 16:00

CHAIR: The committee will come to order. Mr Minns, I think you had something to say.

Mr Minns: Just to clarify one thing for Senator Johnston. The point that we had to move to a new contract after the end of the interim contract was March 2012. We sought to exercise an extension for six months. There were three reasons. One was making sure we absolutely had all of the contract documentation et cetera in the shape we wanted, a criticism of the ANAO over the last full process in 2007-08. The second one was working through the IT issues, and if the transition is to occur we needed some extra time to be ready for that. The third reason was that both of the transitions we have done in the last four years have been at peak season time, in the period around January through to March, and this extension takes us to a position where transition should be completed just before the posting cycle kicks off at Christmas. So for those three reasons we exercised that extension. We sought advice from AGS et cetera. Therefore, we would be looking to have a new contract operating from October 2012.

Senator JOHNSTON: Thank you for that.

Vice Adm. Crane: Chair, could I provide a couple of answers to some questions that Senator Johnston put earlier this morning.

CHAIR: You can.

Vice Adm. Crane: There are two parts. The first question was: when was the last time that we did any minesweeping exercising? Mechanical minesweeping—that is, using wire sweeps—was conducted in a series of trials in November 2009 to assess new sweeping equipment configuration. This equipment has now been refurbished and is being retrialed in 7 to 10 June this year, so next month. Influence sweeping was last conducted in February 2011 during a fleet concentration period in the east Australian exercise area.

Senator Johnston also asked how many times we have done such exercises in the past four years and what vessels have been involved. There have been four events over the last four years where minesweeping was conducted. There have been 12 additional mine countermeasures exercises conducted, whereby the objectives have focused on other mine countermeasures disciplines, such as minehunting and clearance diving, beyond minesweeping. The platforms used during these activities have been the minehunter coastals HMAS *Huon* in influence sweeping, HMAS *Gascoyne* in influence and mechanical sweeping and HMAS *Diamantina* in influence and mechanical sweeping, and that includes both the small and large dyads, which are the magnetic sweeps, and the sweeps are tugs; the minesweeping auxiliaries *Wallaroo* and *Bandicoot*; and the remote control minesweeping drone boats in manned configurations.

Another question you asked was about the acoustic generator and whether it has been used yet. The Capability and Technology Demonstrator Program managed a round 13—that was

2009—project called the infrasonic advanced acoustic generator contract with Thales Australia Ltd. The contract was signed on 25 November 2009 and was scheduled to complete in December 2010. All three contractor trials were conducted in shallow water and Jervis Bay and were completed successfully. An opportunity arose to allow the technology to be demonstrated at a deep sea trial in December 2010. This trial was successfully completed, and the project completed with the delivery of the final report in February 2012. The Infrasonic Advanced Acoustic Generator, the transport maintenance frame, and one float and all associated rigging for the Infrasonic Advanced Acoustic Generator capability technology demonstrator final solution was formally delivered to the Navy at HMAS *Waterhen* on 18 February 2011. We are now incorporating that into further trials with the other influence sweeps.

CHAIR: Thank you, Admiral. We now turn to cyber security. Mr Merchant is here. Senator Johnson.

Senator JOHNSTON: Mr Merchant, what is the name of this particular facility that we stood up about two years ago?

Mr Merchant: I think, Senator, you may be referring to the Cyber Security Operations Centre.

Senator JOHNSTON: That is the one. Whereabouts is it?

Mr Merchant: It is in the Defence Signals Directorate.

Senator JOHNSTON: At Russell?

Mr Merchant: At Russell. It is multi-agency organisation with ASIO, Attorney-General's, Australian Federal Police, and from within Defence, Defence Science and Technology has been seriously and heavily involved in working with us. It is not just a DSD facility.

Senator JOHNSTON: How many personnel are involved in its operation?

Mr Merchant: I think at the current time it is about 100 personnel.

Senator JOHNSTON: What is the broad common denominator of qualifications in those 100 people?

Mr Merchant: Most of the people there are highly skilled in IT, and many of them are drawn from the Defence Signals Directorate, so they have a background in information security and signals intelligence work.

Senator JOHNSTON: What is the current annual cost of the operation?

Mr Merchant: The cost of the cybercentre this year—I will broaden it out a bit—is \$13 million and next year in 2011-12 \$22 million.

Senator JOHNSTON: \$22 million?

Mr Merchant: \$22 million next year. I think, as I have advised previously, Senator, that also leverages off substantial investment in DSD's underlying capabilities. That is one of the reasons for having the cybercentre in the organisation.

Senator JOHNSTON: What do we get for our \$22 million?

Mr Merchant: We are getting, I think, a very good capability to detect and respond to intrusions into government networks and also a capability to operate very closely with allies as we look to improve our cyberdefences.

Senator JOHNSTON: If I want to know about the level of intrusions and regulatory, I would need a private briefing?

Dr Watt: Yes, you would, Senator, and we would be happy to give that briefing but we certainly do not want to discuss too much here.

Senator JOHNSTON: Okay. What about in the out years; \$22 million then followed by how much?

Mr Merchant: I think it increases to—I am talking round figures here—about \$30 million. It is about \$73 million across the forward estimates. This investment was approved by government in the Defence white paper. It also builds on an earlier investment that the previous government made in cyber and cybersecurity through such initiatives as e-security agenda.

Senator JOHNSTON: Does it conduct systems audits with respect to government departments and agencies?

Mr Merchant: We work in conjunction with government agencies to advise them on the vulnerabilities in their systems, and there are a range of activities we undertake with the agreement of those agencies to test the resilience of their networks. We also have a well-publicised set of strategies that we advise government agencies and indeed private sector organisations to follow in terms of what you might describe as good IT housekeeping—their 35 strategies—and in particular we are putting a lot of emphasis on agencies implementing the top four of those strategies, which by our estimate would successfully resist about 70 per cent of the intrusions that are attempted at the moment.

Senator JOHNSTON: Thank you, Mr Merchant. The rest of my questions are probably sensitive.

Senator KROGER: I understand the Military Integrated Logistics Information System is a computer system designed to track the location and movements of everything from dustbins to destroyers. It tracks the supplies of all defence materiel. Is that correct?

Lt Gen. Hurley: MILIS is essentially our inventory management system for over 600,000 light items in the defence inventory and also is now combining our inventory management system with our financial management system. Whereas before we used to do manual transactions from one to the other, now you can actually get the value of the account at any particular time as well.

Senator KROGER: What is the status of that system?

Lt Gen. Hurley: MILIS replaced our previous inventory management, which was called SDSS, with effect 5 July last year when we ceased SDSS and went to MILIS. So essentially, at the end of last financial year, all our inventory data was transitioned from the old system electronically into the new system. We introduced that nationally, as well as overseas. At the present time MILIS is functioning appropriately. It has all the ups and downs you would expect of what was at the time the largest system of its type introduced into the South-East Asia-Pacific region. We have still work to do in some of the functional areas to get a better outcome in it but essentially it is doing what it was intended to do in terms of helping us do our inventory management and doing that financial statements linkage.

Senator KROGER: It was up and running as of July last year?

Lt Gen. Hurley: On 5 July last year we did the cutover.

Senator KROGER: How would you assess its effectiveness in tracking all inventory at this point in time, because I understand that there are some concerns with it?

Lt Gen. Hurley: There are concerns but it is effectively tracking our inventory at this time.

Senator KROGER: Are there areas in which you are seeking to improve its effectiveness?

Lt Gen. Hurley: Yes, it is still not presenting financial reports in the form we would like them to be in. The program manager can talk about the work to be done in more detail. We can still access it but the form it comes in is not user friendly at the present time. There are still some elements of the stocktaking function that need to be further developed but that does not prevent us from stocktaking. There would be quite a number of user issues that need to be addressed, but each of these are in a managed state.

Senator KROGER: In terms of stocktaking, is it in any way affecting ordering for deployments—for instance in Afghanistan and so on? Is it affecting ordering processes?

Lt Gen. Hurley: No, it is in use in Afghanistan and the Middle East and effectively supporting operations at the present time. Prior to introducing it into the Middle East we did the field testing of the communications pipeline into the Middle East and throughout the Middle East to make sure the system functioned over that. That worked well. When we went live with it in the Middle East we did have some congestion in the pipes that we did not expect. We corrected that, but there was no impediment to conductive operations and it is supporting operations now.

Senator KROGER: Are there any difficulties in what I would call the small end, personal consumption items compared to the military supplies such as ammunition and so on? Is there any particular area where there is concern?

Lt Gen. Hurley: Mr Lambert is responsible overall for the project.

Senator KROGER: I am trying to understand whether supplying the personal consumption for troops is the issue.

Lt Gen. Hurley: No, it manages everything, so it effectively supports everything. You cannot say, 'No, it's not looking after socks very well but it's looking after main armaments for tanks.' You cannot make that sort of call. It is some of the functionality within the system that we are still working on.

Mr Lambert: We are looking at the implementation of a big system. When it is rolled out it covers 9,000 users, millions of stock items and a large number of logistics and inventory management processes. As we roll it out, there are inevitably problems that are not detected during testing but are detected once it goes live. Those problems can be caused by the way the user uses it, a process issue in the design of the process or the code itself. We look at all those problems as they come in—they vary over time—and when we discover what the cause of the problem is we work with the business owner, the logistics command in Defence, to determine the priority resolution. If it is a code problem we resolve it with the manufacturer. There is a fairly standard IT service management process that does that. At the moment we have 243

problems outstanding. We expect this weekend to reduce that by a further 20. We will be at a business-as-usual level of problem management within the next month or so.

Senator KROGER: Could you give me a couple of examples of the 243 outstanding problems that you referred to?

Mr Lambert: The problem might be that in a location an attempt is made to move a particular item from one part of the warehouse to another or to forward it to a retail site and, because of some issue with the data or that process at that point in time, there is a problem or an incident is raised, if we see a pattern of those things occurring, it becomes a problem and then we treat the problem through analysis and repair. That is basically how it works. There is no particular theme to the problems. They are across the spread of users and the spread of functionality.

Senator KROGER: Are the problems that have arisen through implementation in essence related to the way in which the software has been written?

Mr Lambert: It could be. If we look at the problems that have been opened and closed since going live, we would say around 60 per cent of the problems were due to software faults, and these are repaired routinely under warranty by the manufacturer.

Senator KROGER: Am I to understand that this has not affected the security of the management of equipment and supplies?

Mr Lambert: No, it has not. The system runs in the Defence Restricted Network. Before it was approved to run in that network it was checked to ensure that it did not affect security of the network and it could operate successfully in what is a secure network.

Lt Gen. Hurley: If your question is: has it affected the security of classified items that are managed through the system then no, it has not.

Senator KROGER: Thank you. I turn to internet access. I note on page 127 in the Budget Paper No. 2 that you have budgeted for an increase in internet access for ADF personnel on deployment. I would note that in 2010-2011 there was an amount budgeted for \$3.6 million, which has been increased to \$5.8 million in the period 2011-2012.

Lt Gen. Hurley: You have exhausted my knowledge!

Senator KROGER: I find that very hard to believe.

Mr Farr: I think what you are referring to is the amenities internet access for our deployed forces. I can say that we have now signed a contract for that increased service to our deployed folk. It does a couple of things: in our deployed locations—the Middle East and Timor, and also, very importantly, on some of our ships—we will actually have a service provided to the people so that the people in those deployed zones do not actually have to go through the business of running it themselves. They will have a 24/7 helpdesk which is set up and provided as a managed service. It will be a much better ongoing service that they really just do not have to worry about.

We are progressively putting that through some major fleet vessels so that there will be internet kiosks in some of our major warships, and that will continue rolling out. We will roll it out into the Middle East area of operations progressively, and by doing that not only will we get the better level of service but people will have greater access to terminals. There will be many more terminals provided to them so they can have much greater levels of access than

they had previously. That will be through the Middle East, through Timor and through all our deployed locations.

Senator KROGER: Okay. So what difference will there be on the ground for the users?

Mr Farr: Probably a couple. The first thing is that they will have a proper service provided to them from a service provider. They will have access to a helpdesk; if there are any issues, that will be available.

Senator KROGER: As in a designated service provider?

Mr Farr: A designated service provider with a 24/7 helpdesk which will be able to help with any issues. If there are any issues in the deployed locations they will come and fix them. The people on the ground themselves will not have to worry about it.

The second thing that they will have is more terminals. They will have greater access to internet terminals so that they do not have to queue up as much—there will be a lot more of those. In some of the ships and things like that they will be rolled out for the first time. It will be the first time where there will be internet connectivity; there will be internet kiosks in some of those vessels.

Senator KROGER: I am just trying to understand what the increased investment is; so it is increasing—

Mr Farr: Increasing access for our deployed people—

Senator KROGER: Physical capacity for greater access—

Mr Farr: Capacity for greater access, but also providing a much more robust service for them so that it does not break, and if it does break it gets fixed quickly.

Senator KROGER: So, would this include access for Skype? What are the provisions for what the secure access allows? What does it allow?

Mr Farr: What we are providing would allow for any of those applications. It then becomes a question of policy about which ones we would actually allow. I am not sure, to be honest; normally we do not allow Skype on our Defence networks. I imagine that would be the same, but I have not actually seen what the policy is. Technically, it could do it but in terms of policy we probably would not allow it.

Senator KROGER: Sure. I would be interested to know whether there is any change in policy in relation to that and the use of Facebook. We have touched on social media previously—I think it was yesterday—but what the policy is in relation to the increased usage of these would be very helpful. With greater opportunity to have access, clearly there will be an increased number who use it in different ways. Could you tell us whether that in any way changes our consideration of policy.

Dr Watt: One thing the review of social media will do is look at what our policies are now and whether they will be appropriate in the future. It will also look at how the defence organisation itself can make more use of social media to communicate with its workforce. One way or another, that is going to reshape our thinking and our policies.

Senator KROGER: Is there a formal review into the use of social media which would connect into the review of culture and all of that, because the way in which the various media is used is interconnected. Is there an integrated approach to this?

Dr Watt: Certainly the social media review will feed into the culture reviews. One of the cultural issues we are looking at is the use of social media, including appropriately and inappropriately. So the answer is yes.

Senator KROGER: Yes, it is all interconnected, really. You cannot pull out one bit without looking at the other.

Air Chief Marshal Houston: It is a very important part of the reviews that we are doing because, as you know, in recent times we have had a couple of incidents—one in Afghanistan as well—where inappropriate things were out there in the public domain. I guess we learned a lot from that. They are obviously other risks out there for us. We just need to get on top of the social media. It is very useful to us in many different ways; it is just that we have to understand where the risks are and put in the mitigators to ensure that we get the very best out of what are obviously very exciting new mediums.

Senator KROGER: I do think that the leadership that is provided in its use is very good. Unfortunately, it is the very isolated instances that get attention and not the majority. I am not suggesting that there is a big problem here in terms of the use of social media sites, but the emerging and importance of it, with generations under, say, under 35, means that we clearly need to have a very integrated approach to the way in which guidelines are provided.

Dr Watt: Not too many of which are sitting at this table.

Senator KROGER: I would like to bring it to this group, but I do not think I can.

Mr Farr: I would just say that this is an enabling technology that will be able to support the policy outcomes. That is what we are trying to put in place.

Senator KROGER: When is the social media review anticipated?

Mr Jennings: We are expecting an interim report at the end of July.

Dr Watt: That might be fairly interim, I think.

Senator KROGER: Sure. The next question is in relation to do a USB stick that found its way to a radio station last year that allegedly had classified information on it. Can any light be thrown on how that come about?

Air Chief Marshal Houston: There have been a number of those incidents over the years. I think I know the one to which you refer, but could you be more specific?

Senator KROGER: I think it was on 10 March—something like that.

Air Chief Marshal Houston: Perhaps we could take that on notice and come back to you.

Senator Feeney: My recollection is that it was raised on radio, the matter was investigated by Defence and it was found that all of the material on the USB was open source.

Air Chief Marshal Houston: Yes, it was, to my recollection.

Senator Feeney: As I said, that is my recollection. If those matters require correction, I will do so.

Dr Watt: I am not sure it was open source.

Air Chief Marshal Houston: If it is that particular incident that I think you referred to, the senator is absolutely correct. It was reported as having—I think it was one of the radio stations—

Senator KROGER: I think on 10 March in Sydney.

Air Chief Marshal Houston: One of the Sydney radio stations reported they had highly classified information. When it was checked, it was found that most of it was open source and there was nothing that was highly classified. It was a little bit of a storm in a very small teacup.

Senator LUDLAM: I understand that it has been a very long time, if ever, since Defence held cluster munitions for use by Australians. I do not know if we have ever had them in our own armoury. Can you confirm for us what Defence's current needs are as far as purchasing and retention of live cluster munitions for training or other purposes.

Mr Jennings: We hold, as is permitted by the cluster weapons convention, a small sample of cluster munitions dispensers and submunitions for training purposes and principally for countermeasure purposes, to equip our people with the skills necessary to detect, clear and destruct such weapons. It should be said that these samples are not part of our operational weapons inventory. Indeed, in their numbers and their configuration they would not be suitable for operational use by the ADF. What we have is a combination of inert, simulated and live munitions, with the majority of them being inert.

We have previously advised the parliament—indeed, as far back as 2007—that our holdings are two Russian made cluster bombs, which contained respectively 108 and 150 submunitions. We also have two cassettes, which contain 12 former Soviet Union submunitions each, and a further two boxes of submunitions, which contain nine and 20 former Soviet submunitions. These were acquired through standard battlefield collection processes in Afghanistan in 2001. We have not used these weapons nor do we have an intention to use them. As I said, they are for training purposes and for countermeasure purposes in detection, clearance and destruction.

In addition to that I should say for completeness that we have a small number of samples of a weapon known as the Karinga, which was an indigenously developed weapon that was tested in the 1970s and 1980s but never brought into service. We also have a representative sample of a weapon known as the CBU-58, which was I believe an American designated weapon that was acquired for research and development at the same time as the Karinga. Most of these weapons were destroyed at the time, but we do have some inert samples, which are retained for training and countermeasure purposes only. Finally, we also have one Rockeye canister and some inert submunitions but not enough of those submunitions to make even a complete Rockeye cluster munition. These samples are located on ADF training bases and establishments. The exact locations of which were provided to the Joint Standing Committee on Treaties in 2009 and are in *Hansard*.

Senator LUDLAM: Thank you very much for that detail. Is Defence in the market for more of these, if the most recent ones we have got, I think from the inventory you just gave us, are the former Russian ones we picked up in Afghanistan or somewhere?

Is there any need—given that these weapons are still deployed by one of our key allies, the United States—to procure a small number of more modern weapons?

Mr Jennings: There are no plans for that, Senator.

Senator LUDLAM: All right. Do you want to retain the ability to do so, should it become necessary in the future?

Mr Jennings: Senator, it is actually very advisable for us as a signatory to the convention to retain the capacity, as I have said, to be able to train and to develop countermeasures in response to these weapons—to detect and be able to clear and destroy them. That would certainly be something that we would need to retain currency in were we ever called upon to undertake clearance or destruction of such weapons overseas. So I do think that it is important for us to be able to maintain what I would describe as a minimal capability in this respect.

Senator LUDLAM: I would tend to agree if we are talking about not even a dozen—two of the weapons. I understand it is probably not possible to train with live munitions so what do you actually do with the submunitions that you have got?

Mr Jennings: That starts to take me a little out of my lane. Perhaps it might be suitable for me to hand over.

Air Chief Marshal Houston: I guess we would use them on training courses and would familiarise the people who need to know with those weapons. I will ask Air Commodore Hayden to come up and brief you on what we do.

Air Cdre Hayden: In terms of the purpose of the weapons, as CDF has already stated, they are predominantly used firstly to familiarise our teams of explosive ordnance disposal personnel in the characteristics of the weapons: how it is configured, the exact design of each of the submunitions—that is particularly important in terms of learning how to dispose of the weapon if you come across it—certainly its identification, recognition, means and also, as part of the ongoing development of different tactics and techniques in terms of disposing of these weapons.

Senator LUDLAM: In recent memory, in the two theatres in which we have been deployed with the United States military units—in Iraq, where I understand there was extensive use of these weapons, including in metropolitan areas, and in Afghanistan I think the record is a bit more ambiguous—have the ADF been involved in a clearance of these devices? Has that training been put to use?

Air Chief Marshal Houston: I do not think so, but the point is that, if we come across those sorts of weapons or an area where those weapons have been used in the past, we have people who will have the skills to be able to deal with the problem on the ground. I cannot think of an example where we have done that with cluster munitions, but just to give you an example of what we do on a regular basis: we go out into the region very regularly to deal with weapons that are left over from World War 2—unexploded weapons that are found in places like Bougainville and some of the other islands where there was extensive fighting during World War 2. It is something that we do as a good neighbour for a lot of those small countries out in the South Pacific who do not have these skills. Aside from anything else, it is very important for us to be able to deal with an environment where those sorts of weapons have been used recently or might have been used some time ago.

Senator LUDLAM: Okay, but no more recent examples come to mind?

Air Chief Marshal Houston: Unless somebody behind me can come up with an example, I cannot think of a recent one, certainly not in my time as a CDF and I do not think in my time as Chief of Air Force either, and that is about the last 10 years. What happened before that, I am not sure.

Senator LUDLAM: It is within the last 10 years, I guess, that is the period of interest. Perhaps you could formally take on notice anything that you or the department want to add to the record.

Air Chief Marshal Houston: We will have a look, but I am almost certain that we have not dealt with those because I think I would have been informed about it in informing our minister, who is vitally interested in those sorts of possibilities.

Senator LUDLAM: Human Rights Watch conducted quite an extensive inquiry subsequent to the invasion of Iraq in 2003 and determined that US ground troops were firing large numbers of cluster munitions into civilian areas in Iraq during the shock and awe campaign. It was alleged, I think quite credibly, that RAAF knowingly provided air cover for American ground forces as they were using those munitions. Can you confirm whether or not that is your understanding?

Air Chief Marshal Houston: I would not characterise it that way. Our F18s during that conflict were used in a number of roles, but principally in the initial part of the campaign they were used for air defence. In terms of air defence it was more about the being postured to respond to any Iraqi aircraft that may have become airborne and threatened our coalition forces on the ground or indeed bases further south. In terms of the strike missions that we flew, they were all conducted with non-cluster weapons. I think just about every bomb that we dropped was a precision guided munition—a single munition—and they were dropped exclusively on military targets. There is no connection between our F18s and anything you saw in that Human Rights Watch report.

Senator LUDLAM: I don't think it was alleged in that report that Australian forces were using those munitions.

Air Chief Marshal Houston: No, I am just ensuring you that they were not used and nor did we support, as far as I know, any forces that were using cluster munitions. But if you like I will take it on notice and I will come back to you.

Senator LUDLAM: I would appreciate that, because that is in direct contradiction to the allegations that were raised in the article. So what I would be interested to know is, firstly, whether or not it is the understanding of Defence that United States military forces did use those munitions on their way into Baghdad. That is one question.

Senator Feeney: Senator, are you able to table the report.

Senator LUDLAM: I can provide a citation.

Air Chief Marshal Houston: We need a starting point. You say it is a credible report. We need to have a look at the report and do our own due diligence on it and our own analysis on it.

Senator LUDLAM: I will provide a citation to the secretary of the, if you like, and then we will have that on the record. My questions, once you have had a chance to review it, would be: was Defence aware at the time that the US government was using those munitions on the way into Baghdad? Did Defence subsequently become aware, if they were not aware at the time, that they were being used and if so when?

Air Chief Marshal Houston: We will take that on notice and come back to you. I was Chief of Air Force at the time and I was not aware of any use of cluster munitions, but we will have a look at it.

Senator LUDLAM: Thank you. The third question goes back, I suppose, to where I began, which was the nature of the air support that the RAAF was providing to the units as they were advancing on Baghdad and allegedly using those weapons.

Air Chief Marshal Houston: Again, I can assure you that—you seem to suggest that we were providing some sort of cover or escort to—

Senator LUDLAM: That is correct.

Air Chief Marshal Houston: I do not think that is consistent with the facts as I know. It was one of our squadrons that was doing it; I was Chief of Air Force at the time and I do not believe your characterisation is consistent with the facts that I am aware of, but, I will have a look at it.

Senator LUDLAM: Thank you, CDF—I will just provide you with the reference. We have signed a treaty that categorically bans the stockpiling of cluster bombs. I understand that that will not affect the nature of the elements that we stockpile—the Australian ones. Does Defence have a view on whether we need to give the United States access to Australian territory to stockpile these weapons? Does that capability need to be retained by the United States?

Air Chief Marshal Houston: I think that is a completely hypothetical question. We have never been approached along those lines and I cannot imagine that we would be approached along those lines.

Senator Feeney: I just wonder, Senator Ludlam, whether you are alluding to the interoperability provisions of the treaty.

Senator LUDLAM: Somewhat clumsily alluding, but not directly. The interoperability is slightly at a tangent to whether the materials would be hosted here in Australia. Are the United States's stockpiles of these munitions, whether carried on aircraft that might come through Australian airspace or on our bases or ships or other units that are here, brought into Australia on the same basis as nuclear weapons—a neither confirm nor deny basis—or are we aware of when the United States military brings these things into Australia?

Air Vice Marshal Houston: They do not bring these weapons into Australia. They would not be able to drop them on our ranges, and if they were not going to drop them for training purposes they would not bring them to Australia. Again, your context is not quite right.

Senator LUDLAM: Are they not routinely deployed on ships of any kind at all that might come through Australian waters or transit through our ports?

Air Chief Marshal Houston: I am not sure about that. Certainly, if we are talking about land bases, they just would not come on to our territory. In terms of ships, of course a ship has a particular status when it visits in our ports and I am not sure that we can check on the detail you seek.

Senator LUDLAM: The status of ships is interesting code for the fact that when it is an Australian port it is technically United States territory. Is that what you are referring to?

Air Chief Marshal Houston: I think that is the way it is, yes.

Senator LUDLAM: US law applies. They are not obliged to tell us what is on these vessels.

Air Chief Marshal Houston: That is right.

Senator LUDLAM: And the same applies for nuclear weapons as it would for cluster munitions, depleted uranium or anything else?

Senator Feeney: I think under the terms of the treaty our understanding is clear that US ships and aircraft are able to transit through Australian territory with cluster munitions on board.

Senator LUDLAM: Do you think this is in line with the way that the treaty that we have just signed has been framed? We could in effect be transiting illegal weaponry through Australian ports potentially or not know if they were. We just signed a treaty that is designed to outlaw these weapons from everybody's stockpiles.

Senator Feeney: Yes, but the United States of America is obviously not a signatory to that agreement.

Senator LUDLAM: No, but we are, and they are our ports.

Senator Feeney: We have an interoperability provision in the treaty which accounts for the fact that Australian forces and US forces will continue to be working together as close friends and allies.

Senator LUDLAM: Do you see that as being at odds though? I do not think we can have it both ways. We are either happy for these shortly to be declared—

Senator Feeney: This debate has been had. The treaty has been signed and the provisions—

Senator LUDLAM: This is a live debate. This is a bill that is before this parliament at the moment. The debate is being had. It is present tense, not past tense.

Senator Feeney: I comprehend the provisions but I was not a party to the drafting of them.

CHAIR: Senator Ludlam, can I just interrupt you, please. I will leave this to the parliamentary secretary to decide after I put out two things. When the relevant bill was before this committee, there was extensive discussion on this exact point. Representatives from the Department of Defence—indeed, General Hurley himself—came and gave extensive evidence on this point and it was addressed in the committee report. Secondly, and I draw it to the attention of the parliamentary secretary, bills that are before the parliament may not be the subject of examination in estimates.

Senator Feeney: That is true.

Senator LUDLAM: I have not once referenced the bill. I have been asking about the current status of these weapons and the ships and so on that come through the ports. I have not referenced the bill.

CHAIR: You cannot get around the standing orders by not referencing the bill when the bill—

Senator LUDLAM: I was not trying to get around anything; I am just asking questions, and Defence are being quite forthcoming and so is the parliamentary secretary.

CHAIR: We have already had this discussion on this exact point.

Senator LUDLAM: No, we had about half an hour with Defence. I feel like we have been able to go into quite a bit more detail than we were able to in that committee hearing.

CHAIR: That is not correct. You had exhaustive time with General Hurley and officials from the Department of Defence on the exact provisions of the treaty and allegations of inconsistency which you are now raising again here.

Senator LUDLAM: Is there anything that prevents me from raising an issue that has been raised previously? I am not sure what your point is.

Senator IAN MACDONALD: There are a lot of other senators waiting patiently.

Senator LUDLAM: I have been sitting in here for two days, Senator Macdonald. As it happens I have nearly finished. I am a member of this committee; I have the right to put questions to the witnesses. They have been quite helpful thus far.

I will just put a final question to the minister. I guess it is a policy question and it is not something that Defence have any control over. The last question that I put to you, Minister, was whether you see that it is inconsistent that we will, in effect, not be asking whether these weapons are coming through Australian ports, despite the fact that we have signed a treaty that renders them illegal under international law.

Senator Feeney: You will recall that I used the phrase 'transiting'. Visiting forces—let's say, for argument's sake, US forces—would not be excused from prosecution should they use, develop, produce or acquire cluster munitions in Australia. I think that, perhaps, is the assurance you are looking for.

Senator LUDLAM: Not really, but I will leave it there. Thanks for your help.

Mr Jennings: I have an answer to a question that Senator Ludlam asked yesterday. Would it be appropriate for me to give it to him?

CHAIR: Yes, it would.

Mr Jennings: The senator asked yesterday for information about the number of Defence civilians in the Middle East. I can advise the committee that there are currently 11 Australian Defence public servants in the Middle East area of operations.

Senator LUDLAM: I think you might have me confused with another senator. It is interesting but I did not put that to you yesterday.

Mr Jennings: It was not you? Pardon me.

Senator LUDLAM: That's all right; it is on the record now.

CHAIR: We now turn back to Senator Kroger to deal with floods.

Senator KROGER: At the last estimates we canvassed the enormous support that the ADF provided during the floods, particularly in Queensland—and in other areas too. I was following up for someone who was particularly concerned about the use or non-use of the Amberley base. Was Amberley considered as a possible area for short-term repatriation of flood victims from Ipswich?

Air Chief Marshal Houston: Thanks for the question. I went to Amberley on the day it was inundated. We lost a large part of the runway and a large part of the base was inundated. The base was used extensively during the floods for helicopter operations. When I visited,

which was at the height of the floods, all the Black Hawks, all the Sea Kings and some other helicopters were based at Amberley.

They activated the base to support the flood operations, and they did that very effectively. The catering facilities were used to support the people who were doing the very demanding work in the Lockyer valley and in and around this city of Ipswich and into Brisbane. That was the day before the flood peak hit Brisbane.

Senator KROGER: I assume from that that you had some personnel staying on the base, if they were—

Air Chief Marshal Houston: The other matter about it was that, for while the base was cut off. People might be inclined to say, 'More could have been done,' but Amberley was actually cut off for a large part of the time. Importantly, the flood came in over the top of the sewerage farm. So that would have created all sorts of problems had we taken on board more people to be located there. Simply put, Amberley was in a similar state to a lot of the places elsewhere in the Brisbane River valley and the Bremer River valley.

Senator KROGER: That is fine. I was just following up the previous brief that we had had.

Senator IAN MACDONALD: I am told ADF exercises come into this area of questions.

CHAIR: It is not on my list but do you want to do it now?

Senator IAN MACDONALD: In relation to Talisman Saber, I understand the mayor of Rockhampton was not able to be briefed on what was happening because he did not have the security clearance, and yet officers at his council were.

Air Chief Marshal Houston: I think that has been a misunderstanding, but I understand the minister would like to take that question, because he is right across the issue.

Senator Feeney: I am familiar with this issue. I have met with the mayor, and I think the quarrel—and I always have a very healthy sense of caution when I tread into the world of municipal politics, and I will endeavour to keep faith with that sense of caution—is between the mayor and his officers. It arose from the fact that he felt that, in the aftermath of a meeting here in Canberra with me and, I think, separately with officials of Defence, he had not been adequately briefed by his own council officers, and he made his unhappiness with them public. None of that obviously is a matter for us and we did not comment.

Senator IAN MACDONALD: But you are able to brief the mayor as you would brief his staff.

Senator Feeney: Yes, I think the issue is the council officers, I am trying to be cautious here, but I think the council officers and the mayor did not see eye to eye with one another about the briefing that those officers provided to the mayor. As I comprehend it, the dialogue between him and me and between Defence and the council was not at issue; what was at issue was the mayor's relationship with his own people.

Senator IAN MACDONALD: Just let me clarify: in future if the mayor seeks a briefing from Defence, that can be done directly by Defence to him, and does not have to go through his officials.

Senator Feeney: We would talk to the council, we would talk to the mayor, within the proper constraints of what is proper for defence.

Senator IAN MACDONALD: But is there anything in your rules that says you can brief the council officials but not the elected mayor?

Senator Feeney: No.

Senator IAN MACDONALD: You would also be aware in relation to Talisman Saber that a 'peace activist' by the name of Bryan Law has threatened to do what he can to disrupt Talisman Saber and he has threatened to sabotage aircraft and—

Senator Feeney: I was not aware actually, no.

Senator IAN MACDONALD: It is reported that a Defence spokesman had said the ADF was 'confident Queensland police could deal with him'. Is Defence also preparing to counter any activities Mr Law might embark upon to try to disrupt Talisman Saber?

Air Chief Marshal Houston: We have 30,000 people out there; 20,000 of them are Americans and we have just under 10,000. I will take that on notice but regularly when we have these exercises we have protests, and people in Australia have a right to protest and we respect that right. We generally do not have any major problems with those sorts of issues, but I will come back to you on that.

Senator IAN MACDONALD: This gentleman has forewarned people that he is going to try to disrupt, so my question really is: is Defence keeping that in mind? You say you will take on notice whether it has come to the attention of Defence.

Air Chief Marshal Houston: You mention aircraft; all our aircraft are secured and looked after. I will come back to you and let you know.

Senator IAN MACDONALD: I could give you the media clips, but I am sure your officers would have them. Finally on this particular issue, I understand that Defence was hoping to use the Rockhampton wharf for loading supplies and vehicles onto landing craft before shipping them to Shoalwater Bay. Is that correct? Can anyone tell me anything about that?

Air Chief Marshal Houston: I think it is a matter of detail that we probably need to take notice. We will have a look at it.

Senator IAN MACDONALD: My concern is that the wharf is apparently not of a sufficient capacity to do that. I am wondering if you could, again on notice, tell me what you would like to do at Rockhampton wharf, why you cannot do it and what upgrading needs to be done.

Air Chief Marshal Houston: Certainly. But we get great support from the Rockhampton Council and indeed the City of Rockhampton. They have been stalwart supporters for many years.

Senator IAN MACDONALD: Shoalwater Bay is a very important part of the local economy, as you would appreciate, not only for the Australian Defence Force but also for the defence forces of Singapore and other countries as well. Again, the condition of the wharf was the subject of local newspaper comment, and I am sure your people would be aware of that. So I would appreciate it if you could give me a comment on it. That is all I have on that outcome, Chair.

CHAIR: We will now turn to honours. I think Senator Ronaldson is leading off there.

Senator RONALDSON: I have a quick question for General Gillespie. In light of events last night, I am not going to ask questions about 6RAR today. I think that would be inappropriate. I will be putting a number of questions on notice but I want to make it absolutely clear why I will not be pursuing that matter today. I think it is inappropriate. I just want to ask General Gillespie if he is aware of evidence given by the Official Secretary of Government House in answer to questions from Senator Kroger at estimates last Monday or Tuesday. Mr Brady said:

It is an issue that has gone on for some time. I think the best way of describing the Governor-General's view would be that we should seek a pragmatic solution. She is keen to have Harry Smith and his men appropriately recognised.

That was last week. Clearly from that, the Governor-General still does not view what has been arranged as a pragmatic solution and is still seeking one.

Senator Feeney: We obviously take issue with that. I do not accept your characterisation. I want to make that clear for the record without overly interrupting you.

Senator RONALDSON: You are the parliamentary secretary, not Mr Brady. I am reading from the transcript.

Senator Feeney: I have read the transcript and I do not accept your characterisation.

Senator RONALDSON: Well, can I suggest that you do so. Perhaps you would not have asked that question had you done so. General Gillespie, in light of those comments, I put it to you this way: the mark of a good leader is that they are prepared to acknowledge when they are wrong or that, on reflection, they might have approached a matter differently. Do you believe that you are wrong or that, on reflection, you might have approached this matter differently?

Lt Gen. Gillespie: I submit to neither of those two outcomes; in fact, I have worked incredibly hard over a long time, with a lot of actors, to get the pragmatic solution. Having discussed this with Mr Brady myself, I believe we have a pragmatic solution.

Senator RONALDSON: When, according to you, all is bedded down and everything is fine, why do you think Mr Brady would still be saying last week that it is an issue that has gone on for some time and that the best way of describing the Governor-General's views would be that we should seek a pragmatic solution—not that we have obtained a pragmatic solution but that we should obtain a pragmatic solution. Your view is that you do not think you have made a mistake and, on reflection, you do not think you would change the approach that has been taken. Is that what you are telling me?

Lt Gen. Gillespie: I am, Senator.

Senator RONALDSON: I am sure others will take that into account over the next couple of months. Thank you very much.

CHAIR: Senator Macdonald do you have questions on honours?

Senator IAN MACDONALD: Yes, perhaps some of these could go on notice. When I come to look at them they are really after details of submissions made or received by the Defence Honours and Awards Tribunal into the 13 specific acts of gallantry performed by naval and military personnel. I am wondering how many submissions have been received. Are there indications of what proportion might be investigated?

Air Chief Marshal Houston: I will get Mr Cunliffe to respond to you.

Mr Cunliffe: As I think I have indicated previously to this committee, the tribunal of course is independent of Defence. It has an independent statutory role but sits under the heading of 'Defence legal' for various purposes including rations. I have been briefed in relation to that matter, noting that the period for submissions is still open, so this is at best an early report. The advice to me as of last Friday was that 38 contacts have been made following the advertising that occurred recently, in 38 submissions in effect. Ten of those have been provided in relation to the 13 named personnel and 28 submissions for other personnel, because you may have noticed that one of the possibilities is that matters will come forward that are not among the 13 that have been identified. Indeed, the parliamentary secretary I am sure is ready to elaborate. He has asked the tribunal, as I understand it, to identify that group and he will in due course consider how they should be treated.

Senator IAN MACDONALD: You are not going to—

Mr Cunliffe: I am not going to go into the details. They are not submissions to me.

Senator IAN MACDONALD: No, I thought the parliamentary secretary might like to say something before I ask the next question.

Mr Cunliffe: He may.

Senator IAN MACDONALD: I am waiting to see if he does want to say anything.

Senator Feeney: No. I am happy to answer any questions, but I do not have anything to add to that answer.

Senator IAN MACDONALD: I will move on quickly to another topic. Twenty servicemen were killed while escaping from Japanese forces in World War II and will receive a commendation for gallantry. How many of the relatives of those servicemen have come forward to date?

Senator Feeney: I will have to take that on notice. I do not have that information to hand.

Senator IAN MACDONALD: Have any steps been taken to locate the families of those serviceman?

Senator Feeney: We might have somebody coming to the table who can assist.

Mr Lewis: I believe the answer to your question is two. We have not had a great many at all. We have advertised. Obviously one of the challenges is trying to track down the individuals. I believe the answer is two.

Senator IAN MACDONALD: Have any steps been taken to try and locate the families of those servicemen? If so, what are they and what further steps might be able to be taken?

Mr Lewis: The trouble is we just do not have up-to-date contact details for the next of kin. That is why we have put out the call via multiple sources to try and track down bona fide claimants who could then come forward to claim the medals. We are seeking that the claim be made by a family member in possession of the servicemen's medals if possible, but we are just not getting much of a response at all at this stage.

Senator IAN MACDONALD: Perhaps if you could give me a couple of paragraphs on notice on what steps have been taken and what further steps might be able to be taken, so perhaps others can assist in trying to locate the relevant people. Finally on this subject, I

understand an inquiry was completed into the recognition of Australian Defence Force service in Somalia between 1992 and 1995 and there were recommendations that the ships' companies of *Tobruk* and *Jervis Bay* be awarded the Australian Service Medal with a Somalia clasp—sorry, the recommendation was that it be upgraded to the Australian Active Service Medal with the clasp of Somalia. How many of the personnel who served in *Tobruk* and *Jervis Bay* have to date had that upgrade done?

Mr Lewis: We would need to take that on notice.

Senator IAN MACDONALD: Also on notice, is it the role of the department to contact those people? Has that been done? If not, why not? If so, what steps have been taken?

Mr Lewis: Will do.

Senator IAN MACDONALD: Okay. That is all I have on medals.

Mr Lewis: Mr Chair, just briefly, I owe the senator a response to a question he put last night. Should I give the answer now?

CHAIR: Why don't you do it now.

Mr Lewis: It was in relation to the senator's questions on port facilities at Garden Island and the AWDs and the LHDs. You were after some timing details around that. In broad terms, we expect construction to start mid-2012, with completion in mid-2014. To break that down, there are two components: a project linked to the AWDs and a project linked to the LHDs, but, because of the commonality of the requirement, we have a single managing contractor and we are discussing with the Public Works Committee a single appearance before the PWC, which we would plan to happen early next year in order for that construction to start by mid-next year. That fits in with the timing for the first LHD in the sense that, if the first LHD arrives at the end of 2013, all of the wharf-side services and fendering work will have been done to allow that to happen, even though the construction program itself will not be completed until mid-2014.

Senator IAN MACDONALD: I do not have time to pursue this now, but would you provide me on notice details on what is at Sydney Harbour currently which makes that the best place to base the fleet—the new ships in particular but the fleet in general. Perhaps at the same time you could also indicate the difficulties in Sydney Harbour. I assume one of them would be congestion.

Mr Lewis: Congestion, cruise ships and the like are certainly issues, but, as the Chief of Navy pointed out last evening, there are a number of other important benefits from co-location at those facilities in the Sydney region and the substantial cost associated with any move. But we are very happy to—

Senator IAN MACDONALD: I did really want to pursue that, but time did not allow it and I am not going to rely on the goodwill of my colleagues to take it up now. Perhaps you could just give me a dot point summary of the pluses and minuses so we can have a discussion at another time.

Mr Lewis: Certainly.

Senator IAN MACDONALD: Bearing in mind that real estate and water estate in Sydney must be among Defence's most valuable assets.

Mr Lewis: Only if you can sell it.

Dr Watt: Mr Lewis's point is right: only if you can sell it—and, secondly, after you have remediated it. There is rarely a goldmine in Defence land that has been occupied for long periods of time with high heritage characteristics.

Senator ABETZ: That is a very good segue. Can we have confirmation that Anglesea Barracks in Tasmania will not be sold off?

Mr Lewis: We have no plans to sell Anglesea Barracks. I believe the Prime Minister may have spoken on this subject in the House of Representatives on 21 March, if my memory serves me. It was certainly in the House, though it might have been February.

Senator ABETZ: She also told us there would be no carbon tax, so I wanted to get it directly from the horse's mouth.

Dr Watt: You do not expect us to comment on that, do you, Senator?

Senator ABETZ: No, of course not—only Senator Feeney, if he is so inclined. If he can constrain himself, I will try and resist making those sorts of comments in the future. So Anglesea Barracks is off the list. What is happening with Fort Direction in Tasmania. That is on the sale list—

Dr Watt: It is not a sale list. It forms part of the review.

Senator ABETZ: Yes, but it was getting prepared, I thought.

Mr Lewis: I might be able to help, Senator.

Senator ABETZ: And I should indicate that Senator Bushby has a keen interest in this.

Mr Lewis: I understand, Senator. Defence remains committed to retaining the heritage buildings at Fort Direction. Defence has received the final report resulting from a heritage impact assessment of Fort Direction and presented the findings of the assessment to a community forum in Tasmania on 5 May this year. A copy of the heritage impact assessment report was also provided to attendees at the community forum.

The heritage impact assessment confirms the significance of the Fort Direction camp area as detailed in the Fort Direction Heritage Management Plan. Defence is currently reviewing the heritage impact assessment outcomes to develop a strategy for the future management of the site. Defence also presented the findings of the heritage impact assessment at a community forum at the same committee forum.

Defence is currently carrying out maintenance works to the guttering and downpipes of buildings in the camp area and we have commissioned an examination of the works required to remediate all buildings and infrastructure in the Fort Direction camp area to be fit for use and compliant with the Building Code of Australia. The results of the examination including estimates of the extent and cost of remediation work will also assist in the development of a strategy for the maintenance and management of the site.

Senator ABETZ: Thank for that. You have committed to maintaining the heritage buildings, but we have got a large plot of land around it. I forget the amount—do you have that?

Mr Lewis: I do not have that ready to hand.

Senator ABETZ: Is it intended to keep all the land as well or a parcel of land that might include the heritage buildings?

Mr Lewis: I would probably need to take that on notice because I do not know.

Senator ABETZ: I assume that the Paterson Barracks in Launceston are being maintained? I assume they are safe?

Mr Lewis: Senator, I have just learned the name of another barracks in the country, so I—

Senator ABETZ: Gee, I should not have told you!

Mr Lewis: I will have to go and have a look at that one!

Dr Watt: Mr Lewis is taking notes.

Senator ABETZ: They do not exist so do not worry about it. I will ask about the Pontville site, and this is the main bracket of questions. The Pontville site is now being dedicated to a 'temporary' detention centre. When was Defence first contacted about the use of that land for this proposed detention centre?

Mr Lewis: I would probably need to take that on notice for you on a precise date.

Senator ABETZ: All right. If you have got a month, try me on that and then take the precise date on notice.

Mr Lewis: February this year sounds about right.

Senator ABETZ: And the approach was made by DIAC?

Mr Lewis: It came up in discussion with DIAC in relation to housing of irregular maritime arrivals.

Senator ABETZ: Has any formal agreement been entered into with DIAC for the use of Pontville?

Mr Lewis: I would not believe that it would be finalised yet. But just to explain: we have formal arrangements in place with DIAC in relation to each of our sites. As you would understand, inside the Commonwealth we cannot have a legal agreement. We have an MOU, which is a very formal construct between us and DIAC, in relation to existing facilities such as their utilisation of Curtin WA. We will replicate the same kind of arrangement here with Pontville. In the interim, we have a clear understandings and DIAC have adhered completely to their obligations.

Senator ABETZ: The MOU has not been entered into as yet?

Mr Lewis: I do not believe that it has been finalised, but I believe that there is a draft already.

Senator ABETZ: How long do we think it will take the MOU to be completed?

Mr Lewis: I would imagine a small number of weeks.

Senator ABETZ: It would be best practice that this be finalised prior to the arrival of the first detainee.

Mr Lewis: That will almost certainly be the case, seeing that works have yet to get underway at Pontville, I believe.

Senator ABETZ: There is a fair chance that it will not be used at all, but we will not go down that track.

Mr Lewis: I think I can safely say that we will have our arrangements fully in place well before that point.

Senator ABETZ: What arrangements did Defence have with defence cadets and with any other community organisations for the use of the Pontville site?

Mr Lewis: My understanding is that the use of the site was in relation to defence cadets. An alternative facility has been provided for the use of the cadets in the area. I cannot give you the precise details of that.

Senator ABETZ: Perhaps you can tell me whereabouts those alternative facilities are—

Mr Lewis: We can give you the precise—

Senator ABETZ: because I have been told it was first of all in one suburb and now it is in another suburb. And what is the cost of that alternative facility?

Mr Lewis: Certainly, Senator. Obviously that will be a referral to DIAC. That would be their cost, not ours, as you would expect. We will refer that to DIAC and they will give you—

Senator ABETZ: So I understand: DIAC is paying for the cost of the new facility for the defence cadets?

Mr Lewis: There is a slight correction: we will pay in the first instance and will be fully refunded by DIAC.

Senator ABETZ: So you will be aware of the cost, first up. If you could let us know—

Mr Lewis: Certainly.

Senator ABETZ: thank you—what the cost will be. What about a pistol club or a shooting club that used to operate at Pontville? It used to be a rifle range.

Mr Lewis: My understanding is that there has not been much use of that site by those pistol shooters.

Senator ABETZ: So no arrangements have been made?

Mr Lewis: I do not believe so. There are other shooting ranges in Tasmania, of course.

Senator ABETZ: So the arrangement that you are trying to put together with this memorandum of understanding is for what period of time?

Mr Lewis: Again, I would need to take that on notice. It is a six-month period, but we would expect our costs to be recovered over that full period.

Senator ABETZ: Would the defence cadets come back after the six-month period?

Mr Lewis: We will need to resolve that. My understanding is that the facility they have moved to is very good.

Senator ABETZ: Yes, but I understand the catchment area is around where the facility is. Anyway, that is fine. Perhaps you could tell us for how long the alternative facility for the defence cadets was being leased or hired. Perhaps you could also tell us the period of time that DIAC has agreed to take over responsibility. Could I use the term 'lease', although I dare say that, in the correct technical term, DIAC is not leasing the facility.

Mr Lewis: No, 'lease' probably would not be the right term.

Senator ABETZ: What would be the right term, then—arrangement?

Mr Lewis: An arrangement with DIAC which allows them to utilise the site in a way which allows for Defence to recover all of its costs.

Senator ABETZ: Defence is preparing to enter into an arrangement with DIAC for the use of this facility for a period of six months?

Mr Lewis: I believe that the MOU might be for 12 months, but of course we are talking about the MOU that has been entered into now, and DIAC will take some months to get that facility operational. I believe they are yet to get to the PWC.

Senator ABETZ: As I understand it, it has been to the Public Works Committee and it has been bounced back for some further consideration.

Mr Lewis: I see.

Senator ABETZ: If I may pursue that angle, did Defence indicate anything to the Public Works Committee as to whether or not there might be heritage issues involved with the property, or would it have been fully DIAC's responsibility to convey that to the Public Works Committee?

Mr Lewis: We may need to follow that up, but, if we were aware of a heritage issue at a property involving DIAC, we would certainly have alerted them to that issue.

Senator ABETZ: We have been advised of some asbestos issues in South Australia, at Inverbrackie. Have we checked out the flooring and floor covering in Pontville to make sure that there are no asbestos issues there?

Mr Lewis: I do not know the answer to that question.

Senator ABETZ: Perhaps you could take that on notice. Defence is not aware of any heritage issues in relation to the Pontville property? What about native grasslands?

Mr Lewis: I am not. I introduce my colleague.

Mr Jenkin: The Pontville site does contain some sensitive grasslands, but that is not where the actual campsite is. As I understand it, those grasslands are on the range side of it, and the land that we have earmarked for use by DIAC should not be affected by the grass that has been identified as heritage.

Senator ABETZ: Do we know where the security fence will be built?

Mr Jenkin: At the time I was down there, which was a couple of months ago, they had staked out the fence line. I think they were still adjusting that. So I am not sure if that has been finalised.

Senator ABETZ: Will that potentiality impact on the grassland, or not?

Mr Jenkin: The intention is that it would not impact on the grassland or any other heritage value there.

Senator ABETZ: We understand there is an impasse in relation to Aboriginal heritage issues. How is that progressing, if at all?

Mr Jenkin: Defence is not directly involved in that. I understand from discussions with DIAC—

Senator ABETZ: That is all with DIAC?

Mr Jenkin: Yes; that is correct, Senator. I understand that they were dealing with the local representatives of the Indigenous community on issues. I should say that Defence previously has not had any issues with the local Indigenous community in relation to Pontville, so it has not been an issue for us in the past but DIAC are in discussion.

Senator ABETZ: You told us the MOU would be for a period of 12 months?

Mr Jenkin: The 12-month period is for the lease of the cadet facility.

Senator ABETZ: Right.

Mr Jenkin: We have entered into a 12-month lease for that new facility. I have seen that facility. It is quite—

Senator ABETZ: With options for renewal?

Mr Jenkin: There are options. From memory it is probably 12 months plus one plus one. That would be reasonable for us to do.

Senator ABETZ: If you can take the detail of that on notice for me I would be obliged.

Mr Jenkin: We can give you that detail along with the actual lease cost. The draft of the MOU that I have seen does not have a date in it at this point in time. I guess we will discuss with DIAC what kind of date to put in there—if any date, because the MOU could remain as a standing document covering the use of the facility, and then by negotiation we would agree to hand it over at a particular time.

Senator ABETZ: The MOU is countenancing the possibility of this being an indefinite period of time?

Mr Jenkin: The MOU does not necessarily fix a date. Sherger and the other MOUs that we currently have, either in draft or in actual state, do not have a fixed date, from my recollection.

Dr Watt: Senator, that does not say anything about the use of the property in the future.

Senator ABETZ: No, it does not but if clear-cut promises were made about its only taking six months and that DIAC would be in and out by the end of this calendar year, I am starting to doubt that that is going to occur.

Dr Watt: Senator, we have an MOU that is, as you know, not yet finalised. You might be leaping to a conclusion, Senator.

Senator ABETZ: I am not leaping to any conclusions. Some of the staff that have been recruited by Serco have been told they have a job for 12 months in a six-month centre so—

Dr Watt: You would not expect us to comment on that.

Senator ABETZ: No, but I would hate you to think that you might potentially be seen on the record as accusing me of jumping to conclusions, Dr Watt.

Dr Watt: I have never accused you of jumping to a conclusion, Senator.

Senator ABETZ: So will this MOU also detail, and require DIAC to remove, any extra buildings and the security fencing?

Mr Jenkin: It would be by negotiation. So it leaves it open for us to negotiate as to whether Defence wants to keep some of the facilities they put in there. As with other sites Defence can discuss that with DIAC and if they have no need of those facilities we may choose to take them on or not as the case may be. In that case we would ask them to remove it and remediate the site.

Senator ABETZ: Is there a sewer line on the property?

Mr Jenkin: From memory, there is.

Senator ABETZ: Capable for how many people?

Mr Jenkin: It was designed for temporary use, of course, for a few hundred—at most, a couple of hundred, I think. That is one of the works that DIAC would be looking at improving.

Senator ABETZ: As I understand it, they will basically have to double the capacity?

Mr Jenkin: For sustained use, that is correct. Basically, at the moment it is a DIAC site—I should point that out.

Senator ABETZ: It is already DIAC site?

Mr Jenkin: We have handed it over to DIAC—the keys and everything. We do not even have access to that site.

Senator ABETZ: Without an MOU in place! You are very trusting?

Mr Jenkin: They are part of the Commonwealth government—

Senator Feeney: Tasmania has not yet seceded, Senator!

Senator ABETZ: If DIAC is in control, it does not make much difference to us.

Senator IAN MACDONALD: My first question is to the minister, about Cultana. You wrote to Mr Rowan Ramsey, the member for Grey, on 29 March, showing a creditable understanding of the issue. You did indicate that as a result, 'leaseholders will soon be contacted by officers of the Defence department to begin discussions on the process of valuation and acquisition of leases'. I am told that nobody has received a visit or contact from anyone.

Senator Feeney: I will be nobly assisted by the department.

Mr Lewis: I might ask Mr Owens from the Infrastructure Division to join me, and he may be able to shed some light on the issue.

Mr Owens: We have received clearance to talk to the leaseholders, but to my knowledge we have not actually made that contact yet. However, we have been in contact with their lawyers for a number of years. I have met their lawyers on more than one occasion. But at this point we have not actually started our direct negotiations with them.

Senator IAN MACDONALD: When do you expect that to start? I note from the parliamentary secretary's letter that lots of promises and time lines have been given in the past and none have been kept, and he was reluctant—cleverly, I might add—and avoided any reference to times. I think you all probably appreciate, perhaps even better than I, that these properties that are to be acquired—or, the intention to acquire them has been made—have been in limbo, as I understand it, since 2005. The owners cannot improve them because it is wasted money, they cannot try to sell them because no-one would want to buy them and their lives are in 'pause' almost. But it is getting up to a five-year pause now, which is a bit unreasonable. I understand that you say the Indigenous land use agreements are one of the problems, but subject to that we really need to move forward. So perhaps you could give me some indication of when you expect these negotiations to start?

Mr Owens: We recently received clearance from the Special Minister of State to contact the pastoralists directly, and we have advised the pastoralists that we have that clearance.

Senator IAN MACDONALD: That was before the parliamentary secretary wrote on 29 March, which is two months ago.

Mr Owens: I guess all I can say is that it is something we intend to do as soon as we can.

Senator IAN MACDONALD: Can I try to pin you down a bit? I know you have lots of things to do, but I emphasise the point that these people have been living in limbo for five years.

Mr Owens: Yes, I have met with them during the community information days we held last year. They expressed to me on that occasion, as has their lawyer when I met with him, how frustrating it has been for them. Clearly, we share their frustration. As you are aware, the key complexity with this issue has been the Indigenous land use agreement process with four Indigenous groups. It has been very complex and challenging for us, so we are very aware of their frustration. We have received clearance now to commence our discussions with them, and we will do that as soon as we can. I will undertake to make contact with them within the next month.

Senator Feeney: I guess all I would say, Senator, is that I am certainly seized of the issues there, I have travelled to Cultana; I have met with the pastoralists. I think your characterisation of the issue is a fair one, and I am certainly keen for us to make a resolution. As you pointed out, they have been living with this Defence plan since 2005 when it was first announced. I note that when it was announced in 2005 they were then told it would be sorted by 2006; it is now 2011. So I am certainly seized of the issue and keen that we resolve this as quickly as possible.

Senator IAN MACDONALD: Thank you. Everybody seems to understand, everybody seems to know and everyone seems to empathise and want to do something, but nothing gets done, and that is my point here.

Senator Feeney: I think there were some impediments to negotiation, and I need to be very careful how I phrase this. There were certain considerations in negotiations previously that ended up reaching a stalemate, and I think we have in recent months made great progress.

Senator IAN MACDONALD: I appreciate you dealing with the ILUA. I am not sure how expeditiously that is being dealt with from the government side, but I do not go into that. But at least the negotiations could start with the relevant landowners on the aspects that are not related to the ILUA, even if they all have to be subject to the ILUA later. So I will take it and Mr Ramsey will be very pleased to hear your comment that it will be within a month. Perhaps as a question on notice you might be able in the next couple of weeks to just give us a timetable of when someone will be going there, who will be doing it and where the discussions will be held. I do not know enough about it to understand whether they are all represented by lawyers and whether they will be doing this in Adelaide or some other town or at Whyalla, but the important thing for everyone, and I think from Defence's point of view as well, is to get it moving.

Senator Feeney: Most certainly. The Cultana facility is one of great importance to Defence, as we have previously said.

Senator IAN MACDONALD: Absolutely.

Senator Feeney: I think the area identified by Defence for this training facility does provide training opportunities that are relevant to Afghanistan and our force preparation for

Afghanistan. It is also relevant to the fact that 7RAR is now in Edinburgh and seeks to use the facility in a more comprehensive way, so all of those issues are front of mind.

Senator IAN MACDONALD: Thanks for that. To move on to one of the other issues, Scherger, I think we have discussed previously and with other departments Defence's ability to use Scherger, and I had a question on notice to which I got the response I might have expected. There is a recent report in the newspapers that the Department of Defence has sent a phone bill for \$259,455 to the Department of Immigration and Citizenship for calls or activity—

Senator Feeney: I saw the media report.

Senator IAN MACDONALD: Can someone tell me about it?

Mr Lewis: I believe that is correct. I am not 100 per cent sure whether that came from my group or another group, but I understand that the bill was correct. I also understand that in the light of that very substantial bill, the department may have moved onto a more efficient phone plan which has brought the rate down considerably in subsequent months.

Senator IAN MACDONALD: Do I understand that it was Defence's phone facilities that were being used by non-Defence people? I certainly hope it was not defence people running up a bill of \$260,000.

Mr Lewis: No, Senator, it is a bare base so we have very few people on site, perhaps two or three.

Senator IAN MACDONALD: You have a couple of caretakers there.

Mr Lewis: They would not rack up one-quarter of a million dollars in phone bills so it is certainly the DIAC usage of the defence facilities which has encountered that kind of cost, which of course is cost recovered by us under the MOU arrangements that I mentioned in earlier conversation with Senator Abetz. But on looking at the scale of that bill it was apparent that the nature of the phone plan, shall we say—and I do not have precise details on that—was not the most efficient one available. A changed phone plan brought the monthly rate down to, I believe, something like \$17,000.

Senator IAN MACDONALD: Was anyone in Defence aware that there was that use of your facilities to that extent?

Mr Lewis: I would need to take that on notice, Senator. I just do not know.

Senator IAN MACDONALD: Can you explain to me just what the facilities were? Was it just a phone line or was it a post office box or some sort of internet connection? Perhaps a satellite service?

Ms Bee: The site has been operated by DIAC so the use of the facility really is a matter for that department, but on the basis that it is a defence site then the bills were originally coming to us and then we were simply sending on, if you like, the account. We were asking for them to reimburse us the costs. The phones were being used by DIAC and the people there under DIAC supervision; the costs are very much their responsibility.

Senator IAN MACDONALD: I appreciate that. Have you been paid?

Ms Bee: We have for some, but not all.

Senator IAN MACDONALD: You have been paid some.

Ms Bee: Indeed, but I think we are all confident we will be paid.

Senator IAN MACDONALD: My question was—perhaps take it on notice if you cannot answer it—what was the facility? Was it a phone box, was it an internet connection? What exactly was it?

Ms Bee: We will need to take that on notice.

Senator IAN MACDONALD: I am particularly interested whether it is a satellite facility. No-one would know that?

Ms Bee: We do not have those details, but we will take it on notice.

Senator IAN MACDONALD: I think the numbers there have doubled. Does Defence have any concern about the use of its facilities that obviously were not built for upwards of 500 people, as I understand it is now?

Senator Feeney: Senator Macdonald, I think, as we have assured you in previous estimates, Defence is confident that it is not suffering any loss of capability as a result of DIAC's use of these facilities.

Mr Lewis: I spoke to that point at the last estimates, Senator. I believe the Chief of the Air Force did as well, and nothing has changed since then.

Senator IAN MACDONALD: All right, perhaps Senator Trood has some questions, but I do want to come back, Mr Chairman, if there is time.

Senator TROOD: I will just give notice that I am interested in asking a question about the ADF's responsibility for providing security arrangements at the Australian Baghdad embassy.

Air Chief Marshal Houston: I can very quickly cover that. We are down to 17 people and later this year, we will transition our entire responsibility to a contractor who will support DFAT.

Senator TROOD: CDF, I understand that to be the case. It is approximately a \$32 million contract. But it seems to be taking a long while for this transition to take place. I am seeking an explanation as to why this has taken such a long period of time. You answered a question I asked on notice about this and referred to risk and threat analysis in relation to the transition and it was not clear to me precisely what that meant.

Air Chief Marshal Houston: I think the environment has not always been the safest place. DFAT have been very comfortable with the transition plan that is currently extant. As a consequence, we look forward to doing the final transition at the end of this year. I cannot really say any more than that. We have proceeded at a pace that they are comfortable with. I know that is a well used phrase, but that is the reality of the situation.

Senator TROOD: 'They' being DFAT?

Air Chief Marshal Houston: Yes.

Senator TROOD: So this is about the security environment not being sufficiently stable, if I can use that term, where you or DFAT—somebody—does not feel comfortable about passing over the responsibilities for the protection of the embassy to the contracted party?

Air Chief Marshal Houston: Every step of the way has been supported by a complete and comprehensive military risk assessment. We have assessed the security environment

along the way. I guess the pace at which we have preceded reflects the security environment in Baghdad.

Senator TROOD: So it is just your judgment at the moment the security environment is such that the contracted party would not be able to provide the security which DFAT has every right to expect in relation to its embassy?

Air Chief Marshal Houston: I am very comfortable with how this transition has been designed and how it is currently being managed. I think it is appropriate to the security circumstances on the ground.

Senator TROOD: Presumably, you would prefer to move your people out of there as soon as you possibly could given the fact that a contract has—

Air Chief Marshal Houston: Within reason. We have been there for a long time, as you know. We have been there since 2003. Over time we have drawn down. At one stage we had a full company deployed in Baghdad on embassy security tasks. More recently the numbers have been much smaller. Only early this month we went down to 17. That is the last step before we finally withdraw later this year. I am very comfortable with that.

Senator TROOD: Am I right in saying that there was an interim arrangement in relation to security which was provided by a US security company? Are you familiar with those circumstances?

Air Chief Marshal Houston: We have been working with a security company for quite some time because what is required here is a gradual transition from the arrangements provided by the ADF to an arrangement that eventually becomes wholly provided by a contractor. Clearly there is a period in the middle where you have a bit of both. That is exactly what we have had. That is what we have got at the moment. We have only 17 people there and the rest of the security is being provided by the contractor.

Senator TROOD: Is that contractor Unity Resources?

Air Chief Marshal Houston: I think it is Unity Resources. Let me come back to you on that. I would like to check the name of the contractor. It is not in my brief.

Senator TROOD: If you could do that please. You provided an answer to my question on notice which you have labelled W57. In paragraph (h)(i) there is a reference to 'US funded civilian contractors'. Would you please clarify the name of the contractors?

Air Chief Marshal Houston: Certainly.

Senator TROOD: Thank you. The other matter I want to ask about relates to the ANAO maintenance of defence estates report. That report states that the auditor believes there is a shortfall over the next three years, 2011 to 2014, of approximately \$500 million in the funding available to effectively maintain existing estate. So, according to the auditor, you are \$500 million short of the funds you need to adequately maintain estate. What has been your response to that finding?

Mr Lewis: I have been responsible for the defence estate for a bit over a year. What I have learnt is that we have nearly 400 owned properties, 300 leased properties and 26,000 buildings, the large majority of which are World War II vintage. The reality is that we are making choices every day of the week as to what we can afford to fund. Overall the state of the estate is adequate for achieving the capability purpose for which we are using it, but I

have to say we have a significant list of items we could include in a maintenance program if we had more money. That will always be the case. We would potentially have billions of dollars we could spend on maintenance if we had enough money to do even more. The reality is we are always risk managing what we can and cannot afford to do on the estate and we are linking that to its contribution and to capability. Of course we overlay that with safety considerations. If there are OH&S considerations or safety issues that obviously elevates the priority for maintenance.

Senator TROOD: I doubt the auditor is contemplating that the estate should be managed at five-star level. They are talking about effective management to maintain the integrity of the estate. Was the \$500 million that was in this report a surprise to you?

Mr Lewis: The Auditor-General is basing that work on the quality of the information system and the data that we have in Defence. What I need to report to you is that that data information system is not of the quality we would like it to be right now. That is an information deficiency we have in Defence and we have a new information system which is due for progressive roll-out over the next 18 months or so called the Garrison and Estate Management System project and as we implement that project in phases we will progressively get a much better handle on the condition of the estate and the deficiencies attached to it. If we are having this conversation in a couple of years' time, I hope I will be able to say to you with much greater granularity than I can now where the deficiencies lie, how serious they are and their contribution to capability. We do have those kinds of lists now and it is by drawing on some of those lists that the ANAO formed the view the answer is \$500 million. I could equally say there is probably a billion or two that sits below that which arguably you could fund as well. The question is always going to be judgments about what you fund in a limited budget. We are spending over \$400 million per annum now in maintenance and no doubt we could spend more.

Senator TROOD: So it could be a lot more; you just do not know?

Mr Lewis: I do not use the word 'shortfall'. It is almost a study of economics—unlimited wants and limited means.

Senator TROOD: The auditor has tried to quantify it and generally he does these things in a conservative fashion. But you do not really know. You are saying to me that the system you have does not provide you with confidence that \$500 million is the right figure but nor does it provide you with any information as to what could be the figure.

Mr Lewis: The key thing is that the Auditor-General has come up with two recommendations, each of which we agree with. The reality is we need to be in a better position to risk manage the estate now, but we will only be in a position to do that if we put in place the Garrison and Estate Management System that I mentioned before in order to both have the IT platform and then to populate that with data we need across all the bases across the country in conjunction with our customers to really get a sense for what we can afford to do and what we cannot afford to do. At the moment that is just a very rubbery—

Senator TROOD: It does indeed seem to be very rubbery. I am very conscious we are approaching the time that CDF wanted to make a few remarks. Before we do that can I ask you this question, Mr Lewis: the auditor also made an observation about the heritage legislation, and I know you have answered some questions on the heritage legislation. You

have answered questions from Senator Abetz about some particular properties. There is a general observation about the incomplete plans you have for 62 sites across Australia—not just in relation to one property, but a range of properties. He is not very complementary about your preparedness to actually manage those properties. Do you have a heritage management plan in place?

Mr Lewis: Defence's heritage strategy commits Defence to prepare heritage management plans for all Commonwealth heritage listed sites that occur on the defence estate by 2015. To date Defence has prepared 39 of the 58—so my number is slightly different from yours, I am sorry—required by the Environment Protection and Biodiversity Conservation Act 1999. These plans have not yet been relisted as legislative instruments. Defence continues to liaise with the Department of Sustainability, Environment, Water, Population and Communities and the Attorney-General's Department to finalise these plans as legislative instruments in accordance with the Legislative Instruments Act 2003.

Senator TROOD: Finally, the auditor makes the point that you seem to lack skilled and technically qualified people to undertake this work. Do you accept that observation?

Mr Lewis: I have people who are specialists in this area, and I also regard their skills highly. Would I like to get more? There is no doubt there is a skills shortage which is affecting my group in the same way that it is affecting the rest of Defence and more broadly. But we take our heritage obligations very seriously indeed and we are very conscious of the fact that defence estate constitutes a significant portion of the national heritage. So we do take it seriously and we are seeking to ensure we comply completely.

Senator TROOD: Thank you, Mr Lewis.

Air Chief Marshal Houston: Could I as a final, formal act confirm that Unity Resources Group won the contract for security at Baghdad for the period 1 January 2011 to 31 December 2012. Thank you.

Mr Watt: Mr Chair, I have some answers to questions, but in light of the time limit I will not endeavour to read them out. I wonder if I can table them with the committee's indulgence. One is for you, one is for Senator Humphries and one is for Senator Trood, and there is a follow-up for Senator Trood. Mr Merchant will be happy to tell you at the end, Senator, if you like.

CHAIR: That is okay. Thank you, Mr Watt. Does anyone else want to make late statements? No. CDF, yesterday you indicated this being your last time at estimates before your well-earned retirement and that you wish to make a few remarks. I would now invite you to do that. I see that the service chiefs are also going to join you. So the floor is yours.

Air Chief Marshal Houston: Senators, this is my final appearance before the committee as Chief of the Defence Force. After six years in the job and I guess another four years as Chief of Air Force, it is been a long haul. I might add that these gentlemen on my left have been with me for the last three years. Over the next few weeks we will have a leadership transition within the ADF. I cannot comment on those changes at the moment; they are clearly a matter for government. But I can assure you that I am going. Regardless of who is selected here, there are a number of people here, some have left already—and I talk about General Evans and I talk about Admiral Tripovich—and some more will leave. Unfortunately, it has not been published yet as to who is staying and who is going. But I want to say that this has

been an incredibly good team. We call ourselves the 'Purple 7'. I think we have worked together very well. I cannot recall a single instance in the three years when we have had the blood on the floor, which the media talk about sometimes. We have always worked very harmoniously, and I think together we have also worked very well with all of you. I think they—this team, us—have responded to the challenges with determination, vigour and, I would say, absolute loyalty. They, of course, have been very focused on their people, focused on delivering their operational and organisational requirements and focused on reforming their organisations and the way their people do business. In some cases, that has been an incredibly difficult task, as we spoke about yesterday.

But let us just reflect for a moment on what has been achieved in the last three years. New Generation Navy is absolutely the platform for Navy to go forward. I think Russ Crane has done a magnificent job in blazing the way with a great demonstration of leadership by example. Adaptive Army is the biggest organisational change in the Army since the end of the Vietnam. Of course, Ken Gillespie has been an inspirational leader in achieving that. I think our Air Force is the best middle power air force in the world today and led very capably and very well by an absolutely superb Chief of Air Force in Mark Binskin.

It has been an absolute honour for me to command the ADF. I am exceptionally proud of these guys but also of the men and women of the Australian Defence Force. Though the job they are tasked with is difficult and demanding, they do a magnificent job for our nation and they are able to respond and adapt to whatever is asked of them in the most professional, dedicated and compassionate manner—witness the 58 operations and 69,000 individual deployments on operations. Although there have been isolated incidents along the way that have been challenging for all of us as a leadership team, overall, our people have made me extremely proud to be their Chief of Defence Force. I know I also speak for the vice chief and the service chiefs; they feel exactly the same way. We all thank them most sincerely for their superior efforts.

To you, the members of this committee, I will say that you have engaged us with robust questioning, vigorous debate and, can I say, on occasion, some marathon sessions. You always held us accountable. We did not always enjoy that. But we, the purple seven, have appreciated your respectful approach, your pursuit of understanding our profession, culture and business, and your upholding of our democratic values and principles, which we all consider very, very important.

Finally, to you, Senator Bishop, and to you, Senator Trood: thank you very much for those very generous words that you opened up with yesterday. Frankly, it is not about me; it is about us and it is about the great people that we lead. But thank you for putting up with us these last three years and me personally for the last 10 years. I say to my old friend Senator Ferguson that the first two senators I came across were Senator Ferguson and Senator Ludwig, who joined me as a brand new Chief of Air Force on the first deployment by the parliamentary exchange program at RAAF Base Edinburgh. I remember it was a really good start to my interaction with two very decent senators. Thank you very much. Thank you all. I am not going to miss estimates, but I will always respect what was achieved in this chamber. Thank you very much.

CHAIR: Thank you very much for those remarks, CDF. I am not going to repeat what I said yesterday except to say that I meant it and it has been a pleasure to work with you. Your

comments this evening in which you allocated nearly 100 per cent of your success to your current service chiefs and previous service chiefs are probably greatly expressive of the real reasons for your success in the transformation of the Australian armed forces over the last three years. You give others credit when clearly you have been the leader for many, many years. CDF, I am going to invite the Deputy Chair, Senator Trood, to pass a few remarks and then your old friend and colleague, Senator Ferguson.

Senator TROOD: Thank you, Chair. Like the Chair, CDF, I have said what I think I needed to say yesterday morning. I meant those remarks sincerely. You have been a distinguished CDF. You have been enormously helpful to the committee in an entirely appropriate way while acting in your role as the Chief of the Defence Force and I take this opportunity to acknowledge your colleagues as the service chiefs, all of whom have made an important contribution to the way Australian democracy operates. They have taken their responsibility seriously, as every member of this committee expects them to, in very difficult times. As long as I have been on this committee, we have been deployed overseas, and, to use your phrase, I think almost at every estimates you have appeared. We have had a heavy tempo of activity, and of course, each of their services has been engaged. So they too have made a significant contribution to this nation's military history, as you have done. Of course, that is a tradition that stands 100-plus years and it is a distinguished tradition and one I think we all honour by being here. You gentlemen who are sitting at the table have certainly honoured that tradition in your contribution and service to this nation, and I thank you.

Senator FERGUSON: Thank you, Chair. I have been rather quiet at these estimates. I feel after the last 13 or 14 years that perhaps it is time for me to bow out quietly. I remember 10 years ago when I first met the CDF in Edinburgh at the start of the parliamentary exchange program. At the time I was the chair of the joint standing committee, not this committee, and was for eight years chair of that committee. In that time I had the opportunity to work very closely with you, your predecessors and the chiefs of the various forces. I think I met General Gillespie before I met you, Chief. If I remember rightly it was in Suai in East Timor at the end of 1999.

For anybody to be Chief of the Defence Force for two consecutive appointments, for six years, is an enormous contribution to Australia. I think, CDF, you will go down as a great Australian. Your service to your country is recognised by all of us and by many others and I wish you well in retirement. I certainly will not miss estimates either.

CHAIR: Thank you. This session of estimates, as far as the Department of Defence is concerned, is now finished. We still have to deal with the Defence Housing Authority. So I would ask relevant officers of DHA to come forward.

Defence Housing Australia

[18:11]

CHAIR: Questions for Defence Housing Australia—Senator Johnston.

Senator JOHNSTON: Who have we got? Mr Howman and Mr Brocklehurst. Mr Merchant? We have got some security issues for Defence Housing, have we?

Mr Merchant: No, I am here representing the secretary.

Senator JOHNSTON: Very good. I was wondering where the secretary was. I thought, 'Oh, goodness, we can't do anything without the secretary', but you are here. You are here; I feel much better.

Mr Merchant: I will do my best.

Senator JOHNSTON: Mr Howman, I had a constituent come to me—I think you might have a bit of an inkling of what I'm going to ask you about. He was a young naval boatswain's mate down in Rockingham. He told me that he, in October last year, applied the rental assistance through DHA, which is the one of the fundamental functions of DHA's remit. One of the reasons it exists to look after our personnel and give them rental assistance. Of course, Perth and surrounding suburbs is a very difficult rental market at the market—sometimes very tight but usually always very expensive.

After ringing DHA and chasing up his rental assistance, in January they called him to the office to sort out the matter and told him that in October he had filed the wrong form. This is his words to me. He was then told his back rent and his rental assistance would be in his account by first pay in March. In April, that not having happened, he was served with an eviction notice from his landlord. As he had still not received the money he also subsequently fell behind on a number of other payments, including car payments, as his savings had been exhausted paying for rent. After this his divisional officer contacted DHA and was told it was 'getting sorted'. He also contacted his local member's office before Christmas and then again in May. In May his mother contacted the minister.

After some argy-bargy it came to me and I contacted Minister Snowdon's office and found a very helpful, bright young man—I am sure you know who this is. He took the matter under his wing and resolved it very close to 20 May. So seven months later, with a number of assurances, calls from superiors offices, calls to everybody that could possibly help, he has finally got assistance and met his financial obligations after, I must say, much stress, consternation and leaving me with a massive question mark as to how on earth this could happen. I have no doubt there are two sides to the story. In fact, there is usually three or four sides to the story. Firstly, does that sound an extraordinary tale?

Mr Howman: DHA, as you rightly brought out, administers a lot of rent allowance cases. In fact we administer over 15,500 cases throughout Australia on an ongoing basis. The administration process is quite complex and it is very dependent on timely provision of documentation from Defence members to allow us to vary, start-up, stop RA. Generally members who are entitled to RA contact DHA prior to signing a lease and that allows us to go through the process and inform them of what their entitlements are. In some cases members of the Defence Force who are living in and have a living-in allowance, sometimes move out and take up a private rental prior to contacting DHA. So that can continue for some time before we are aware of it. When we become aware of it, we then start to take some steps. On this particular case—

Senator JOHNSTON: So you know the one I am talking about? Good.

Mr Howman: So on this particular case I am going to call the general manager of the business who is directly concerned in this, who can, I am sure, take us through quite a chronological order of events.

Senator JOHNSTON: I am interested to hear the other side of the story.

Senator JOHNSTON: Forgive me, Mr Jorgensen and, Mr Howman, your names on your name tags are in very small print and I am a very long way away.

Mr Howman: Thank you, Senator. I will bring that to the attention of those concerned.

Mr Jorgenson: With the member we are talking about here, we have got records that show that the member moved into rental accommodation in January 2010 after being in living-in accommodation. The first record that we have of a rent allowance application occurred on 10 February 2011. I understand that does not line up with the information that you have.

Senator JOHNSTON: Obviously, I think he has filed the wrong form or done something that has not accorded to with what he should have done.

Mr Jorgenson: I imagine the member had contacted DHA and talked about rent allowance prior to 10 February 2011. That is around 13 months after the member started in private rent allowance. DHA went through with the member what was required to start the rent allowance and in particular, DHA required a copy of his current lease and a copy of a minute from his commanding officer demonstrating that the member was required to move out of living-in accommodation. The member provided DHA with a letter from his commanding officer. However, that letter showed that the member was to move out of living-in accommodation in August 2010 and those dates did not line up with when the member actually did move into rental accommodation. So DHA asked for the member to provide that additional information so that we could start his rent assistance payments.

Senator JOHNSTON: Good. And what was the answer to that problem? Was there a simple answer?

Mr Jorgenson: Yes. As far as we understand the member advised that he did have the appropriate letter and would provide that to DHA. DHA then followed up the member on two occasions after that, on 4 March and 28 March, asking the member for that documentation so that we could start the rent allowance payments. The member did not provide that information. So that is why we have not started the rent allowance payments.

Senator JOHNSTON: Yes.

Mr Jorgenson: Subsequent to the member contacting the minister, DHA has now reviewed the case and made a payment on 18 May.

Senator JOHNSTON: You paid, thank you, yes.

Mr Jorgenson: We did note to the member though that we still required some further documentation to ascertain exactly what the member should be paid in relation to rent allowance and to back pay that to January 2010 when the member moved in.

Senator JOHNSTON: And those requests are in writing?

Mr Jorgenson: Yes, we have sent a letter to the member along those lines.

Senator JOHNSTON: Are you aware that he is not on a posting? He is onboard the *Warramunga*.

Mr Jorgenson: Yes. In fact, we had a talk to him. He is actually on a course at the moment. We were able to contact him and talk through that with him.

Senator JOHNSTON: The other side of the story is that you requested the minute, he eventually provided it—

Mr Jorgensen: No. He has not provided that additional information.

Senator JOHNSTON: Tell me what the minute actually is and what it should say.

Mr Jorgensen: He has a copy of a minute from his commanding officer advising him that he is evicted from LIA—

Senator JOHNSTON: What is 'LIA'?

Mr Jorgensen: Living-in accommodation. Generally single members, if they do not have their own home, will be entitled to move into living-in accommodation. In certain circumstances if living-in accommodation is not available for the member or the member elects to move into private rental accommodation a different level of rent allowance would be paid to the member. We need the documentation from the member to ascertain the type of rent allowance and the amount of rent allowance that the member was entitled to over that period.

Senator JOHNSTON: How do you work that out from what he is going to tell you?

Mr Jorgensen: You basically work through those aspects: when was he in living-in accommodation, when did he move out of that living-in accommodation and did Defence require the member to move out of the living-in accommodation, because that will affect whether he gets full rent allowance, a higher payment of RA or a partial payment of RA.

Senator JOHNSTON: You cannot tell me whether this person—he is unnamed but we both know who we are talking about—is getting the full or partial allowance.

Mr Jorgensen: I can run you through what we have paid him so far and whether it was full or partial or whether he was sharing. His payment also changed when he reached five years of service and when he stopped sharing the rental accommodation.

Senator JOHNSTON: I do not want to get too personal as to what his situation is. He was getting a mixture of full and partial, he was sharing and that had an effect—

Mr Jorgensen: In fact, he started off sharing and then stop sharing about part way through.

Senator JOHNSTON: I am interested in all of this process. The problem I have with him getting your approval prior to taking on the lease is that often these leases are highly competitive and the signature will go on the dotted line because it has to go on the dotted line and some bond money needs to be paid instantly to secure the premises. Do you make allowances for that?

Mr Jorgensen: Normally we recommend that within about 14 days of signing the lease the member approaches DHA to fill out the paperwork.

Senator JOHNSTON: Do you have an understanding as to why in August-October this became of concern and urgent? Did someone move out of the house? Was there a change in circumstances?

Mr Jorgensen: I have details here that show a change from sharing to being a single person in the rental property on 22 November 2010.

Senator JOHNSTON: I think I am starting see the picture. Obviously he begins to carry the burden solely at that time and rental assistance becomes urgent. Broadly speaking, we have made a number of payments—

Mr Jorgensen: Yes, that is right. We have made one payment to the member that covers the period back to January 2010.

Senator JOHNSTON: And we have not heard anything back from him, because we think and we hope he is a happy camper.

Mr Jorgensen: We did contact the member and he was satisfied with that.

Senator JOHNSTON: And he is going to receive his rental assistance in the future based upon the payments you have already made?

Mr Jorgensen: Yes, that is right.

Senator JOHNSTON: And he is aware of that amount?

Mr Jorgensen: Yes.

Mr Howman: He is required to provide us with some additional documentation, which he has been made aware of.

Senator JOHNSTON: The proper minute?

Mr Jorgensen: And a copy of his current lease.

Senator JOHNSTON: I will send him a copy of this transcript. I think it will be as clear as a bell what he needs to do.

Mr Howman: Minister Snowdon has actually written to you on this today. You may not have received it as yet. He has also written to the person concerned.

Senator JOHNSTON: I understand that having all of these personnel with their rents and leases in various cities under various economic circumstances and availability of rental accommodation must be like herding cats for you. How many staff do DHA actually have across Australia for this area?

Mr Howman: DHA has about 600 staff all up to look after our total business.

Senator JOHNSTON: This is for our total 57,000 uniformed personnel who may be anywhere around the place and require rental assistance from time to time?

Mr Howman: Yes, we have currently about 15,500 members on rental assistance and we administer their rental assistance on their behalf. We also administer about 18,000 homes which are available for married members with dependants.

Senator JOHNSTON: Roughly how many applications for rental assistance per month are you getting? In other words, what is the movement?

Mr Howman: That varies depending on many factors. For example, if there is a Navy ship about to go to sea we may get a whole lot of applications at once depending on those requirements. As courses are completed and people get their postings to various areas we may get a whole lot of applications. In the peak posting period, mainly over the Christmas period when people are posted to particular areas, we get a whole raft as well. It tends to be very peaky.

Senator JOHNSTON: Thank you very much for assisting me with that. I think it will make very good reading for this young man's mother particularly.

Senator LUDLAM: I understand on the Defence housing estate at Eton in Darwin, on Defence land adjacent to the airport, there are 205 vacant houses or thereabouts. Is that correct?

Mr Howman: There could well be that many houses there.

Senator LUDLAM: I understand that the Department of Defence owns the houses and land and the DHA manages that property. Is that right?

Mr Howman: They are owned by Defence and DHA manages them on behalf of Defence.

Senator LUDLAM: What instructions have you been given by Defence regarding the future maintenance and upkeep of that subdivision?

Mr Howman: There is a program in place at the moment that when houses are no longer required by Defence they are passed across to DHA for DHA to manage. To correct the numbers, there are 394 properties in total. At this stage there are 218 properties which Defence have advised us they no longer require. That leaves 176 still required and active.

Senator LUDLAM: By that you mean occupied?

Mr Howman: No, not necessarily occupied. At the moment there are 162 occupied, four off-line for maintenance, four allocated to people who are being posted in over the next short period and seven available for further allocation if so desired.

Senator LUDLAM: What about the 200? Are they basically falling into disrepair?

Mr Howman: No, not at all. There is a project in place at the moment where DHA maintains those properties on behalf of Defence.

Senator LUDLAM: Why are those ones vacant? Darwin has one of the most stressed housing markets in the country.

Mr Howman: I cannot answer that question because they are not our houses. They are Defence houses and Defence have passed them to us to maintain.

Senator LUDLAM: But not to have occupied?

Mr Howman: Correct. They have told us that these are for maintenance.

Senator LUDLAM: Were you given any reason for maintaining them when they remain unoccupied?

Mr Howman: No. That is a Defence issue.

Senator LUDLAM: What are the current maintenance costs to keep them habitable?

Mr Howman: I do not have that information to hand.

Senator LUDLAM: Take it on notice for us.

Mr Howman: I will take it on notice. The maintenance really involves mowing the lawns on occasions and ensuring the houses are kept in good repair. I do not have the exact figures.

Senator LUDLAM: So they are habitable—people could move in if Defence changed the policy?

Mr Howman: Some of them could be habitable. Some of them may not be habitable. I would have to take that on notice.

Senator LUDLAM: Perhaps you could take that on notice, because we are running the clock down a bit. Is there some policy in place, either from Defence or from DHA, not to have those properties occupied? If somebody comes knocking at your door and wants to occupy one of those premises that you consider habitable, are you instructed, or is it your policy or somebody else's policy not to let those premises?

Mr Howman: They are not DHA houses, so we would have to contact Defence and ask Defence if we could put somebody in those houses.

Senator LUDLAM: Has that circumstance arisen?

Mr Howman: Nobody has approached DHA directly to ask that question.

Senator LUDLAM: Can I do that now and ask you to take on notice, because we are out of time, whether there is an intention to get people out of that estate, because that is how it appears to the locals. You would be aware that this has picked up a fair degree of controversy in the last couple of months. What costs are incurred for additional security services, given that you now have a half-empty estate? Are there plans to depopulate that estate and get people out?

Mr Howman: Thank you. We will take that on notice.

Senator LUDLAM: I appreciate that. Thank you.

CHAIR: We have come to the end of today's proceedings. I thank the officers from DHA for attending. At the last estimates we wrote and asked you if you could provide nametags that we could read. We cannot read those. That might be a reflection on our age, but it makes it difficult because we have to address you as 'Hey, you' and we do not like doing that. If in future you could bring nametags that we can read it could be much appreciated.

Mr Howman: Thank you.

CHAIR: Parliamentary Secretary, do you have anything you wish to advise the committee of at this stage?

Senator Feeney: No.

CHAIR: That concludes our examination of budget estimates for the Department of Defence and agencies.

Proceedings suspended from 18:30 to 19:30

Department of Veterans' Affairs

CHAIR: I welcome Mr Campbell and officers from the Department of Veterans' Affairs. We turn to budget estimates for Veterans' Affairs. Senator Feeney, do you or Mr Campbell wish to make an opening statement.

Senator Feeney: I will not, thank you, but the secretary of the department certainly will avail himself of the opportunity if he chooses.

CHAIR: Mr Campbell?

Mr Campbell: No.

CHAIR: He chooses not to. In that case we will turn to questions.

Senator RONALDSON: I will start off with a couple of things. I had the great honour to be in Gallipoli for Anzac Day this year. Mr Campbell, I place on record my thanks and

congratulations to you and your staff members and others on the way that the commemoration was conducted. I thought it was both moving and spectacular and clearly a lot of work had gone into it. Could you pass on my congratulations.

Mr Campbell: Thank you.

Senator RONALDSON: Mr Carmody, similarly you and I had the great honour and privilege of being at the Crete commemorations last week and again I thought your staff were absolutely spectacular. The way you engaged with those veterans, I thought, was equally spectacular. You did the department very proud, I have to say. The six vets were quite remarkable. I fear, Mr Carmody, that in the unlikely event that you and I get to 101 we will not have our own teeth, nor our hair, nor will we not require reading glasses, nor will we organise our 100th birthday on a cruise around Asia. Anyway, we will keep our fingers crossed.

Mr Campbell: You are right, Senator—I have not got a lot of my own hair now.

Senator RONALDSON: I understand that Mr Telford is on leave pending retirement. Is that correct?

Mr Campbell: Yes, Mr Telford, after about 42 years in the Commonwealth Public Service, decided he wanted to retire and spend some time travelling. He finished up about three weeks ago pending retirement in the first week of July.

Senator RONALDSON: Could I pass on my congratulations to him for his service. I hear nothing but very good reports about what he has done. We have had our engagements, of course, over the last couple of estimates, but he has always done so in a very professional manner. Just briefly, I gather I am obtaining a briefing on the changes to the temporary incapacity allowance tomorrow, Parliamentary Secretary, so I will not ask any questions on that. There are a number of questions I will place on notice but, if we can get a start, thank you. Mr Campbell, am I correct in saying that since 2009-10 the government has not increased or appropriated any new specific funding in the portfolio for the treatment of mental health amongst veterans and the ex-service community? I think there were two measures: in 2008-09 the commitment of the \$3.8 million for the nine strategic mental health initiatives, and then in 2010 the Dunt review with about \$9.4 million. Is that correct—two measures since that time?

Mr Campbell: In terms of budget measures, yes. But of course there is a lot of expenditure under those measures and under health expenditure generally.

Senator RONALDSON: Were there any new health measures, then, since 2008-09?

Mr Campbell: In the 2009-10 budget, the major new health initiative was what is called the Coordinated Veterans Care Program, which rolled out from 1 May. I think that is the major one, but I would ask Mr Rochow to go back to our budget documentation to see if there are any others.

Senator RONALDSON: I think I might have said 2008-09; I meant 2009-10.

Mr Campbell: Yes, and the one I talked about was the major one in the budget for 2009-10.

Mr Rochow: Unfortunately I do not have the numbers with me for the year in question that you have indicated, but one of the major initiatives was the Dunt review. There was

money allocated for case managers and the like for that particular budget measure, which was specifically directed at mental health. I am happy to take on notice that particular question in terms of any other measures.

Senator RONALDSON: I have got a number of questions in relation to the Dunt review, which I will probably end up putting on notice now, Mr Rochow, but if you or one of your fellow officers have got something else there then I am happy to hear it now.

Mr Rochow: No, I do not have those available with me here tonight, but I am happy to take that on notice.

Senator RONALDSON: I must say there are some new faces, Mr Campbell, and some old faces from distant places here tonight. In relation to the nine strategic mental health initiatives, can you go through those nine initiatives for me and what evaluation has taken place?

Mr Campbell: I might ask Ms Daniel to do that. You have indicated that there are some new faces. I should also tell the committee that Ken Douglas has been successful in obtaining a job in the Department of Immigration and Citizenship, and he starts there next Monday. He is currently on leave pending starting there. Ms Daniel is acting in his job, so I will hand over to her to handle those things.

Ms Daniel: The Dunt initiative involved a range of new initiatives—if you will just give me a minute—

Senator RONALDSON: This is not the Dunt one; I think it is the nine strategic mental health initiatives. That was under the \$3.8 million program. Was it not in 2008-09 or am I mistaken? I may well be.

Ms Daniel: I am sorry, we will have to take that one on notice.

Mr Campbell: Can you go onto other questions? We will come back to that one, because I am sure there are people here who can handle that question.

Senator RONALDSON: Sure. I noticed in the 2008-09 budget papers, Ms Daniel, there is no funding beyond the end of this financial year. So are the programs continuing within existing appropriations and, if so, under which budget program?

Ms Daniel: Is the package that you are referring to the ADF mental health lifecycle initiatives, where the government allocated \$2.2 million in the 2008-09 budget?

Senator RONALDSON: I thought it was \$3.8 million. Under budget measures 2008-09, mental health support to the Australian Defence Force members and veterans, the government will provide \$3.8 million over four years, including \$1.6 million to be met from the existing resourcing, to introduce a package of nine strategic mental health initiatives.

CHAIR: \$2.2 million and \$1.6 million is \$3.8 million.

Senator RONALDSON: That is probably the division of Defence and Veterans' Affairs. Thanks, Chair, you are right.

CHAIR: It is \$1.6 million from existing resources.

Ms Daniel: There has been significant progress on the government's 2000 election commitment to implement an ADF and DVA mental health lifecycle package. The package focuses on improving transition from Defence to civilian life for the members and their family

and rehabilitation and support services. Projects have been undertaken by the ACPMH in partnership with DVA and the Department of Defence. The initiatives include the Transition Mental Health and Family Collaborative in Townsville—that project has been completed; studies into hard-to-engage clients and studies into barriers to rehabilitation, which are complete; a trial of online self-care mental health tools targeting hard-to-reach former members of the ADF, which was launched in February 2011; the mental health resources called the 'Wellbeing Toolbox'—

Senator RONALDSON: Sorry, if I could just—

Ms Daniel: Sorry, am I going too fast?

Senator RONALDSON: No. If I could just hold you there, the February 2011 measure was what, sorry?

Ms Daniel: A trial of online self-care mental health resource tools targeting hard-to-reach former members of the ADF, called the 'Wellbeing Toolbox'.

Senator RONALDSON: How long will that program go on for?

Mr Campbell: As Ms Daniel said, that program started to be trialled about three months ago, in February this year.

Ms Daniel: The trial is to be completed in June 2012.

Senator RONALDSON: Where is the appropriation for that in this budget? Do you know? Are there sufficient funds there? We have, in 2008-09, nine initiatives and this is the last out year. I am wondering, if these programs are ongoing, from where are they being funded?

Ms Daniel: We will need to take that on notice to look at the original 2008-09 decision and what elements of that funding were ongoing and what were not.

Senator RONALDSON: I think the whole program was only until the last out year, which was 2010-11. If you would, take that on notice and find out where the funding is.

Ms Daniel: We will have to take that on notice.

Senator RONALDSON: Sure. Thank you very much.

Mr Campbell: Perhaps I can help you here. We will check this, and if I am incorrect we will come back and correct it. Mr Rochow and I believe that after the period 2010-11 it is just built into our forward estimates, which means therefore it is not a particular measure number, but it will be in our forward estimates base. I will check that and we will come back and confirm that or, if I am wrong, we will let you know.

Senator RONALDSON: All right. I turn to a matter that we have talked about several times. Mr Campbell, I presume you will refer straight to Mr Carmody but I want to clarify the VVCS and the DVA office co-location issue. Please clarify the new lease at the Newcastle premises, which we discussed last Senate estimates. Has that lease been extended?

Mr Carmody: It has. The lease was extended until 2014. We conducted a market search in and around the Newcastle area and there were no suitable alternative sites. So, as I said, we extended until 2014.

Senator RONALDSON: Who conducted those, Mr Carmody? If I remember correctly, you indicated to me that it had not been extended, and you got a tap on the shoulder from the back of the room that it had been. Who would have signed that lease?

Mr Carmody: Firstly, the market search was conducted commercially; we went out to a commercial provider. I will check on the signatory of the lease. It was the corporate general manager who signed the lease.

Senator RONALDSON: That was taken on notice and it has not been answered. But, anyway, I am not unduly concerned about that.

Mr Carmody: I apologise for that. If I can add something: we had the regional consultative forum in Newcastle on 7 April—we run consultative forums every six months. They are run by VVCS with all of the stakeholders in the area. The forum members were very keen to confirm that the lease had been extended at that location. They were very happy. We have acquired slightly more space in that location and that will probably allow us to provide a better service.

Senator RONALDSON: When was that meeting?

Mr Carmody: 7 April.

Senator RONALDSON: When was the lease signed?

Mr Carmody: The lease start date was 9 March 2011. I think it was signed slightly before then, so the lease was entered into slightly before that. I can check the date but the start date was on 9 March 2011 and it goes until 8 March 2014.

Senator RONALDSON: I am prepared to accept your word that they are all apparently very happy about it. What would have happened if they had not been happy, because the lease had already been signed at that stage? It is great to get confirmation on 7 April. What would have happened if they were not so fussed about it?

Mr Carmody: We would have been surprised, to say the least. I will tell you why: we have been in that location since 1996; we have run consultative forums every six months, and the clients are very happy. It also has separate entrances. So it meets in reality most of the things that everyone says we should meet in these locations. It has separate street entrances, separate office entrances and separate waiting areas. So we would have been very surprised if they had not been happy, and we are pleased that they are.

Senator RONALDSON: And that of course is not the same at Lismore, Darwin and the others—the separate entrances, et cetera. Is that right?

Mr Carmody: I can move onto Lismore if you wish.

Senator RONALDSON: No, we will get to that shortly. Now, as you are aware from previous estimates, the extension of these leases is, in my view and on the back of comments that were made in October by Mr Campbell and by the previous minister, an actual breach of the undertakings in relation to the collocation. But I understand from last February that Mr Campbell disagrees with my interpretation, so I will leave that there. Can I please take you to the national advisory committee on VVCS. When did they last meet?

Mr Penniall: The national advisory committee meet last in Hobart on 22 and 23 February 2011.

Senator RONALDSON: At that meeting, was the collocation issue discussed?

Mr Penniall: Yes, it was.

Senator RONALDSON: What was the outcome of that meeting? Were there any motions coming out of the national advisory committee?

Mr Penniall: An outcome of the meeting was that they decided they would put a paper together which defined the ideal characteristics of a VVCS centre from their perspective.

Senator RONALDSON: What did they do prior to that? What was the motion that was moved and passed at that meeting?

Mr Penniall: To give you the exact motion I would have to take that question on notice.

Senator RONALDSON: It is all right, I can do it for you. A motion was moved, seconded, discussed and endorsed that the 'NAC recommend that options for a new office location for VVCS be arranged and implemented in Darwin when the lease is due to expire.' You then moved on to the action part of it. 'The committee will develop a paper describing the ideal characteristics of a VVCC office and submit this to VVCC and the minister.' Is that an accurate assessment of the outcome of that meeting?

Mr Penniall: Yes.

Senator RONALDSON: That was an oversight, I take it, that you did not mention the motion?

Mr Penniall: Yes.

Senator RONALDSON: Does the department seek advice from the NAC in determining the location of VVCS offices?

Mr Carmody: In answering that, I do not believe we have changed the location of any VVCS offices during my tenure here. If I understand correctly, the collocation of the VVCS office in Hobart, which is probably the most recent office relocation, was discussed at the national advisory committee. But I am not a member of the committee, so I am not quite sure.

Senator RONALDSON: Are you a member of the committee, Mr Penniall?

Mr Penniall: I am an ex officio member, Senator, to the committee, and I was not here when the Hobart office move was made back in December 2009, but my understanding of the NAC information at the time was that the department did in fact consult with the NAC about that move.

Mr Campbell: Senator, perhaps if I could come in here, I might be able to help a little bit. Sometime in 2008, before I became secretary, the office arrangements in Hobart had to change. The department entered into an agreement which had the VVCS and the office there, which used to be a state office, collocated on the corner of Barrack and—I will have to think of the name of the other street. The NAC and individual members of the NAC quite clearly were concerned about the bringing together, and when I became secretary and went through the issue, one of their major concerns was that the way it was designed was that people who were coming to see the VAN office or coming to the VVCS would come into the same office. I intervened and had the entrances changed so they are now quite separate. My understanding is that members of the VVCS—and I do not want to put words in their mouth—given all that goes and the fact is that there was an agreement to build there, think that the actual physical outcome is not a bad one, and far better than if they were coming through the same entrance. So that might help you with a bit of the background.

Senator RONALDSON: That is good that that was done 18 months ago in relation to Hobart, but we have got some more pressing issues at the moment—I will actually read your words back to you, and those of Mr Carmody shortly, Mr Campbell, about your views on other changes. But Mr Penniall, have you discussed these collocation issues with the NAC?

Mr Penniall: Senator, we have discussed collocation in a broad sense. The NAC have advised us of their concerns about—for example—Darwin having shared entrances.

Senator RONALDSON: Mr Penniall, let's cut to the chase. The NAC, which is an independent group, has made it quite clear to you and the department, have they not, that they have got some real issues about the co-location? I am going to get onto this a bit later on and read out some comments from the chairman, I think it is, but they have expressed some real concerns and, presumably, they would only offer to develop a paper describing ideal characteristics if they did have concerns. That is correct, isn't it?

Mr Penniall: Yes, Senator.

Senator RONALDSON: Thank you. The NAC have made it quite clear they have got issues, and they are so concerned about it—my words—that they are actually developing a paper in relation to this to give to the department and the minister. But back in February—I just want to go through an exchange between you and me, Mr Campbell, and then between me and Mr Carmody. I said:

Your advice goes on to state that the lease on facilities in Launceston and Newcastle expired early in March this year, and Lismore and Southport's leases expire in June. I assume there will be no extension ... in light of the discussions I had with Mr Campbell and his discussions with the previous minister.

You said, Mr Campbell:

I do not think that is how you can interpret my comment. My comment would be no more. I was not addressing in my mind when I gave you about that answer about the ones that were already in the same physical locations. If that is a confusion between us, I apologise, but certainly the answer I gave you at the time was more in the context of the Darwin and Hobart ones, which have come together. Hobart was last year and Darwin was about three years ago. I was answering that the then minister and I, our view then and my answer to you was based on until we knew what was happening and could see the data from both Darwin and Hobart that there would be no further. I certainly did not have in mind those that were already in existing lease arrangements.

Senator RONALDSON: When we discussed this further in February, and we discussed what factors would be taken in consideration where an existing collocation was up for renewal. Mr Campbell you said—and this is in the context of Launceston and Newcastle:

My position on both of those is that, if the existing landlord wants to continue a lease and the price and so on is appropriate, at this stage I have no intention of changing the arrangements for those two offices.

Senator RONALDSON: Mr Carmody went on to say, in relation to this:

Extending the current facilities is a question that is based on a lot of factors. Firstly, whether or not it is suitable for us, whether or not the conditions of the building remain suitable, and whether we can negotiate any improvements, but at the moment the site is collocated.

Senator RONALDSON: So, Mr Carmody, what do you mean 'suitable for us'?

Mr Carmody: Senator, suitable to meet the requirements of VVCS. And if it is a co-located site the requirements of VVCS and the requirements of the department. One point I would like to clarify, Launceston is not a co-located site, just to make that clear. The co-

located sites are Newcastle, Lismore, Southport and Darwin, and I think there are probably a couple of others—Maroochydore and Albury-Wodonga.

Senator RONALDSON: Mr Carmody, when you look at your comments on the back of Mr Campbell's comments, Mr Campbell confined his factors in relation to whether the existing landlord wants to continue a lease and a price that is appropriate. You say that it is what is suitable for us, but nowhere in those words is any indication at all, either in the text or in the commentary, that actually what is suitable for the client might be a consideration as well. That was not mentioned once—not in the formal or the informal aspects of this discussion.

Mr Carmody: If I may respond, I think it is, in my view, implicit, because we continue to have regular consultation forums with our clients and that provides the opportunity for them to talk about the facilities and determine and make recommendations about whether they are suitable or not. In some of these cases we have been in these facilities for quite some time—many years—and there is ample opportunity for clients to raise concerns. In the case of Newcastle, in this latest lease renegotiation, we have actually been able to negotiate some more space, and clients have indicated to us that they would like some more space, I think for group counselling. So we have actually been able to negotiate broader space in that location to meet their requirements and to meet ours.

Senator RONALDSON: But you presented them with a *fait accompli*, though. You rocked up in April and said, 'Listen, guys, we have already signed the lease. We have got some more room for you.' Did you actually ask them the question, officially, about their views on co-location or separation? Or did you just present them with a *fait accompli*? I am sure they are happy with a bit of extra room—they would be mad not too—but that is not the point.

Mr Carmody: In the case of Newcastle I think the clients, from what we are finding, are overwhelmingly supportive of that.

Senator RONALDSON: What, the extra room?

Mr Carmody: Overwhelmingly supportive of the location and the extra room. As I indicated, we have been there for a very long time. If they were not happy with the location they would have said so in any one of the consultative forums that we routinely and regularly have with them. We have had nothing in the Newcastle location—to my knowledge, no indications—that the site is not generally suitable. And as a consequence we renewed the lease.

Senator RONALDSON: Mr Penniall, what about Lismore? When is that up? This month, isn't it?

Mr Penniall: If you give me a moment, I will find the time. It is up very shortly. It ends on 30 June.

Senator RONALDSON: Have you got some good news for me? I have got about 20 minutes of questions, so if you are going to tell me that you are going to do something about it that is appropriate to the needs of the clients then we can save some time.

Mr Carmody: Senator, if I may, it probably will not be the news you would like. We have conducted a market search in Lismore. We have found that there are no other premises suitable. We have indicated to the owner—

Senator RONALDSON: So who is 'we'?

Mr Carmody: The organisation. In this case it was undertaken on our behalf by the general manager, corporate. A property consultant was engaged to search the area for suitable premises, both co-located and separated, and we found no suitable accommodation in the area. We needed to let the owner know by March, three months before the lease was to expire, whether or not we were going to continue in the location. We indicated that we would continue under certain conditions. We extended on a one-year lease basis—one plus one—in the hope that we would be able to secure additional premises in Lismore in the future.

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: Senator, if I can clarify, I know it was around late February to early March. I know we were looking for alternative space at that time and doing the market search to see whether we still had an acceptable proposition in Lismore.

Senator RONALDSON: So this is a 12-month extension of the lease?

Mr Carmody: That is right. There is 12 months plus a one-year option to extend. We have been in that location since 1993, so the premises are a bit tired. We are undertaking some work in those premises to improve the privacy. But I would like to put on the record that, until six months ago, we had had no complaints about the co-location at that site either. In the last six months we have had both complaints and compliments about the site.

Senator RONALDSON: Who was the compliment from?

Mr Carmody: The compliment was from another regional ex-service organisation member, who provided unsolicited comments to the VVCS saying that they were very happy with the site.

Senator RONALDSON: Was that Mr C?

Mr Carmody: Yes.

Senator RONALDSON: Have you received any correspondence from anyone else in relation to that?

Mr Carmody: I have only had two pieces of correspondence, one from that gentleman saying that they and all of their colleagues were very happy with the facilities, and one from the VVFA—in fact, multiple copies on multiple occasions but essentially the same letter—saying that they are unhappy.

Senator RONALDSON: Did you get a letter from someone responding to Mr C's letter? I have it here.

Mr Carmody: I do not believe I did. If you could refresh my memory, that would help. I do not recall.

Senator RONALDSON: I have a letter here to Tim McCombe from the Partners of Veterans Association saying: 'At the last meeting of the association it was brought to our attention the situation at the VVCS office at Lismore. The problem with the office is the close proximity to the Lismore VAN office. The offices share a conference room and there are doors which lead from one office to the other. The VVCS office is not soundproof and the conversations can be heard from both offices. The entrance to the VVCS office is just down the hall from the VAN office, which gives the impression that they are one and the same, which is not a good look. In a recent letter sent by a Mr RC to VVCS Lismore, he stated he had contacted ESOs in Grafton and they had had no complaints about the situation. At our last meeting in Grafton we had committee members of the RSL, Legacy and the PVA, as well as our local committee, and not one of those organisations has been contacted by Mr C.'

Mr Carmody: Was that letter addressed to me?

Senator RONALDSON: No, it was not. I didn't suggest it was; I said it was to Mr Tim McCombe. So Mr C, quite frankly, does not speak for the local RSL, the local Legacy or the VVPA. So I would not nail Mr C's letter to the mast of credibility, if I were you, quite frankly, because he does not speak for these people. If he has indicated to you that he does, then that is totally inappropriate.

Can I turn to a letter sent by Dr Tony Austin. What is his title?

Mr Penniall: Dr Austin is retired. Dr Tony Austin AM was previously Air Vice Marshal—

Senator RONALDSON: Yes, but what is his present title?

Mr Penniall: His present title is the chair of the NAC.

Senator RONALDSON: Thank you. Are you aware of his concerns in relation to the Lismore situation?

Mr Penniall: Only in a general sense that he and the NAC are concerned about collocations.

Senator RONALDSON: But he has discussed this matter with Mr Carmody, he has discussed it with you, hasn't he? Has he raised his concerns with the minister in relation to this collocation issue?

Mr Carmody: I cannot speak for the minister. I know he has discussed them with me.

Senator RONALDSON: He says he discussed them with the minister. Do you have any reason to believe that he would say that, if he hadn't? Parliamentary Secretary, are you aware of this?

Senator Feeney: I do not have any knowledge.

Senator RONALDSON: Mr Campbell, are you aware whether this matter this has been raised with the minister by Dr Austin?

Mr Campbell: I would make the observation that it has been raised in some of the minutes of meetings, including the Hobart minute, and those minutes go to the minister. I have not been present, nor have any of my colleagues, at the meetings that Tony Austin has had with either Minister Snowdon or Minister Griffin. So we cannot say what happened at the meeting, but I can say that it was raised at least in writing in the minutes of the meetings, including the Hobart meeting.

Senator RONALDSON: Dr Austin wrote to the secretary of the VVA of New South Wales, and it is on their website so I have no issue about raising it. It was in response to a letter from Desheld and Maher in relation to the Lismore situation that was raised in Hobart. I quote from the letter:

The issue of collocation of VVCS and VAN offices has been a matter of considerable concern to the NAC for many years.

So not this 'we have heard nothing until the last six months' by implication because it has never been raised in public forums such as this for many years. I go on:

It is an issue that is discussed at every NAC meeting and has generated much discussion between the NAC members, the VVCS national manager, both Mr David Moreton and now Mr Wayne Penniall, and the deputy president of the Repatriation Commission, Mr Carmody. I have also raised the matter during my meetings with the Minister for Veterans' Affairs. The NAC is well aware of the importance of the VVCS being seen by veterans and their families as an entirely independent arm of the DVA. We are also aware that there exists a degree of distrust on the part of some veterans about the confidentiality of the information they provide to both agencies. We understand those concerns and agree that, in order to ensure that veterans and their families feel comfortable and secure in their dealings with the VVCS, all barriers to accessing the services must be identified and removed. Collocation of offices is potentially one such barrier.

It is so serious that they are actually getting a design brief together in relation to the department. Let us not talk about this in the context of 'Oh well, the world is collapsing around our ears over the last six months,' this has been on the go for years, according to the man who runs the organisation.

Mr Campbell: Could I just come in here please: I think there is a subtext here. Tony Austin has only been chair of the NAC since 1999 from memory. He was not on the NAC before that. When I was deputy president from the end of 1999 until the middle of 2005, I do not recall this issue ever being raised. Now I am not saying it was not, but I do not recall it.

I think that what has caused this issue, and I can understand it, is that two decisions were taken which were to collocate the VVCS and the VAN office in Darwin and to collocate the two offices in Hobart. I think I understand the concerns that it raised for a number of members and I think what they are concerned about is that the department and the VVCS are going to do more collocations.

I do not want to go back over the history of yours and my discussion back in February about what the commitment was. But that was one of the reasons why the then minister and I said, 'Look, there is a moratorium on any more of these collocations until we see exactly what is happening and there is data analysis in the Darwin and the Hobart office.' There is a bit of history in all of this, and I do not believe that in the early part of this century there were any concerns. That is expressed in the sort of things Mr Carmody has said that nobody was really complaining about Lismore and Newcastle. I think the concern that people have in the veteran community is they are worried will be more. The moratorium that I have agreed to—without pressure, without their asking for a moratorium—I think if there is going to be any change to that, there will be a wide-ranging discussion between ourselves and the veteran community.

Senator RONALDSON: The NAC, I gather, has made comments in relation to these offices that there are real advantages, and I am giving a frank assessment of all this, 'in clients have the VAN and VVCS offices within walking distance of each other but they need to have separate access points, reception and waiting areas, and a client flow-through that such confidentiality is preserved at all times'.

Tell me if I am wrong, but is this situation in Lismore, Mr Carmody or Mr Penniall? In Lismore, clients of both DVA and VVCS enter the building through the same entrance into a common waiting area for the lift and then take the same lift to the second floor; yes or no? If it is not, just tell me.

Mr Carmody: I can explain the access: yes, certainly that is the case.

Senator RONALDSON: Both sets of clients exit the lift and follow the same route until the face the door at the DVA office; is that right or not? If it is not, just tell me. Mr Penniall, you are shaking your head, is that a yes?

Mr Penniall: That is correct.

Senator RONALDSON: Thank you. Perhaps if you could just say yes or no rather than me trying to interpret your body language, we will get through this a bit quicker.

Senator Feeney: Although officers can obviously give more expansive answers than just yes or no, Senator, where that information is warranted.

Senator RONALDSON: I couldn't agree more, Parliamentary Secretary. Mr Penniall was there shaking his head. So I am just saying it would be a lot easier if he would say yes or no. If Mr Penniall wants to talk about it more expansively, of course.

Mr Carmody: Senator, if you wish, I can explain to you the new works that are going to be undertaken in the Lismore office over the next few months to try to improve the situation.

Senator RONALDSON: Let us whizz through what the situation is and then that will put your carpentry skills into some context, Mr Carmody.

Mr Carmody: Certainly, Senator.

Senator RONALDSON: The clients enter the office, and the VVCS clients turn left and proceed down a corridor until they reach the VVCS office; is that right?

Mr Carmody: That is correct.

Senator RONALDSON: Along the corridor is the men and women's toilets both used by the DVA and the VVCS. The DVA office and the VVCS have a common galley-type kitchen which opens out onto the VVCS waiting room. There is also a meeting room in the VVCS

office used by both the DVA and VVCS. Those attending the DVA meetings use the corridor from the DVA door to the VVCS door and walk through the cramped VVCS waiting area. Is that all correct?

Mr Carmody: Essentially, yes.

Senator RONALDSON: Completely and utterly inappropriate, is it not? So what are you going to do? Can I just get an answer to the question: is that appropriate or not, Mr Carmody?

Mr Carmody: In my answer to the question I will say that that is the situation that has existed since 1993.

Senator RONALDSON: Is it appropriate?

Mr Carmody: It would be a situation that I would prefer not to occur, and that is why we are taking action to see whether we can improve the situation in that office.

Senator RONALDSON: Why would you prefer it not to occur, Mr Carmody?

Mr Carmody: Because clearly the NAC and the VVFA in particular have raised concerns, and I would like to meet those concerns.

Senator RONALDSON: So it is not related to the issues facing the clients, it is only inappropriate because the NAC and the VVFA say it's an issue?

Mr Carmody: To be fair, if I may return to my earlier statement, we have had no complaints until recent times about those facilities and a lot of clients, DVA and VVCS, are using the facilities. But, Senator, I agree that we should—

Senator RONALDSON: Of course they are, they have no choice. But I ask you again, Mr Carmody: is it appropriate for the VVCS clients to be operating in that sort of scenario as they are in Lismore, yes or no? Don't worry about the NAC, don't worry about the Vietnam Veterans Federation; is it or is not it appropriate?

Senator Feeney: He has already stated on the record that it is not ideal. Can you not content yourself with that? Why are we back to this 'yes or no' business?

Senator RONALDSON: I am sure in the not too distant future I might not be where you are but you will certainly be where I am, and at that stage you can have a look at how you want to approach the Senate estimates as well. This is obviously important, Parliamentary Secretary, because Mr Carmody's answers and whether he is prepared to acknowledge that there is an issue will drive future decision making. I might be terribly wrong but I actually think we are making incremental steps in the right direction, because in October and February there was going to be nothing. It was to do with money; it was to do with leases and landlords; it was to do with what suited the DVA. I think we might be starting to move. But I want to hear Mr Carmody say that there is an issue and that Lismore is not appropriate for the reasons outlined by the Vietnam Veterans Federation, by the NAC and by other organisations that have written. I just want to get the principle right, and then we can move on to addressing the practice. From the government's point of view, do you believe that the scenario at Lismore is appropriate to properly serve the VVCS clients? Does the government believe that or not, or is that not ideal from the government's point of view as well?

Senator Feeney: I am here representing the minister. It is not a matter on which I am able to comment. But Mr Carmody has explained reasonably and rationally that it is not an ideal circumstance, and I think for your purposes that is the answer you require.

Senator RONALDSON: But Mr Carmody has been dragged kicking and screaming into getting to the situation where there is an acknowledgment that the collocation is an issue, there is an acknowledgment that what the NAC and others are saying is right. There is nothing on the public record at all from either the secretary or Mr Carmody acknowledging there are issues for those clients in those collocated facilities. If that is what is now being said, then that is a huge breakthrough.

Mr Carmody: Senator, if I may in terms of issues: as I indicated at the last estimates, I think, at the two main new collocated sites, Darwin and Hobart, our client numbers have actually increased statistically. So the statistics are very clear. On the Lismore site, I acknowledge that it is not ideal. I also acknowledge that it has been there for a very long time. I have made the point already that we have undertaken a market search to see whether we can find something else which has two separate entrances and we have been unable to do so, so we are making the best of the situation that we have.

Senator RONALDSON: But Mr Carmody, with the greatest of respect to you and you are a decent human being, quite frankly whether there are more people going to Darwin or not is totally irrelevant. The usage and the requirements of the service do not give you the imprimatur to say that Darwin is not as bad as people are saying it is. If you have to go to a service, you are going to go to the service. Isn't it an indication more of the fact that more people are requiring the service than there is not an issue? I am not sure you are not trying to tell the committee that. I hope you are not.

Mr Carmody: Senator, I am not trying to tell you that but I will make the another point if I may: that more than 50 per cent of VVCS clients do not attend VVCS centres. We have a range of arrangements in place and available for clients who do not wish to attend senators—centres—or who cannot.

Senator RONALDSON: There is a lot of those, I can assure you.

Mr Carmody: As I said, about 50 per cent of our clients, but there are varying reasons for that.

Senator RONALDSON: You said 'senators' and I said there are a lot of people in that situation. Now what is happening in Darwin?

Mr Carmody: With Darwin we are currently undertaking a property search as well.

Senator RONALDSON: Have you given notice? Darwin is up this month, isn't it?

Mr Carmody: No, July, I think.

Senator RONALDSON: Have you given notice to the landlord?

Mr Carmody: We have not given notice yet; we are undertaking a search right now. We have had three complaints from the VVFA about Darwin: one of them about signage, one of them about voice privacy, and one of them about shared entrances. We dealt with the signage issue immediately. The Darwin facility has multiple entrances into a large foyer. All of those entrances were signed both with DVA signage and VVCS signage. When you enter the foyer there are either a set of stairs to go upstairs or another set of double-glass doors. On those double-glass doors it only had DVA signage, which was an error. As soon as you look through the doors you can see the logo of VVCS on the wall. Nevertheless, the glass doors

did not have signage. That was rectified as soon as it was pointed out by the National Advisory Committee.

They raised issues of voice privacy and we have invested a great deal—we have invested money in improving sound attenuation in all of the counselling rooms at that location. We have been unable at this stage to create a separate entrance. However, we are exploring options to see whether that might be possible. We are also conducting a property search in the location to see whether there are other locations in and around Palmerston that may be suitable. Our preference is not to go back to where we moved from in 2006, which was Casuarina, because that was clearly unsuitable and there was a great deal of pressure from clients to move from there. At the moment the situation in Darwin is market testing and exploring our options to see whether or not we may be able to meet what the NAC has said would suit the requirements of a standard VVCS office, which is separate entrance and separate waiting rooms. That is the space that we are in at the moment.

If I can return to Lismore, we have been unable to do that because the geography does not allow us to do it at this stage. The physical structure of the building does not allow us to do that.

Senator RONALDSON: That is certainly a step in the right direction, Mr Carmody, which means the last six months have not been wasted from my point of view. Mr Penniall, when are you expecting to see the NAC design brief?

Mr Penniall: I am not sure when they will complete that brief. I know the NAC members are working on that. It would likely be discussed at the next NAC meeting.

Senator RONALDSON: Which is when?

Mr Penniall: Bear with me, and I will get you the exact date in June.

Mr Carmody: Just to get the terminology right, did they say 'design brief'? I thought they were going to provide us with some details of the ideal characteristics of the VVCS.

Senator RONALDSON: I think that is what a design brief is. I will get the exact words. Mr Penniall should have it. He has the minutes there.

Mr Penniall: The next meeting will be on 21 and 22 June.

Senator RONALDSON: It says: 'The committee will develop a paper describing the ideal characteristics of a VVCS office and submit this to the VVCS and the minister.' The 'design brief' were my words, but it is probably pretty fair to call 'the ideal characteristics of a VVCS office' a design brief, I would have thought. Mr Campbell, when is your moratorium, so to speak, finish?

Mr Campbell: I have no set date in mind. I have no desire at this stage and no agenda of doing any further collocations, absolutely none.

Senator RONALDSON: And if you were to do so, would you take into account the views of the various organisations such as the NAC and others, particularly if there has been a design brief associated with it?

Mr Campbell: Yes, most certainly.

Senator RONALDSON: Parliamentary Secretary, I think there are some significant moves in the right direction.

Mr Campbell: Senator, if you are finished on the VVCS, in relation to the questions that you were asking before you went to the VVCS about mental health, Mr Rochow and Miss Daniel have the answers, if you would like to have them present to you now or do you want to do it after a break?

Senator RONALDSON: How long is it going to take, do you think?

Mr Campbell: A couple of minutes.

Senator RONALDSON: That's fine. Let's do it now.

Ms Daniel: If I can extend on the answer I gave you previously. Firstly, to clarify your query about having a number of \$3.8 million and my quoting a number of \$2.2 million. The actual budget measure for that ADF mental health life cycle package included \$1.6 million that Defence met from internal resources. I will ask Mr Rochow if he wants to clarify that. There was \$2.2 million of new appropriation and \$1.6 million of funding.

Mr Rochow: You are right that \$3.8 million was provided in the budget of which DVA was appropriated \$2.2 million. The remaining \$1.6 million was to be absorbed from the Department of Defence.

Ms Daniel: The other mental health initiatives that arose from the government's 2007 election promise were: increased funding for suicide prevention training, Operation Life, which was \$3 million, which if you have more detailed questions about probably Mr Penniall will answer; and a community mental health more ex-service friendly initiative, which involved training for secondary mental health workers, with a range of workshops and learning groups for practitioners. That training activity has finalised and the department has a report from the ACPMH on that activity which we are currently considering.

Senator RONALDSON: Indeed, the suicide prevention funding 2009-10 goes through until 2012-13, is that right, and as you say the mental health workers funding has now finished. You are going to take on notice where that February trial has been funded from. So to answer my very first question, there has been nothing since the 2009-10 budget in relation to that mental health area?

Mr Campbell: In regard to new initiatives.

Senator RONALDSON: The protocol for managing the provision of advice to clients at risk of self-harm. On page one of the protocol, under identifying a client—have you got the protocol there?

Ms Bell: I have, yes.

Senator RONALDSON: Page 1, number 1:

An appropriate notation should be made on DVA systems to alert other staff—that is, identifying a client who may be at risk. Am I quoting that correctly?

Ms Bell: Yes.

Senator RONALDSON: What is an appropriate notation as far as you are concerned?

Ms Bell: I must say at the beginning that since the implementation of this protocol we have had case coordination introduced. So this protocol does not reflect the current procedures in relation to where a client is at-risk or threatening harm to others, which is picked up through case coordination. The case coordinators came out of the Dunt funding and

were implemented last January. Where a client is identified at-risk, there is a referral mechanism for the case to be referred through to case coordination for assessment of the risk and either immediate action if the situation is acute or what the appropriate treatment would be.

Senator RONALDSON: Was that attached to the—

Mr Campbell: It might help if Ms Bell gives you just one minute flowing from how the case coordinators came about and what they actually do. I think that might help you and the committee.

Senator RONALDSON: Add onto that, when that started and when the protocol, which is only 11 months old, was superseded.

Ms Bell: The case coordinators were an initiative arising from the review of suicide by Professor David Dunt. That recommendation was approved by government and the case coordinators first came on deck in January 2010. There are 13 case coordinators in four groups across Australia. They form a cohort, a national group located in Brisbane, Sydney, Melbourne and Perth and their main focus is on dealing with clients who are at risk of suicide or threatening self-harm to others. They also have some clients with extreme complex needs.

Senator RONALDSON: Are they the CLU's or are they someone else?

Ms Bell: No, it is another group. The CLU really manages where the relationship with the department has broken down, or clients who display some querulous behaviour. The case coordinators are very much focused on clients who are at-risk.

Senator RONALDSON: I am a bit confused. If these case coordinators came in on January 2010 and this document is dated July 2010, and is version one, are you saying this was actually not relevant when it was introduced?

Ms Bell: This protocol had been in draft for some time pending consultation with ESO's and by the time it was actually endorsed, some of it is quite relevant still, but it is in the process of being redrafted now given the case coordinators have been implemented since then.

Senator RONALDSON: So it was out of date before it was actually implemented?

Mr Campbell: Without looking at the fine detail of it, I suspect that you are right in that at least one paragraph or one sentence of it was out of date. I think what Ms Bell was saying is that large elements of it are not, but given that it had its genesis with the creation of CLU before the complex case management came in, it has been put in place but it has been reworked at least in that particular element of it.

Senator RONALDSON: This is a bit fascinating because I have now got the question through:

Can the Department provide an update of the implementation of recommendations from the Dunt Review, including:

- A breakdown of the implementation of recommendations from the Dunt Review;
- An analysis and progress update of evaluation which was required by those recommendations;
- Further work which is being undertaken in response to Prof Dunt's recommendations; and
- An analysis of those areas where Defence and DVA are working together on specific recommendations.

Does the Department have a protocol on the handling of clients with identified mental health needs? If such a protocol does exist, will the Department provide advice on the evaluation process, both in terms of staff training, and of the protocol itself.

What I got in response was a copy of a document that you are now saying is, in relation to the identifications, completely out of date.

Mr Campbell: I do not know who sent you that question through on the laptop. Not all I acknowledge, but a lot of that question is answered under question 17 that we took on notice at the last hearing.

Senator RONALDSON: Correct me if I am wrong, and I am sure I will get another email, this was attached to the answer. I asked about a protocol and this is what I received as part of the answer that directly related to the Dunt review.

Mr Campbell: Ms Bell has, I think, answered that. My point is to the question that was asked by your correspondent a moment ago, wanting a breakdown of where the recommendations—

Senator RONALDSON: No, this was my question.

Mr Campbell: Yes, that is right.

Senator RONALDSON: Question 17.

Mr Campbell: And the answer to 17 answers all of that, including the first four dot points that you put out.

Senator RONALDSON: But it also includes a copy of the protocol. Ms Bell, just so I am absolutely clear, this document that is dated July last year is out of date to the extent that there is no notation on a file of a client at risk, is that what you are saying?

Ms Bell: No, that is not correct. Sorry, Senator, if I was not making myself clear. This protocol was in development for some time. By the time the protocol was endorsed, case coordinators had been introduced. So there are elements of this protocol that are still highly relevant and guide people in a number of ways that they conduct administration. Specifically for clients at risk of self-harm or threatening harm to others there is a new referral mechanism which has superseded. That does not mean that there are not notations on the system and the notation that would appear now with case coordination is in case coordination. They would refer a person who is viewing the system to the fact that the client has been referred to case coordination. I think earlier you asked me the question of what would be the sort of notation that you would see on the system; that would be the sort of notation you would see on the system.

Senator RONALDSON: Can you just take this on notice because I, quite frankly, do not have the time, and nor have you, to go through the full answer. I cannot see, at a quick glance, any reference there to case coordinators taking over the effective role or superseding the details of the protocol. If it is there, I apologise. I do not think it is. If you could take that on notice and indicate to me where that would appear, or where it does appear, given that I think it was a very significant lengthy question with a very significant answer and it was not there. So can I just be absolutely clear: is there any ongoing notation on DVA files under the protocol system of people assessing whether a client is at risk?

Ms Bell: Yes.

Senator RONALDSON: Are you saying to me that there is now a referral to a case coordinator arising from that notation that might not have been there before? Is that the extra bit of the process Ms Bell?

Ms Bell: No, we are talking about a notation on a system or a business process. The notation on the system is clear. It tells you whether the client is a CLU client or a case coordinated client and that would be the sort of notation you would see on the system.

Senator RONALDSON: If someone rings up a staff member, do you in that situation make a notation? If the officer has got concerns about someone's situation, do they make an annotation on the file if they have concerns?

Ms Bell: They would make a notation as part of their record of interview.

Senator RONALDSON: We really have gone round and round for 10 minutes. That was what I asked you 10 minutes ago. Now that we have that sorted out, what training do staff get in relation to what is an appropriate notation?

Ms Bell: I am not quite sure of the exact nature of the training for the notations. Certainly under the protocols in relation to case coordinators, they have extensive training—

Senator RONALDSON: You are heading off into never-never land again. I want to stick, please, to the protocol and the requirements of the protocol. Is there any training for the DVA staff if they think something needs a notation on it? If there is some concern about a client at risk of self-harm, what training is there in relation to the notation that needs to be given?

Ms Bell: I am afraid I cannot answer the specifics of the training that would involve our client contact staff or our VAN staff making notations.

Senator RONALDSON: Ms Bell, please listen to me. What training is there for staff in relation to what annotations they should be making on a file if they are concerned? If there is no training then please just say there is no training and then I can move on to my next question.

Ms Bell: I guess what I am saying, Senator, is that I cannot answer that. So I will take that on notice.

Senator RONALDSON: What do you mean you cannot answer it? Either there is training for this situation or there is not. These clients are identified at risk. So either they get training or they do not get training. You are the one in charge. Do they or don't they? You must know that, surely.

Ms Bell: People in my area who make notations on files, yes, receive training on the notations that they put on a system.

Senator RONALDSON: Right, and what is the nature of that training, Ms Bell?

Ms Bell: The nature of that training is part of a normal training course that would be for the introduction of whatever piece of business they are required to do. So they get trained on technical knowledge, they get trained on how to update systems, on how to put what the appropriate things are on it, on how to access the systems. They also get trained on client service elements.

Senator RONALDSON: You are not making this up as you go along, are you, Ms Bell? Twenty-five seconds ago you told me you had no idea whether there was training, and now you have given me a 35- or 45-second dissertation on what it is.

Ms Bell: Excuse me, Senator, I was talking about: for staff that are in my area of business, I can tell you exactly what training. You asked me about all staff in the department and I cannot give you an answer, except on notice, for training across the department.

Senator RONALDSON: I know that but I am just trying to—

Mr Winzenberg: Senator, maybe I can add to that. I am in charge of staff training. In terms of general staff training, we have training in managing challenging behaviours as part of our client service delivery framework. We have job aids to assist staff in dealing with clients who exhibit those sorts of behaviours on the phone. So there is general staff training in that sphere.

Senator RONALDSON: We will get back to the document that was at one stage had had a very short, at best a half-life, and now we have established the protocol is still alive and well. It says, 'Some of the most typical ways to identify a client at-risk are: a previous threat has been made via the phone or a person to DVA; a treating health professional report; a report from the client's representative, for example, a solicitor or an ESR; a report from a family member; advice from CLU.' Do I take it from that, in terms of one of the identifications of a client at risk for which there could be an annotation, that the person who is answering the phone who might be making the notation has got access to the treating health professional report? They must have, the way this runs.

Ms Bell: No, this protocol is for all officers in the department, particularly people who are looking at claims, who would be looking at treating health professional reports as part of their normal business. It is not simply aimed at call centre staff.

Senator RONALDSON: I did not suggest it was simply aimed at them, but it includes call centre staff, doesn't it?

Ms Bell: The secretary was just saying to me, if your question is, 'Do all staff have access to a person's file?' the answer is no.

Senator RONALDSON: This protocol applies to call centre staff, does as well as other staff, doesn't it?

Ms Bell: Yes. This is a list of some typical ways that clients may come to people's attention. It is not an exhaustive list.

Senator RONALDSON: What information does that person have access to if they take a phone call and they are concerned that a client might be at risk of self-harm? What immediate access to information do they get?

Ms Bell: They would have access to the overview of the client record but not to the details.

Senator RONALDSON: What does the overview contain?

Ms Bell: It would contain personal details and details of any claims or pensions or payments that the person is making.

Senator RONALDSON: Previous annotations?

Ms Bell: If they are recorded on the system, yes.

Senator RONALDSON: We can have a scenario where someone at the call centre takes a phone call and they call up the client's name and the client makes a certain comment to them

and they look at their record and see the notation—or perhaps there is no notation—and they see that this person has written to the department 10 times in the past six months and made five phone calls. On the back of that the person can make an annotation on the file, can they not, that that person is at risk of self-harm? That is a scenario is it not?

Ms Bell: That would be highly unlikely—

Senator RONALDSON: No, it is a potential scenario, isn't it? I do not care whether it is highly unlikely or not. It is a potential scenario. That is what you are saying, aren't you?

Ms Bell: Not simply that they had written 10 letters and made five phone calls, but if there was a previous threat—

Senator RONALDSON: I am sorry to interrupt but I have just asked you about the process. The process is that the person, the officer, has access to the file. You have agreed with me that they can make a notation on the file that this person is at risk of self-harm. You agreed with me that a whole variety of things might lead to that and indeed the fact that someone has written 10 letters and rung in five times would not stop an officer making an assessment themselves that this person was potentially a client at risk of self-harm. That would then be notated, would it not? I do not care whether it is rare or not; it can happen, can't it?

Ms Bell: Unless there was behaviour of the client that indicated they were at risk of suicide—

Senator RONALDSON: You are missing the point, Ms Bell. You have agreed with me that the person making the notation is relying on information they have got in front of them or some comments from the client. On that basis, they can make an assessment about the risk of self-harm on the back of the file. They are making, if you like, an independent assessment which would lead to a notation. I do not care how rare it is; it can happen, can it not? You have acknowledged that, so I will move on.

The issue with that, Ms Bell, of course then comes back to the issue of information sharing and the risk of information sharing. The secretary, Mr Carmody and the parliamentary secretary know full well that the reticence of clients is about the information-sharing issue. I suspect a lot of correspondence—in fact, I know because I get CC'd into it—between clients and Mr Campbell and Mr Carmody is about the flow of information and the confidentiality potentially of it. We have had long discussions at Senate estimates about this, Mr. Carmody. It was either February or October last year, from recollection.

Mr Carmody: That was particularly in relation to VVCS clients when we had our discussion.

Senator RONALDSON: We did. But as you and I well know, whether or not it is a real issue is not the issue. There is a perception among some clients about the confidentiality aspect of information—particularly information flowing from DVA to VVCS but not necessarily only that. There is one well-known gentleman who you know is concerned about the flow of information from the VVCS back to DVA. So it is both ways, is it not? I think it was in October when I asked specifically about assurances in relation to confidentiality and file sharing arrangements and you said—

CHAIR: We are just going to have a break and switch questioners for the time being. Senator Xenophon wants to ask some questions about Maralinga.

Senator XENOPHON: Senator Feeney, do not look so worried! Mr Campbell, the government announced a couple of years ago \$36 million to implement recommendations of the Clarke review of Veterans' Entitlements. The Clarke review included a recommendation that Maralinga veterans, those who served at Maralinga, be entitled to the gold card. That is correct, isn't it?

Mr Campbell: It is a long time since the Clarke review. I will ask Mr Bayles, who worked on the Clarke review, who has just joined us, to confirm whether that was one of the many recommendations of the Clarke review.

Mr Bayles: You are referring to the \$36 million package. Are you talking about Justice Clarke's report of 2003 Senator or are you talking about the government's revisitation of Clarke's recommendations?

Senator XENOPHON: Perhaps we can talk about both. I am just trying to work out where the government is at. I thought Justice Clarke recommended that the gold card be given to Maralinga veterans. If I am wrong on that could you please correct me.

Mr Bayles: The Clarke review of 2003 recommended that British nuclear test participants—veterans, members of the Defence Force—be given what was called 'non-warlike hazardous service' access to the Veterans Entitlements Act. That is not saying that they would all get a gold card; that was about access to the compensation provisions of the Veterans' Entitlements Act, 'standard/of proof' being the more generous beyond-reasonable-doubt test. The government at the time did not accept that recommendation of Clarke and it was revisited by the current government in the revisitation of the Clarke recommendations not acted upon. In the budget of 2010, the government decided effectively to implement Clarke's recommendation—that is, to provide access to the VEA by British nuclear test participants who were ADF members at the time of their service. It created a separate category for British nuclear test participants in the Veterans' Entitlements Act and gave them access to disability pensions, war widows pensions—basically, the compensation provisions.

Senator XENOPHON: So they are entitled to white card, is that right?

Mr Bayles: They are entitled to a white card for an accepted disability and if they have a certain level of disability pension—for example if they have a 100 per cent general rate disability pension—they can access a gold card. If they have any rate higher than 100 per cent general rate—

Mr Campbell: Senator, the VEA does not automatically entitle them to a gold card at any particular time—and that is the case with a lot of the people who have eligibility under the VEA. Not everybody who is eligible under the VEA has gold card eligibility.

Senator XENOPHON: In terms of a white card, are they covered for, say, heart problems, genetic abnormalities, blood diseases, fertility problems, skin conditions, eye problems. I have been approached by personnel who were exposed to nuclear tests during the 1950s and 1960s.

Mr Bayles: The condition would have to be accepted as related to service for them to be eligible for a white card, irrespective of that particular condition. There is a process where they have to make a claim and the department has to determine whether or not the condition is related to service, and if we accept that the condition is related to service then treatment will flow for that condition.

Senator XENOPHON: I saw a gentleman about whom I have written to the minister who is in his 80s who has had a number of skins cancers removed, who has a fairly nasty psoriasis, an arthritic psoriasis, and he has been rejected so he is going to have to go through the hoops there. What advice or assistance is provided for some of these people, who are very elderly, very frail, and skin cancers seem to be a common feature. What support do they get in terms of asserting their rights? I think some of them are of the view that they should just give up if it has been rejected.

Mr Campbell: Senator, what I think might be helpful for you and the committee is that Mr Bayles goes through the process and the medical evidence that has to be produced. Too often I think people say 'Oh, DVA has rejected my claim.' Under the VEA and under MRCA there is a very well established system, a medical system, a scientific system, called statements of principles. The fact is that for us to accept that a condition is related to service then the various elements of the particular statement of principle have to be met.

Mr Bayles: That is correct; the secretary is quite right. The requirement is that a condition must satisfy the Repatriation Medical Authority's statements of principles and they spell out the factors that are necessary to relate a medical condition to service. One of those factors has to be present in a situation for the department to accept the condition is related to service. If a veteran has a particular condition then one of the causes of that condition has to be in the statements of principles in terms of the factors and we require medical evidence to support a contention by the claimant that their condition is related to their service. We would need a medical report to be obtained. There is an investigation undertaken to determine whether a condition is related to service and a statement of principle must be met.

Senator XENOPHON: I understand that. The difficulty I have, and perhaps it is an issue I could raise with the parliamentary secretary, is that a lot of these service men and women are now quite elderly, quite frail in health, leaving aside any other matters. They often feel overwhelmed when there is a rejection in terms of a claim. Is there any support mechanism where they can get legal aid or some support service where somebody can assist them in contesting a claim, or is that something they have to do off their own bat?

Mr Campbell: Yes there is. There is a very well-established network of ex-service organisations around the country with a significant number of advocates and pension officers who not only prepare claims but also, if a claim is rejected, go down the process of seeking review and indeed appeals up to and including the Federal Court.

Senator XENOPHON: How much funding does the department give to those organisations?

Mr Campbell: Several million dollars a year.

Senator XENOPHON: For advocacy specifically?

Mr Campbell: For advocacy, and we train. Also the organisations put their own resources into it, too. For example the RSL, the Vietnam Veterans Association of Australia and the peacekeepers association all put a lot of their own resources into this, as well as the resources that we give, and they are the ones who help other individuals to prepare claims and they are the ones who help them prepare appeals or seek reviews or appeals. There is quite an established and quite an extensive network in the ex-service community.

Mr Luckhurst: I just wanted to add that one of the other benefits available to people who have participated in the British nuclear tests is non-liability coverage for diagnostic testing and treatment of any malignant cancers. So long as they can show that they were in that region participating in British nuclear test type activities they have access to those provisions.

Senator XENOPHON: But they still have to show a causal link.

Mr Luckhurst: Not for that.

Senator XENOPHON: For the diagnostic tests they do not, but for any permanent disability or disfigurement they have to show that.

Mr Luckhurst: The non-liability provisions give them access to diagnostics and treatment, if they were seeking other benefits such as compensation then they would have go through the statements of principle.

Senator XENOPHON: If you had arthritic psoriasis—I am not expressing it very well as I do not have the medical papers in front of me—that would be seen as a different condition?

Mr Luckhurst: That is right, because it is not a cancer. That provisional I was talking about just relates to cancers.

Senator XENOPHON: Even though there is evidence as I understand it in literature that sometimes radiation exposure can trigger or exacerbate psoriasis type conditions?

Mr Campbell: If there if a particular case of a particular individual where this is the case, write to me with the details of that case—

Senator XENOPHON: I have been to the minister, but I am happy to write to you as well.

Mr Campbell: It does not matter whether you write to the parliamentary secretary or me, but if you bring us this particular case we will have a look at it very quickly.

Proceedings suspended from 21:01 to 21:15

Senator RONALDSON: Before the break we were talking about these notations, and while it would be unusual or whatever the word was, you acknowledge that it is possible for a notation to be put on a file. Are there any internal systems which ensure that there is the reference to someone else of that notation. If a department person who has made that notation on the back of their own interpretation of previous contact, whatever it might be, which you acknowledge could occur, what internal systems are there to ensure that that notation is directed elsewhere for examination and is not just left sitting on someone's file?

Ms Bell: You are requesting the process when a client identifies to a department officer that they are at risk of suicide is that correct, or any notation?

Senator RONALDSON: Well notation about that because that is what we are talking about, and I am not concerned about the one who is doing the right thing, I want to know what is there in the system which ensures that if there is a notation made, that there is a reference off to someone else.

Ms Bell: If a call is taken and the departmental officer considers that the person is at risk, that matter is immediately escalated to their manager.

Senator RONALDSON: By whom?

Ms Bell: By the officer who has taken the call.

Senator RONALDSON: What happens if the person just makes the notation and does not refer it off?

Ms Bell: The direction to staff—

Senator RONALDSON: I know what the direction probably is. Is there any internal system which ensures that someone has not got a notation against their name which has not been put through to a higher authority.

Ms Bell: I could not answer that.

Senator RONALDSON: I think I know the answer. Mr Carmody, just in relation to the confidentiality and file-sharing arrangement, you have assured me in the past, I think this was in October:

All of the VVCS records are stored separately. We work very diligently to ensure that there is essentially no crossover between the VVCS and the department. The veteran community is very concerned to make sure that this is the case and we work very hard to keep it that way.

I then asked you about storage of files and you said:

The VVCS files are kept separately in the VVCS offices. This is the client files. They are usually in locked store rooms. We also have electronic data which is obviously available to VVCS on our electronic system but it is only available by VVCS staff.

Dr Austin in his March email said: 'The NAC is well aware of the importance of the VVCS being seen by veterans and their families as an entirely independent arm of DVA. We are also aware that there exists a degree of distrust on the part of some veterans about the confidentiality of the information they provide to both agencies.' In other words, the words are fine but the department effectively views the VVCS as an internal stakeholder do you not?

Mr Carmody: Can I answer that and elaborate a little in the answer and make clear what the security arrangements are? The VVCS has its own management information system called VMIS, it is a role based—

Senator RONALDSON: I am sorry, that is not the question I asked you, and we are pressed for time. If you want to take that on notice that is fine, I am asking you the question: despite all the rhetoric, you only really view the VVCS as an internal stakeholder not an external stakeholder—is that correct?

Mr Carmody: No. It is very clear to me and it is very clear to VVCS staff. If you are asking the question in the context of security and file storage and transmission of information, VVCS records are kept separate, case records are in every VVCS location, they are not held centrally, they are not available to DVA staff. Access to VMIS is not available to DVA staff, and it is audited regularly to ensure that there is no unauthorised access.

Senator RONALDSON: What about DVA staff providing information to VVCS?

Mr Carmody: In what sense?

Senator RONALDSON: About anything, about the client at risk or anything else. Is that information provided by the DVA to the VVCS?

Mr Penniall: The only time that a DVA staff member would cross over in terms of VVCS is by suggesting to the client that they might benefit from counselling from VVCS and suggest that they contact VVCS.

Senator RONALDSON: Is right Mr Penniall?

Mr Penniall: But that DVA officers would not pass on DVA information to VVCS

Senator RONALDSON: Is that right, indeed. Have you read this protocol?

Mr Penniall: I read that some time ago, yes.

Senator RONALDSON: The protocol that was relevant and then was not relevant but we have now established is back relevant again. On page 3, 'conducting an internal case conference' it says:

Any client that is identified in Steps 1 and 2 must be subject to an internal case conference between the actioning staff member and their Manager. A template has been developed for this purpose (see Attachment A) and should be used in all identified cases and then attached to the client's file (in paper and/ or electronic form).

A thorough analysis of the advice and surrounding circumstances should be undertaken and this may involve consultation with—

wait for it—

other internal stakeholders such as VVCS and/or CLU. This conference should include establishing any other impacts the advice may have across DVA ...

Absolutely no word at all about consent from a client, referred to as an internal stakeholder. Mr Carmody, with the greatest respect, this makes a complete and utter farce of anything that has been said in these last two estimates hearings about this degree of separation between the VVCS and the DVA. That is the most damning document about what this relationship really means. What it really means is a flow of information without the consent of the client from the DVA to the VVCS in black and white as an internal stakeholder transmission. I think that is absolutely disgraceful and I am not prepared to tolerate again this notion of confidentiality or a degree of separation between the two because quite clearly, as this document shows, that fails the test of reality.

Mr Campbell: I will make a comment and then I will undertake to come back to the committee in writing. 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. The point that I think is being made there—

Senator RONALDSON: Where is the ambiguity?

Mr Campbell: Can you just let me finish? I think the point there—and this may involve consultation with other internal stakeholders such as VVCS and or CLU—is that the only circumstances in which I would countenance, as the secretary, any such consultation would be if, when this all arose, the person who is ringing up et cetera says, 'I am going to the VVCS and they are not helping' or 'it is not good enough'. As the secretary, that is the only time I would countenance anything like that. So I ask you to let me go away and make sure my interpretation of this—and I do acknowledge that it is not that well written— is correct. Then I will come back to the committee. But I can assure you that my position as secretary is that people in the department do not just ring the VVCS about a client because of a phone call. They should not and I do not think they currently do that, but I would like to take that away and come back to you.

Senator RONALDSON: The issue is not what you as secretary do or do not countenance, with the greatest respect, and I accept that you do not countenance, what I am saying to you is that your own protocol—

Mr Campbell: No—

Senator RONALDSON: Let me finish. I gave you a chance. Your own protocols make it quite clear that whether you countenance that course of action or not, it is countenanced by your own document. There is no ambiguity in this at all and it is not surprising, quite frankly, that people in the veterans' community do not accept what they view as weasel words in relation to this confidentiality issue. When you see documents like that why would they have any confidence? I am sure they trust what you say, but they most certainly do not trust the process. And that is the protocol and that is the process, Mr Campbell.

Mr Campbell: As I said, 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. But what I will not countenance, which is information going from the department to the VVCS, is something that I do not think any of my staff countenance. I will give an undertaking to you and the committee that I will go away and examine this and clarify it, and I will come back to the committee.

Senator RONALDSON: In relation to the informal inquiry on the War Memorial, which then became a formal inquiry in June, Mr Tune gave evidence last week—

Mr Campbell: Last Thursday.

Senator RONALDSON: Last Thursday.

Mr Campbell: He gave evidence on two days, Wednesday and then Thursday.

Senator RONALDSON: You have probably answered my question on the back of the fact that you know when it was and not me. Mr Tune said you spoke to him the day after the last Senate estimates in relation to the evidence he had given, and you told him it was wrong. It was the day after, according to Mr Tune's evidence. But we had Senate estimates that night, on the Wednesday night, and I am wondering why, having had the discussion with Mr Tune, you did not advise the committee of that at that stage?

Mr Campbell: We are talking about the committee hearings in February of this year when the department of finance hearing was on 22 February and our hearing was on the evening of 23 February.

Senator RONALDSON: Indeed.

Mr Campbell: During the course of 23 February, and I cannot give you the timing, I realised that David Tune had given an incorrect answer in regard to the request from me to the acting secretary of finance. If you look at the transcript of the night of 23 February I gave a particular time, the end of May or early June, and you reflected that in your letter to the committee secretaries. After that hearing, I rang David Tune the next day, on the morning of 24 February, and said to him he needed to be aware that I had given evidence that was contrary to the evidence he had given in respect of the contact between myself and the acting secretary.

Senator RONALDSON: He said he had spoken to you on the day of 23 February.

Mr Campbell: No, he said 24 February.

Senator RONALDSON: He said the day after the finance hearing. That was the Tuesday and the next day was the Wednesday.

Mr Campbell: No, the day after my hearing.

Senator RONALDSON: No, beforehand. Because I asked you the questions about what Mr Tune had said. That was the reason for my—

Mr Campbell: I do not have the transcript from last Thursday here. My phone call to David Tune was at about 8.55 am on the morning of 24 February this year.

Senator RONALDSON: So he has got it wrong again.

Mr Campbell: Who has?

Senator RONALDSON: He has it wrong again, has he?

Mr Campbell: I would have to go back to the transcript. I did not speak to him last Thursday because he was in estimates. Given that he said he did not know the time, I rang David Martine who is his deputy secretary late in the morning and said that the date of the phone call—and I know exactly where I was and I know the time—was 8.55 am on the 24 February. I said to David Martine he should tell David Tune because he might wish to inform the committee while the committee was still sitting.

Senator RONALDSON: You were not quite as sure about when the initial contact was made back in March or April, were you?

Mr Campbell: I know it was in the week commencing 31 May.

Senator RONALDSON: How do you know that?

Mr Campbell: Because Jan Mason was acting in that week and I spoke to Jan Mason as acting secretary, and I said that at the hearing on 23 February.

Senator RONALDSON: Right. While we are still on the memorial, Minister Snowdon wrote to the Prime Minister on 14 October. Is that right? I think you said the 11th in evidence. It was actually the 14th. That was the letter that was tabled.

Mr Campbell: Bear with me while I get this exact date. This was given in answer 1 and 2 of the last hearing. The letter from Minister Snowdon was on 14 October.

Senator RONALDSON: That is right. That was to the—

Mr Campbell: Prime Minister.

Senator RONALDSON: Yes. There is virtually nothing left after it was taken to, apart from the introduction and the end. Why it needed to be redacted to that extent, I am not entirely sure. In any event, did the minister ask the Prime Minister for an outcome?

Mr Campbell: I can go no further than that part of the letter you have.

Senator RONALDSON: Were there other attachments apart from the ones that I have? Were the other attachments that have been taken out of the letter?

Mr Campbell: I only have the redacted version with me, so I do not know.

Senator RONALDSON: The red book that was given to the minister had a fairly exhaustive overview of what the situation was in relation to the War Memorial, did not it? The copy that dropped off the back of the truck to me it was most certainly comprehensive.

Mr Campbell: I do not think it was dropped off the back of a truck; I think it was released.

Senator RONALDSON: I can assure you that it was dropped off the back of the truck very quickly—I can promise you that. Whether it came through it officially afterwards is an entirely other matter. Why was that not sent off?

Mr Campbell: Sorry, why was what not sent off?

Senator RONALDSON: Why was the red book not just sent off? It had the whole situation, did it not?

Mr Campbell: When you are writing from one minister to another you do not send on a whole red book. Ministers write an appropriate piece of correspondence to the other minister or the Prime Minister.

Senator RONALDSON: In the letter from the Prime Minister to Mr Snowdon did the word 'review' appear at all?

Mr Campbell: In the third paragraph the Prime Minister says:

Because I take this issue very seriously I ask that you bring forward a Cabinet submission together with the Minister for Finance and Deregulation to be considered in the 2011-12 budget context.

This submission should comprehensively deal with the range of functions of the Memorial, including options to maintain its important external engagement events, detail cost pressures and provide options to mitigate these. It should also take into account the work undertaken by the Department of Veteran's Affairs at the behest of the previous Minister and detail suggestions for the Centenary of ANZAC and other important WW1 anniversaries.

Senator RONALDSON: And the next bit.

Mr Campbell: It says:

Should a New Policy Proposal be proposed ... it should set out appropriate offsets from within the broader Defence portfolio.

Senator RONALDSON: Indeed. This letter back from the Prime Minister was, 'Get something in writing for a cab sub; put a new policy proposal forward.' There was nothing to do with a review, was there?

Mr Campbell: I would think that if you are bringing forward a cabinet submission with options for things then that in itself is a review of what is happening.

Senator RONALDSON: Is it? Minister Snowdon's letter did not talk about a review, did it?

Mr Campbell: You have the redacted version there.

Senator RONALDSON: Did it?

Mr Campbell: The version you have only has about six or eight lines. It does not have the word 'review' and the redacted version—

Senator RONALDSON: But you saw the original and there was no mention of a review in that, was there?

Mr Campbell: It is not up to me to say what is in the version.

Senator RONALDSON: But you see, we had already had the review, hadn't we? We had the review back in April, May and June.

Mr Campbell: No.

Senator RONALDSON: We had the informal review.

Mr Campbell: Just so that we do not have any confusion about the dates, as I have been saying consistently, the first meeting between the three organisations, as a result of my approach to Finance, was on 18 June.

Senator RONALDSON: That is right.

Mr Campbell: It was not April-May; it was June-July.

Senator RONALDSON: Yes.

Mr Campbell: And there was a letter from David Tune to me in mid-September.

Senator RONALDSON: What happened on 20 July, Mr Campbell?

Mr Campbell: I am presuming that was the date of the second meeting.

Senator RONALDSON: Yes. And what did you decide to do at that stage?

Mr Campbell: I was not at that meeting.

Senator RONALDSON: What was it decided to do?

Mr Campbell: As I said, I was not at the meeting.

Senator RONALDSON: I can tell you what it was; it was to undertake a full review. That is what you put in your letter to the Secretary of the Standing Committee on Foreign Affairs, Defence and Trade after I wrote in relation to the evidence.

Mr Campbell: That had slipped my memory.

Senator RONALDSON: That there was a full review?

Mr Campbell: No, the actual words.

Senator RONALDSON: The discussion with Mr Tune was about an informal review, wasn't it? Then you had some meetings and after that you decided to have a full review.

Mr Campbell: I have never used the term informal.

Senator RONALDSON: Are you absolutely sure?

Mr Campbell: I do not think so.

Senator RONALDSON: You might be fortunate that I cannot find it because I know it is here somewhere.

Mr Campbell: I think the word 'informal' has come up in conversation, particularly with you and Mr Tune, because of the fact that my contact in that week of 31 May was by phone and not by letter. I think that is why the word 'informal' has come out.

Senator RONALDSON: In any event, this reads: 'After Mr Tune returned from leave, we agreed a process to consider the AWM's funding position with a first interagency meeting following on 16 June. The first meeting was in fact on 18 June. A follow up meeting occurred on 20 July. From these meetings came an agreement to undertake a full review of the cost and funding pressures facing the Australian War Memorial.' Is that not correct?

Mr Campbell: Yes.

Senator RONALDSON: What did Mr Tune say to you in his letter—again severely redacted, which I think is a bit of a pity—in September? What did he say in the first paragraph when he wrote to you?

Mr Campbell: 'Thank you for your request regarding assessment of the current financial position of the AWM. My department has reviewed the current arrangements in line with its functional responsibilities as specified in the Australian War Memorial Act 1980.'

Senator RONALDSON: So the review has taken place. Your department and finance have agreed on a formal review process to look into the funding at the Australian War Memorial and the pressures that were placed on it. Do we agree with that?

Mr Campbell: Yes.

Senator RONALDSON: I will give you some of the wording of the spin that was coming out of Mr Campbell when he talked about the Prime Minister requesting a review and the spin from the Minister for Veterans' Affairs. You can fool some of the people some of the time. I acknowledge it was not a bad job. It certainly fooled some of the press, not unreasonably, because they were not aware of the background of it. The press item says:

PRIME Minister Julia Gillard has ordered a review of the Australian War Memorial's budget so that it will be ready for major commemorations ...

This comes from Minister Snowdon's comments:

"We are going to be looking at the memorial's finances in quite some detail as a result of a directive from the prime minister," he told ABC radio.

Mr Snowdon said he and Finance Minister Penny Wong would then report back to cabinet.

The bottom line is that the Prime Minister did not order a review into the finances at all, did she? And it was not requested. This was a bit of spin coming out of the minister's office because he was under the political heat in relation to what was happening at the Australian War Memorial. He wrote to the Prime Minister saying he needed money and she wrote back and told him to put in a cab sub and we will give you some for the budget—nothing to do with a review of the finances. You had done it and Mr Tune had done it. It was just a bit of good, old-fashioned spin to get the minister and the Prime Minister out of a difficult situation.

Mr Campbell: I think cabinet submissions are more than a bit of spin. I think cabinet submissions under all the governments—

Senator RONALDSON: You withdraw that. It is not what I said.

Mr Campbell: I apologise. I withdraw that.

Senator RONALDSON: Thank you.

Mr Campbell: The point I want to make is I have been in the public service for 39½ years and I have seen in that time many, many cabinet submissions. Most of those cabinet submissions have been matters of substance and they have addressed matters of substance. Whether you would call them a review or some other term, I leave to you, but I do not think I would characterise cabinet submissions as not actually addressing the substance of the matter.

Senator RONALDSON: A quote from the minister:

We are going to be looking at the memorial's finances in quite some detail as a result of a directive from the prime minister ...

Did the Prime Minister direct Mr Snowdon to look at the memorial's finances in her response? She did not, did she?

Mr Campbell: In bringing forward a submission, I think that is the point I was trying to make about how cabinet submissions work.

Senator RONALDSON: What were you and Mr Tune doing for 6 months?

Mr Campbell: You saw the end result of that discussion. The Department of Finance and Deregulation said that they believed it was in our minister's responsibility to find the funding for the War Memorial.

Senator RONALDSON: Having done what?

Mr Campbell: Having had those three organisations looking at the funding position for 2011-12 for the memorial.

Senator RONALDSON: What were they doing? They were not reviewing the War Memorial's finances by any chance over the five months, were they?

Mr Campbell: They were examining them.

Senator RONALDSON: If it looks like a duck and it quacks like a duck and it walks like a duck, there is a pretty good chance it is a duck. You conducted this review in relation to the finances of the War Memorial in conjunction with the Department of Finance and Deregulation. There was nothing in the Prime Minister's letter to the minister which indicated there needed to be another review. She wanted a cab sub. It was just all spin to get both her and your minister out of what was becoming a very sticky situation in relation to the Australian War Memorial. You can probably take that as a comment not a question. I will now turn to the BEST funding. I want to go through it quickly. Parliamentary Secretary, I do need to tell you that in the 2007 election you promised an extra \$8 million in funding for BEST. You remember that, I presume.

Senator Feeney: Am I taking that as a comment or a question?

Senator RONALDSON: I asked you whether you remembered. It sounds like a question to me.

Senator Feeney: No, I have to confess I do not have a particular memory of that commitment.

Senator RONALDSON: Mr Campbell, what about you? Do you remember the incoming government of 2007 promising an extra \$8 million for BEST and TIP?

Mr Campbell: I was not secretary at the time, but I am aware of the promise and the outcome.

Senator RONALDSON: It is effectively a breached election promise, but I am not going to get into the politics of that because it speaks for itself. On what basis have you decided, Parliamentary Secretary, to cut the BEST funding for this budget given that you have only just had a review released in which I think there was an indication there should be another group established to look at the implementation of the recommendations? It says on page 45 of the review:

The Review team believed that, as numbers of volunteers drop, there will be greater demand for salaried positions, both for administrative staff and advocates. This would need to be monitored closely, along with veteran demographic data, to determine if, over time, the appropriation for BEST grant funding is sufficient to meet the needs of the veteran community ...

I would interpret in that context the word 'sufficient' as being enough as opposed to being too much. On page 45 the review is saying we need to have a look and see whether the current BEST funding is sufficient, let alone the reduction that suddenly occurred in this budget. Can

someone please—Parliamentary Secretary, you should because it was a political decision—tell me why you took this amount of money out of the BEST funding given there was absolutely no evidence at all in the review? The recommendations were in the main all accepted, Mr Campbell, weren't they?

Mr Campbell: In the main.

Senator RONALDSON: Yes, basically. So the review into the advocacy funding that your government department conducted made no mention at all of budget cuts. Indeed it went further and said you would need to look at it closely to see whether the funding was sufficient. On what basis did your government cut the BEST funding?

Senator Feeney: Mr Farrelly from the department is at the table and I would ask him to respond.

Senator RONALDSON: Hang on, Mr Farrelly. Why is Mr Farrelly answering this question? Did he put the budget together?

Senator Feeney: Senator, perhaps at the conclusion of Mr Farrelly's response you will be minded to return to me.

Senator RONALDSON: Okay, that is not unreasonable.

Mr Farrelly: The measure in the budget reduced BEST funding by \$1 million for each of four years from \$3.7 million in 2011-12 to \$2.7 million. That amounts to around a reduction of 25 per cent. I think it is well known that the baseline BEST funding has been stable for a number of years, certainly since 2005-06.

Senator RONALDSON: Mr Farrelly, I do not want a lecture on the history. What was the justification for taking a \$1 million a year out of it?

Mr Farrelly: Over that time since 2005-06 the veteran population has been reducing steadily and the VEA beneficiaries have reduced by around about a quarter as well. Similarly VEA—

Senator RONALDSON: Mr Farrelly, with the greatest of respect, in the 2007 election the present government did not believe there was an issue because they put extra funding of \$8 million in. So they did not think there was a hell of a drop-off in the veteran population.

Mr Farrelly: Five million dollars of that was for a capital equipment program.

Senator RONALDSON: Yes, and what was the rest for?

Mr Farrelly: Predominantly for TIP.

Senator RONALDSON: Go on.

Mr Farrelly: There have also been significant reductions to VEA compensation claims by around 30 per cent over the same period, 2005-06 to the current year. So essentially the reduction responds to changes in the veteran community—

Senator RONALDSON: Okay, we are sort of just plodding along here. Can I take you to the executive summary of the review. Do you have that there?

Mr Farrelly: Yes, I have.

Senator RONALDSON: If you can just read the last paragraph for me.

Mr Farrelly: Page 8?

Senator RONALDSON: Page 7 of the executive summary. I will read it for you:

It is proposed that a project team continue to have responsibility for oversight and implementation of the recommendations of this Review, should they be accepted.

The secretary has already said that in the main they were accepted.

The project team would progress the implementation and transition phases, and in particular government structures, timelines, demonstration projects and necessary changes to guidelines and funding arrangements. How implementation and transition will work in tandem with business as usual arrangements needs to be assessed.

Where in this document is there any mention at all that funding should be reduced because the numbers that are accessing it are going to be reduced. Where is the mention of that?

Mr Farrelly: The review does not.

Senator RONALDSON: It doesn't; is that not remarkable? So we have a funding review commissioned by the department which was released how long ago—three months?

Mr Farrelly: December 2010.

Senator RONALDSON: So in December we had a review which made no mention at all of any reduction in funding, which actually said there should be a implementation team and which talked about, from recollection, the pressures that might come on from a declining volunteer workforce and the need for more paid practitioners. Then five months later we have had a \$1 million reduction when your own review made no mention of it. So why are you running their lines, Mr Farrelly? This is complete and utter rubbish.

I will ask you again, Parliamentary Secretary: how can you justify taking \$1 million out of BEST on the back of this review which makes no mention at all and indeed alludes to the fact that you might have to review funding up, not down?

Senator Feeney: Well, I am confident that in making this decision the minister was mindful of the fact that the average TIP and BEST grant expenditure in 2006-07 was around \$159 per VEA compensation claim lodged, and this compares most unfavourably to an average of around \$212 per application lodged in 2011-12, even after the \$1 million reduction next year.

Senator RONALDSON: So the department was not aware of this when they were doing their review—well clearly not.

Mr Farrelly: Just in reviewing the terms of reference, page 10, funding levels were not actually within the scope of the review.

Senator RONALDSON: Oh, come on, Mr Farrelly, it is 10 to 10 on Wednesday night, don't give me that errant nonsense, please. This talks about funding. I don't care whether it was in the terms of reference or not. It talks about funding; it talks about implementation. Do not protect them, Mr Farrelly, they do not deserve it, sir. You have no need to protect them. It is complete and utter rubbish.

Mr Farrelly: Senator, it talked about funding more in the sense of sustainability long term and pointed up issues within the veteran community itself.

Senator RONALDSON: Mr Farrelly, I am going to get you to stop there because I do not think you mean a word of this and I think you are just required as a good public servant to run this. In fact, I do not want you to compromise yourself any further.

Mr Farrelly: I do not feel as if I am comprising myself.

Senator RONALDSON: Well, I will save you from yourself on that basis. There has already been reference in here to the greater demand for salaried positions. This is what the committee was going to look at because there was a real concern. The review does not talk about reductions, it actually says whether the current funding is going to be sustainable or whether you are going to need to increase it. Anyway, what about the TIP funding, is that okay? I could not see anything in the budget papers about a reduction there.

Mr Farrelly: There was no change to baseline TIP funding.

Senator RONALDSON: Parliamentary Secretary, in your policy in 2007 when you were lauding this new funding for BEST—clearly blissfully unaware that three years later someone is going to suddenly realise that all was not lost and we could just cut funding and no-one had been alerted to it before, but anyway it happened—and you said that it was such a good idea putting extra money in because there were savings associated with people doing the BEST work. That was the justification that you had in your policy. Regrettably I cannot find it; if I look hard enough, I will. So you actually talked about savings and that cutting BEST funding was actually going to cost as opposed to saving. Here is that remarkable document 'Election 2007 policy document, Labor's plan for veterans affairs:

Labor believes that these programs are invaluable to the ex-service community.

Well trained and supported ESOs and individuals contribute greatly to improving the operation of the DVA—

and they also provide a saving to the government through their work.

In recognition of this fact, Labor will commit an additional \$8 million to support ex-service organisations to provide essential services for their members.

Mr Campbell, the advocacy funding review called for greater integration between veteran ex-service organisations and to be moved to veteran support centre models, the Victorian one. I think the review from recollection also recommended there would be a trial program.

Mr Farrelly: That is right.

Senator RONALDSON: And I think they also thought there should be investment in IT system development. I could not see any money in the budget for a demonstration project in New South Wales or Queensland, but it may well be there and I have missed it.

Mr Farrelly: We have sought a re-phasing of funds this year into next year. That amounts to around \$1.5 million.

Senator RONALDSON: Sorry, I do not understand that lingo.

Mr Farrelly: This is money unspent this year that is going to be rolled over to next year.

Senator RONALDSON: In another program?

Mr Farrelly: In this same program. We are going through the budget process to seek approval—technically, rephasing—for that rollover. It is around \$1.5 million and part of it is for demonstration projects, feasibility studies and the like—and potentially systems.

Senator RONALDSON: Has there been consultation in relation to where you are likely to do it, how are you likely to run it and what the full-time costs are going to be? Ms Stevenson, do you have some ideas?

Ms Stevenson: The independent review team, who worked on the review up to the point of consolidating views to suggestions, did flag a number of areas where they felt that there was sufficient workload and a sufficient number of ESOs to indicate that it would be useful to have demonstration centres. The report suggests areas—and you would be aware of this—where there was sufficient workload and sufficient evidence of cooperative arrangements between the ESOs in the area. The report says that we should work with relevant ex-service organisations, through the advice of the deputy commissioners of the relevant states. The deputy commissioners are aware of that but we have not yet formally embarked on that process.

Senator RONALDSON: If there is a requirement for pooled capital investment or a pooled fund is there going to be any reduction in grant funding to bodies in New South Wales or Queensland to fund this trial program? Is it going to be giving with one hand and taking with the other?

Mr Farrelly: The \$1.5 million is designed to help ESOs work together to do the same job at a lower cost and more effectively. So I would not characterise it as taking with one hand and giving with the other. It is about getting ESOs to work together more effectively and reduce duplication and so on. It works very—

Senator RONALDSON: I am from Victoria, as you probably know, so I am aware of the success of the Victorian centre.

Mr Farrelly: It works very effectively.

Senator RONALDSON: I think there are others in New South Wales and Queensland who are nervous about it, which I understand, but from what I have seen it works pretty well. What do they get for the \$1.5 million?

Mr Farrelly: I will let Ms Stevenson answer. But one possibility might be feasibility studies to look at how a group of ESOs might go about it, and another might be to prove that an arrangement actually works.

Senator RONALDSON: What is the difference between the former and the latter?

Mr Farrelly: One would be on paper and the other would be on the ground.

Senator RONALDSON: So the \$1.5 million is not actually delivering a week's rent, or a computer or a staff member?

Mr Farrelly: It certainly could.

Senator RONALDSON: What do you mean by that? We have got feasibility studies and—you must have an idea of what the \$1.5 million is?

Ms Stevenson: I am sorry, Senator, I missed the last bit of your question.

Senator RONALDSON: Mr Farrelly told me we are going to have all these feasibility studies and other bits and pieces. I asked how much of it is actually going to go on the ground? Is rent going to be paid, will there be a computer, will there be any staff in that? Or are these organisations all going to fund this themselves and pool IT or other resources? It is not a trick question; I just want to know how it is going to be done.

Ms Stevenson: I believe it could be any number of those things. That is the point of working with the ESOs in the area, through the deputy commissioner, to establish how well they are established now and what resources they have—in terms of personnel and the

equipment and rooms that they may use to conduct their business. We would look at areas' current resources and then work out what it would take to actually amalgamate them together.

Senator RONALDSON: How much have you allocated for feasibility studies?

Ms Stevenson: There is no set amount at this point in time. It would depend entirely on the current capability of the area that we are looking at.

Senator RONALDSON: But how would you know that until you do your feasibility study?

Ms Stevenson: We would need to go out and talk to them first about how they are set up and what they have available to them at this time.

Senator RONALDSON: Would it be unreasonable for ex-service organisations in New South Wales and Queensland to be a little bit nervous about what all this means? It may well be that the requirement will fall back onto them without anything other than feasibility and other studies being done. You cannot guarantee that one cent of this will actually go into another facility.

Mr Campbell: There is still quite a bit of discussion that we need to undertake with the relevant ESOs in the areas they have chosen. One of the concerns that they have—and this is where the Victorian lessons might be quite useful—is the loss of autonomy. But you and I both know that, in Victoria, that has not occurred and they have all worked very well. In respect of that element of the report, there has to be quite a bit more discussion and working through that with the relevant elements of the ex-service community.

Senator RONALDSON: There have already been discussions, have there not, about the War Memorial? That was with me in June and July. Why would Mr Tune confuse that? I said to you earlier that, when I made the initial contact with the department of finance, it was with Jan Mason. She was acting secretary, and that is why you know when it was. But that is not what this says, it is what I am saying. When Mr Tune came back from leave, Finance agreed to have this informal review, as he described it yesterday, and then went into a formal review.

Mr Campbell: But it was he, rather than me, who described it as informal.

Senator RONALDSON: Yes, you might be right—'Finance agreed'. In relation to compensation offsetting of \$2.57 million in the budget—I take it that this is the Smith case—on page 72 of your 2009-10 annual report the Department makes this statement on *Commonwealth v Smith*:

This Federal Court matter considered the operation of compensation offsetting provisions in the case of Mr Smith. The court held that these provisions operate in respect of the same injury or disease and not the same incapacity but also commented on the peculiar fact of Mr Smith's case. There remain different views on the context and application of the Smith decision. Work continues on clarifying the operation of the law in light of this decision.

As I understand it from the information that is publicly available, Mr Smith was in receipt of compo for separate injuries under the SRCA and the VEA and at some stage the repat commission determined that the compensation Mr Smith received under the SRCA should be offset against his VEA compensation because the two injuries were determined to have the same or similar causal factors. The court, on appeal, heard that the facts of Mr Smith's case meant that his compensation should not be offset because the factors being compensated in

each case were entirely separate and that one did not lead or cause the other. Is that a reasonable assessment?

Mr Campbell: I have listened to you and it was something like that.

Senator RONALDSON: You referred to differing views on the Smith decision. What are those differing views?

Mr Campbell: I want to go back a step before that. Offsetting has been in existence since 1973. In early 1973, backdated to December 1972, the then government agreed to dual entitlement of both the then Public Service Act and the then VEA. This was because of the finishing of the war in Vietnam and the end of conscription. As a consequence of that, they then realised that they would have people who were eligible under two acts and would be able to claim under two acts. So the government of the day then amended the act, with the intention of saying that you cannot be compensated twice for the same incapacity. That amendment to the act was in 1973. So, since 1973 we have had a lengthy period of time during which individuals in the defence forces were eligible to claim compensation for incapacities under two acts. That continued in varying ways right up until 2004.

What happened when the Smith case went to court was that the intention of the Commonwealth's legislative provisions was that you could not be compensated twice for the same incapacity. But the court said: 'Wait a minute, we think the legislative provision is actually a bit confused on this. We do not think you can offset for the same incapacity where there are different injuries.'

Senator RONALDSON: So the differing views in the annual report are as simple as whether this was or was not the right decision, or is there something else?

Mr Campbell: No, it goes to that point that I was just leading to, which is the issue about injuries and incapacity. Some people argue that there should be no offsetting whatsoever. That is one argument. The next argument is: if you do accept offsetting, do you have it only in respect of injuries or wounds, or do you have it in respect of incapacity? That is the difference that the annual report is talking about. It is our belief that the legislative provisions since 1973 have been in regard to incapacity.

Senator RONALDSON: I just read the comment that there remain differing views on the extent and application of the Smith decision as meaning something other than the history of the offsetting—that you might have been referring to whether this is a very narrow interpretation of a very particular set of circumstances or whether it actually has wider application. Perhaps you could take that on notice for me. When you say work continues on clarifying the operation of the law, what do actually mean by that? Is that in relation to the nature and extent of the application of the decision, or is it lack of clarity that you are talking about?

Mr Campbell: It is the issue of the clarity of the intent of the legislative provision.

Senator RONALDSON: Are you getting advice from counsel on that?

Mr Campbell: Yes, and the government will be introducing legislation shortly. I think the minister's office has approached your office today about a briefing for you and your office about legislative provisions flowing from the budget.

Senator RONALDSON: So I take it you have now got advice from the Australian Government Solicitor in relation to it.

Mr Campbell: Yes. And the advice is that, if that is the intent that the government wants in the legislative provisions, the government should amend the act.

Senator RONALDSON: So the clarification work has actually been done?

Mr Campbell: Yes.

Senator RONALDSON: This is not something that you consider should have been done in the context of your review? What were the imperatives—

Mr Campbell: No. The review that I chaired was a review of the Military Rehabilitation and Compensation Act. This was a far broader thing. The Smith case was already there, so we handled it separately.

Senator RONALDSON: Obviously I have not seen that legislation but, unless you are legislating specifically for the Smith facts, it would be hard to imagine that there would not be some overarching impact on the offsetting issue.

Mr Campbell: No, that is quite right. But they were handled separately; Smith was before that, and legal advice is being sought.

Senator RONALDSON: I understand that.

Mr Campbell: They are both on the public record now.

Senator RONALDSON: I appreciate that. But if the Smith bill does not contain itself to the particular facts of the Smith case then surely if there is any reduction in offsetting capability outside that very narrow criterion it will have ramifications for your report.

Mr Campbell: No, but I understand your question. I have not seen the provisions yet, but the way they should be drafted is that they should be very straightforward and clarify the provisions going back to 1973 that all government departments have operated on since then. But the offsetting issues that are discussed in the report are far more fundamental to how the calculation of the offset is actually done.

Senator RONALDSON: Thank you. Can I turn to something that has exercised my mind for about four hours a day—the ambulance transportation cost issue—to which there may be a very simple answer. Last year, the government decided that the old rules in relation to ambulance funding costs were going to change. Is that correct?

Mr Campbell: Yes.

Senator RONALDSON: Indeed, they were so excited about it that there was a provision for savings and the money was hived off to consolidated revenue. Is that right?

Mr Campbell: Yes.

Senator RONALDSON: Lo and behold, in this budget the government will no longer proceed with the measure 'Veterans ambulance travel funding: changed fee arrangement', which was announced in the 2010-11 budget. Instead the government will negotiate individually with each state and territory to enhance existing arrangements for the Veterans Ambulance Travel Fund by improving data availability and transparency in funding. It then says provisions for savings from this measure were included in the forward estimates in the contingency reserve. How can you have savings and money going into a contingency reserve

in 2010-11 when it had already gone off in 2010-11 and there was no money allocated in the forward estimates from last year? That is just one question!

Mr Campbell: The money that is in this year's PBS, which is about \$200 million over the forward estimates period, is putting those savings back into the forward estimates. So that is actually an increase in expenses.

Senator RONALDSON: But I am reading from the PBS.

Mr Campbell: This year's PBS, or last year's?

Senator RONALDSON: This year's.

Mr Campbell: The \$32.6 million and the \$41.1 million?

Senator RONALDSON: Yes. Down at the bottom of the page it says provisions from the savings measure were included in the forward estimates and the contingency reserve. Well, it could not be the year before because that had already been dealt with. And presumably—

Mr Campbell: No, it was the year before. It was a budget measure for 2010-11. The budget measure had savings and they were taken out of our forward estimates.

Senator RONALDSON: In last year's budget this program was cut out because there are going to be revised—

Mr Campbell: No, it was not cut out.

Senator RONALDSON: Yes, it was.

Mr Campbell: The decision was—

Senator RONALDSON: Ms Daniel, you are smiling at me, which indicates that I am either right or terribly wrong. Which one is it?

Mr Campbell: No, we still pay, and have always paid, for ambulance trips for veterans and widows.

Senator RONALDSON: So what was last year about?

Mr Campbell: The savings proposal last year was that if you have a look at the ambulance expenditure by state and the cost per capita, it is quite variable across all states and the two territories. What the government decided to do was to try to get a level of consistency which, as a consequence, would bring down the average price that we pay to the states and the territories, and which therefore would result in a saving. That was the budget measure in 2010-11 and the provision for those savings was included in forward estimates and the contingency reserve, which is what you are reading from last year's documents.

Senator RONALDSON: But this is program 2.5, isn't it?

Mr Campbell: That is right. Out of our forward estimates in the last year's budget, \$200 million came out over the forward estimates period because it was a savings option.

Senator RONALDSON: And it showed that there was no provision in the forward estimates though, was there?

Mr Campbell: No, we said that it came out of our forward estimates but where it was shown was in the contingency reserve, not in our measures table.

Senator RONALDSON: It has now come out of the contingency reserve, has it?

Mr Campbell: It was in the contingency reserve as part of the net calculation of the contingency reserve.

Senator RONALDSON: But you cannot allocate funding under program 2.5 out of the contingency reserve?

Mr Campbell: No.

Senator RONALDSON: It must come back out of it.

Mr Campbell: I think probably I cannot explain the contingency reserve as anywhere near as well as Mr Tune—perhaps next time you and he are at estimates. The point was that in last year's contingency reserve, they made provision for the savings for this measure on ambulance funding. So it was a savings. Very simply, it was a savings option and provision was made for the savings.

Senator RONALDSON: But in the PBS last year under program 2.5 there was no provision for this expenditure in the out years.

Mr Campbell: That was because it was in the contingency reserve which as you know occurs in the overall budget documentation at the end of the tables. It does not go against individual's portfolios.

Senator RONALDSON: Can you explain to me how it has now come back in the PBS this time round, with an allocation of \$32 million and then \$41 million et cetera. I am confused how that \$32 million come back in for last year when there was actually no provision for it at all?

Mr Campbell: There was a provision for that.

Senator RONALDSON: You are smiling, Ms Daniel, you tell me what I am mucking up.

Mr Campbell: Just see if you can explain it to the good senator.

Ms Daniel: What showed in the two lines in last year's budget was a line of blanks which was all the government put in the budget papers regarding the decision. The actual financial impact was recorded against the contingency reserve. This year that decision has been reversed so that funding is shown as the actual numbers, adding to our appropriation. The expenditure for the ambulance services in the appropriation for the portfolio budgets statement is part of the travel for treatment line which includes our other transport programs, as well as the ambulance.

Senator RONALDSON: Thank you.

Ms Daniel: Was that clear?

Mr Campbell: Don't ask.

Senator RONALDSON: I am not entirely convinced if we did stay here until my nominated time of midnight that it was going to be any clearer but I think I have now. I could not work out where that line item had got to and then had come back in, if you like.

Mr Campbell: And I would accept the fact that it is confusing.

Senator RONALDSON: Yes.

Mr Campbell: But the reality of life is the money is in our expenditure in the forward estimates years for all the ambulance fees.

Senator RONALDSON: It was the \$32 million that had come in as expenditure for last financial year that threw me. I could not quite work that out.

Mr Campbell: We have paid for every ambulance trip that a veteran or war widow has taken.

Senator RONALDSON: I was not doubting that had happened; it was how they were paid for that was the confusion. I note that my colleague has some questions for the War Memorial at some stage and I have as well, but I do have a number of matters. The pharmaceutical blow-out, Mr Campbell, what has happened there?

Mr Campbell: It is not a blow-out. It is a combination of two things. The costing in the government's election was over a shorter period than the budget costing and it was done on a cash basis, whereas the budget costing is done on a fiscal basis. So as not to confuse you any more, I will ask Mr Rochow to explain the fine detail of that.

Senator RONALDSON: I presume he had to explain it to you, did he?

Mr Campbell: He did. I understand it, Senator.

Senator RONALDSON: Good.

Mr Rochow: What the secretary says is right. The number that you would have seen was \$18.2 million, which was a cash number. The more recent number that you probably would be referring to is the \$30.1 million. The increased number is certainly not a blow-out, it just reflects an additional year, 2014-15, that was added to the budget measures table when that was done. It also reflects the fact that the budget table shows a fiscal balance number rather than a cash number. In effect, because of the way this scheme works, the entitled veterans will obviously receive eligibility from 1 January 2012 but they will not be reimbursed until 12 months after. So they will put in their claim for whatever pharmaceutical costs they have incurred and they will get reimbursed 12 months later. The increased number up to the \$30.1 million reflects the fact that under the net fiscal we record the expenses. The eligibility that they will be incurring during that six-month period will not necessarily get paid until 12 months later. So that accounts for the increase as well.

Senator RONALDSON: So you are required to account for that?

Mr Rochow: Correct.

Senator RONALDSON: Prior to the expenditure?

Mr Rochow: Correct.

Senator RONALDSON: Mr Campbell, at last week's New South Wales RSL Congress, you heard me say that I felt the great challenges for this portfolio actually lie in front of it rather than behind it. I think from the portfolio's point of view we need to be very sure that there are not others in other departments listening into these conversations who think that at some stage this department is going to be able to afford to give up large sums of money because of various matters that are occurring with the ageing of the population, and I think our biggest problems are ahead of us, not behind us. I mean that particularly in relation to the mental health issue. I think that Treasury and Finance and others feel that they, in the years ahead, will get some substantial clawback from this portfolio. I think they are delusional, I have to say. I would like to think it was otherwise but I fear that it is not. So we have all got to remain pretty resolute, collectively, to ensure that does not occur.

Senator Feeney: We had a very grim reminder just today, didn't we, that Australians are still at war.

Senator RONALDSON: Absolutely. That very morning that you and I were at the congress, as you know, there was an article in the *Australian* about PTSD. It talked about the numbers. I think it talked about Smith and the other cases before, and whether there is going to be some impact from any offsetting changes that you might have recommended. The article referred to 48,000 veterans having a service related mental health condition and we know that there are going to be some changes of a result of Smith but we are not too sure what they are.

The potential risk I would have thought with this and with your report is that if it becomes so complicated people will be reluctant to make claims and particularly those with a mental illness. Has the department thought about that? I acknowledge that we cannot answer that in 10 minutes, but are you looking at this whole issue of mental health? I think you have an independent report coming back to you shortly, but in what context is the mental health issue being looked at from the department's point of view? Is it a whole-of-department approach you are looking at with it?

Mr Campbell: Yes, not only us but also Defence.

Senator RONALDSON: Yes.

Mr Campbell: You are right. Discussions like these are not ones that are easily done in a couple of minutes and, indeed, it is something that we, the ACPMH, Defence and others will have to work on. There is one comment I would make. Mental health issues that come out of service from 1 July 2005 will not have any issue with regard to offsetting. Now that is not a good thing; it is a comment.

I agree with you about the future, particularly for what the young men and women who are serving in the Defence Force at the moment are facing. They, along with us, Defence and the community generally have quite a few challenges in front of us. I think a number of our programs that we have developed in the mental health area, and in the VVCS such as The Right Mix and Heart Health are great programs for the Vietnam veterans et cetera. I am not sure that the way we have them structured and put together would be felt to be that relevant for a 28-year-old who has just been discharged or a 32-year-old. Those are the sorts of challenges that we are facing. There is no magic solution but unlike maybe in previous generations, I think we and Defence and CMVH et cetera are very conscious of the issue and trying to work forward on it.

Senator RONALDSON: In the quality assurance of PTSD programs annual report, on page 1, the document says only nine of the 12 PTSD programs were active during the 2009-10 financial year. I want to know what are those programs, what do they do, how does a veteran access them, are they publicised, why were only nine of them active during that last financial year and if not, why not? Do you want to take that on notice?

Mr Campbell: Given the time and the question, I think we will take that on notice.

Senator RONALDSON: I notice there has been a decrease in the number of participants in the overall program. In 2007-08 there are 297 DVA clients participating in the 12 PTSD programs. In 2008-09 there were 249 in 12 programs and last year, in 2009-10, there were just 215 DVA funded participants. What would be the reason for that decrease?

Mr Campbell: I think the reason for that would be the declining number of World War II/Korean veterans and the fact that possibly the Vietnam veterans are in a stable position for the amount of courses they are doing. What I think we are not seeing yet is any substantial impact on mental health assistance or treatment for those who have been deployed in the last 10 years.

Senator RONALDSON: I think you are just about to receive a report from the Centre of Military and Veterans' Health? Have I got the right name?

Ms Yapp: Yes, that is correct.

Senator RONALDSON: Is that right?

Ms Yapp: Yes.

Senator RONALDSON: When will the report be made public?

Ms Yapp: I am unable to answer. We expect to receive the report by the end of June. This is the report looking at the review of PTSD programs.

Senator RONALDSON: Yes. How long has that been going on for? How long has the centre being doing that work for?

Ms Daniel: The initial funding for the program was endorsed in May 2010. This is the CMVH review. That was as a result of the Dunt recommendation.

Senator RONALDSON: So what date was that, Ms Daniel?

Ms Daniel: The initial funding was endorsed in May 2010.

Senator RONALDSON: So it has been about 12 months then?

Ms Yapp: It has been a shorter period of time that CMVH has been working on it because we went to an open tender in order for that work to be undertaken.

Senator RONALDSON: And what is your expectation of that? Will it be a recommendation or will it just be a review of the programs? What is the brief?

Ms Yapp: The brief is to look at two phases. The first phase is to conduct a literature review, looking at the international literature of evidence-based best-practice treatment of PTSD, looking specifically at group treatment programs. The second part is analysis and recommendations, having looked as well at the data of what is happening, the strength of improvement and the variation between the different sorts of programs. It is making recommendations that they can draw from the evidence as to what sort of adjustments might need to be made for the PTSD group programs.

Senator RONALDSON: Has there been any money put aside in this year's budget for any likely recommendations in relation to program changes?

Ms Yapp: We fund treatment through group treatment programs in hospitals, so the recommendations that would come may mean that, for example, the accreditation quality assurance process that is put in place for treatment programs might need to change or that we need to work with the providers to put in place different sorts of arrangements. So we are not expecting that we need specific money; we already have money available to provide the treatment.

Senator RONALDSON: But surely your expectation at this stage would not be that it is almost business-as-usual work within the confines of the programs that are there at the moment. Surely we would all be hoping it will be a little more innovative than that.

Mr Campbell: Perhaps I could answer that question.

Senator RONALDSON: Yes. You see where I am coming from, though.

Mr Campbell: Yes. Given the comment I made earlier, if we do not have a report that recognises, if you like, the generational change of the people who we are providing services to and the differences in the mental health issues that we think will come out of the more contemporary deployments then I will be disappointed, because I think that our approach to some of these things will have to change. That is the point that you were making at the beginning of this interaction, and I agree with you.

Senator Feeney: Can I perhaps clarify one thing. Senator Ronaldson, do you intend to ask questions of the War Memorial?

Senator RONALDSON: I thought that one of my colleagues was going to do so. I think it would be most remiss if there were not one or two questions, so I will reluctantly fill the breach in relation to that. So can we ask them to stay. It is a pity to keep them here and not ask them a couple of questions.

Senator Feeney: Fair enough.

Senator RONALDSON: I will reluctantly—

Senator Feeney: Fill the breach.

Senator RONALDSON: Yes, indeed. Parliamentary Secretary, are you aware that under the Department of Broadband, Communications and the Digital Economy, with the set-top box subsidy to pensioners and vulnerable members of the community to assist in the switch over to digital television, there is an email doing the rounds—someone may well have a brief on this—suggesting that veterans receiving only a part service pension are not entitled even though they may be receiving a TPI pension?

Senator Feeney: No, I have not seen that email.

Senator RONALDSON: Is anyone aware of whether that is correct?

Mr Luckhurst: I have not seen the email, but the criteria that were established for the set-top boxes by the department of broadband were that it was for people on the maximum rate of service pension and income support supplement.

Mr Campbell: I have seen the email, and they use the term 'WS'; I think they mean service pension. But the point being made in the email that I have seen is exactly the same as the one that Mr Luckhurst has just made: if you are not on a full rate of service pension or age pension then you are not eligible. That, of course, was not a policy decision of this portfolio.

Senator RONALDSON: I fully appreciate that, and that is why my question was directed where it was. But many TPI pensioners rely solely on their TPI pension, don't they?

Mr Campbell: No, it would be a very unusual individual who would be living just on the TPI, because if you are—

Senator RONALDSON: No, there are some who rely almost solely on their TPI.

Mr Campbell: No, I would say no again, because under the service pension or the age pension—take those as your two basic pensions—the TPI is not means-tested or asset-tested for receipt of those pensions. So, if you are a person who has qualifying service and you have a TPI and you have no income other than a TPI, you get a full service pension, and the same if you are an age pensioner.

Senator RONALDSON: Okay. They would in that situation. Could you just take it on notice anyway, Mr Luckhurst. If you want to respond formally to the email, I would be grateful for that.

Mr Luckhurst: Thank you, Senator.

Senator Feeney: I wonder, Senator, if you might tender a copy of the email. That would certainly be of assistance to me.

Senator RONALDSON: I would be very surprised if the gentlemen to your left and right did not have those emails.

Senator Feeney: Very good.

Senator RONALDSON: We are getting there. In relation to the Vietnam War education centre in Washington, Brigadier Appleton, you are the man in charge of this, I gather.

Brig. Appleton: Yes.

Senator RONALDSON: I just want to ask you: when the government decides to host veterans of a particular conflict at a commemorative event in another country or at the opening of a memorial or something along those lines, how are they selected?

Brig. Appleton: I can respond only in relation to the Vietnam Veterans Education Centre in the United States, where the offer was extended by the board of this centre to the Australian government for consideration. We were the first—to date the only—country to which this offer has been extended.

Senator RONALDSON: What was the offer? The establishment of the centre—

Brig. Appleton: The offer was for Australia to be represented within this centre in acknowledgement of the contribution of Australia in the Vietnam War.

Senator RONALDSON: Okay. Was there an opening ceremony?

Brig. Appleton: The veterans centre has not been opened; in fact, the construction has not yet begun.

Senator RONALDSON: When there was an announcement of the funding, was there a function at the announcement?

Mr Campbell: The government contribution to the education centre was announced in the current government's election platform for the 2010 election, and the government then confirmed that after the election. The official announcement of the funding provision was made on either 6 or 9 March; anyway, it was the Monday in March of that date. That was done by the Prime Minister in Washington DC.

Senator RONALDSON: According to the media reports, there were three Vietnam veterans chosen to attend. Is that right?

Mr Campbell: There were indeed, Senator. I go back to your first question to Brigadier Appleton, as to how they were chosen. In a normal environment—including the memorial that

you have just been to in Greece and Crete—where there is a significant period of notice, the department goes out to the relevant ex-service organisations to seek nominations. In regard to the announcement at Washington DC on that Monday—forgive me; I cannot remember whether it was the 6th or the 9th—the Prime Minister and her office asked about a week beforehand whether it was possible for several Vietnam veterans to be present at the announcement on that Monday morning.

Senator RONALDSON: What was the rush? Do we know?

Mr Campbell: 'Rush' is not quite the word I would use, but I think that, with things such as prime ministerial trips and what happens in prime ministerial trips, they come together towards the end of the time because of all the other pressures, including time pressures, on people in those positions. So I think it was probably only a week to 10 days beforehand that it was determined that this announcement would be made by the Prime Minister on that Monday morning. So the department was asked whether it was possible for us to arrange for several Vietnam veterans to be present there. As a consequence of that, we did not do what we normally do and what we did in Greece and Crete. I consulted particularly with the Repatriation Commissioner, Major General Mark Kelly, and, as a consequence of that, three veterans were chosen to be there.

Senator RONALDSON: Were any others from the ex-service community invited?

Mr Campbell: No, just the three that went.

Senator RONALDSON: With launches and openings like that, is it normal for ex-service organisation representatives to be in attendance?

Mr Campbell: Certainly in Australia, yes. This one here is probably the first example of anything like this. All other ones overseas have been where a memorial has been dedicated—for example, the one that you would have seen when you were in Greece and Crete recently, which was dedicated 10 years ago. So this is the first that I can recall where such a significant announcement was being made in another country. So I think this was a one-off, or certainly a first and possibly a one-off.

Senator RONALDSON: What about the unveiling of other memorials overseas? Are ex-service organisation representatives invited to those?

Mr Campbell: Yes, over a period of years. I think the most recent one that we unveiled was in November 2008, when the rebuilt memorial at Le Hamel, France, on the Western Front, was dedicated by the Governor-General. A group of eight to 10 veterans—if I had five minutes I could actually list them—

Senator RONALDSON: Were ESOs invited?

Mr Campbell: Yes, they were representatives of ESOs. Veterans and representatives of ESOs were invited and attended that rededication.

Senator RONALDSON: Why wasn't anyone from the ESO community invited to the March—

Mr Campbell: To the announcement by the Prime Minister?

Senator RONALDSON: Yes.

Mr Campbell: Because, in effect, it could not be arranged in the time from when I was asked to when it was going to happen, which was one or two days more than a week.

Senator RONALDSON: So, Parliamentary Secretary, the Prime Minister determined who was going to get invited on the basis of her schedule, not what might be a reasonable representation of the ESO community at such an important event. It is pretty poor form not to invite anyone from the ESO community to something as significant as this, isn't it?

Senator Feeney: I think three fine persons representing the veterans community were afforded the opportunity to be present when the Prime Minister made an announcement in Washington DC that I am sure we all welcome.

Mr Campbell: I have to add to the parliamentary secretary's answer. The three veterans chosen were Graham Edwards, who is well known to people in this place; a former RSM of the Army, Arthur Francis, who was a very highly regarded RSM of the Army; and a Vietnam nurse who was a lieutenant at the time of the Vietnam War. So, while they might not have represented ESOs as might have happened in the past, I want to endorse the parliamentary secretary's comments about their being three very notable representatives of Australians in the Vietnam War.

Senator RONALDSON: That was not my question; I was not reflecting on that, as you well know. Have the RSL been responded to? They were pretty upset about this, weren't they? Has anyone in the government bothered to explain to them why there was no consultation?

Mr Campbell: I, the minister and Mr Carmody have very regular—almost daily but certainly weekly—interactions with the RSL, and that issue and the concerns the RSL have about that have been discussed. I cannot talk for the minister, but I have certainly had a lengthy discussion with the President of the RSL and so has Mr Carmody.

Senator RONALDSON: I am going to put the rest of my questions on notice, but I do have one further question for Brigadier Appleton. Brigadier, I have been approached by the Gold Coast City Council and the veteran community on the Gold Coast to have the Rotary Kokoda Memorial Wall and Rotary Kokoda Memorial Walk at the Cascade Gardens Village declared a memorial of national significance. I gather there have been only three such memorials so far. One is the Ballarat Ex-POW Memorial, of which I have the great honour to be the co-chair. There are two others, aren't there?

Brig. Appleton: I defer this question to my colleague Mr Tim Evans, the National Manager Commemorations.

Senator RONALDSON: Sure.

Mr Evans: I believe the other two are the Shrine of Remembrance in Melbourne—

Senator RONALDSON: That is right.

Mr Evans: and the HMAS *Sydney* II Memorial at Geraldton.

Senator RONALDSON: Who carries out the assessment of the significance of a request? I gather that the minister wrote to these people in relation to their request. Is there a committee that determines applications? Is there a yardstick against which people have to meet criteria to get a memorial of national significance?

Mr Evans: Yes, the Military Memorials of National Significance Act 2008 sets out a series of criteria from (a) to (j) in section 4(3) of the act. For an application to warrant recommendation as a military memorial of national significance, it is required to meet all of those criteria. Applications are considered by staff in the Commemorative Programs Section

in my group, the Commemorations Group in the department, and a brief is provided to the minister recommending a course of action.

Senator RONALDSON: I think section 4(3)(a) says:

... the memorial is of a scale, design and standard appropriate for a memorial of nationally significant status, and is appropriately dignified and symbolic ...

How are scale, design and standard measured?

Mr Evans: They are considered on the basis of information provided in the application by the organisation or organisations seeking approval for a particular memorial as a memorial of national significance.

Senator RONALDSON: So there is no actual measurement. The committee make the decision, do they?

Mr Evans: The committee considers the material that is put forward by the applicant. There is a template and there is guidance so that the applications are of a standard form, and there is guidance on the material which is listed.

Senator RONALDSON: You cannot have a standard form, because the *Sydney* memorial, the Ballarat POW memorial and the Shrine of Remembrance are entirely different. There is no template for design, so it has to be something else, doesn't it?

Mr Evans: When I say 'a standard form', I mean that any applicant is asked to provide information that substantiates their claim against each of the criteria.

Senator RONALDSON: In relation to the Rotary Kokoda memorial wall and walk, under the act I think the minister may consult persons or bodies that the minister thinks it is appropriate to consult. Is that right?

Mr Evans: Yes, that is correct.

Senator RONALDSON: Did the minister undertake any consultations in relation to this request?

Mr Evans: The minister considered a brief that was provided by me and responded to that.

Senator RONALDSON: Yes, okay, but did the minister consult a person or body? I am presuming that you do not fit into that part of the act—that it is someone outside, exterior to that. So was there any consultation undertaken?

Mr Evans: I am not in a position to answer that question, Senator. To the best of my knowledge the minister responded to the brief that I put forward.

Senator RONALDSON: Surely you can say whether there was consultation or not.

Mr Evans: I would say that if I knew whether there was, but as I do not, I cannot.

Senator RONALDSON: Will you take it on notice for me?

Mr Evans: Yes.

Senator RONALDSON: Thank you. Has the minister visited the memorial?

Mr Evans: I cannot answer that.

Senator RONALDSON: Can you take it on notice?

Mr Evans: Yes, I can.

Senator RONALDSON: Thank you. I have some other questions which I will place on notice, and I have one or two very quick questions for the War Memorial. Thank you.

CHAIR: We will now go to the Australian War Memorial.

[22:51]

CHAIR: I welcome General Gower and the staff from the Australian War Memorial, at this late hour.

Senator RONALDSON: When the government belatedly announced funding in relation to the War Memorial, the press release was very quick to praise you and praise your staff and praise the government. You were strangely silent when the Leader of the Opposition announced funding. Why would that be? Why did the War Memorial, given everything that had gone on, view it as appropriate to not acknowledge at all the announcement of the Leader of the Opposition but was effusive in its praise of the government?

Major Gen. Gower: I would not say it was effusive praise of the government; it was an acknowledgment of the gratefulness of all those associated with the War Memorial that the increase in appropriation had been met. That matter you raised with the chairman, and I understand the chairman gave you a comprehensive response. I feel there would be little I would want to add to what General Cosgrove responded to you. He said he thought it was entirely proper.

Senator RONALDSON: I am asking you.

Major Gen. Gower: I would agree with General Cosgrove.

Senator RONALDSON: You are the director. You did not think it was appropriate at all to recognise the announcement of funding from the opposition?

Major Gen. Gower: I am not aware of any funding that you announced. As far as I am concerned the announcement was from the one person who could increase our appropriation and that is the Prime Minister of the Commonwealth of Australia. I do not know quite what this sum of money that you are alluding to is at all. I return to what General Cosgrove said—

Senator RONALDSON: Did the Prime Minister bring along a cheque for you on the day that she made the announcement?

Major Gen. Gower: The announcement was—

Senator RONALDSON: No, she did not did she?

Major Gen. Gower: I do not know whether—

Senator RONALDSON: She made an announcement, so do not come that line with me. Can you please explain to me again why the Leader of the Opposition was not allowed to make the coalition's funding announcement on the memorial ground?

Major Gen. Gower: Again, that has been the subject of correspondence with the chairman—

Senator RONALDSON: But you wrote the response so I am asking you about it.

Major Gen. Gower: I think General Cosgrove is quite capable of preparing a letter back to you, and—

Senator RONALDSON: Well, did he?

Major Gen. Gower: It is his own work. He was given some dot points by the council secretary. The chairman is well across the issue. He gave you a very thorough response—about three-quarters of a page on that topic. I have nothing further to add. He made the point that it is a sensitive issue and we endeavour to be free of controversy, particularly on political matters. The announcement was entirely proper by the Prime Minister. In fact, at that press conference she refused to answer any question other than the announcement of the increase in the appropriation. Mr Abbott rang me. I thought Mr Abbott had a good conversation with me. He understood the situation. I made some suggestions to him. One he picked up—

Senator RONALDSON: He only asked you, didn't he, if he could do the announcement on the grounds? He did not ask for the announcement to take place inside the memorial, did he?

Major Gen. Gower: The Leader of the Opposition made a request to me after one of his staff had spoken to my communications and marketing manager. Being told our policy, he rang me. I said it was not our custom and not our policy to allow matters of a political nature like that to be announced in the precinct at the War Memorial—

Senator RONALDSON: What sort of matters?

Major Gen. Gower: Excuse me, can I please finish, Senator Ronaldson, if I may? I then had what I thought was a good conversation with Mr Abbott and I made some suggestions where he might choose to hold the press conference—

Senator RONALDSON: Outside the memorial ground, wasn't it? Very generous of you. Thank you for that suggestion.

Major Gen. Gower: I am terribly sorry but the sarcasm is not appropriate, Senator—

Senator RONALDSON: I will ask you about the Remembrance Day speech and I am sure you will be effusive about that.

Major Gen. Gower: Remembrance Day speech? That is a separate issue—

Senator RONALDSON: I might get a response from you if I start talking about that.

Major Gen. Gower: We are talking about Mr Abbott in this case. I thought we had a good conversation. I made a suggestion which he appreciated and he held the press conference over there—which I understand ranged across a number of issues—

Senator RONALDSON: So the announcement of the Leader of the Opposition was a political announcement, was it? Is that what you are saying? Is that what you are telling the committee, that the announcement of funding was a political announcement?

Major Gen. Gower: I am not saying it was a political announcement per se. As far as he spoke to me, he was endeavouring to make commentary about whether or not the Australian War Memorial should get an increase in its funding base, amongst other things—as it proved he did speak about other things. I think it is entirely appropriate that he held a press conference outside the precinct—

Senator RONALDSON: You had a couple of staff there. Again, the Prime Minister was on the grounds and quite rightly refused to take any further questions.

Senator Feeney: She was observing a long held custom.

Senator RONALDSON: I am sure you got an effusive report back from your staff that you sent scurrying over there to see what was said. Were you aware that there had actually been a very significant earthquake in New Zealand that morning, and the questions were about that? This political announcement that you are talking about.

Major Gen. Gower: I have no idea who was at the conference. You talk about staff scurrying—

Senator RONALDSON: You got a report back. You sent staff over there. You know exactly what was said.

Major Gen. Gower: I did not send staff back—

Senator RONALDSON: Oh, come on. They just, off their own bat, wandered over there, did they?

Major Gen. Gower: People have some initiative in these matters, one would hope. If a head of communications and marketing wishes to go across and listen to a press conference, that is her—

Senator RONALDSON: This political announcement—

Senator Feeney: The War Memorial is not a nest of conniving ALP apparatchiks, Senator Ronaldson.

Senator RONALDSON: I did not suggest that it was.

Senator Feeney: You are talking about 'scurrying'—

Senator RONALDSON: The witness had people over there. You have described an announcement about funding as political. You refused to acknowledge the fact that the coalition made a commitment. Of course, it would have had absolutely nothing to do with your reappointment, would it?

Major Gen. Gower: Oh.

Senator RONALDSON: It was nothing to do with your appointment, was it?

Senator Feeney: Senator Ronaldson, I think it is in everyone's interest that you withdraw that.

Senator RONALDSON: I have no intention of withdrawing.

Senator Feeney: You have impugned character.

CHAIR: I am sorry I did not hear. What did you say?

Senator Feeney: It is astonishing.

Senator RONALDSON: I asked for the rationale. Given what had occurred the fact of the so-called political announcement and the fact that the witness would not—

Senator Feeney: You made the clear imputation that General Gower has provided the ALP with favour in exchange for his appointment. It is an outrageous assertion and I think it is in your interest and all our interests for you to withdraw.

Senator RONALDSON: I am sure it is. I have no intention of withdrawing it. If I got some reasonable answers to questions I might have had a different attitude.

Senator Feeney: I cannot save you from yourself.

CHAIR: It is now 11 pm. General Gower and staff, thank you for attending at such a late hour of the evening for such a short period of time. Parliamentary secretary, do you have anything that you wish to say? The committee stands adjourned until 9 am tomorrow.

Committee adjourned at 23:01